

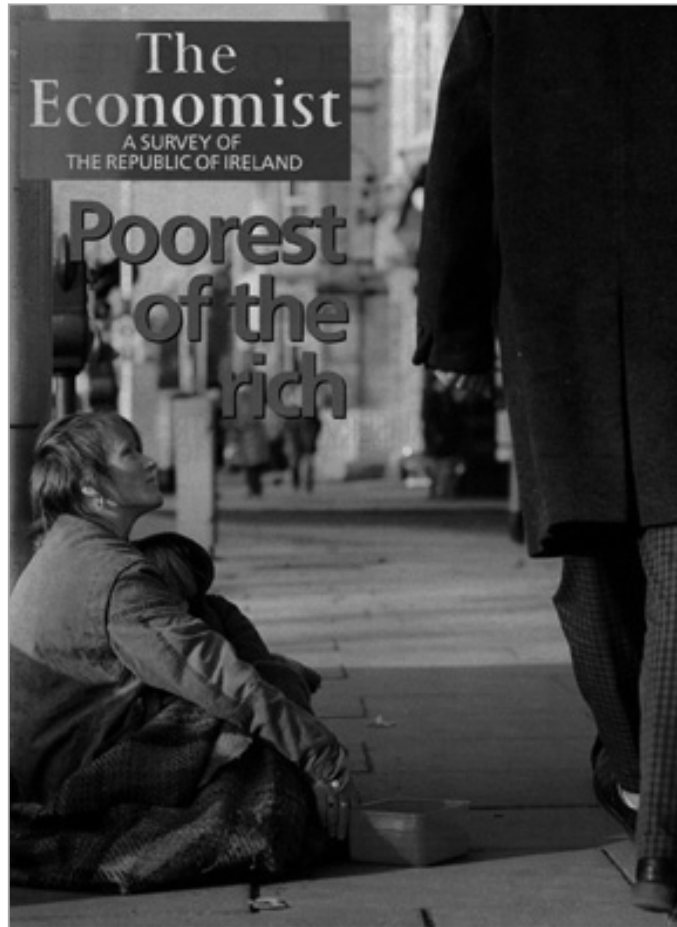
# **From Emigration to Innovation: Ireland's National Vision & Strategy in the 21<sup>st</sup> Century**

**Ronan Lyons, Economist**

**National Competitiveness Council & Forfás**



From 1988...



**1988**

Forfás 2004

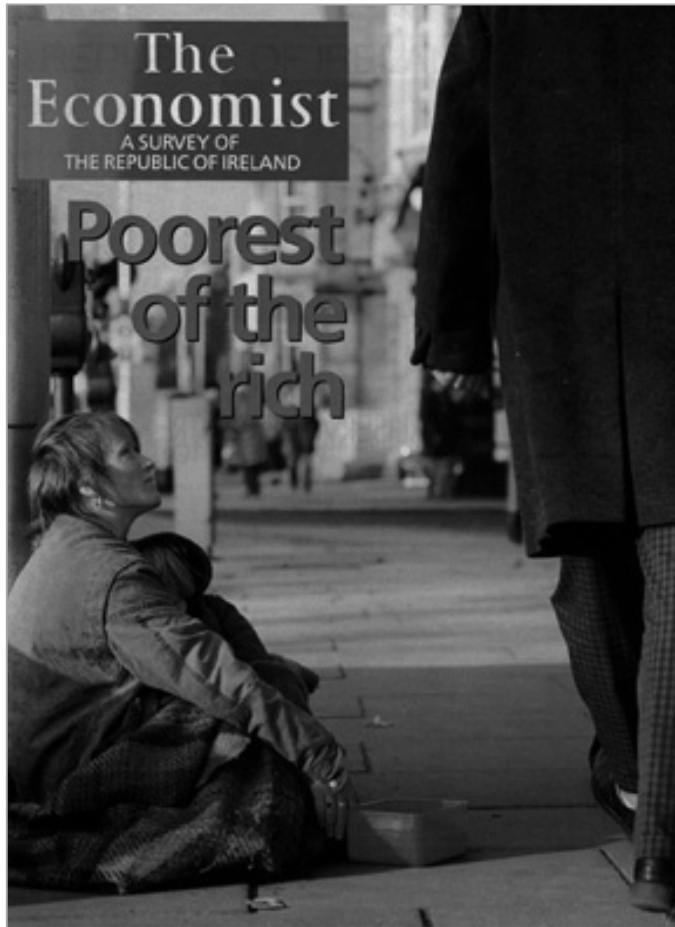
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Nov 29, 2006

**Forfás** 

From 1988...

