

THE IRISH INSTITUTE OF MATERIALS HANDLING

ANNUAL DINNER

THE GROWTH OF IRISH INDUSTRY

by

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As the first year of membership of the European Community draws to a close it may be interesting to review the performance of Irish industry, Irish industry is now in its fourth distinct phase of development since 1930.

The first phase was the stimulation of home based industry behind high protective barriers from 1932 - 1957. During this phase the number of people employed in industry increased from 115,000 to 146,000, and industrial output grew by an average of less than 4% per annum.

Industrialisation was not proceeding sufficiently rapidly, and in 1957 the second phase from 1957 to 1965 commenced and an industrial promotion drive was started to encourage the establishment of foreign industries backed by a scheme of incentives, the high protection remained. During this period industrial employment grew from 146,000 to 178,000, and industrial output by an average of 6% per annum.

At this stage it was clear that high tariff protection could not be maintained indefinitely, and that Irish industry should prepare for eventual entry into the EEC when it would need the capacity to survive in free competition. The third phase from 1965 to 1972 therefore commenced with the negotiation of the Anglo Irish Free Trade

Area agreement under which the tariffs against British products would be reduced by 10% per year until they were eliminated. Some years earlier it had been recognised that the growth of Irish industry would have to be export led, and an incentive scheme giving tax relief on profits earned from exports for 15 years was introduced. The result of these policies was that between 1965 and 1972 industrial employment increased from 178,000 to 196,000, and industrial output increased by 6% per annum.

The fourth phase 1973 to 1977 commenced on 1 January 1973. The Irish people voted in May 1972 in favour of joining the EEC with a majority of 83%. There were clear advantages for agriculture which had traditionally sold its products to Britain, a country with a cheap food policy. Irish industry too, threw its full weight behind the campaign to join the EEC. The balance of advantage appeared to lie with entry. This appeared to offer a more prosperous local economy, a Community Regional and Social policy, access to EEC markets, and the opportunity to participate in a much greater economic and social experiment in which the smaller states had safeguards. There were risks of course. The tariff against goods from the old EEC, often as high as 60%, would be reduced to zero in four years. Yet industry had emerged relatively unscathed from the tariff reductions under the AIFTA. It was a chance worth taking.

The first drop of 20% in Irish customs duties against the old EEC took place on 1 April 1973. This was followed on 1 July 1973 by a further drop in tariffs under the AIFTA to an absolute level of 8%

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against British products. Competition for Irish goods on the British market should also have increased with greater competition from EEC countries. What has happened?

The following chart illustrates the performance of the Irish economy in 1972, and its estimated performance in 1973

		<u>Growth in Output</u>	
		<u>1972</u>	<u>1973</u>
a)	GNP	3½%	6%
	Industry	4.7%	10%
	Exports value	21%	33%
	Imports value	11%	40%
		<u>Exports</u>	
		<u>1972</u>	<u>1973</u>
b)	Pattern of trade :		
	Britain	51%	48%
	Old EEC	17%	19%
	North America	9%	11%
	Northern Ireland	10%	10%

We appear to have made a good start. There were, however, many favourable factors and, perhaps, unique factors at work this year. The economies of all our major trading partners were expanding fast. Farm incomes rose by 34% due in part to the operation of the Common Agricultural policy in dairy products - increased money available for spending on the products of industry. The downward float of the £ almost eliminated the pressure of increased competition from EEC countries. Many of the new foreign subsidiary firms which had

been established came on stream. Mining activity increased. All of these factors combined to produce a mood of business confidence in Irish industry which had not been surpassed for five years. It is clear that not all of these factors were due to entry into the EEC - nor were they all advantages.

The higher farm prices, and devaluation contributed to an exceptional increase in inflation. Prices rose by 11% in the year to mid August 1973 but the rate of increase now shows signs of moderating. Nevertheless in the choice between inflation and growth there is no doubt where the wish of industry would lie.

The share which foreign goods have of the Irish market is currently 21% and is increasing by about one percentage point per annum. This trend is likely to continue as the tariffs against continental countries drop during the transitional period. Another threat which is at least as important will be the increased competition from non EEC countries, such as the U.S. and Japan, as our high tariff barriers are reduced to come into line with the 8% common external tariff of the Community. Companies manufacturing solely for the home market area are, obviously, entering a very difficult phase.

