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THE REGIONAL IMPACT OF THE EEC

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Part I: Background Material

Regional impact of national policies

When I was invited to calculate the regional impact of the EEC on Ireland no published material was available. Now although the work is still at a preliminary stage it is possible to measure some of the major impacts and to identify a number of issues that will have a bearing for the future development of policy. These issues also arise from a consideration of the impact of Irish national policy of which the present study is a logical extension. A brief look at the national studies may therefore provide an appropriate background to a consideration of the Irish situation. The presentation of the EEC impacts will follow in part II.

In the previous study it was argued that all national policies and programmes will have differential impacts on regions as a consequence of regional differences in resource endowment, income and the size and characteristics of population. This is so whatever the form the implementation of national policy may take, be it monetary policy, fiscal policy related to tariffs and taxation, subsidies, grants or other transfer payments, the direct purchase or provision of goods and services or simply the regulation of the market. Accurate measurement of the economic and social consequences of all policies at regional level was therefore an important prerequisite to the framing of an effective regional policy.

The first stage of the analysis - performed at county level- showed that contrary to popular belief in Ireland, the richest region - the East - derived the greatest direct per capita benefit from government expenditures, due mainly to the size of public sector wages and salaries. The intermediate regions of the south and east came next since these regions were well endowed to benefit from agricultural price supports and had urban structures that attracted manufacturing firms. The poorer regions of the west and north in the years studied came last and derived most of their receipts from social welfare payments that reflected their aging and underemployed work forces. Comparing the public expenditures thus allocated with per capita personal income levels revealed that whereas nationally they reached 37% the regional range was from under 33% in the richest region to over 43% in the poorest regions. Thus the smaller expenditures in the poorer regions accounted for a large proportion of local personal income. The analysis, contained in Ross (1978), led the author to conclude that the outcome was at variance with the stated objectives of regional policy.

To remedy the situation he proposed that more comprehensive approach be adopted to regional policy. The unintended effects of public expenditure could be avoided by regional impact statements. However policy also needed to consider the dynamic effects of active (rather than passive) infrastructural policies and the scope for multidisciplinary approaches to the planning of changes in institutional arrangements. In making these proposals he benefitted from a highly imaginative application of Weintraub's (1970) analytical framework of rural periphery and societal center interactions to Irish regions by two sociologists, Hannan and O'Carroll (1976). Further theoretical support was derived from aspects of the work of Myrdal (1957), Bauer (1971) and Schumacher (1973) but particularly from the insights of Chinitz (1971), the experienced American administrator, who held that economic forces elicit a response from a region but do not determine it. The other blade of the scissors is the spirit of the people as influenced by the economic and socio-political superstructure. Comprehensive policy needs to consider how to optimise this total response.

The implications of the Weintraub model

The Weintraub model is exceedingly rich and superior to alternative more simplistic and often doctrinaire models in its explanatory power. It requires the identification of three major characteristics of regions:

1. The resource potential, the availability of a local mobilisation system and the commitment of local leaders to development,
2. The power of the region to command the loyalties of its elites and through them to make itself heard at the centre,
3. The model of national participation that provides its guiding image.

It also requires defining two major characteristics of the centre:

1. The degree to which it is rich and possesses a mobilisation system,
2. The nature of its commitment to regional development, the roles it assigns to centre and region and the model which informs its policies.

Weintraub (1970 p. 369) that saw the interaction of these five "macro social factors not only determine actual policies and action programs but also may delimit, a priori the extent of innovation, often irrespective of the specific (regional) structures, needs, aspirations, and the potential of local modernizing elites". Hannan and O'Carroll used the model to identify types of region within Ireland and to analyse the characteristics of the centre. The latter was committed to development based on a model combining agricultural development, industrialisation and physical planning but devolving a minimum of power to the regions. The centre was not rich and had a poor mobilisation system. In all, one plus and one minus, whereas the ideal form of development would require pluses on all 5 characteristics.

The shifting centre

Since accession to the EEC the East region centred on Dublin is no longer exclusively the centre with which Irish regions interact. In EEC terms the whole of the Republic is one region and its powers of independent action are in many areas circumscribed by the obligations of membership. A fresh appraisal of the Weintraub model needs to ask of the EEC centre the same questions addressed to Dublin formerly:-

1. Is it rich and does it possess a mobilisation system?
2. What is the nature of it commitment to regional development, what roles does it assign to itself and the regions and what model of development informs its policies?

Clearly the Commission is not rich - the 1979 Budget is less than 0.9% of community G.D.P. - nor does it possess a mobilisation system, contenting itself to work through market mechanisms for the most part. In terms of Weintraub's analysis Brussels is not strong vis-a-vis the regions so that the success of the whole EEC depends to a considerable extent on the willingness of the richer regions to share responsibility for overall progress. More about this later.

The model of development

Brussels appears to be committed to regional development but within the context of classical economics market-oriented model. Irish people will be conscious that entry into Europe was the second time that they have joined a free trade area inspired by a similar model.- The first time was the enforced Act of (legislative) Union with the United Kingdom in 1801.- Like the Kingdom of the two Sicilies, with which they share many parallels, they will be anxious to avoid a recurrence of the disastrous consequences of the earlier experiment.

The circumstance of entry into Europe were different in many ways. The decision to join was enthusiastically endorsed and the desire to be effective Europeans is very real. The benefits to date have been significant and helped revolutionise the situation of both urban and rural dwellers. To date the snags have not been apparent but it is typical of Irish approaches to look to historical parallels to see the dangers that must be avoided.

The historic parallel

In the historic context Irish economists would hold that the development of a nation has typically followed a sustained period of high national protection. Effective control of the Irish economy by Britain was established in the early seventeenth century when parts of the country were colonized. Under mercantilist theory Irish industry was suppressed since Ireland was no more regarded an integral part of Britain than the American colonies. A measure of economic freedom was achieved at the time of the American War of Independence but after a brief but prosperous two decades of protection the Act of Union forced Ireland into a free trade area. The period of protection was too short and the transition too abrupt so that most of the new industries in southern Ireland withered though those of Belfast blossomed. The by now strong competitive position of Britain led her to favour free trade for everyone - freedom is always prized by the strong. The newly developed classical economics extolled the virtues of the market and freedom from monopoly and bureaucracy and provided a theoretical rationale within which thoughts of protection could be shown as aberrant.

This new economics supported centralisation and concentration. Aids to regions distort competition and weaken efficiency. Better let the people freely move to the jobs than the reverse. The only state intervention permissible is to uphold the rights of property (by enforcing contracts etc) or to ease the adjustment problems of regions being run down or abandoned. The great famine of Ireland brought home the extent to which people were able to use theory to exonerate themselves from averting a social collapse that did more damage than reduce the population of the area of the present Republic from 6.5 millions in the 1840 to less than 3.0 millions in the 1960s. The legacies of this policy are still there today in the regional disequilibria of Irish regions. London was a powerful but not committed centre; the Irish regions were poor,powerless and lacking leadership. Hechter's (1975) book Internal colonialism the Celtic fringe in British National Development 1536-1966 provides the atmosphere even if the basic model has been questioned by Irish scholars. The lesson that Irish people would glean from this historic parallel is that a free competition model is inappropriate to the development of weaker regions and can be utterly disastrous if coupled with a lack of commitment and/or resources at central level. Equally economic answers are insufficient of themselves to handle the problems of promoting the mobilisation of weak regions.

The rationale of the EEC

The basic idea is that of a Common Market and the emphasis has been on free competition. The role of the centre has been kept weak and as in Victorian England its main function is that of a policeman. The centre has no say in intra EEC redistribution. The social Fund is better named the retraining Fund since it does not carry the connotation one normally associates with social policy. It seems to have been inspired by the needs of industrial areas suffering from structural decline andits programmes were introduced to cater for the needs of industrial societies experiencing tight labour markets. It is not clear that it is adapted to the needs of preindustrial agricultural communities. Likewise aspects of the regional fund imply that countries have a stock of industrial projects that they could move out of areas of congestion. This is certainly not the case in Ireland. In line with the thinking that states or regions should not be given anything without making a contributions schemes have been devised that suit particular circumstances. To avail of them regions or states must put up some of the money. This benefits those that have the most money already. It also means that poorer states will go along with inappropriate schemes since it is hard to pass up money or because an alternative national scheme more adapted to local circumstances is not permitted by the rules of competition. Instances of these arrangements will be discussed in part II.

The accent has been on free trade and competition. The spur came from the German need for industrial markets. Europe hoped to develop high technology industries and to leave to the Third World the manufacture of clothing, footwear and textiles. A low external tariff would enable the Third World to develop exports to pay for industrial imports. As part of the deal the European coal and steel industries would be rationalised and Germany agreed to support the agricultural production of France and the Netherlands - a departure from free competition dictated by political realities even within Germany itself. The Common Agricultural Policy stresses milk and cereals - an arrangement which is particularly favourable to France and the Netherlands but less so to Italy.