...to 1997



1988

Forfás 2004



1997

Nov 29, 2006



# Outline of the Presentation

## ▶ What different long-term visions and strategies has Ireland had over its history?

- A tale of emigration, introspection & globalisation

## ▶ What has driven Ireland's recent success?

- Measures of success

## ▶ What is Ireland hoping will drive future success?

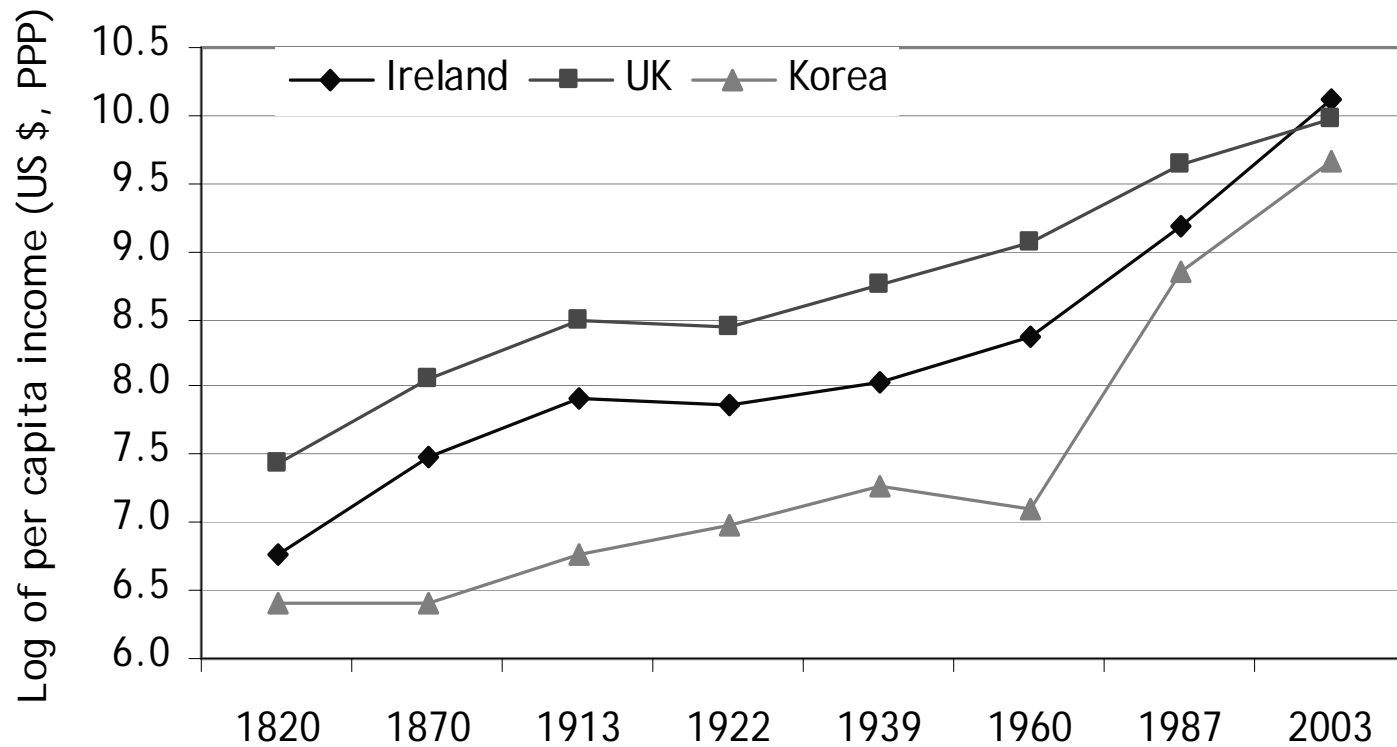
- Ireland's policymaking & vision-setting landscape

