

**TEXT OF PRESENTATION BY MR A BARRY  
VICE PRESIDENT, IBEC AT THE FORUM FOR PEACE  
AND RECONCILIATION IN DUBLIN CASTLE ON 16.12.1994**

**Introduction**

Madame Chairman, Ladies and Gentlemen

I am very pleased to have this opportunity to address the forum from the perspective of business on the island of Ireland, both in my capacity as Vice President of the Irish Business and Employers Confederation and as a member of the IBEC/CBI NI Joint Business Council. I would like to present the views to you under two broad headings:

- The background to the formation of the IBEC/CBI NI Joint Council and the work it is now doing in facilitating much closer business links on the island.
- A brief review of the current developments in the Irish economy.

**IBEC/CBI NI Joint Council**

In 1991, the Confederations of Industry on the island in recognising the need for much closer business-to-business contact than had been possible in the previous 25 years established the IBEC/CBI NI Joint Council. At the outset the Joint Council recognised the potential for trade development on the island, opportunities for firms north and south working together to carve out niche markets in the rest of Europe or elsewhere, and in the overall sense, an opportunity to remove obstacles to international competitiveness which would have substantial benefits for firms and a favourable impact on job creation.

The role set by the IBEC/CBI NI Joint Council to act as a catalyst to maximise the level of trade and economic co-operation on the island is, I believe, an essential part of the development of economic activity in the years ahead. The initiative taken by business involving the commitment of large indigenous and foreign owned companies

on the island to expand north-south trade in their own right as well as to provide opportunities for smaller firms through ongoing linkage programmes will accelerate development. Given the unusually low level of trade and economic links in the past, it is important that business can now avail of the opportunities in a co-ordinated and concerted way linking up with the state agencies involved in trade and industrial co-operation.

It is against this background that the IBEC/CBI NI Joint Council's Business Development Programme is playing an important role in achieving these overall objectives. The Business Development Programme which began in 1992 as result of the formation of the IBEC/CBI NI Joint Council has since been expanded in the new 5-year programme agreed by the Joint Council last year. In addition to business development, the work of the Joint Council includes co-operation in identifying and removing barriers to stronger business links on the island as identified in business surveys. Issues include:

- A co-ordinated approach to the development of north-south transport links embracing road/rail/ports and related developments.
- Action to influence investment in British West Coast Ports and in road/rail access to these facilities.
- The development of an Energy Policy for the island of Ireland.
- A joint approach to the allocation of EU Structural Funds to cross-border projects.
- The development of an Economic Corridor between the Belfast and Dublin regions.

### **The Business Development Programme**

Between March 1992 and September 1994, projects under the Business Development Programme involved the participation of over 700 firms in the manufacturing and service sectors who had not traded previously. The new 5 year programme will involve more companies from within the manufacturing services and agribusiness sectors as well as developing trade in services. Emphasis again will be placed on identifying new opportunities for North-South trade and developing North South Co-

operation between enterprises on a sectoral and regional basis. The primary focus will be on helping smaller firms especially within the border regions to avail of market opportunities both within the island market and in co-operation with other firms to target markets in the EU.

### Priority Sectors

The expanded programme will focus on five priority sectors which account for about 80% of industrial output on the island:

- Food Production
- Engineering and Electronics
- Textiles and Clothing
- Public Sector Market (all sectors)
- Services Sector.

The emphasis in all of these sectors will be to encourage more companies to plan their business on an island basis so as to increase opportunities to buy from or sell to businesses within the island economy.

Examples of specific sectors and activities are:

- Food Production

The process of introducing food companies to the major retail outlets has already commenced.

- Engineering and Electronics

The key objective in these sectors is to substantially increase the percentage of sub-supply business North and South placed with manufacturing firms on the island.

- Textiles and Clothing

On account of the significance of textiles and clothing in the Northern Ireland economy, where the output of these sectors is estimated at Stg£850 m and about 25% of manufacturing employment, textiles and clothing will be given further attention in the new programme. In addition, the high dependency on imports in the Republic in both sectors is an incentive to increase trade from Northern Ireland.

- Public Sector Market

The key role in developing the cross-border Public Sector Market is:

- Acting as the catalyst in bringing buyers and sellers together.
- Facilitating the flow of specific information on opportunities and procedures to manufacturers and providers of services.
- Monitoring technical and procedural requirements being imposed by the Public Sector to ensure that the procedures etc are transparent and that companies gain confidence that they are not being discriminated against because they are located across the border.

- Services Sector

The programme of activities for developing the Services Sector on a cross-border basis will be similar to that already developed for manufacturing. The Services Programme will also include sectoral meetings, individual company work and introductions to key buyers and activities aimed at developing co-operation between companies working in the same Service Sector.