Irish industry is, therefore, growing at an unprecedented rate during the first year of its fourth phase of development. Employment has increased by 6,000 to 202,000 and industrial output by an estimated 11%. Our task now is to maintain and, if possible, to accelerate this momentum.

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Developing Links with Other Countries

The economic and social links which Ireland has with other countries influence and are influenced by the volume of trade, investment, tourism and transport facilities.

Thus Britain is our major trading partner accounting for 46% of Irish trade, 21% of foreign investment in Ireland since 1960, and 39% of tourist revenue.

The old EEC is our second major partner and accounts for 20% of foreign trade, 30% of foreign investment and, as yet, only 8% of tourist revenue.

Next comes North America which accounts for 10% of trade, is the largest foreign investor, comprising 39% of investment since 1960, and is a close second with 35% of tourist revenue.

Finally, Ireland's links with Japan are developing rapidly. Although the market now accounts for only 1% of Irish trade, and less than $\frac{1}{2}$ % of investment, it is expected to develop rapidly from this low base in the immediate future.

The degree of investment from any area probably indicates the greatest degree of long term potential in developing other economic and social

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links. It is probable that the countries of the old EEC will shortly take over the top position in industrial investment, followed by North America, Britain and Japan in that order.

It is clearly desirable that Irish organisations working in any of these fields should work in close liaison with one another so that the greatest degree of spin off can be achieved from any individual effort. Each effort of itself contributes to raising the level of awareness of this country, and can make easier the work of others in disparate fields.

For example, during the last eight weeks, the Confederation has co-sponsored with CTT an Irish Economic Mission to the Netherlands; and a trade mission to Japan. A mission to promote licensing and joint ventures, in cooperation with the IDA is at present in Denmark. We have also worked closely with the Irish Ambassador in Japan, and the Irish Permanent Mission in Brussels.

Transport and Ancillary Services

Expansion of trade with other countries creates the demand for an increase in scope and efficiency of international transport and ancillary services. Irish manufacturers have to overcome the disadvantage of distance from the major population centres. This calls for fast, efficient and frequent services to enable exporters

to compete with "local deliveries" in foreign markets. Clearly, industry must look ahead and ensure that continued growth in trade will be matched by the growth in type and quality of transport services. This requires close liaison between the users and providers of transport and ancillary services.

The bulk of traffic moving between Ireland and other major markets is, at present, through lift-on lift-off container services. The development of the door to door concept, with direct links to EEC and North America since the early sixties, has had far reaching effects on methods of handling at factory and warehouse, and has brought with it a new level of sophistication and technology. The Irish Institute of Materials Handling is making a major contribution to development of even more efficient methods in this area. The Confederation looks forward to working closely with your Institute in improving handling and transport methods.

The frequency of sailings is another important element of transport, and while existing services offer almost daily direct connection with British and European ports, other markets, like North America, Japan, and Australia are served by weekly sailings through U.K. ports. The small scale of Irish industry is, undoubtedly, a constraint in international transport, and means very often that we can accept only the

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services offered without being able to influence the type of equipment, method of shipment, or speed of routing.

However, this does not weaken the case for constant research and new initiative in innovation, to improve both methods and efficiency in transport and ancilliary services.

Conclusion

Irish industry has performed better than ever before and has grown faster during our first year as members of the EEC. Links with the major economic blocs in the free world are developing rapidly. Britain, the old EEC, North America, and Japan will all make major contributions to the further growth of industry in future.

Industrial growth is not an end in itself. It is however necessary for economic and social development. For example, it is worth noting that industrial employment has increased by 6,000 people over last year, and unemployment has fallen by the same amount. In order to achieve this an 11% plus growth rate was necessary. If this growth rate slackens so will the rate of reduction in unemployment.

During the past few weeks industry has had to cope with two major constraints - lack of electricity and a cut back in oil supplies.

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The effect of the electricity blackouts has been to reduce industrial production. Already industry has lost millions of pounds. Every million pounds can provide up to 200 permanent jobs. This is the economic and social effect of the present disruption.

Last Friday a 5% reduction in oil supplies to industry on the levels of last winter, or current levels where there has been a significant increase in business, was announced. Industry is giving top priority to economising on the use of fuel to ensure that it can maintain its output.

The Confederation urges that priority continues to be given to the supply and use of oil for productive purposes, and supports highly selective Government action to achieve this end.

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