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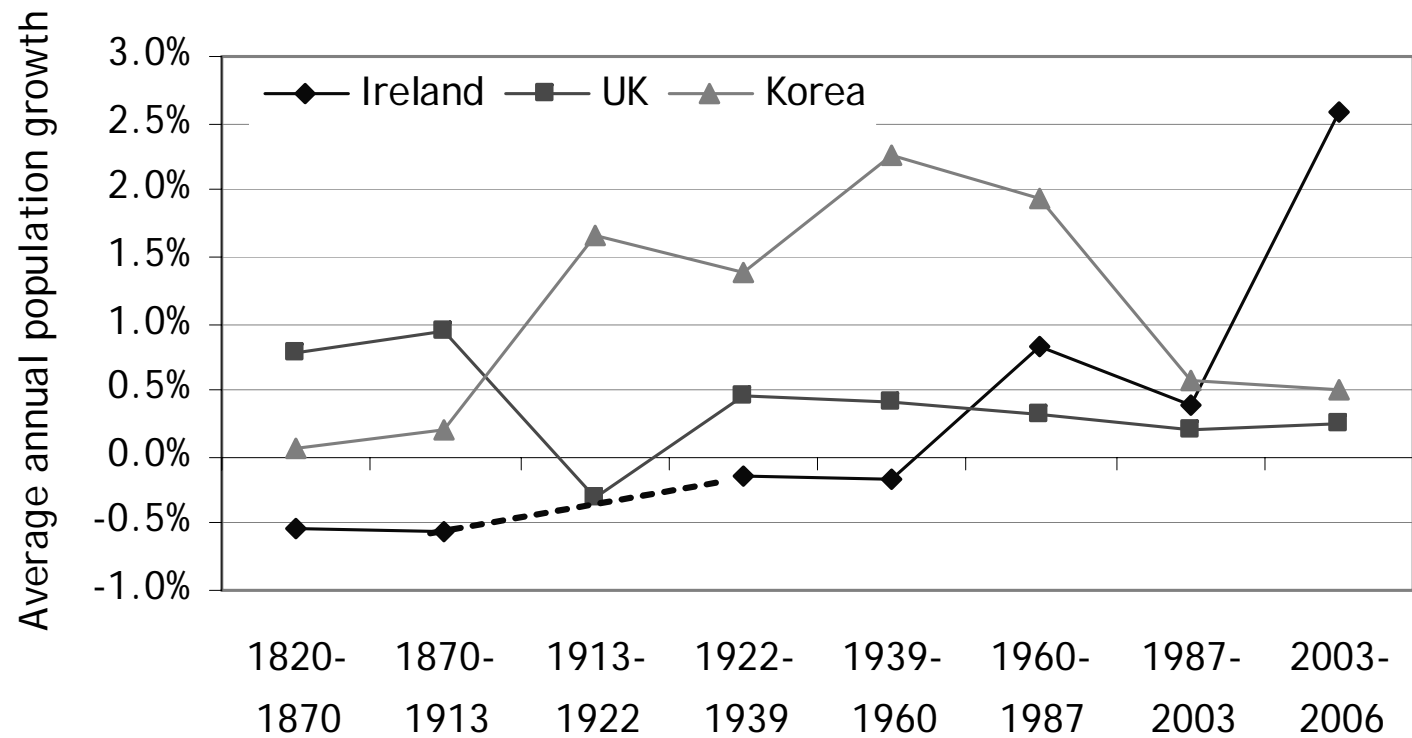
# Ireland Since 1800

## Growth in income per capita



# Ireland Since 1800

## Growth in population



# Strategy 1: Union with Britain, 1800-1922

▶ **Politically motivated – role of Protestant elite minority**

▶ **Nonetheless, two economic aspects:**

- Free trade area within new ‘United Kingdom’
- Ireland at the core of a global empire

▶ **Two exogenous shocks**

- Napoleonic Wars (early 1800s)
- Great Famine (1840s)