The accent in agriculture is on prices rather than on structural reform. Allocations under the Guidance section of FEOGA have been at the same insignificant levels (compared to EEC GDP) as allocations to the social and regional funds. While it might be argued that these funds would somehow be an inefficient use of resources a more cynical interpretation would see them as a few sops to the public conscience to hide the selfinterest of powerful lobbies. (Currently a common fishery policy is being foisted on Ireland not based on the social and economic needs of the West of Ireland or of the EEC consumers but to solve over capacity in the French and Dutch fishing fleets. To a market oriented person the social consequences are as regretably but as inevitable as the Great Famine). The costs of genuine structural reform would require expenditures much larger than they currently are. Member state contributions would, therefore, need to increase from the current level which does not differ greatly from the level of their contributions to overseas development aid. Unlike the latter there is is less chance to recoup the payments.

The setting up of the Common market catered for the special relationships which member states had with countries outside the Community. Thus Germany and Italy had special relations with Eastern Europe and France with her former colonies. Concessions were obtained for these which were not always neutral in their impact on other members. The entry of Britain in turn brought concessions on agricultural produce which have helped to contribute to European surplus and enabled the UK to continue elements of its cheap food policy.

The entry of the new members was negotiated against a background of continuing boom and tight labour markets. Policies were designed to facilitate adaptation to these conditions. Entry coincided with recession and rising unemployment all round so that the rationale for the previous arrangements no longer retain the validity it did, even if the different circumstances of the new members had not merited some rethinking of strategies. While free trade has remained the dominant theme the new circumstances have seen a rapid rise of non-tariff barriers to trade that is disquietening. These will be discussed in Part II.

Prior to the entry of the three the EEC enjoyed a sustained period of prosperity with the gains and losses of most members (apart from Italy?) acceptable to the generality of their members. The situation was clearly not one of a zero-sun game. Ireland gained substantially from the agricultural arrangements, as we shall see, but found a number of trends to be uneasy about. The arrival of Britain added to the anti-CAP lobby. Agricultural surpluses were growing and monetary instability was having perverse effects on the comparative advantage of Ireland as a cheap agricultural producer. The first years of Union with Britain had been years of agricultural prosperity which was shortlived.

Ireland had expected to benefit from the regional fund given that the general level of its regional incomes was low. Table 1 indicates the broad picture immediately prior to accession in 1972. Since the countries at the bottom of the table have had depreciating currencies the range has widened since 1972. Ireland

Table 1 Ranges in regional GDP for member states in 1972 (US dollars per capita)

	Average	Highest	Lowest
Germany	4070	6338	3346
Netherlands	3878	4290	3409
Denmark	3763	na	na
France	3609	5768	2714
Luxembourg	3521	-	-
Belgium	3408	5356	2889
UK	2609	3055	2059
Italy	2142	2874	1363
Ireland	1700	1982	1293

Source: derived from Regional Statistics 1975 Eurostat Ross et al 1977

has the lowest position and even its richest region only overlaps with regions in one country - Italy's Mezzogiorno.

Britain looked to the regional fund to help with its industrial declining regions. Other members tended to identify regional problems in relation to their own national average rather than the Community's.* As a consequence half the EEC area and one third of its population were declared eligible to draw on what was a disappointingly small fund. Britain and Italy were the main beneficiaries, obtaining 63% of the total allocation compared with only 12% of direct FEOGA payments. Ireland's allocation did not adequately reflect her low income, being about the same share as she enjoys under FEOGA. Any movement to shift the balance between the funds, as Italy and the UK are attempting, would not influence greatly Ireland's transfer receipts unless the criteria for change were altered to concentrate on areas of greatest relative need. Even if this did not occur the regional fund could conceivably have a more beneficial impact than an equivalent amount of FEOGA transfers if it offered more scope for structural change than farm payments permit. The latter do have the attraction of not requiring any matching national payment and being automatic they are less amenable to political pressures.

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* This practice occurs frequently in EEC regulations eg. the FEOGA Guidance Fund.

While industrial policy seeks to create a unified market free from competitive distortions the same effort is not expended on the common agricultural policies. Mainly as a result of currency instability but also due to high prices, national agricultural markets exhibit greater diversity now than when the EEC was first mooted. Ireland's interest lie in a unified market. The MCA arrangement has posed difficulties for exporters associated with depreciating currencies which are not often adverted to in debates. This is due to the distortions of trade it has encouraged. Blancus* (1978) has ably documented the growing farm exports of Germany and the rapidly declining import deficits of Britain. Apart from these trends, which weaken Ireland's comparative advantage, the MCA system has permitted Britain to import agricultural produce at 25% below the Irish price, or 40% below that obtaining Germany. That this has been of considerable competitive advantage to British industry has been freely acknowledged by the UK under secretary for Prices and consumer affairs, Maclennan (1978) who concludes that a Common Market in agriculture can only follow "a movement towards harmonisation of inflation and growth rates by member states". This argues for a fully comprehensive regional policy. In consideration of these arguments and in view of the prospects of new members joining, whose regional problems are more serious than Ireland's, a thorough review of all EEC instruments is necessary. In this review the role of the model of free competition needs to be examined in relation to some theory of regional development and against the background of the post-recession employment situation in all countries. In addition the strengthening of the powers of the centre to improve its interaction with the regions needs to be reexamined.

Current Irish regional objectives

The search for a regional policy in Ireland has sought to extend beyond the traditional range of the classical economics competitive model. This

* Unfortunately in his study Blancus overlooked Irish membership of the EEC or else assumed that we were still part of the U.K.

accounts for the interest in the practical applications of the Weintraub model discussed above. To put this search in its setting some further details of the Irish situation may be of interest. In particular the dramatic change-about in Irish conditions is probably not widely known.

After political independence the Irish economy continued to display many of the features of its previous position as a British region. Ireland's specialisation in agriculture continued. After the introduction of the deficiency payment scheme Britain was able to support her farmers and at the same time, by maintaining an open import policy, enjoy the benefits of subsidised exports from agricultural exporters denied other outlets for their produce. The British cheap food system meant low incomes for Irish farmers. In certain areas these incomes were further depressed by poor physical resources and bad farming structures.

Independence did not result in a break in the parity link with sterling. This may have been maintained in the interests of the new Irish classes. More likely it reflected the opinion that a small open economy like Ireland had little to gain from breaking the link since the vast bulk of trade was with the UK and trade was an unusually high proportion of GNP. In the absence of monetary instruments free movement of capital was ensured and the perceived absence of viable local projects meant that profits tended to be invested abroad. Thus Ireland was creditor nation with a low standard of living - a typical feature of an undeveloped region.

On the industrial front protection did not follow independence but rather the general movement in this direction internationally during the thirties. Employment in industry rose. The composition of imports rather than their volume changed. The second World War posed problems for these industries aggravated by the total lack of a merchant navy. Native entrepreneurs began to appear. However by the mid fifities the limits of protection under Irish conditions became apparent and policy switched to the promotion of export-led growth. This policy was linked to a policy of dispersed industrialisation. The signing of the Anglo Irish Free Trade Agreement in 1966 initiated the phasing out of Ireland's second short period of protection. Had Ireland not joined the Common Market in 1973 many firms would have still had to face international competition. Government policy sought to help them make the transition through reequipment and rationalisation programmes. Nonetheless entry to the EEC, coupled with the world recession,hastened the demise of the weaker firms. Unlike the similar outcome following the Act of Union the new exporting firms were geared to weathering the transition successfully and have contributed to the remarkable growth and diversification in the pattern of Irish industrial exports in recent years (see Kennedy 1978).

The continuing regional status of the Irish economy is best seen in relation to labour. Econometric work has identified the response of Irish migration flows to conditions in the main British regions. This outflow of labour, apart from reducing the national population, affected the rural/urban balance. The century of demographic change up until the 1960's can be summed up by saying that whereas rural populations (settlements less than 1500 in population) dropped by 2.05 millions (from 3.51 millions to 1.46 millions) urban populations increased by only 0.5 millions (from 0.90 millions to 1.42 millions). The main urbanisation occurred outside the State boundaries. Within the State urban growth has tended to concentrate on the Dublin area.

Continuous high levels of outflow led to abnormal age profiles in many areas, high dependency ratios, sparse populations, stunted towns and low marriage rates. Apart from county Dublin regional populations generally were from 59 to 86% rural and over half the workforce in these rural areas were engaged in primary production as late as 1971.

The restoration of confidence of the Irish people in their own country began with the programmes for Economic Development in the late fifties. It was some time before it was realised that the nadir of population decline had been passed in 1961 and that life was flowing back into the country. It is perhaps necessary to be Irish to appreciate the public excitement when Walsh and other began to document the dramatic demographic about-turn that followed. In little over a decade the marriage rate had risen 50% and affected even the traditional strongholds of rural celibacy. Birth numbers increased substantially until the Irish growth rates in population were higher than the highest in Europe. Net emigration was converted into net return flows. Year by year fresh areas that had recorded virtually unbroken declines in population for over a century reported their first increases. Ross (1978) reported net migration inflows into several regions. The evidence seemed to tally with the international trend reported by Vining and Kontuly (1978) that the unbroken upward trend in urbanisation was diminishing. People were willing,even anxious,to remain in their native rural areas if work could be provided for them.

