

IRISH INDUSTRY WITHIN THE E E C

By Liam Connellan, Director General, Confederation of Irish Industry

Irish entry into the EEC on 1 January brought many changes for Irish industry and will bring many more in the next few years.

Thus in 1972 Irish exports increased by slightly over 20%, but Irish exports to the 'old' EEC showed the greatest increase in both absolute and percentage terms with an increase of £56 m. (first 11 mths.) or 107%. On the other hand, exports to our traditional market, Britain, increased by £39 m. or 14%. It is clear that a major diversification of trade is commencing. This will be further stimulated by reduced tariffs for Irish goods entering the EEC, the coming on stream of new export oriented subsidiaries of foreign firms which were set up in Ireland specifically to service the EEC market, and the undoubted increase in competition which Irish manufacturers will face on the British market, as British duties are reduced against continental products during the transition period.

The development of an industrial policy by the EEC will also have an impact on Irish industry. The first point we must realise about European policy is that it is still evolving, and that we can influence its development for the benefit of Irish industry.

There are five major areas of interest being developed at present. There are the industrial 'marriage bureau', the legal form of association known as groupings of economic interest, Community Development Contracts, the new social fund, and, finally, the regional policy.

The Industrial Marriage Bureau

The European Commission wants industrial firms in Europe to work together across national boundaries. These links will clearly stimulate trade, and communications between member states. The bureau is seen as a mechanism which will help firms, particularly small and medium sized, to form some sort of permanent links - not necessarily mergers, but also licensing arrangements, marketing agreements, sharing production facilities. It is not seen as a means to produce a

Dunlop Pirelli sort of situation, but rather as an office which will collect information about firms which wish to establish links with complementary firms in other parts of the Community. This will, probably, start with an office of about ten people at the Commission, and is expected to be operation by September next. Since this operation can help Irish firms, we should take a positive action in having this operation started with adequate resources.

#### Groupings of Economic Interest

This is a legal means for forming an association of firms. Again, the EEC is interested in it from a transnational viewpoint. At the moment there are tax and legal complications when firms in different EEC countries decide to set up a common servicing company. This "groupings" legislation will make it possible for, say, nine firms in different countries to come together and form a common service grouping for marketing, production, research, swapping branded products - and the legislation and tax system will be easy to operate. This legislation is likely to be passed by mid 1974. An important point from the Irish point of view is that the central service grouping will be allowed to arrange production specialisation and sharing. Thus, if a German firm in the group is short of productive capacity, he can arrange through the group for an Irish colleague to produce some products; on the otherhand, the Irish firm in the group may wish to arrange that the the German firm would sell its products.

We must ensure that the legislative formula finally agreed is suited to Irish manufacturers.

#### Community Contracts

The Community Industrial Development Contracts Fund is designed to assist firms to come together on a transnational basis in order to develop a product or a process which is new to the Community. Loans of \$1m.

will be provided at 3% and these will be non-repayable in the case of failure. The idea is that this fund will be used when normal commercial channels have shown unwillingness to support the project. A straight interpretation would mean that if two firms on either side of the border decided to develop a 'steam' car or a new computer, they could seek funds which would not be repayable in the case of commercial failure.

Now, there are some Irish firms which could, undoubtedly, benefit from these contracts. The scheme will probably not be agreed by the Council of Ministers until October next. We must ensure that it is interpreted and drafted in such a manner as to provide maximum benefit for our industry. For example, that if two firms, North and South, agree on a joint research project and subcontract much of the work to the IIRS, the project will be eligible. Or, if ten small firms from North and South decided to form a 'grouping' in order to specialise production, upgrade their industrial technologies, market their products, that that in itself should be regarded as fitting the criteria of "new process" and high risk.

#### Social Fund

The Social Fund is designed to assist in the implementation of Community Social Policy. Particularly, it will provide matching to Government funds for training and retraining of people in order to compensate for past redundancies, and prevent future redundancies. It has \$180m. available this year. Already Ireland has submitted some of the more obvious cases. We must remember, however, that help may be given for restructuring employment in regions, for sectoral studies which prepare a development plan for an industrial sector, for restructuring in agriculture, in textiles, to supplement the normal training expenses of semi state concerns; and for rehabilitation of the handicapped. We have to use our imagination in developing schemes which will benefit from the fund's provisions.

A new social policy is currently being developed. It should be forward looking, and aimed at prevention rather than cure only.

#### Regional Policy

The Community Regional Policy will be developed during the next few months. It will clearly amalgamate many aspects of industrial policy, incentives, social policy and transport.

As well as industrial incentives, it is clearly in our interest to ensure that transport provisions play a major role. As an island on the periphery of the Community, fast, cheap and efficient transport to the central areas is essential.

Ireland must formulate its proposals clearly. We must state what we want. There is little evidence that we have done so. It is up to all of us to ensure that we are up-to-date with the demands, responsibilities and opportunities of our new role in Europe.

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March 1973