▶ **Ireland’s self-image: a failed economy, blighted by mass emigration**

## **Strategy 2: Self-sufficiency, 1922-1959**

### **▶ Again, a result of political developments**

- 1922: Anglo-Irish Treaty, Irish Free State

### **▶ New explicit strategy:**

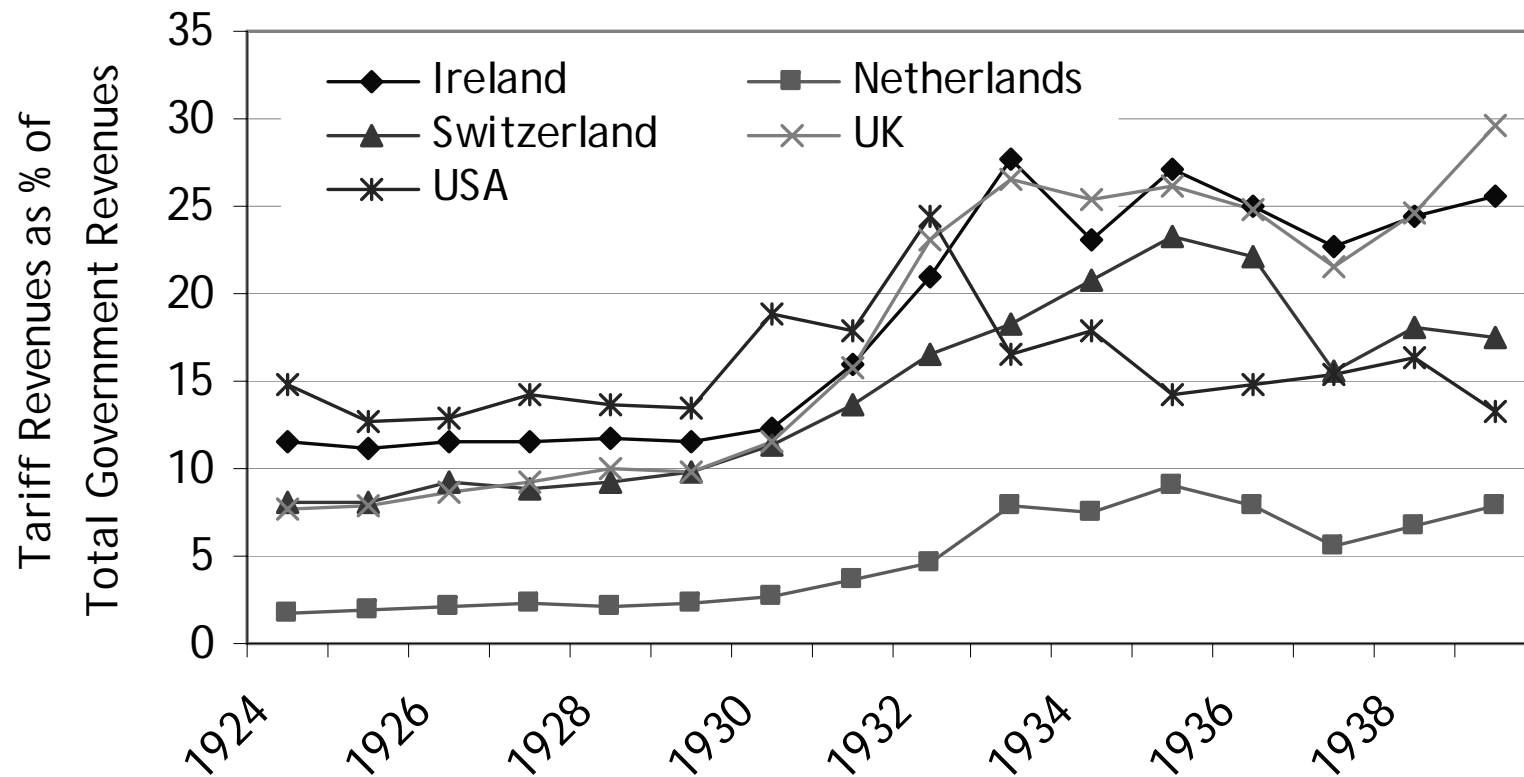
- Ireland's desire for economic and social development could be best achieved through independence and self-sufficiency

### **▶ Again, external forces played a role**

- Worldwide economic recovery from World War I
- Great Depression

### **▶ Ireland's self-image: proud, independent, agrarian Celtic society**

# Autarky & the Interwar Period: Average Tariff



# Strategy 3: Export-led Industrialization, 1959-1987-2006

▶ **Growing realization that Ireland's interests were not served acting in isolation from other economies**