The hope of turning these changes into permanent gains for Ireland has encouraged the present Government to plan for full employment. The task is formidable. While recorded unemployment is high at 10% the reality is more serious with large numbers of unrecorded employed (mainly school leavers), low participation rates, underemployment and potential return flows of migrants. Explicit government targets seek to reduce the outflow from agriculture and to step up net job creation in manufacturing to high levels even by European standards. Ross (1979) has analysed the implications of this policy in the context of the projected growth in the labour force and the experience of job creation in the periods 1966 to 1971 and 1971 to 1977. Some ideas of the magnitude of the task are contained in Appendix Table 1. Ross concluded that even though the agricultural and manufacturing targets were very ambitious (almost unrealistic) by historical standards, their achievement would leave a lot of extra jobs needed in other sectors. Underemployment and computerisation would limit the scope of service sector multipliers to take up the slack while the limits to state expenditure would curtail the possibilities of public employment,assuming it was desirable. The scope for subsidising foreign investment was restricted by the intense international competition for such firms. In these circumstances regional policy would need to consider the development of new forms of local enterprise. This could be encouraged by a reduction in the many forms of monopoly - often on the part of of public companies - which restricts local initiatives (e.g. high air fares harm tourism) and by the development of an efficient set of infrastructures to make the remoter areas more attractive.

In this regard EEC policy could play an important role. Grants under the EMS are confined to infrastructural development whereas communications policy could help ensure greater reality to the goal of competition. Without the prodding of Brussels these development could be deferred indefinitely.

Greater local initiative will need new institutional arrangements with greater power sharing devolved from the centre based on the principle of subsidiary function. This heightened responsibility will need to be fostered in a way that leads to an appreciation and acceptance of the disciplines necessary for a small open economy seeking to achieve full empoyment for the first time.

The Regional Impact of the EEC

Part II.

Initially the project was intended to allocate transfers on a regional basis and then to examine other EEC impacts not involving expenditure. Examination of the rather sparse documentation indicated that there was no clear definition of what transfers should be included and where they should be allocated, whether to Ireland or elsewhere.

The difficulties of determining the costs and benefits can be seen from the smokescreen of propaganda by the British advocates of protection - the Cambridge Economic Policy Review group. The press campaign* sought to establish that Britain derived few benefits from the EEC but bore the major share of the costs in spite of being one of the poorer members. Denmark, a rich country, on the other hand, was a net beneficiary. In this argument Ireland was credited with the highest levels of benefit at £142 per head. An appeal to the EEC Commission for objective analysis of this matter by Lord Bessborough - an ardent supporter of EEC membership - led the Commission to observe that "the Commission does not believe it possible to assess the economic impact of the Budget on individual member states without a long and time consuming study whose results would probably be open to dispute". The Commission did provide reluctantly a statement of net transfers, not on the basis of economic impact but purely in terms of the financial accounting of the Financial Mechanism. These (set out in Table 2) showed both the UK and Italy as net beneficiaries in the year in dispute.

The Commission went on to draw attention to some factors which tended to make the calculated transfers invalid as a measure of the gains and losses viz:

1) Since May 1976 MCAs have been paid in exporting countries only. Corrections to favour importing countries "arguably do not wholly reflect the geographical incidence of the benefits arising from the operations".

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*see for example the Financial Times, November 14, 1978. Manchester Guardian, February 1, 1979.

Table 2 Accounting transfers adjusted for MCA's

	1976			1977		
	Million EUA					
	Recorded transfers	MCAs	Corrected transfers	Recorded transfers	MCAs	Corrected transfers
Belgium/Luxembourg	+357.6	-11.4	+346.2	+378.4	- 49.6	+328.8
Denmark	+378.8	-84.8	+294.0	+519.6	-226.6	+293.0
Federal Republic of Germany	-1014.9	-38.7	-1053.6	-1891.7	-175.2	-1466.8
France	+102.1	-44.0	+58.1	-46.5	-263.4	-309.9
Ireland	+194.4	-39.3	+155.1	+408.5	-196.5	+212.0
Italy	+209.8	+38.0	+247.8	-66.4	+360.0	+293.6
Netherlands	+295.2	-74.4	+220.8	+286.1	-198.6	87.5
United Kingdom	-238.1	+148.3	-89.8	-624.1	+749.9	+125.8
Other currencies	+21.5		+21.5	+16.7		+16.7
Change in Commission's Balances with National Treasuries[2]	-299.0		-299.0	+324.3		+324.3
Differences on Exchange Rates[3]	-7.4	+106.3	+98.9	+95.1		+95.1
	0	0	0	0	0	0

(1) At the average exchange rates for the years in question.

(2) The National Treasuries maintain accounts in the name of the Commission. Although the 1976 and 1977 Budgets were in balance as executed, the balance on these accounts changed during the year. These balances do not earn interest and can be used by the Commission only to meet approved budgetary expenditure.

(3) These are accounting differences which arise because of the use of average exchange rates and, in the case of MCAs in 1976, because the agricultural accounts were kept in different units.

2) Customs duties are regarded as contributions by the country of entry. This may not be accurate because the final cost may not be borne by the importing countries: some Irish imports are transhipped from the UK.

3) Payments are credited where they are paid - e.g. salaries in Brussels.

4) Food aid is credited to the country of purchase but it is doubtful whether this is a true measure of the benefit to the country concerned.

It is possible to illustrate Points 1 and 4 above by reference to the four major expenditures under the FEOGA guarantee scheme: viz:- dairy products, cereals, sugar and beef which together exceeded 4 billion v.a. Table 3 gives the actual transfers associated with these products. However where intervention or exports occur, which relieve the surplus in the EEC generally, the cost of such intervention helps all production though the intervention buying could have occurred exclusively in one country. Accordingly Table 3 also calculates the value of the interventions based on each country's production. The difference indicates whether the attributed benefit exceeds the actual or not. The exporters, Denmark, Ireland and the Netherlands, have higher benefits attributed to them due to interventions being more likely to occur in these countries. On the other hand Italy and the UK show the opposite phenomenon. Here the unattributed benefits greatly exceed the actual. This argument is illustrative of the difficulties of making intra-EEC comparisons.

Table 3: Payments of Transfers on major agricultural products 1977

Country	Actual Transfers	Benefit based on production level	Difference
Belgium/Lux.	349.5	157.4	192.1
Denmark	302.9	211.8	91.1
France	1162.4	1297.2	-134.8
Germany	1067.9	861.4	206.5
Ireland	214.5	165.2	49.3
Italy	168.2	437.3	-269.1
Netherlands	644.3	322.7	321.6
UK	169.4	626.1	-456.7
Total:	4079.1	4079.1	0

In this paper such comparisons are not central and in general the focus is on the benefits to Ireland alone calculated without much reference to "shares". To set this discussion in its context details of the EEC Budget and official (Irish) statements of transfers (based on the Financial Mechanism procedure) are given in Appendix Table 2 and 3. Table 2 shows that only half of EEC receipts are derived from GNP levies. The other half comes from agricultural levies and custom duties. Ireland, as a small open economy, has very high import requirements relative to other members and agriculture also looms larger in its economy. This method of financing the EEC is, therefore, highly significant for Ireland.

In Ireland the main interest on the expenditure side is focused on agriculture and social and regional affairs. Debate tends to lose sight of the fact that expenditures on research, development cooperation, other institutions and administration expenditures rival those of the social and regional funds. This paper will not discuss them in detail. However a few points are relevant at this stage:

Administration:

The Commission is correct when it states that administration costs benefit the whole community. However in the Irish analysis of regional impacts mentioned in Part I, salaries and wages were also recognised to have a local multiplier effect. In this sense the location of civil servants is not neutral. It will become more important still should the role of the Commission expand. At present staff are unevenly distributed with the bulk in the Benelux countries and Italy. (This table excludes European institutions like the University or the Parliament) and relates only to the Commission on April 30 1978.

Belgium	6,996
Luxembourg	1,717
Netherlands	177
Italy	1,769
Germany	242
France	35
3 New members	55
Others	185
	11,176

The eleven in Ireland are all centrally located in Dublin. In Italy almost all are on the shores of Lake Maggiore!

Research etc.

Research expenditure has two sources of benefit - the sectors for whom the research is done and the research institutions. Appendix Table 3 makes it clear that Irish research institutions have not claimed much of this expenditure. A partial explanation may be that the sectors benefitting are not major ones in

Ireland. Nuclear power plants do not exist while the industrial payments are aimed at shipbuilding, textiles and steel - again not major concerns in Ireland.

In section 1 of this paper the need for employment in sectors other than farming and manufacturing was demonstrated. Clearly a stronger research involvement would provide both employment and the spinoffs of technological innovation that would facilitate further employment. Can Ireland develop such a participation under the present arrangements?

