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International Trade & Investment Report, 2000

The USA Emerging as Ireland's Largest Export Market – Forfás International Trade and Investment Report 2000

Based on recent trends, the United States seems likely to overtake the UK as Ireland's largest export market by 2001, according to Forfás' International Trade and Investment Report 2000 which was published today, Wednesday, 20 December 2000. According to the report, the value of Irish merchandise exports to the United States jumped from IR£1.2 billion in 1989 (7.9 per cent of total exports) to IR£8.0 billion in 1999 (15.4 per cent of the total). Including imports, the value of total trade between Ireland and the United States increased by a factor of almost five over the same period, increasing the U.S. share in Irish goods trade from 12 per cent to 16 per cent.

While Ireland accounts for only one per cent of total EU economic activity, Irish-U.S. trade makes up over five per cent of total merchandise trade between the EU and the United States. – a share significantly larger than that of much bigger EU economies such as Belgium, Spain, the Netherlands and Sweden. The report suggests that Ireland is becoming a "hub" for a fast-growing transatlantic market in industrial goods. It also highlights the importance of a healthy U.S.-EU trade and investment relationship to Irish economic prosperity.

Speaking at the launch of the report, Forfás Chief Executive Officer, Mr. John Travers, said that the purpose of the report which will be published annually, is to monitor trends in flows of trade and direct investment between Ireland and the rest of the world, to place Irish developments in an international context, and to raise international trade and investment issues for policy consideration. As the two main pillars of globalisation, trade and foreign direct investment flows are deeply inter-linked. It is therefore appropriate, said Mr. Travers, to examine them in a single context.

Mr. Travers referred to some of the other key points of the report:

- Ireland is unique among the 11 EU countries participating in European Economic and Monetary Union (EMU) in that its two largest trading partners, the UK and the United States, are outside the euro-zone. Only 20 per cent of Irish goods imports were sourced in other euro-zone countries in 1999. This leaves the Irish economy more vulnerable than other euro participants to fluctuations in the external value of the euro, particularly against UK sterling and the U.S. dollar.
- While most Irish trade in merchandise goods is still conducted within the Single European Market (SEM), and therefore governed by EU rules, a growing share of trade is conducted outside the SEM, and is, therefore, mostly governed by multilateral agreements under the auspices of the World Trade Organisation (WTO). Accordingly, upcoming trade liberalisation negotiations at the WTO could have a significant impact on the Irish economy, and it is important that the interests of Irish industry are well articulated and represented.
- In 1999, Ireland exported IR£13,909 worth of goods for every man,

woman and child in the country, over three times the average of IRE4,360 for the EU-15 as a whole. This was higher than any other EU country, and exceeded globally only by Hong Kong and Singapore.

- The size of Ireland's merchandise trade surplus, at IRE17.7 billion in 1999, was equivalent to over 26 per cent of GDP in 1999. This is without parallel elsewhere in the industrialised world.
- The key to understanding Ireland's merchandise trade performance in recent years lies with foreign direct investment (FDI) flows. By 1998, foreign multinationals accounted for 88 per cent of Irish industrial exports and three-quarters of total exports. In the period 1991-98, foreign-owned companies were responsible for 95 per cent of the growth in industrial exports.
- The measured export performance of indigenous Irish-owned manufacturing industry in the 1990s appeared relatively modest compared with the foreign-owned sector. Nevertheless, we know from the Forfás Annual Irish Economy Expenditures Survey that sales by indigenous non-food manufacturing companies have been growing strongly during the 1990s – at an annual average rate of 8.4 per cent in real terms in the period 1993 to 1998.
- Ireland attracts a disproportionate share of FDI inflows into the EU relative to its small population and economic size. While accounting for just over one per cent of EU GDP in 1999, Ireland took in over 5.7 per cent of total inward FDI flows into the EU in that year based on Eurostat data. On a per capita basis, of the EU-15 only Sweden attracted higher FDI inflows in 1998-99 than Ireland.
- The share of services trade in total global trade rose steadily during the 1990s. At IRE19.3 billion, Irish services imports were almost twice the level of service exports (IRE10.9 billion), resulting in a services trade deficit for Ireland of IRE8.4 billion. At just over 12 per cent, Ireland in 1999 had a larger services trade deficit as a proportion of GDP than any other industrialised country.
- According to the report, a large and widening deficit in Ireland's services trade is, to a large degree, a mirror image of the growing surpluses in merchandise trade. This is due to a direct link between the many high-technology goods exports and payments by Irish-based companies for overseas royalties/licenses and other imported business services.
- Further liberalisation of services trade, together with the proliferation of advanced communications and information technologies will likely reinforce the "internationalisation" of global service industries over the coming years. Ireland is in a strong position to tap into the growing global market in tradable services.

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