- 1958: TK Whitaker's *Programme for Economic Expansion*

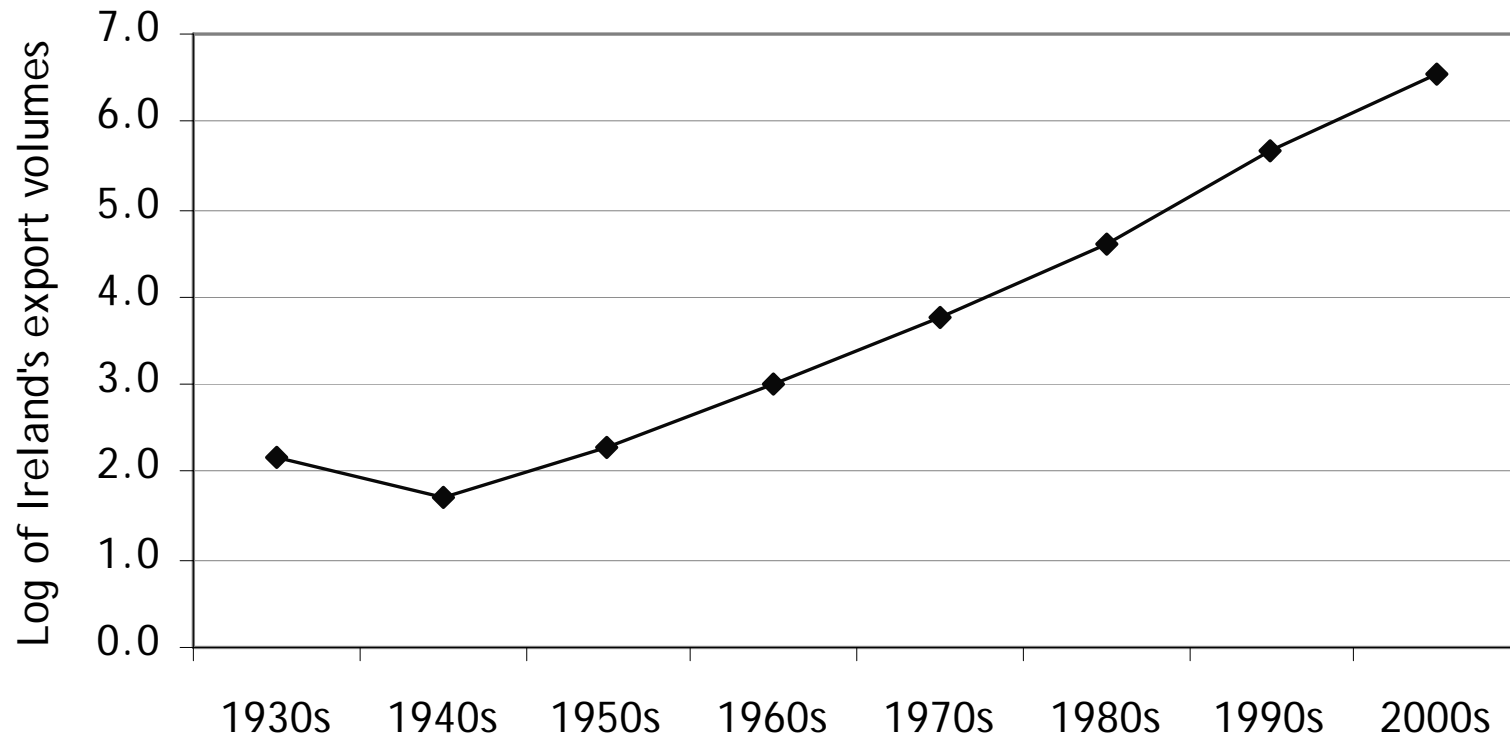
▶ **New explicit strategy:**

- Ireland's desire for economic and social development could be best achieved through trade and export-led industrialization