Development Assistance

At present the fund has three sections: work projects 67%, supplies contracts 16% and technical assistance 17%. Ireland has been reasonably active in technical assistance but totally out of the other areas. Works programmes allocations have been 35% local, 24% Franch, 19% Italian and 12% German, UK and Benelux 10%. Supply contracts have gone to Germany, 30%, France, 23% and UK, 18%. The possibilities of change in Ireland's role here and the regional implications of such a change have not been explored, to my knowledge.

Other Institutions

I have no information on what 'other institutions' are financed. Again the general absence of significant coal and steel activities in Ireland means that benefits from the Coal and Steel Community (and Euratom) have been negligible. Overcapacity in steel, in fact, led the EEC to resist a proposal to develop Irish Steel Holdings, though this resistance was later modified. Such regulation is understandable but it does help those who have had a head-start in a particular industry.

Agriculture

Since the main source of benefit to Ireland from the EEC has been agriculture the paper proper will start with this sector. Here we are fortunate to have several attemps to quantify the impact, of which that of Attwood (1979) is the most significant.

Attwood divided his analysis into 4 impacts (1) the economy as a whole, (2) agriculture, (3) non agriculture (4) consumers. He presented the transfer payments for each year and discussed the treatment of MCAs. In general he favoured viewing them as a subsidy to consumers. However his methodology made this debate irrelevant because he was concerned with the impact of the EEC on Ireland rather than the sharing of benefits between countries.

The Economy as a whole

Any measuring of the EEC impact needs to have an alternative situation for comparison. This alternative could be EEC membership with total free trade in agriculture both within and without the Community. The measure of benefit to Ireland would be the difference between these true trading prices and actual CAP prices. Such a measurement is however, impossible, though Irish suspicions are that prices would be considerably higher than current "world" prices. Such an arrangement could be quite beneficial to Ireland's long run interests, as argued in Section I.

Instead of this measure Attwood chose a situation of Ireland outside the Community selling in the artificial world trade so that the average export refund on exports to third countries could be taken as a measure of Ireland's gain from exports. His results, given in Appendix Table 4, show gains of £150, £169 and £348 millions for the years 1976 to 1978. This method allows for MCAs so these £24 millions may be deducted from the transfers of £106 millions in 1976 to leave a net £82 millions. This generous treatment of benefits would imply a total gain of £232 millions in 1976.

The impact of these benefits has been seen in the balance of payments. Agricultural exports rose in value from £257m. in 1972 to £1020m. in 1978 enabling a rise in total overseas Trade from £1260 m in 1970 to £6, 600 m in 1978 to occur without serious balance of payments constraints. Attwood then took Input-Output Income multipliers developed for Ireland of 1968 by Copeland and Henry. His calculations indicated a 10% addition to Irish GNP from agricultural exports as a result of EEC membership in 1976, or £422 ml. Allowing for qualifications, such as a 3.4% upward bias in the GNP multipliers and the generosity of gains, the results are still substantial. The figures in 1977 and 1978 were even higher - £5.35 m and £1080 m or 10% and 17% of GNP. These agricultural exports has low import multiplier effects so that Attwood reckoned that two thirds of gross exports were net gains to the balance of payments.

The farm sector

The farm sector differs from the economy as a whole (a) by getting only a small part of the multiplier effect and (b) by getting some income transfers from non-farmers as a consequence of EEC membership. Attwood calculated the agricultural sectoral multiplier of 0.4489 to add a further £100 millions. (About a quarter of the total GNP multiplier).

On the question of the impact of the EEC on farm-nonfarm transfers Attwood assumed that nonmembership of the EEC would have meant that pre-entry arrangements would have continued and that farm income supports would have kept in line with general income increases. Thus he reckoned that higher food costs in Ireland helped farmers to the extent of £97 millions. This was not all extra costs to non-agriculture since EEC membership led to the abolition of farm income and input price arrangements costing £40 millions to non-farmers so that the net cost was £57 millions. However since the income rise of non-farmers was not attributable exclusively to the EEC a policy of maintaining farm incomes in line with non farm incomes would have cost the non farmer sector more than £57. Thus it could be argued that the cost to non-farmers was even reduced by EEC membership. The exact calculation was complicated by changes in Irish food price policy.

<u>The non agricultural productive sector</u>

The main industrial gainers from agricultural exports are the food processing industries but here rationalisation has made it difficult to isolate the employment increases. The Copeland/Henry multipliers provide a breakdown of the GNP multiplier into household income, government income, saving and imports. From this Attwood reckoned that about half the multiplier effect accrued to non agricultural households. This was of particular importance given that it accrued when these households were suffering the effects of the world recession and helps explain why Irish growth rates were still able to reach an impressive 3% in real terms in these difficult times.

Unfortunately Attwood did not report the impact on industry of government income and savings multipliers except to note that higher State receipts may have helped Social Welfare beneficiaries. He concluded that distribution of internal benefits in Ireland depends to a considerable extent on Irish income and fiscal policies which are not determined by the EEC. (British policy on the green pound no doubt is in part such a distributional policy.)

Attwood did not make separate calculations of the impact on consumers, arguing that the impact was equivalent to that on the economy as a whole, or on the non-agricultural sector depending on the definition chosen.

In conclusion he commented that Irish farm prices were determined by three actions:

1. Annual EEC price changes.
2. Harmonisation of Irish prices with EEC in the transition period.
3. Green pound changes.

Of the three the latter had had the greatest impact on farm prices and has been totally unforeseen before entry. These latter changes, he reckoned, had added £500 m. to farm output and £360 m. to balance of payment receipts in 1978 though they also increased the cost of farm inputs and imports. The total impact of CAP on Ireland had been good and had been expected before entry. There had been no great future in our previous exposed position in the regime of distorted international competition. The benefits of CAP are not therefore seen in Ireland" as some additional reward over and above what was an otherwise fair and reasonable balance between itself and its trading partners but as a contribution towards such a reasonable balance - which did not exist prior to 1972".

This assessment by Attwood of the impact of CAP has not yet been published nor circulated in Irish economic circles. Accordingly there has been little opportunity to obtain a critical reaction to the methodology adopted or to examine the assumptions. It is presented here as an interesting and thorough investigation of one aspect of EEC membership. Other critiques of CAP have been less comprehensive.

Other Critiques

In section I it was noted that the new found wealth of farmers has quickened the pace of rural life and reinforced the incipient tendency towards a revival of rural communities and improved demographic structures in areas which until quite recently had a long tradition of decline. (Commins et al (1978) have warned that concern with farming has led to general lack of appreciation of the plight of other rural dwellers not engaged in farming who were often much worse off than farmers. Among farmers these authors have shown a widening gap between the fortunes of small and large farmers. Setting the average income of farmers in each farm size category in the National Farm Surveys of 1966 to 1969 at 100, the average income after EEC entry was as follows (averaging the results for 1972 to 1975)

Size	Index
5 - 15 acres	183
15 - 30 "	213
30 - 50 "	229
50 - 100 "	220
100 - 200 "	274
200 + "	282

Surveys of herd size by the Central Statistics Office have shown a tendency towards increased concentration which has been particularly marked for pigs.

Regional impact

A study by Matthews (1978) has generally confirmed the growing accentuation of dualism in Irish farming following on the dissolution of the western small farm economy eloquently painted by Hannan and others. This view has been challenged by Attwood (1978) who himself expressed his surprise at the findings in the Irish Farm Management Surveys that "in fact it is the smaller and poorer farms which have seen the largest increases in incomes." This material is given in Appendix Table 5. My own study of 1977 does not show such a neat pattern. In the poor province of Connacht the position was as Attwood showed it for 1976. However in the rich provinces of Munster and Leinster although farms below 20 hectares made substantial increases, the largest farms were very considerably more prosperous. Farms over 200 acres (80 hectares) had three times the income increases of smaller farms with the contrast being even greater in Leinster between these and farms of 50 - 100 acres. In these circumstances we may need to revise Attwood's conclusion that "the economic outlook for the smaller farmer is now more optimistic than it has been for many years, though there remain problems primarily of a social character which are in large measure intrinsic to small farm areas in Ireland".

County Impact of EEC Transfers

Another measure of EEC impact would be to take the agricultural transfers and allocate them regionally. Table 6 in the Appendix gives the official statement of transfers to Ireland. Table 7 in the Appendix provides a county allocation for the major product headings within Table 6 without allowances for MCAs. It is at once apparent that there are major differences between counties with the flows to poor counties, e.g. in Connacht, very considerably below those to the rich counties of Munster. The poor counties frequently are associated with the production of sheep, potatoes or oats, products which do not feature in the Common Agricultural Policy. The table does not include other price rises, e.g. for milk for human consumption since it is paid by Irish consumers. Irish sheep prices have benefitted from a special arrangement with France in recent times but is this related to EEC membership ?

Clearly a full evaluation needs to go beyond the impact of direct transfers, as Attwood has shown.

