Address by Liam Connellan, Director General, Confederation of Irish Industry, Dresden, Monday, 22nd June 1992

IRELAND - A TECHNOLOGICALLY ADVANCED ECONOMY

Saxony and Ireland are regions on the outer rim of the European Community. The population of the Republic of Ireland is 3.5 million but that of the whole island is 5 million, the same as that of Saxony.

1. Our aim is to create a network of business activity between our two regions which spans the European Community from East to West.

2. The share of industry in GDP in Ireland is the same as the EC average, and only slightly below that of Germany (West).

3. Since 1973 the fastest growing member states of the European Community have been on the rim These include Ireland, Britain, Spain and Italy. The slowest growing member states include Belgium at the centre. The Republic of Ireland has been <u>the</u> fastest growing economy in the European Community over the last twenty years.

4. In the period from 1974 to 1983 the average annual growth in the volume of GDP in Germany (West) was 1.6%, and in Ireland was 3.8%. From 1984 to 1991 the average annual growth in the volume of GDP in Germany (West) was 3.0% and in Ireland 3.9%.

5. The annual average change in productivity shows a similar trend. From 1974 to 1983 the average annual increase in GDP per employee in Germany (West) was 1.9% and in Ireland was 3.3%. From 1984 to 1991 the average annual increase in GDP per employee in Germany (West) was 1.6% and in Ireland was 4.0%. Irish industrial output per person is equal to the EC average and in many sectors is considerably higher. For example, a German-owned factory in Ireland employing many hundreds of people recently reported that the Directors were concerned because of the competition arising from the very high productivity of the Irish plant.

6. The main contribution to Ireland's fast economic growth since 1973 has been made by manufacturing industry which has expanded its output in volume by an average of 8% per annum. This rapid growth has been due to a sharp increase in the volume of exports which now account for 80% of total manufacturing production.

7. Ireland exports goods valued at 11,000 Deutschmarks annually per head of population compared to German (West) exports of 9,000 DM per capita.

8. Ireland's main exports to Germany are computers 17%; electrical machinery 12%; general machinery 3%; meat 3%, and tyres 3%. These five product groups account for almost 40% of total Irish exports to Germany.

9. There are more than 900 foreign-owned manufacturing companies operating in Ireland. These include 350 US firms, 200 British firms, and 130 German companies, and 220 from other countries.

10. In addition, there are many other German firms engaged in financial and other services in Ireland. These firms have invested in Ireland in order to supply the markets of North Western Europe. Firms from Saxony should seek to become sub-suppliers to German and other overseas industries operating in Ireland as well as to form close links with Irish-owned firms.

11. German manufacturing companies which have invested in Ireland include such well known names as Braun, Continental Gummifabrik, Kromberg and Schubert, Lapple, Kostal and Siemens Nixdorf.

12. Irish companies which have invested in Germany include Smurfit, CRH, Glen Dimplex, and Aldiscon.

13. Many European countries experience skill shortages. These include Britain and France which have a high rate of skill shortage, and Germany which has a medium rate. On the other hand, Ireland has a very low rate of skill shortage in manufacturing industry.

14. Ireland has a surplus of technical graduates in disciplines such as engineering, science, and computer science. Many of these young graduates migrate to other EC countries such as Germany in order to gain initial work experience before returning to live permanently in Ireland.

15. Ireland is a low inflation economy. Since 1987 the inflation rate in Ireland has averaged about 3% compared with an average of almost 5% in our main trading partners. In May 1992 the Irish inflation rate was 3.5% and is on a declining trend. This low inflation rate has been achieved because the Irish pound has been a member of the narrow band European Monetary System and has had no change in its rate against currencies such as the Deutschmark since 1986.

16. The Irish economy is tightly managed. Since 1988 annual Exchequer borrowing has averaged 2% of GNP, well below the average in the European Community. The target is to reduce borrowing to zero in 1993.

17. Regarding transport, goods can be shipped the 1,000 km from Ireland to Dresden in two days. It is possible to reach more than 200 million high income consumers within two days delivery by truck from Ireland. Measures are currently being taken to improve the logistics of transport from Ireland so that at least 250 million customers can be reached within two days delivery.

18. There are direct flights from Ireland to Frankfurt, Dusseldorf and Munich. Flying time is two hours. Traffic is increasing rapidly.

19. Finally, on June 18th in a referendum on the Treaty on European Union the Irish people voted 69% in favour. This demonstrates Ireland's commitment to increasing its trading, economic, social and cultural links with the other regions of the Community. The links between Ireland and Saxony, two rapidly growing regions of the European Community, will be of particular importance in the coming decade.

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