▶ **Again, external forces played a role**

- European recovery from World War II and the nascent EEC

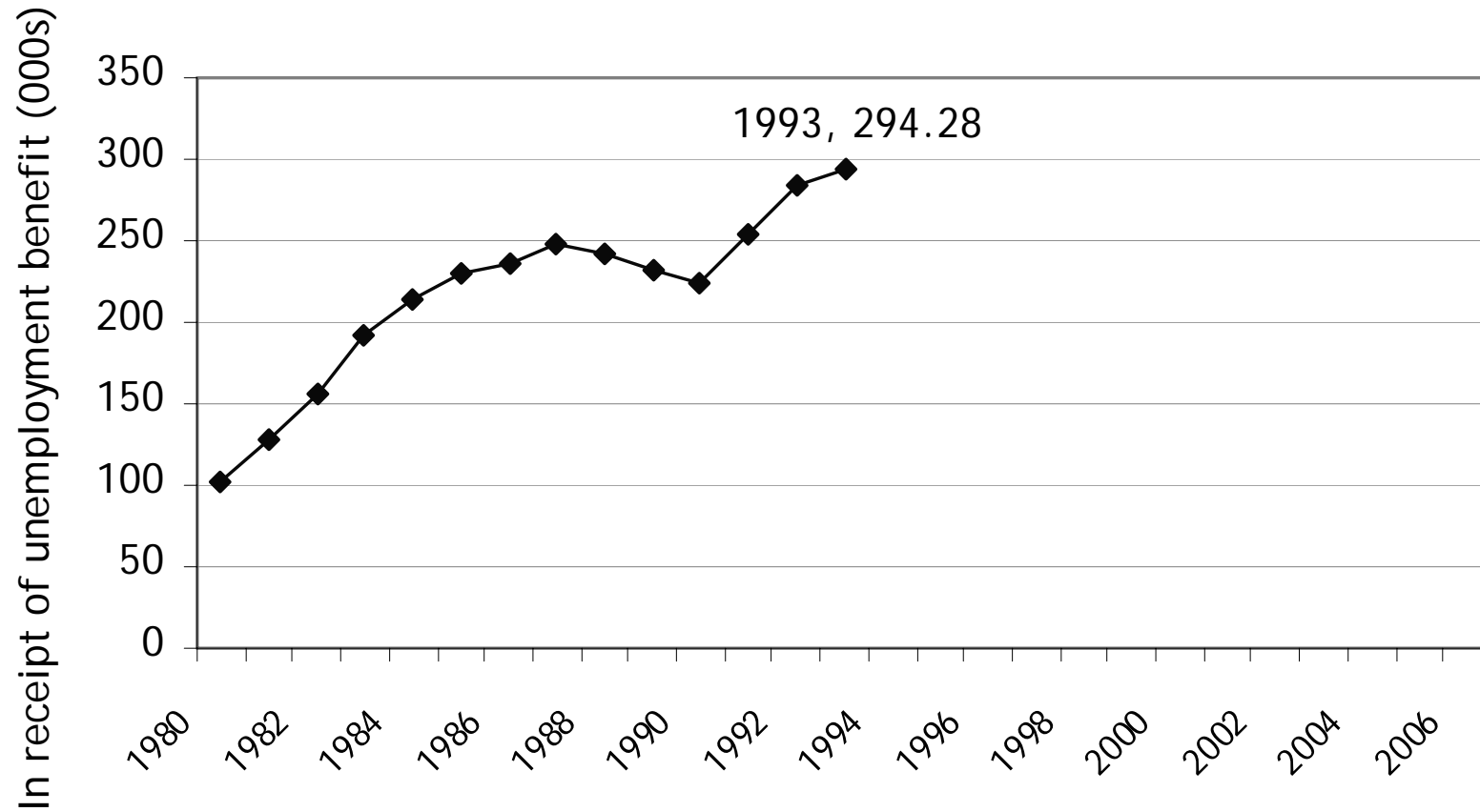
# Ireland's Trade Volumes, 1930-2005



## Strategy 3: ...but is it working?

- ▶ **The 1960s: growth, expansion**
- ▶ **The 1970s: stagflation, public expenditure/debt**
  - Election promises, lack of political leadership
  - Again international factors: Oil shocks
- ▶ **The 1980s: unemployment, emigration**
  - 1987: Social Partnership & the *Programme for National Recovery*

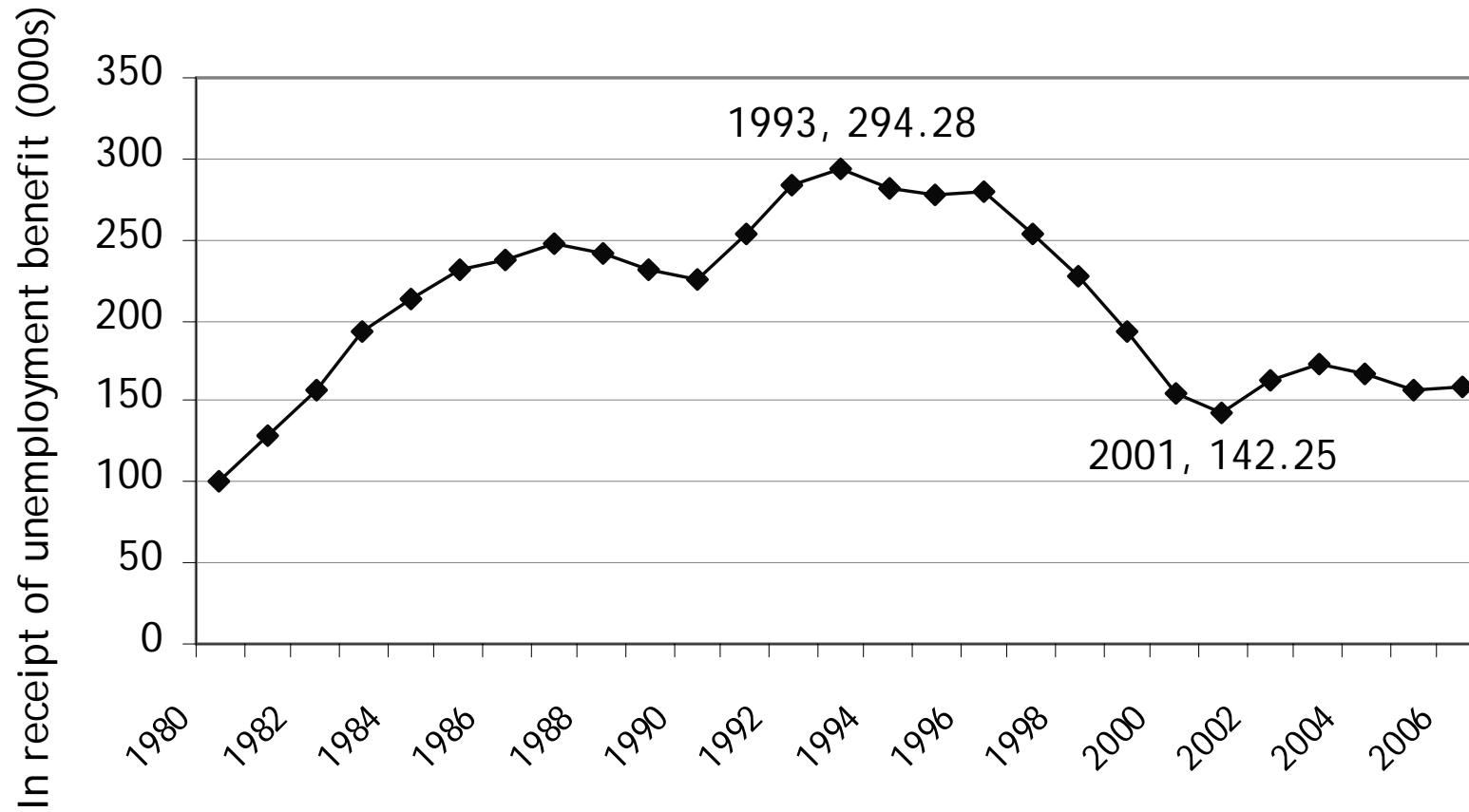
# Unemployment (Live Register), 1980-1993