The Future of the Guarantee Fund

In 1978 Agricultural transfers amounted to 0.42% of EEC GDP or 2.7% of Community expenditure on food. This is not a large sacrifice if policy is achieving a unified restructured common market for agricultural products. Nevertheless there has been opposition, mainly in the UK and Italy but also among other consumer lobbies, though the CAP was accepted when these countries joined. To meet these objections the EEC has made a full scale review of CAP for the UK in 1975. Special import arrangements have been made benefitting, either the UK consumer or the UK special relationships with third countries, or both e.g. butter and cheese from New Zealand, beef from Botswana, sugar from ACP countries. For Italy there were special reduced levies on feed grains, marketing premia for lemons and processed fruits in addition to the very large community schemes of aid for irrigation, afforestation and advisory services adopted by the Council in 1978.

The accession of new members will increase these pressures for change. Irish production is more concentrated on cattle and milk as the Table shows. Should there be a shift in the basket of goods away from these products, or quotas, the opportunities for Irish growth would be curtailed. For example the proposal to step up cereal production as food aid would help France and Italy but leave little scope for Irish developments.

FEOGA Guarantee payments in the EEC and Ireland by main products

	EEC	IRELAND
Milk	42%	55.0%
Cereals	20.9	3.2
Sugar	11.2	2.0
Oil and fats	5.8	-
Beef	5.4	30.7
Fruit and Vegetables	3.7	0.1
Tobacco	2.9	-
Wine	1.6	-
Pigmeat	1.0	-
Other	5.3	6.3
	100.0	100.0

MCAs

Apart from the operation of CAP itself the existence of MCAs has produced many distortions of trading, some of which have been referred to already. For example there are no MCAs on cooked meat (because the Commission considers that the resulting import changes on entry into 'strong currency areas would breach a GATT regulation) whereas MCAs do apply to carcase beef. Irish carcase beef is therefore subsidised on entry into Britain. The potential of the Irish meat packaging industry is curtailed and UK processed meat (of Irish origin) can undercut the Irish equivalent on all markets.

Another anomaly occurs because some agricultural products are not subject to CAP. Thus German pig feeders can import manioc and soyabeans from the Third World to feed to their livestock and export the produce with an MCA subsidy for products exported from hard currency areas. Another curiosity is that the MCAs hit Irish exports to the United States by taxing them even though Ireland was the only EEC country involved in the trade.

The Guidance Fund

Even though the EEC has provided a massive injection of income into Irish farming many areas are characterised by farms which do not correspond to Mansholt's old idea of economic production units (epu). It is the object of the guidance section of FEOGA to improve farming structures so that in the future CAP can be related to such epus. This is the rationale for the Farm Modernisation Scheme. This scheme and the Disadvantaged areas scheme have been severely criticised by Cox, Commins and Curry in a number of publications. The farm modernisation scheme cost £12.34 millions in 1976 of which the EEC paid £1 million. Only 4% of Irish farmers were classifiable as commercial farmers and 16% as development farmers. 80% were thus to be written off. Even among development farmers western counties such as Mayo and Clare respectively had 2% and 6% respectively. The scheme favoured those with land resources rather than managerial ability and did nothing to help with the major Irish problem of land mobility. The Disadvantaged Areas scheme was designed for areas of the Alps in danger of depopulation and was intended to pay farmers there to act as 'landscape managers'. The aids in the Irish context were too low and conflict with the EEC objective of encouraging structural reform through retirement schemes. In 1976 the scheme cost £13.5 millions of which EEC paid £4.7. Neither scheme was in any relevant to Irish conditions and failed to recognise that policies of reducing the farm population may not be appropriate if off-farm employment is not available.*

Examination of the takeup of the various directives 159, 160, 161 of 1972 and 268 of 1975 show that Germany drew most on the first two, France on the third with the UK and France prominent in the fourth. Other schemes - the conversion of herds to beef and payments for non marketing of milk have been largely drawn on by the UK and Germany respectively. In many cases Italy made no claims at all. Irish farm experts have urged that Ireland do likewise as many of the arrangements are bad value even if partly financed by the EEC. Ireland needs schemes, or freedom, to develop strategies appropriate to its situation.

This is not to say that recognition of the difficulties of Irish farm structure has been lacking in Brussels. Recent announcements include a £42 million drainage scheme for western areas and as yet undefined package for these areas totally £180 million. In both cases the EEC will pay half. If, as has been hinted, these schemes

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* see Table 1 in the Appendix.

will extend over 10 years the annual investment does not appear so great given the magnitude of the problem. A more fundamental question to me is whether drainage and farm infrastructure in the West are the top-most priorities for scarce funds.

A regional breakdown of most Guidance payments is available and shows a considerable spread of investments.

Manufacturing

Access to the EEC has encouraged non EEC firms to invest in Ireland in anticipation of entry and more especially since entry. Japanese and US firms have been the major investors. The IDA reckons that US investment between 1973-1978 has a job potential of 37,300. In 1978 13,500 new overseas job approvals came from firms outside the EEC. The Confederation of Irish Industry estimated that between 1973-1977 new overseas post 1972 industries contributed a gain of 15,000 in manufacturing employment. New overseas firms of less recent vintage had some fluctuating employment but suffered no net losses while the remainder of established industry which still accounted for 77% of the total in 1977 had net losses of 20,000 with almost 80% occurring in 1976. In total a net loss of 5,000 was estimated by the CII for this period.

The IDA reckon that Ireland has been a success story within the EEC between 1975 and 1977 and give the following figures in support of their claim showing Ireland as the only country that increased manufacturing employment in the period.

	% change 1975-77	
	Output	Jobs
Ireland	+19.7	+4.7
UK	+ 2.9	-1.0
France	+10.5	-2.0
Italy	+12.0	-5.0
Germany	+10.5	-3.0
Netherlands	+ 6.7	-7.0

The IDA estimates do not correspond with those of the CII which give job losses of 12.3 thousand for 1975 to 1977 inclusive. On the other hand the Labour Force Surveys of 1975 and 1977 show job gains of 2,900.

In the regional context EEC entry, the Anglo Irish Free Trade Agreement and the reduction of tariffs have led to a curious situation in which net job losses were experienced in the hitherto prosperous regions, especially the East and North east regions as protection was dismantled while less industrialised regions benefitted from the new IDA firms. The approximate position is as follows

Region	Change 1971/7	Change 1966/71
East	-8.8	+3.9
North	-1.4	+2.7
South West	+0.8	+1.7
South East	+1.7	+2.9
Midlands	+0.0	+0.9
	-7.7	+12.1
Mid West	+4.0	+1.1
West	+4.5	+0.9
North West/Donegal	+1.8	1.1
	+10.3	+3.1
Total	+2.6	+15.2

IDA policy and EEC membership have contributed to this unusual outcome.

The job losses occurred to a considerable extent in the types of firms which it had been EEC implicit policy to leave to the Third World - clothing, textiles, footwear, furniture etc. These labour intensive industries are easy to enter for any small or less wealthy economy and had naturally grown up under protective walls in Ireland. Their decline may not be due to EEC solely since free trade and the recession also played a part.

The losses in the footwear industry have been particularly striking:

Footwear

	Employment	Production	Consumption	Imports	% imports
1969	6160	8996	n.a.		
1972	5200	7611	8463	3351	39
1976	3450	4900	9817	7257	74
(1978)	(3650)	(5000)	(11800)	(9400)	(80)

Employment in the clothing industry fell from 16,800 in 1974 to 11,900 in 1978 whereas textiles fell from 22,900 in 1974 to 19,000 in 1976 but recovered somewhat to 20,100 by 1978. In this case heavy job losses in the traditional sector were balanced by new jobs in new concerns such as Burlington, Asahi, Snia etc.

