Address by Liam Connellan, Director General, Confederation of Irish Industry, at Conference on "Prospects for the Uruguay Round" at Conference on the GATT at the Riverview Centre, Clonskeagh, Dublin, on Tuesday, 24th July 1990 at 10.00a.m.

THE VIEWPOINT FROM INDUSTRY

CONCERNS ABOUT FOOD, TEXTILES, TRADE IN SERVICES, AND INDUSTRIAL INCENTIVES

Introduction

The Irish economy is a model of the benefits of free trade. For almost 30 years from the early 1930s to the mid 1960s we pursued a policy of protectionism in order to build up industries behind high tariff barriers. In retrospect it can be seen that this policy was accompanied by slow economic growth and declining employment. Even by the mid-60s we still had 30% of the people still employed in agriculture.

In 1964 we started a process of dismantling tariff barriers first against Britain and later against all the countries of the European Community. By 1977 that process had been completed.

Since 1960 industry in Ireland has expanded at a rate twice as fast annually as it had in the previous 30 years. The proportion of national output accounted for by industry in Ireland is now in line with the rest of the European Community. Ireland has a population of 3.5 million people accounting for only 1% of the whole Community. Exports, which accounted for only 30% of industrial output in 1970s, account for 80% of total manufacturing output today.

Ireland's high concentration on exports determines our policy in relation to international trade. Our primary interest is in ensuring that we have free and fair access to international markets for exports, and that we can purchase products and services on the Irish market at internationally competitive prices.

At the same time we must recognise that Ireland is one of the least developed member states of the European Community having a GDP per capita 67% of the Community average and 16% of its workforce unemployed. We are committed members of the European Community since 1973 and voted overwhelmingly in favour of the Single European Act in 1987 aimed at completing the Internal Market by the elimination of all tariff and non-tariff barriers. However, the European Community is not just a free trade area. It also has a commitment to the reduction of regional disparities and the Single European Act contains a specific commitment that all actions of the Community should take into account the requirements of economic and social cohesion. This implies that all European Community legislation must take account of any negative impact which such legislation might have on the expansion of the less developed regions and also that there should be a significant transfer of resources from the more developed areas of the Community to the less developed regions. This transfer of resources, however, should be to assist in bringing about structural change so that there can be greater convergence of living standards across the Community.

The framework, which influences the attitude of Irish industry, is firstly, a strong commitment to free and fair trade not only within the European Community but also between the Community and other countries; and secondly the requirement to raise Irish living standards closer to the European average by measures which enable Irish output and living standards to converge more rapidly with the Community average.

The GATT Negotiations

Irish industry has a strong interest in the successful conclusion of the Uruguay Round of GATT negotiations so as to remove restrictions on world trade and to reverse the trend in recent years towards protectionism.

The GATT negotiations are concerned not only with trade but also with the regulation of trade-related incentives for investment. Since about half of industrial investment in Ireland is from abroad, we have considerable interest in the approach adopted by the GATT regarding industrial incentives.

I recognise that there are many difficult problems to be resolved, particularly related to agriculture, trade in services, textiles and intellectual property.

Ireland in common with European industry wishes to promote the continued expansion of international trade, which has increased from less than two trillion dollars in 1985 to over three trillion last year. The further expansion of trade creates a more dynamic and efficient international economy and improves the prospect of increasing employment and living standards in all of the countries who are members of the GATT.

Industry in Ireland wishes to see (a) a strengthening of the role of the GATT; (b) an improvement in the multilateral trading system based on the rules and principles of the GATT; (c) a larger part of world trade in products and services brought within the multilateral disciplines which are agreed on internationally and which are efficient and binding.

Therefore, industry wishes :

1. to obtain a positive result by the end of 1990 to ensure the continued expansion of world trade and reverse the trend towards protectionism.

2. to achieve participation in the GATT by the greatest possible number of countries.

3. to take full account of developments in Eastern Europe.

4. to improve the rules which govern international trade so as to allow the development of trade which is free, transparent and provides fair and equal opportunity for all to compete.

5. to include new sectors such as trade in services based on mutual understanding and equal opportunity.

The European Community Framework

Ireland, as a member of the European Community, negotiates within the GATT as part of the EC. The European Commission aims to secure the highest possible degree of freedom in international trade. This is not surprising since the Community accounts for 20% of world trade, compared with 13% for the United States, and 12% for Japan. As the world's largest trading bloc, the Community wishes to pursue a policy of liberalization.

Issues of particular interest to Irish industry :

As an open economy Irish industry favours measures to improve market access for goods and services. We strongly advocate the opening up of markets outside the European Community so that we can expand our exports and also purchase raw materials from the widest possible range of countries.

We, therefore, have a direct interest in the development of :

1. a formula to reduce import tariffs;

2. measures to reduce non-tariff barriers adopted by many countries outside the European Community such as in technical standards, different packaging standards, administrative requirements, and public purchasing policies which limit free access of goods to the market;

3. common codes of practice to cover issues such as dumping of goods at prices well below the production costs, and;

4. the inclusion of services as part of the negotiations. Trade in services now accounts for one trillion dollars per annum, that is a quarter of total world trade in goods and services, and is growing rapidly. Services such as financial services, tourism, transport, and computer services play an important role in Ireland's international trade.

