April

Article by Liam Connellan, Director General
for Community Report, 16.4.1992

MAASTRICHT TREATY REFERENDUM WILL BE VOTE FOR CONTINUED FULL MEMBERSHIP OF THE EUROPEAN COMMUNITY

RATIFICATION OF VITAL IMPORTANCE FOR CONTINUED JOB CREATION

The referendum on June 18th will be a vote on Ireland's continued full membership of the European Community. It will be of vital importance for continued job creation in Ireland.

It will be an opportunity to build on the progress made over the last 20 years during which the number of people employed in Ireland and the Irish population increased more rapidly than in any similar period for 150 years. Membership of the Community has enabled Ireland to diversify its trade so that variations in demand in any one market can now be compensated by increased emphasis on another. Irish exports have continued to grow more than twice as fast as those from the rest of Europe and the incomes of people employed are now on a par with those in countries such as Britain and France. Most importantly, our rate of progress has accelerated over the last five years.

Industrial Structure

There has been substantial change in the structure of Irish industry over the last decade. This has come about primarily because of the nature of inward investment arising from our membership of the European Community, and the process of adjustment to high-value low-volume and knowledge-intensive industries where transport costs are low and educational requirements high. These industries have been the main contributors to the more rapid growth of industrial and economic output in Ireland than in the rest of Europe. The high proportion of manufacturing output in the new technology sector, which has shown a long-term growth trend of about 15 per cent per annum, augurs well for the continued rapid expansion of Irish industrial output.

Mobility of Investment

The European Commission has recently estimated that investment throughout the Community has become much more mobile than heretofore. Investment flows are becoming similar to trade in goods. Twenty years ago the Commission estimates that only 30 per cent of all investment projects were mobile, but that this percentage has increased to 50 per cent today. Technology has made it possible to carry out highly sophisticated operations at an increasing distance from the marketplace, provided the logistics of delivery are fast and cost efficient. These developments offer enormous opportunities for Irish development provided we remain full and active members of the Community.

Inward Investment

Most of the expansion of the Irish economy over the last twenty years has been due to the contribution of new inward investment. There are now 1,000 overseas firms operating in this country which were set up primarily to supply the EC market and because Ireland is a fully committed member of the EC and is recognised as a gateway to the Community for hundreds of American and Japanese firms. These overseas firms employ directly almost 100,000 people and indirectly many more. Their existence is the main difference between the Ireland of the 1990s and that of the sixties. Initially these firms brought with them access to international markets and to new technologies. The operations carried out in a large number of these factories are among the most sophisticated in the world. As the duration of their establishment in Ireland lengthens so too does the depth and quality of their operations, and their linkages with the rest of the economy

Reducing Unemployment

The attraction of more internationally mobile industries, whether Irish or foreign owned, to invest in this country is essential if future progress is to be made in job creation. More industrial projects are internationally mobile than ever before. For example, the foreign-owned companies now operating in Ireland accounted for almost all the net increase in employment since 1973. By doubling the annual rate of investment the rate of increase in net job creation can also be doubled from 18,000 business sector jobs to 35,000 per annum by 1997.

The European Social Fund has contributed substantial funds to education and training in Ireland, but there remains a need to achieve close to 100 per cent participation rates in education or training for qualifications up to 19 years of age as currently occurs in Germany. Participation rates in formal training and education among 16 to 19 year olds are currently about 65 per cent. Bridging the gap with Germany would reduce unemployment by at least 50,000. The feasibility of reaching this target will be made possible by the proposed doubling of the Structural Funds, and its achievement would lead not only to a substantial reduction of the unemployment level, but also to the creation of an economic dynamism and competitiveness unmatched in our history.

A More Competitive Europe

The June referendum is about creating a more competitive and dynamic Europe in the world economy, which would directly benefit Ireland. The measures contained in the Maastricht Treaty are designed to make the European economy more efficient and dynamic while at the same time reducing disparities between the regions. The great bulk of Irish exports are sold in other European countries. The creation of a single currency will reduce the costs of trading and result in lower interest rates. The increased commitment to assisting the less developed regions will ensure continued assistance for Ireland in developing job creating industries, and providing vital infrastructure, such as better roads, railways, ports, and education and training services which make Irish products more competitive.

Failure to ratify the Treaty will leave us in a far worse situation than at present. Failure to ratify the Treaty would be a declaration that Ireland no longer wishes to be a part of the developing European Community. We would quickly feel the effects on competitiveness as the rest of the Community traded across exchange free state borders while Irish industry continued to bear the additional burden of exchange risk and transaction costs. A more immediate affect would be the loss of confidence by the international investing community. The likelihood is that this loss of confidence would cause a flow of money out of Ireland by foreign investors that could not be sustained by the external reserves. A substantial rise in interest rates following a no vote would be unavoidable. This would catapult Ireland back to the conditions of the early eighties when high interest rates and loss of confidence prevailed. It was not possible for the economy to grow then and it would not be possible for it to grow under such conditions in the future.

The last 20 years has seen unprecedented and successful restructuring within the Irish economy. The country has now got a much stronger industrial and business base than ever before and the market sectors of the economy have, for the first time, increased employment by more than 18,000 per annum over the last five years. This rate of growth will be accelerated as Irish firms gain greater access to the markets in other European countries as a result of the further economic integration of the Community.

We need more investment in our industries as the mobility of international projects increases. We need to develop our strategic advantage as the gateway within the EC for US and Japanese investment. We need greater access to European markets, greater knowledge of European languages and business cultures; more tourism and inward investment. Industry in Ireland has grown faster over the last 20 years than in any comparable period in our history. Even today despite the slow-down in the international economy and continued recession in some of our major trading partners, Irish industry is continuing to grow and employment in the economy is being maintained. This has occurred because of the successful integration of Irish industry within the Single European Market. However, this process is only in its infancy.

Irish industry is, therefore, strongly in favour of ratification of the Maastricht Treaty as the means for further developing the Irish economy and creating employment at a faster rate than ever before.

END