

PRESS RELEASE

***A SINGLE MARKET ON THE ISLAND CAN LEAD,
THROUGH IMPORT REPLACEMENT,
TO 75,000 EXTRA JOBS***

**Press Statement from a talk by Liam Connellan, Director
General, Confederation of Irish Industry, at the MacGill
Summer School, Glenties, Co. Donegal on Monday, 10th
August 1992 at 8.30pm**

THE ISLAND MARKET

The completion of the Single Market in the European Community on 31st December will result in a Single Market on the island of Ireland for the first time in living memory. The opportunity for increasing trade between the Republic and Northern Ireland is very substantial. Manufacturers in the Republic sell only a quarter as much in Northern Ireland as they do in the Republic while on the basis of the relative populations they should be able to sell half as much. The comparisons for Northern manufacturers are even more dramatic. Northern Ireland manufacturers sell only a third as much in the Republic as they do in Northern Ireland although the population of the Republic is twice as great. If similar penetration of markets could be achieved by manufacturers from each part of the island in the other part, this would result in increased business for manufacturers, North and South, through import replacement, of £3 billion and at least 75,000 additional jobs on the island.

The much greater degree of internal trading in Denmark, which also has a population of about 5 million, underlines the potential. For every £100 of products which Danish manufacturers export, they sell another £100 worth of products on the Danish market. On the other hand, for every £100 which Irish manufacturers export, they sell only £30

on the Irish market. I am not suggesting that we reduce our efforts to develop exports, but rather that we increase our efforts to improve sub supply linkages between firms on the island of Ireland in order to increase demand, output and employment on the island.

About 600 manufacturing plants in Ireland account for two-thirds of total output, and comprise most of the wealth creating capacity of the island. These larger manufacturers are mainly specialised producers for the large European market. They are supplied with components and services by a further 6,000 small and medium sized firms located in our cities, towns and villages. However, only a small minority of the larger manufacturing firms are currently structured on a whole island basis. This is changing and will lead to a far greater level of intertrading between the two parts of the island than at present.

TRANS EUROPEAN LINKS

The island of Ireland accounts for only 1.5% of the population of the European Community. The number of people employed on the island has increased by about 3% since 1985. Products manufactured in Ireland have increased their share of the total European market. However, much more work needs to be done in order to raise the productive capacity of the island by providing a more efficient infrastructure which will be an integral part of a total European network, in areas such as transport and energy.

(a) Transport to Continent

The transport infrastructure must overcome the disadvantage of our geographic location by being the most efficient and cost effective system possible. We must not be daunted by the task. At present, an Irish firm can deliver its products to more than 200m. people, including destinations as far away as Berlin, München and Milan within two days delivery by truck. This two-day delivery period is critical to the customer's perception of service, reliability and the ability to maintain just-in-time delivery. If the necessary investment in infrastructure were undertaken in faster ships and improved port facilities with computerised processing of documents, it would be possible to improve overall transit times by at least 20%. This would give Irish firms access to markets in Austria, Switzerland and Poland within two days. More importantly, it would mean that Irish industrialists could service the main Continental cities much faster thus making Irish goods more competitive.

(b) Transport on the Island

Transport links are essential for the development of greater North South trade, and creation of additional employment on the island. Let us take a few examples.

We need a very high quality road network from Derry, Sligo, Galway, Limerick to the main export ports at Belfast/Larne, Dublin and Waterford/Rosslare and Cork. The 110 mile stretch from Dublin to Belfast linking the two cities which comprise, in their hinterlands, half the population of the whole island, is of critical importance in economic development and must be improved to motorway standard. There is a major programme under way to develop high speed rail links between the major cities on the Continent. We should plan to complete similar high speed train links having average speeds of more than 150 mph. between the four or five main cities on the island.

In addition, we also have a vital interest in transport developments in other Member States such as the improvement of the West coast ports in Britain, and the North West ports on the Continent, as well as in road links in Britain such as those from Holyhead to Chester, Fishguard to London and Stranraer to the Glasgow/Manchester motorway.

(c) Energy

The natural gas network on the island should be extended to link all the main cities, and linked to the planned pipeline between Ireland and Scotland.

The electricity network on the island needs to be interconnected, and in turn linked to the European grid. This would enable power stations to operate continuously closer to full capacity, and to buy and sell electricity to other countries during peaks and troughs in demand. The possibility of supplying electricity produced competitively for export from coal imported in bulk to the Shannon Estuary, or from potential further discoveries of natural gas, should be examined. The Scottish Electricity Authority has already stated that the opportunity to supply Northern Ireland with electricity is "too good an opportunity to miss".

These examples show the growing interdependence between the two parts of the island. I have little doubt that by working together we can create a single economic market, improve competitiveness and greatly enhance job prospects.

TRENDS TOWARDS EUROPEAN INTEGRATION

There is a growing trend towards the integration of the economy of the Republic with that of the Continental mainland.

- Exports have led the way: Continental Europe now accounts for half of total Irish exports compared with only 10% in 1970.
- Tourism receipts from Continent Europe account for 36% of total tourism revenue compared with 21% only five years ago.
- Inward investment from Continental Europe accounts for 31% of total foreign investment in manufacturing industry.
- and about 20% of our young graduates who go abroad for training and experience now go to Continental Europe. A growing number of undergraduates undergo part of their studies at Universities on the Continent.

I do not believe that equilibrium in the emerging European Union will have been reached until the Continental mainland accounts for at least 50% of total Irish economic relationships with other countries comprising exports, inward investment, tourism, and graduate/undergraduate training.

CONCLUSION

Only a quarter of the goods produced in Ireland are bought on the island. The creation of a Single Market without frontiers on this island, as well as throughout the rest of Europe, at the end of the year opens up exciting prospects for increasing North/South trade. Many of the 6,000 manufacturing plants on the island have the potential to buy more from and sell more to one another. Improved road and rail links between the major cities on the island are essential to overcome obstacles to trade.

The island market in turn must be integrated with the total European market. The trend towards greater integration must continue so that Irish firms can achieve economies of scale in appropriate niche products. Our transport, telecommunications, energy, educational and training infrastructures must match the best in Europe.

Employment on the island has been growing over the last 20 years for the first time in over a century. The rate of job creation can be accelerated by removing all obstacles to trade between the two parts of the island. I am happy to report that the level of cooperation between firms in Northern Ireland and the Republic has never been greater.

ENDS

10th August, 1992