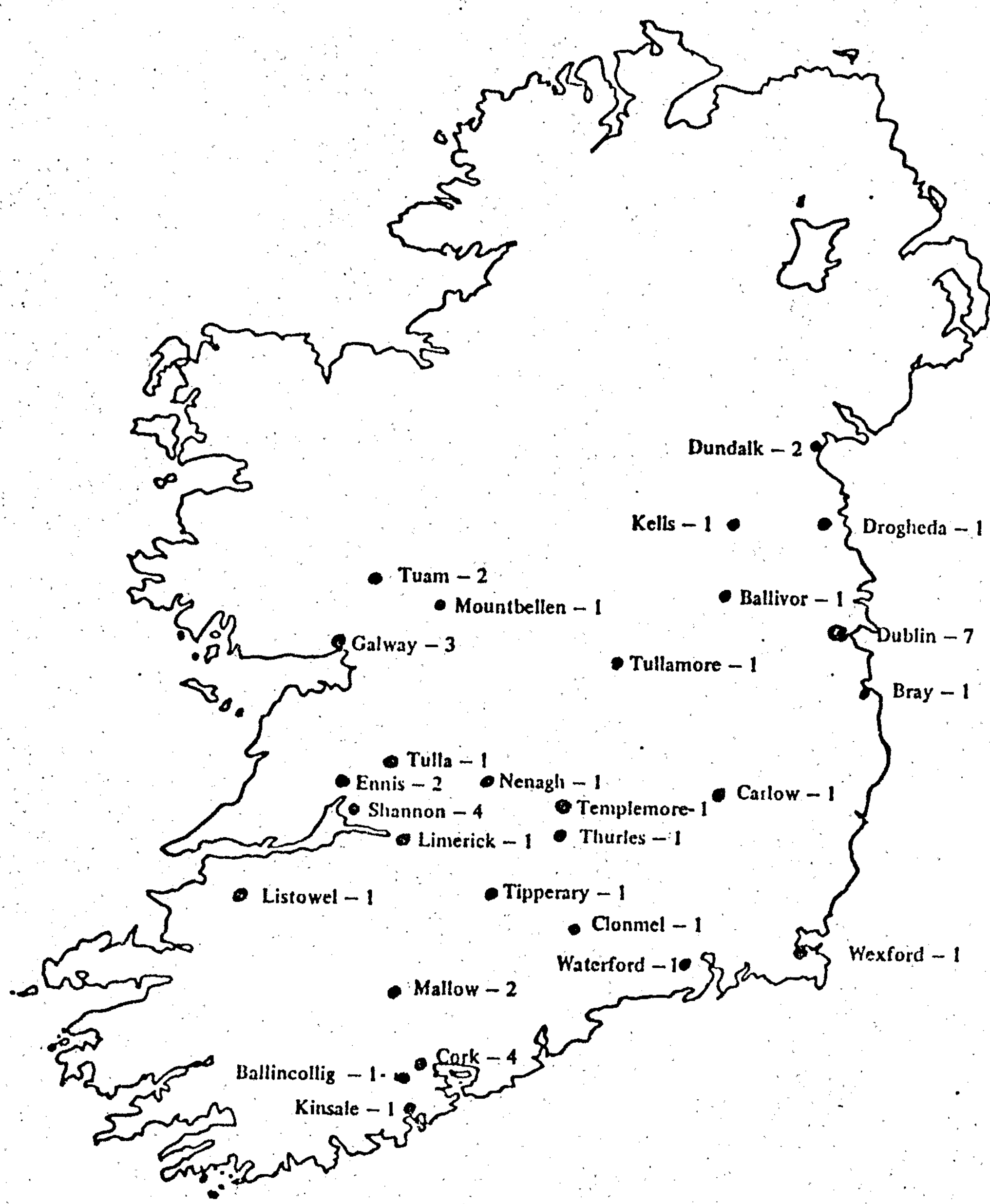
The negotiations in regard to these sensitive industries illustrate many features of EEC impact on Ireland. Ireland is prohibited from imposing import controls since these are decided by the EEC. In the case of clothing the EEC has negotiated the Multifibres Agreement. Imports into the EEC are allocated on a country basis. The advantages of Ireland's small import quotas, however, have been nullified by the principle of 'free circulation' under which another member state can export part of its quota to Ireland. Ireland has, however, been able to get Commission approval for derogation in many cases where this has happened but preferential countries mainly Mediterranean cannot be barred on this basis.

Irish exports and sales on the home market have been made difficult by the British Temporary Employment Subsidy of £20 per worker per week in 'sensitive industries'. Ireland complained and when the UK (which is the source of 80% of imports in the Irish market) refused to negotiate an arrangement, the Commission authorised Ireland to impose tariffs and to pay the Employment Maintenance Subsidy of £5 a week while the UK persisted. This has proved effective.

In making its case to the Commission Ireland was required to check if dumping was occurring, if rationalisation of the industry could not be an alternative and if the potential of markets was fully exploited. As a result the industry was subjected to a consultancy study and CTT (the Export Board) was involved in market promotion. The result was encouraging for many Irish firms and where closures occurred the factories were often reopened on a smaller and more

DISTRIBUTION IN IRELAND

MANUFACTURERS OF COMPUTERS, COMPUTER EQUIPMENT OR COMPUTER COMPONENTS



efficient basis by someone else. The refusal of the Commission to take the easy way out has probably improved the long run viability of many firms in the industry.

Another device used especially by Germany has been sanctioned by the Commission (due to German muscle). This is outward processing by which products, such as cloth, are retained in German ownership and sent to East Germany, the Philipines, Brazil etc. where labour intensive processes are performed and the product brought back to Germany again. Presumably Germany also benefits from inducements in the other country. This enables Germany to compete against lower cost firms within the Community. Clearly member states would not wish to be the outward processors themselves and the issue is about the competitive edge that this practice affords German firms.

The Irish firms that have suffered from the freeing of trade have been scattered widely over the country and have given valuable employment in many small towns. Statistics are not yet available to pinpoint accurately the location of these losses. There have been gains as well as losses. The CII have shown that the new computer industry is also widely scattered as the map shows. In 1978 this industry had 45 firms employing 5,500 and is projected to employ 8,200 in 63 firms by the end of next year. If these extra jobs are real they compensate in numbers for the losses in the footwear industry between 1969 and 1976 and presumably have a brighter future. (Lamberton has shown that in developed economies over 50% of employment is in information activities so that a lead in microprocessing is to be preferred to maintenance of traditional manufacturing provided, of course, that Ireland realises the opportunities this affords).

Ireland's success in attracting computers and synthetic fibre industries have been two major coups for the IDA because the interests of developing a European computer arrangement and over capacity in synthetic fibres could have prevented us getting these industries at a later date. This raises the question of other ways that EEC membership can affect Ireland.

The Treaty of Rome rules out State aids. The Commission must ensure that distortion of competition does not occur but it may grant derogations and does for certain Social and Regional Aids. Ireland's needs of structural change are recognised in protocol 30 of the Treaty of Accession However:

1. The export sales relief arrangement has been criticised by Britain and the EEC and is now replaced by a 10% profits tax. It is not clear if this will affect the attractiveness of Ireland for foreign investors. By shifting the emphasis off the export market it may yield a net benefit if the home market is more actively serviced. How to measure this is not clear.

2. The competition for footloose foreign firms has led to wasteful outbidding between member states as the Ford's Bridgend decision clearly illustrates. This competition is even from central areas. It is in everyone's interest (except the foreign firms) that this outbidding be controlled and the EEC has decided in January that ceilings of 20%,30% and 75% be imposed on regional aids in central, intermediate and peripheral areas respectively. Ireland is a peripheral area.

This arrangement is less of a bonus that would appear a priori

(a) As the Bridgend case showed regional aids can be combined with sectoral aids (and finance from the Coal and Steel Community which is largely an advantage unavailable in Ireland.)

(b) There is no limit on the scale of the aid. Hoffman La Roche was offered £106,000 per job for locating in Scotland. Even if this was only 30% of investment smaller poorer areas cannot compete. Incidentally the alternative site for this pharmaceutical firm was Switzerland which offers few inducements and so a measure of the cost of remoteness can be gained in this instance.

(c) Putting limits on EEC aids means that the firm can receive larger aids elsewhere e.g. Malta and be ensured of virtually free access of its products to the EEC under the preferential country arrangements. The liberal trade policy of the EEC means that state aids have replaced tariffs in protecting home industries. Richer countries can afford more apart from their other advantages.

(d) The regulations do not relate to soft loans by the State e.g. The State may lend to a commercial bank at a nominal interest rate on the understanding that the loan will be passed on to the firm. Similarly State equity is not covered.

This catalogue of snags should be treated with caution. Many officials with whom I spoke in Industry and Commerce, the IDA and Coras Tractala reported that their experience of the Commission was that the officials make a genuine effort to help Ireland and that there was considerable sympathy for our efforts.

Apart from these aspects of industrial policy EEC regulations affect industry in many other ways. Currently a member of the CII staff is making a study of the 480 Directives that he has identified as affecting industry. As the regulations change so rapidly this level of bureaucracy imposes a particular burden on the small firms that will be most representative of peripheral areas.

The Commission does not only intervene to regulate state aid. It has also attempted to ban or regulate aids to certain sectors where there is reckoned to be over capacity in the EEC in general. As mentioned already Ireland was lucky to get synthetic fibre industries when it did. The expansion programme for Irish Steel Holdings proved quite tricky.

The problem with these bans is that they do not ban restructuring. Thus a country can use this euphemism for what is in fact new investment provided always it has firms to restructure and this will often be not the case in Ireland.

Again a ban on new investment in,say,footwear could be a thinly disguised form of protection for existing firms. The EEC belief in competition would appear to be at variance with such practices.

It is necessary therefore in considering regional or social fund projects to refer to sectoral policies also since certain legitimate projects under the former schemes can fall foul of sectoral goals and EEC support therefore withheld.

Trade:

As mentioned earlier EEC trade in industrial goods has been liberalised so that the advantages of membership are not as great as they would be in a more protectionist community. Many preferential and ACP countries enjoy considerable freedom of entry. In these circumstance new forms of protection has been created. One of these relates to state aids of which we have already spoken.