### Trade Potential

An analysis of north-south trade between 1986 and 1991 shows a strong trade balance in favour of exports from the Republic to Northern Ireland. In 1991, reports by industry at the time pointed out that manufacturers in the south at that time sold just about one third as much per capita in Northern Ireland as they were selling in the home market and similarly manufacturers in Northern Ireland sold only one sixth as

much per capita in the Republic as they did in Northern Ireland. These trends clearly showed considerable scope for improving business on the island within an expanding but highly competitive European market.

The potential for a substantial increase in the volume of business beyond the current levels in the context of a permanent and peaceful environment on the island is encouraged. The peace dividend must be seen as a major opportunity to build on the potential created by the Internal Market and the further economic development of the European Union. Such development will strengthen the island of Ireland as a vibrant economic region within the wider European area.

### **Economic Corridor Development**

In addition to the programme to expand trade, the work of the Council also includes proposals to accelerate the growth of regional development linking north-south regional areas. The IBEC/CBI NI Joint Council has recently appointed a Task Force drawn from the Council's membership to work on the development of an economic growth corridor linking the two main cities. The move follows the recent publication of "A Corridor of Opportunity", a feasibility study which the Council commissioned last year. The study concludes that not only is the corridor feasible but it is essential to the overall development of economic linkages between north and south.

The report suggests that the existing obstacles to the development of a corridor - such as poor roads and linkages, limited interaction between the main urban centres and specific barriers to company development - are surmountable and states that a corridor would stimulate industrial development over time.

The report emphasised that the corridor should not be developed at the expense of other parts of the island but should build on existing strengths and complement cross-border initiatives already underway.

The expansion of trade on the island can make a practical contribution in realising the full potential through longterm peace and job creation. The combined efforts of business, Governments and the European Union will be necessary to create a favourable environment to assist in the creation of wealth, improvements in living standards through a reduction of unemployment and the development of new horizons for business large and small. The opportunities are there for all to see. Business on the island is poised to maximise the benefits from new opportunities.

## The Irish Economy

Economic activity has remained strong in 1994 and a GDP growth close to 6% is likely. Manufacturing output has been buoyant and indicators of private consumption remain fairly strong. The level of investment activity has proved to be quite robust and regrettably government spending has turned out to be greater than budgeted. All in all this makes for a very healthy increase in domestic demand of about 6%, which ought to have a beneficial impact on employment. It is most probable that exports are also growing strongly in 1994; figures for the first four months of the year suggest a reasonably strong growth in exports which is in line with the improved external environment and indeed the output figures.

The gathering pace of economic activity in our external markets also suggests that a high level of economic growth will be sustained in 1995 which will give the government, of whatever construction, room to make further necessary adjustments to taxation aimed particularly at reducing taxes on employment.

Strong growth in consumer spending is leading the growth in domestic demand alongside a much improved investment performance. Both of these components of demand will remain buoyant through 1995, with investment growth in particular likely to accelerate. The strong performance of these sectors will contribute significantly to an increase in the volume of domestic expenditure which will average over 5% this year and next. This contrasts with the average marginal decline in domestic expenditure of 0.3% in the years 1991-1993.

In 1994 manufacturing output has held up well in the first eight months of the year compared with the same period of the previous year, growing by 10.7%. The high technology/multinational sectors, with the exception of office and data processing equipment, have continued to perform well growing by close to 14%. In contrast with last year, however, the indigenous sectors are also a source of growth and have lifted their output by some 5%. The IBEC/ESRI Monthly Industrial Survey taken in November shows no signs of downturn in this robust manufacturing performance and it seems likely that output this year will grow by 10%. Given the generally improving international climate, it seems reasonable to anticipate a growth of at least 10% being attained in 1995.

Buoyancy in the housing sector has led the revival in building and construction activity. It seems likely that the output of the sector will rise by some 6.5% this year, more or less in line with the Department of the Environment estimates. It is likely

that, with the continued buoyancy of the manufacturing sector and a strong pick-up in domestic activity, some increased impetus will start to come from industrial investment though the commercial side is likely to remain fairly weak. EU structural fund spending will also add to output growth.

The buoyancy of the industrial sector augurs well for employment increases. The latest Labour Force figures relating to April 1994 were surprisingly buoyant. They showed an increase in total employment in the year to April of 30,000. Given that economic activity has consolidated since April and that growth rates have gained pace the prospects for further substantial increases in employment over the next two years are good. This should have a consolidating impact on confidence and hence consumer spending but should not, as a result of competition and the PCW, lead to any inflationary dangers.