

Speech by Liam Connellan, Director General, Confederation of Irish Industry, at CII Meeting, Mount Brandon Hotel, Tralee, Co. Kerry, on Thursday, 11th April 1985 at 1.30p.m.

EUROPEAN ECONOMIC INTEGRATION

In view of the current discussions on European integration it is an appropriate time to examine how Irish industry has adapted to EEC membership.

I would point to seven major developments which have occurred since Ireland joined the European Community : -

1. The Economy

Since 1972, the output of the Irish economy has expanded by 37% compared with a growth of 27% in the total EEC economy. The gap in living standards between Ireland and the rest of the EEC has narrowed slightly, despite much faster population growth in Ireland. In 1984, output per capita in Ireland was 59% of the Community average compared to 56% in 1972.

2. Convergence of inflation

Ireland has had a much greater degree of control over its relative inflation since adopting an independent currency policy on joining the European Monetary System. In 1972 our inflation rate was 13% compared with an EEC average of 7%. Today our inflation rate at 6% is much closer to the EEC average of about 4.5%, due to similar economic policies being implemented throughout the Community.

3. Free Trade

Protective tariffs have been eliminated against imports, and tariff free access to Continental EEC has been available since 1978. Unfortunately, the benefits arising from these changes were reduced by the impact during our first decade of membership of the two deepest international recessions since the Second World War.

Ireland sends a higher proportion of its exports to other EEC countries and buys a higher proportion of its imports from other EEC countries than any other Member State.

4. Industrial Output

Our industrial output has expanded by 69%, over three times the EEC average growth rate and faster than any other Member State. This occurred because Ireland was an attractive location as a supply base for the whole Community market.

5. More Specialisation

Ireland's participation in the European Community has resulted in industrial firms becoming more specialised manufacturers of products for a small segment of the large European market.

Today, five product groups, computer equipment, chemicals, meat, dairy products, and electrical machinery account for over half of all Irish exports. In 1972, traditional industries such as food, textiles and clothing products dominated our exports.

6. Export Market Diversification

The volume of Irish exports has increased by 140%, mainly because of a rapid increase in exports to Continental EEC countries. In 1972, the United Kingdom accounted for 61% of Irish exports and continental EEC countries for only 16%. For the first time in the last three months our exports to the Continental EEC countries (36%) exceeded those to the United Kingdom (33%). On current trends the share of our exports sold to Continental EEC countries will increase to 45% by 1990, compared with 25% to the United Kingdom.

7. Investment

Over 800 overseas manufacturing firms are operating in Ireland, employing about 80,000 people. 325 of these are American firms, many of whom have established their only European manufacturing facility in this country. There are now 237 manufacturing firms from Continental EEC countries operating in Ireland, mainly supplying specialised segments for the EEC market, compared with 177 British-owned firms.

These developments illustrate some of the advantages which Ireland has gained from participating in a European market in which tariff barriers have been eliminated. There is still a long way to go in developing a large, single market within the European Community. The proliferation of customs procedures and documentation at frontiers between Member States slows down the free movement of goods; different technical standards and health regulations inhibit trade; preferences in public contracts to national suppliers reduces competition; wide variations in value added tax rates between Member States distort trade.

Irish industry depends on export markets for almost two thirds of its output. It is essential that all barriers to the movement of goods between Member States should be eliminated. The abolition of tariff barriers has had a very positive impact on Irish industrial output. There is every reason to believe that abolition of non-tariff barriers would have a similar positive effect.

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