The second concerns non tariff barriers to trade. Alan McCarthy of CTT has distinguished sixteen general classes of barriers. What Carter called "orderly marketing arrangements" Barre in France called "organised free trade programmes" and the British Dell described as "voluntary controls". Old-fashioned economists called them quotas. GATT has compiled seven volumes documenting dodges of one sort or another while within the EEC the number of complaints has risen from 20 a few years ago to 400 last year. The Centrally planned economies have a perfect system whereby all imports are bought by the

State and there is no point of salesmen trying to penetrate the market. In some EEC countries national monopolies for alcohol or cigarettes can imitate this practice to some extent. In all countries government purchase accounts for a sizeable share of the market and public authorities have ways of discriminating in favour of the home product which the Commission has not been able to control. Equally while 'Buy Irish' or 'Buy Dutch' campaigns are outlawed alternative devices such as "approved by the Design Centre in London" "guaranteed Irish" may have a sales promotion element where local chauvinism has not reached French levels. 'Which' type reports can also exercise a similar influence where the local consumers are nationalist in outlook. Other tricks relate to packaging regulation, as in the UK, import bureaucracy in both France and Italy, French language leaflets,health and environmental regulations,testing requirements changed rapidly to hit imports particularly and fiscal devices designed to affect only imports e.g. the strength of beer in France.

It is clear that the EEC attempts to apply standards is an effort to overcome this which has as yet limited success but presumably if success is achieved this will be in the long run interest of countries like Ireland that depend for their prosperity on a level of external trade greater than that of most member states.

An enumeration of difficulties is an indication of the growing pains involved. Irish trade was traditionally concentrated on the UK market. The exports of new industries has been credited by McAleese as a major factor in the diversification of exports - another consequence of EEC membership. The shift in exports is continuously monitored by Coras Tractala and the extent of the shift has been dramatised by a comparison of exports shares in 1967 and 1977. In both years 76.2% went to the EEC but the distribution was different.

	1977	1967
UK	47.0	66.8
Other EEC	29.2	9.4
All EEC	76.2	76.2
EFTA	3.1	1.3
North America	7.3	14.7
Other markets	13.4	7.8
	100.0	100.0

In spite of this shift Condon of CTT reckoned that over 70% in the traditional sectors of textiles, clothing, wood and furniture (employing 43,000 people) went to the UK. These firms were often illequipped with marketing expertise and could run into difficulties if the EMS led to a shift in the value of sterling.

One aspect of these changes that bothers me is the nature of Irish exports. 90% of agricultural exports are governed by CAP and therefore the market outlets are less dependent on price and aggressive salesmanship. Much of the new exports are part of an international trading arrangements and therefore import and export prices in Ireland are notional. In these circumstances the devaluation experience arising from the link with sterling has not been a major help to Irish exports in many sectors.

In fact devaluation through the operation of the MCA scheme has been harmful in several instances. This argument falls down if a substantial part of Ireland's high level of exports has been due to devaluation rather than export sale relief on new industries but McAleese's figures would not support this (?) On the other hand consumer goods and many agricultural inputs which are imported have been dearer for Irish buyers and help to reinforce the demoralising effects of imported inflation. Thus we lose on imports and do not gain on exports. If this argument has any merit membership of EEC and successful participation in the EMS could be of considerable benefit to the Country in many respects.

The regional fund

As noted already Ireland's hopes of a large regional fund were disappointed. The fund is small and relates to half the community area and one third its population so that its impact anywhere is marginal. The enlargement of the Community will place even greater demands on it so that its underlying philosophy will need revising. It seems to have been based on the idea that every country should have a regional problem area and that firms should be encouraged to go there to relieve congestion in the major industrial areas. Ireland does not have major industrial areas. The recession and the resultant unemployment everywhere seems to have weakened the will of the Community members to pursue effective regional policies.

In Ireland the EEC contribution to regional development applies to the whole area and amounts to 2% of the Public Capital Programme. The projects assisted will receive 34% of their funding from the Community. Up to end 1977 267 projects were approved and a further 121 projects in 1978. Since this is an average of £152,000 per project the Irish government can submit claims (for projects costing less than £4.2 millions) on a grouped basis. Details of individual projects are not available. Given the small amount of the EEC contribution relative to the Public Capital Programme, there is no difficulty in submitting projects from a widely dispersed background, as the accompanying map indicates.

This map only shows the location of factories, other maps show the location of telephone exchanges, water and sewerage schemes etc. In a programme of industrial development these latter schemes are becoming increasingly more important.

The Social Fund

The social fund has been designed to help depressed industrial regions with their retraining needs. It is not concerned with poverty or redistribution. Even in training the handicapped in Ireland can only be supported provided they are guaranteed a job at the end - a stipulation that does not apply to the able-bodied . Widening the scheme to help the handicapped more would enable the Dutch and Germans to seek recoupments of their large expenditures in this area and leave less in the Fund for countries that cannot rise to equally large outlays.

A major growth in the social fund has been the rise of AnCO — the Industrial Training Authority. This authority is only partly financed by Brussels and discharges many of the functions of vocational training. However AnCO trainees are paid allowances whereas technical students are not. Presumably the introduction of AnCO was necessary because the existing structures were not flexible enough. The existence of EEC money has led the Irish government to divert funds away from secondary education so that many 'free' schools have been compelled to reintroduce contributions to survive. The reorientation may have been justified in the light of the nation's need but was this the best way to do it?

Part of the social fund arrangement has been the introduction of equal pay and equal opportunity. This reform, while a 'good thing', will alter the chances of employment of many people and the viability of firms and have differential regional impacts, mainly in 'sensitive' industries already experiencing difficulties.

A minor element in the social fund has been the financing of combat poverty schemes. A larger network of well designed pilot schemes under this programme should form the basis for a new approach to regional mobilisation.

It is possible to develop a regional allocation of social fund expenditures. Payments to firms are available while AnCO publishes its outlay by centre.

Transport etc.

The payments of the UK government to Hoffman La Roche to locate in Scotland showed the cost of inducing that firm to locate in a peripheral area.* As the regulation of state aids to industry begins to bite it is essential to find other ways of overcoming the costs of remoteness. Transport policy regulation in the EEC has not applied to routes involving sea crossings. There is need for a Burke plan that improves access both to Ireland itself and to the regions within Ireland. At present Burke is reported to be considering increasing competition within the airlines. Cheaper access would help both industry and tourism, often proposed as a solution to peripheral area problems. If competition policy could be extended to road and sea transport, telecommunications, road building, sewerage and water provision, these could have a greater value for the remoter regions than schemes presently offered. Without such plans the freedom that the EEC values can only be a freedom for the rich central areas to augment their prosperity.

The EEC does not have any plans for income redistribution directly. This is in keeping with its interest in market solutions. However that does not preclude it from having policies which aim at providing greater self-help and enterprise in local communities. The problem of disparities is not purely an economic one. Institutional factors also play a role in determining a region's response to economic shocks and opportunities.

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* The cost per job was 70% of the level of EEC support in Ireland per total project under the regional fund.

A Final note

This paper has viewed the EEC from an Irish viewpoint. The criticisms made hopefully do not detract from the main thesis that Ireland has been transformed in many ways by the events of the last six years. These demographic and economic changes are putting a tremendous challenge before the Irish people of redeeming the losses of their past. Much of this will call for effort by the Irish themselves but as enthusiastic Europeans we look to Europe to help us with this vision. Experience to date has shown that there is a large fund of goodwill for our efforts. Coupled with understanding of our tasks and a clear articulation of comprehensive region policy the task will be all the easier.

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Appendix

1. Projected, Target and Actual Changes in Employment Categories (over 15 years) 1966-71, 1971-77 and 1977-81 by Region (annual rates)

CATEGORY			TOTAL	E.	S.W.	S.E.	N.E	Mid W	Midlands	W	NW/Don.
LABOUR FORCE	PROJECTED	77-81	11,450	5,325	1,525	1200	675	1,000	650	625	450
	ACTUAL	71-77	4,125	6,410	270	-250	-370	550	-1290	120	-1320
	"	66-71	260	4,300	-160	-120	-60	-440	-900	-1500	-860
EMIGRATION	PROJECTED*	77-81	4075	1600	600	425	250	350	275	325	225
	ACTUAL	71-77	3,960	-635	250	385	520	485	1035	820	720
	"	66-71	13,040	680	1,880	1,760	840	1,640	2,220	2,460	1,560
DECLINE IN FARMING	TARGET	77-81	4,250	375	400	425	300	675	625	750	700
	ACTUAL	71-77	9,285	835	852	952	668	1470	1336	1637	1536
	"	66-71	12,100	900	1900	1,500	980	1320	1600	2520	1680
RISE IN MANUFACTURE	TARGET	77-81	9,250	2,425	1,500	975	775	875	800	925	975
	ACTUAL	71-77	434	-1470	133	284	-233	668	0	752	300
	"	66-71	3,040	750	340	580	540	220	180	180	220
OTHER EMPLOYMENT	TARGET	77-81	17,950	18,100	1,750	1,725	1050	1,925	950	1275	1175
	ACTUAL	71-77	6,947	5,227	415	167	-17	852	-17	484	-167
	"	66-71	6820	3480	1,080	470	360	520	260	440	260

* based on Equal rates.