SPECIFIC ISSUES

Before going on to deal with some specific issues, I want to stress my belief that the negotiations on trade must be conducted within the broader framework of economic development. There must be a much greater coherence between commercial, monetary and financial policies internationally. For example, competitive devaluations can disturb world trade as severely as tariff barriers. The needs of developing countries must be balanced against those of more highly developed countries. The framework for provision of investment incentives must take account of the relative state of development, and must be counterbalanced by access to markets.

(a) The Food Industry

Discussions on agriculture which are being included in the GATT negotiations for the first time are very sensitive and of very great importance to Ireland. Commissioner MacSharry has pointed out that the Community support for agriculture has already dropped significantly, and has suggested that similar adjustments have not been made in other parts of the developed world. Agriculture and food processing accounts directly for 20% of total employment in Ireland. Over the last 20 years the Common Agricultural Policy has been the most important EC regional development policy as far as Ireland is concerned. Ireland exports a very high proportion of its food output, and would be seriously concerned by proposals to reduce export subsidies particularly when even greater subsidies exist in other developed regions of the world.

(b) The Multifibre Agreement

The Irish textiles and clothing industry supports the integration of the multifibre agreement governing international trade in textiles into the GATT on the basis of strengthened rules and the phasing out of restrictions on trade in textiles.

The textiles and clothing industry in Ireland is very concerned at the pressure building up in the United States, as exemplified by the Textiles Bill which now appears set to be passed by the Senate, to introduce overall global quotas on the import of textile products from all countries except Canada and Mexico. If this proposed legislation were adopted it would restrict European exports to the United States and deflect exports from other countries which would otherwise have gone to the United States on to the European market thus causing a substantial surge in imports into Europe. There can be little doubt that should this happen there would be very serious disruption of the textiles and clothing industry in this country.

It would surely be far better to develop an orderly system for the growth of trade in textiles and clothing based on multilateral agreements through the GATT.

(c) Intellectual Property

Irish industry favours international agreement on the protection of Intellectual Property. Patents and Copyrights in which firms have invested large sums of money must be afforded protection which will ensure that companies can earn a return on their investment. The alternative of allowing piracy would have a severely detrimental impact on the willingness of companies to invest in research and development, and would slow down the overall pace of economic development. These issues are particularly important for the pharmaceutical, computer, and information technology sectors.

(d) **Trade-Related Investment**

The attraction of mobile manufacturing investment to Ireland is a vital component of our economic development strategy. It has enabled Ireland to expand its industrial output substantially over the last 30 years and in this way to cope with a massive restructuring of the economy as people drifted from agriculture and tariff protection was removed from the older traditional industries. Despite this, we still have a long way to go as our unemployment rate is 16% of the workforce. International competition for mobile investment is increasing and has intensified as a result of developments such as those in Eastern Europe.

It is essential that proposals to regulate trade-related investment should take account of the needs of less developed countries to attract inward investment of this nature. I believe that incentives which help to restructure the economy and bring about change should be encouraged, while operating subsidies which create distortions of trade should be eliminated.

I am aware that there is still a significant gap in the GATT negotiations between the least developed countries and the highly developed countries on this matter.

(e) **Trade in Services**

Irish industry favours the inclusion of services under a more liberal set of rules governed by the Uruguay Round. The development of internationally traded services in Ireland has created a strong base on which to expand further into world markets. Services such as banking, computer software, transport and telecommunications are well placed to take advantage of wider market opportunities in the developed and developing world.

The completion of the EC Internal Market in trade and services by the end of 1992 will provide a base for Irish firms to expand in third countries. The development of trade in international financial services is now playing an important role in Irish economic development. Four per cent of the Irish workforce is engaged in the provision of financial services. It is expected that the International Financial Services Centre at the Custom House Docks will employ 5,000 to 7,000 people within three years. Irish financial service companies are also investing abroad. It is essential that there be full freedom to establish offices, and to provide service internationally. This will lead to a more efficient infrastructure and lower costs throughout the international economy.

We also favour greater international trade in transport services in order to improve access between Ireland and other countries. It is vital that the rules of trade developed in the GATT negotiations are based on a principle of reciprocity so as to ensure equal opportunity for all members of the GATT to compete on world markets.

It is disquieting to note reports that the United States may wish to exclude some transport, finance, and telecommunications services from the umbrella agreement.

Conclusion

The completion of the Uruguay Round is an exceptionally important step in the creation of a sound framework for the development and expansion of world trade. There is no room for complacency because positions are still very far apart in many key areas, particularly related to services, agriculture, textiles, and investment incentives.

The target is to agree a set of proposals under a single comprehensive agreement which would reform world trade over the next decade.

It is in all our interests that agreement should be reached which will take account of the balance of interests for all the contracting partners. There is increasing awareness that the price of failure to complete the negotiations could mean a dangerous reversal to unilateralism or bilateralism which would be detrimental to all countries. Ireland, as an open economy has a vital interest in the successful completion of the Uruguay Round.

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