Appendix

Table 2: Budget of the EEC in 1978 and 1979 (million EUA)

	1978	1979	% 1979		1978	1979	% 1979
Agricultural levies	1686.1	1706.0	12.1	Commission interventions	10892.3	12486.5	88.8
Sugar levy	376.9	467.0	3.3	of which: agriculture	9132.9	10263.1	73.0
Custom duties	4833.0	4745.5	33.8	Social Affairs	559.1	748.2	5.3
GNP based financial contribution	5330.8	6982.5	49.7	Regional Affairs	525.0	390.0	2.8
0.77% of VAT	-	-	-	Research (Energy industry transport)	295.3	520.3	3.7
Miscellaneous	135.9	158.5	1.1	Development Cooperation	380.9	564.9	4.0
				Administration	550.9	599.1	4.3
				Reserves	5.0	30.0	0.2
				Repayment of duties	689.6	691.8	4.9
				Other Institutions	224.9	252.1	1.8
Total	12362.7	14059.5	100.0	Total	12362.7	14059.5	100.0

Source: Bulletin of the European Communities Supplement 6/78 Preliminary draft general budget of the European Communities for the Financial Year 1979 General Introduction.

Table 3: Ireland's receipts from, and payments to, the European Community 1973 to November 1978

(£ million)

	1973	1974	1975	1976	1977	1978 (excluding December)
			Receipts			
FEOGA - Guarantee	36.6	63.8	102.2	102.0	245.1	317.1
of which MCA's to UK and Italy[a]				-24.0	-128.0	-122.4
FEOGA Guidance	-	-	0.4	3.0	7.3	3.6
European Social Fund	-	3.6	4.0	4.6	8.2	18.8
European Regional Development Fund	-	-	1.8	8.5	8.5	8.3
Studies etc. [b]	-	0.2	0.3	0.4	1.0	0.8
Social security for migrants	1.5	1.3	2.0	2.2	3.3	3.3 (est)
Total	38.1	68.9	110.7	96.7	145.4	229.5
			Payments			
To Commission	5.3	6.7	9.8	13.4	22.1	38.1
To EIB	0.8	0.8	0.4	0.2	0.2	0.6
To ECSC/EURATOM etc.	-	0.3	0.5	1.3	1.6	1.2
Total	6.1	7.8	10.7	14.9	23.9	39.9
			Loans			
EIB	11.1	24.8	22.0	35.4	52.1	78.5
ECSC	0.2	-	1.2	-	-	-
Community loan	-	-	-	156.0	-	-
Total	11.3	24.8	23.2	191.4	52.1	78.5

(a) paid to Ireland since 17 May 1976

(b) Includes regional studies, projects to combat poverty, research and investment projects hydrocarbon projects and other studies.

Appendix

Table 4 Effects of EEC Membership on the Incremental Value of Exports of Irish Agricultural Products to Other Member States.

Product	Volume			Export Refund (£ per unit)			Estimated total Increment (£m)		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Cattle (000 live equivalent)	1,051	1,335	1,551	70	77.8	139.3	73.6	103.9	216.1
Butter (000 tons)	58	40	72	710	1007.8	1241.2	41.2	40.3	89.4
Cheese (000 tons)	53	38	42	380	282.9	360.9	20.1	10.7	15.2
Skim Milk Powder 000 tons	103	73	47	340	439.1	502.3	35.0	32.1	23.6
Other-(pigmeat, cereals, other milk products, net)	-	-	-				-19.9	-18.4	-14.0
Total							150	168.6	348.3

TABLE 5

Changes in Gross Output and Income 1972/76 by Size and Location of Farm.

Farm Size (acres)	*Gross Output 1976 (1972 = 100)* Ireland	Munster	Connacht	*Family Farm Income 1976 (1972 = 100)* Ireland	Munster	Connacht
5–15	239	171	327	285	171	410
15–30	236	219	242	236	200	254
30–50	249	250	240	240	226	249
50–100	215	213	205	190	181	208
100–200	215	221	183	191	185	165
200+	225	233	234	171	189	160
All Farms	225	226	230	206	191	237

Source: An Foras Taluntais, Farm Management Survey 1972–75 and 1976.

Appendix

Table 6: Official Irish statement of FEOGA transfers (£000)

FEOGA GUARANTEE

	1973	1974	1975	1976	1977
Dairying	31,213	29,408	21,731	41,033	122,505
Beef	214	15,348	43,710	26,034	68,366
Pigs	346	3,280	-543	480	6,019
Poultry	17	5	16	39	132
Cereals	1,158	321	3,946	7,508	7,194
Fruit & Vegetables	112	642	326	435	315
Processed Products	2,504	2,097	2,512	5,436	13,587
Sugar	522	942	3,994	2,742	4,445
Seeds	85	95	90	50	52
Fish	-	-	-	135	159
Other	-	25	67	107	100
Intervention Expenses	-	11,616	26,362	18,076	22,184
Total	36,172	63,778	102,211	102,076	245,061
MCAs export				39,464	50,030
of which UK & Italy				24,400	126,974
Milk levy					723

FEOGA Guidance

	1973	1974	1975	1976	1977
No of projects	25	17	37	113	101
Dairying	1,888	565	1,084	1,173	1,503
Meat processing	604	659	1,592	2,905	1,934
Cereals	116	33	209	896	1,116
Water supplies	-	-	289	2,845	1,683
Fish	136	345	1,314	1,391	850
Miscellaneous	129	-	48	66	426
Total	2,873	1,850	4,536	9,458	7,513

Payments from FEOGA (Guarantee Section)
— Distributed by County

County and Province	Cereals	Beef	Dairy Products	Pigmeat	Sugar	Total	£'s Per Family Farm Worker
	£'000						
Carlow	347.5	1,050.1	333.3	69.0	435.2	2,235.1	894.0
Dublin	168.8	580.2	–	89.2	15.8	854.0	610.0
Kildare	1,045.5	1,848.8	1,099.8	97.0	232.8	4,323.9	1,394.8
Kilkenny	342.9	2,784.7	6,815.1	219.3	322.1	10,484.1	1,906.2
Laoighis	899.1	2,034.3	1,866.2	199.8	337.6	5,337.0	1,160.2
Longford	0.4	1,256.2	1,016.4	82.0	0.0	2,355.0	603.8
Louth	265.8	954.0	–	35.8	4.2	1,259.8	629.9
Meath	98.1	3,245.3	499.9	106.1	47.4	3,996.8	677.4
Offaly	621.7	2,165.1	1,099.8	115.2	131.6	4,133.4	918.5
Westmeath	44.8	2,079.1	699.8	90.5	2.7	2,916.9	678.3
Wexford	1,848.3	2,664.8	4,332.3	437.4	946.5	10,229.3	1,649.9
Wicklow	147.6	1,301.2	–	140.6	65.3	1,654.7	591.0
Leinster	5,830.5	21,963.8	17,762.6	1,681.9	2,541.2	49,780.0	1,063.7
Clare	8.1	3,001.2	4,515.6	55.3	2.1	7,582.3	765.9
Cork	643.6	8,817.2	32,375.8	1,326.5	1,211.2	44,374.3	2,143.7
Kerry	64.6	3,139.7	12,930.3	200.5	51.8	16,386.9	1,260.5
Limerick	5.8	3,746.3	15,129.8	189.4	2.2	19,073.5	2,192.4
Tipperary N.R.	444.6	2,527.3	{13,630.2	130.2	{325.5	{20,572.0	1,870.2
Tipperary S.R.	26.7	3,089.2		398.3			
Waterford	48.9	2,181.6	5,132.2	274.7	151.0	7,788.4	2,105.0
Munster	1,242.3	26,502.5	83,713.9	2,574.9	1,743.8	115,777.4	1,728.0
Galway	85.1	4,648.4	2,182.8	148.4	147.2	7,211.9	369.8
Leitrim	–	1,084.6	816.5	83.3	–	1,984.4	330.7
Mayo	0.1	3,795.3	2,116.2	144.5	5.9	6,062.0	352.4
Roscommon	33.3	2,733.3	1,383.0	115.2	6.3	4,271.1	440.3
Sligo	0.1	1,633.9	2,149.5	41.7	0.6	3,825.8	597.8
Connacht	118.6	13,895.5	8,648.0	533.1	160.0	23,355.2	397.2
Cavan	2.1	2,265.5	6,681.8	764.1	–	9,713.5	1,214.2
Donegal	–	2,053.8	916.5	268.8	–	3,239.1	269.9
Monaghan	–	1,643.5	4,762.2	196.6	0.3	6,622.6	1,161.9
Ulster (part of)	2.1	5,962.8	12,380.5	1,229.5	0.3	19,575.2	764.7
Ireland	7,193.5	68,324.6	122,505.0	6,019.4	4,445.3	208,487.8	1,052.4