## Strategy 3: ...Rapid Success

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- ▶ **The 1980s: unemployment, emigration**
  - 1987: Social Partnership & the *Programme for National Recovery*
- ▶ **The 1990s: fruits of success appear**

# Unemployment (Live Register), 1980-2006



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## Strategy 3: ...Rapid Success

Economic Performance Indicators	1995	2005
<b>Unemployment, %</b>	<b>12.2%</b>	<b>4.4%</b>
<b>Government Debt, % of GNP</b>	<b>82%</b>	<b>30%</b>
<b>Top Corporation Tax</b>	<b>40%</b>	<b>12.5%</b>
<b>Personal Tax (Higher/Lower Rate)</b>	<b>48% / 27%</b>	<b>42% / 20%</b>
<b>Irish GDP/Capita, % of EU average</b>	<b>89% (EU-15) 99% (EU-25)</b>	<b>128% (EU-15) 139% (EU-25)</b>
<b>Irish GNP/Capita, % of EU average</b>	<b>80% (EU-15) 89% (EU-25)</b>	<b>109% (EU-15) 115% (EU-25)</b>

# Foundations of Ireland's Success

## **Outward-oriented industrial strategy**

- Business-friendly environment & taxes

## **Social partnership**

- Political stability, industrial peace

## **Membership of EU**

- Macroeconomic stability
- Gateway to Europe

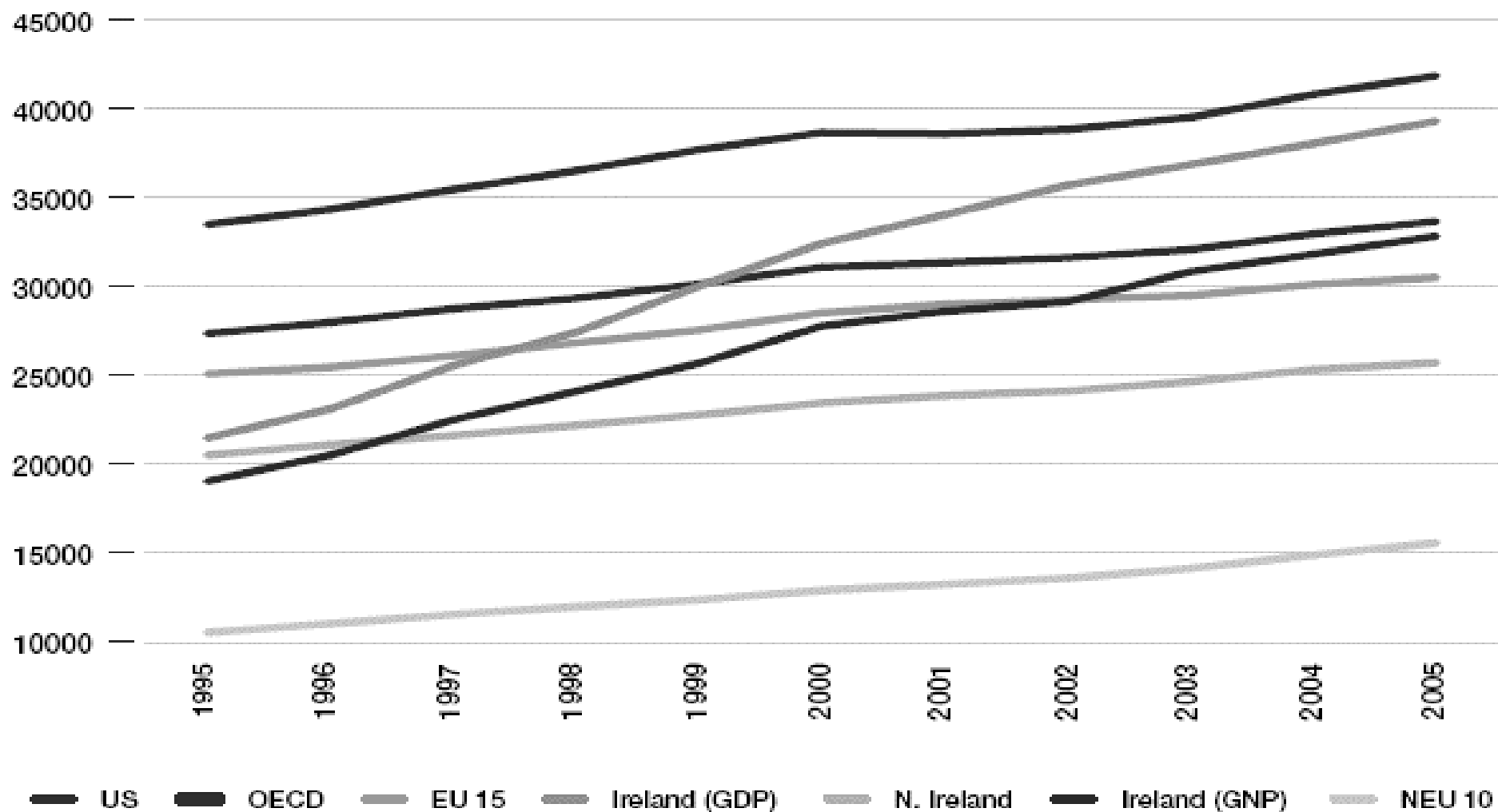
## **Priority given to education**

- Free secondary (1960s), free tertiary (1990s)
- Ready supply of labour

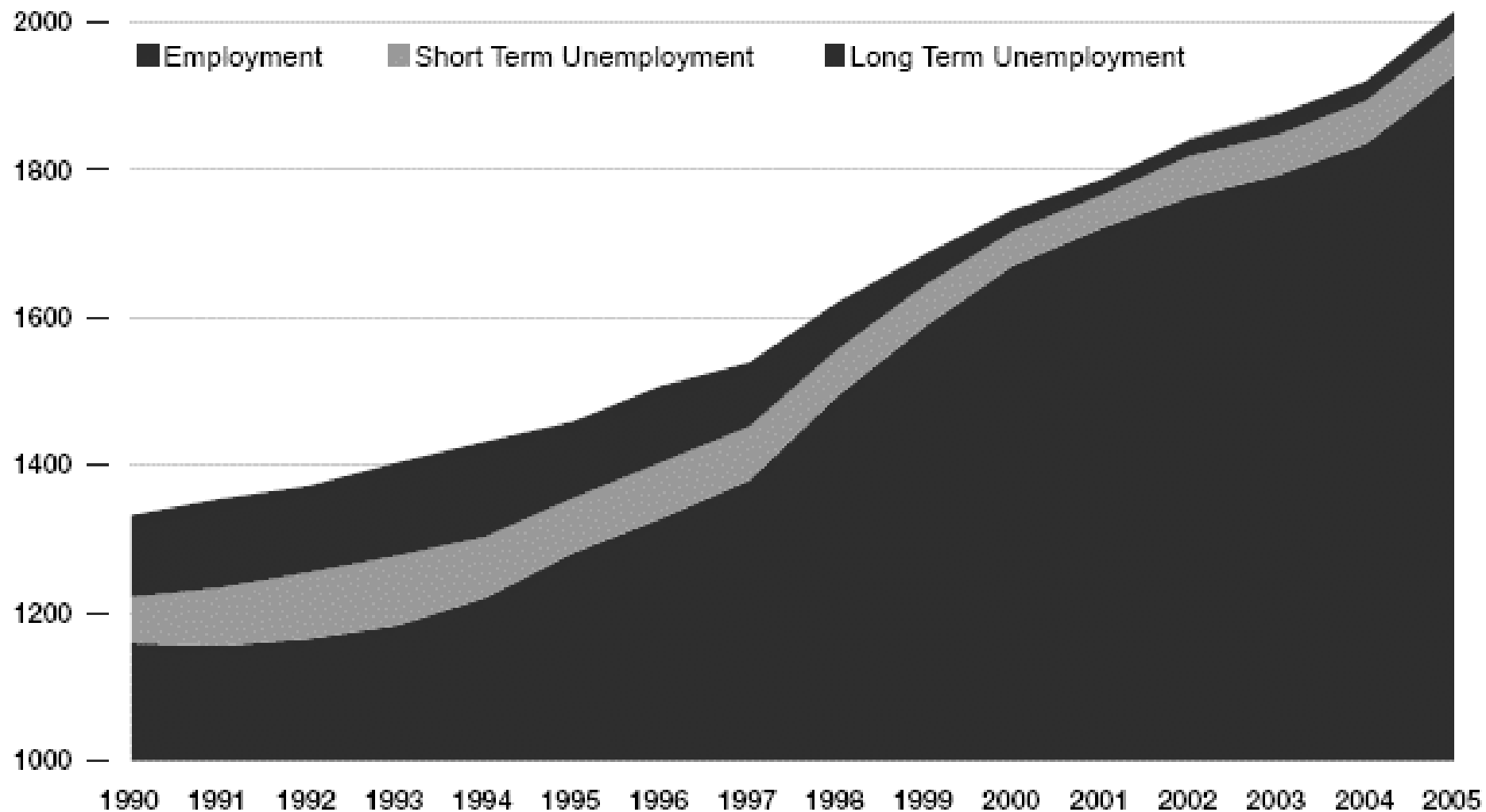
# Outward Oriented Industrial Strategy

- ▶ **Low corporate taxes and other fiscal incentives (grant aid for FDI etc.)**
- ▶ **Improved transport access in and out of Ireland for goods and people**
- ▶ **A light touch regulatory system**
- ▶ **A pro-active industrial development policy, spearheaded by independent, professional and well-resourced state agencies**

# Growth in Output/Income per capita



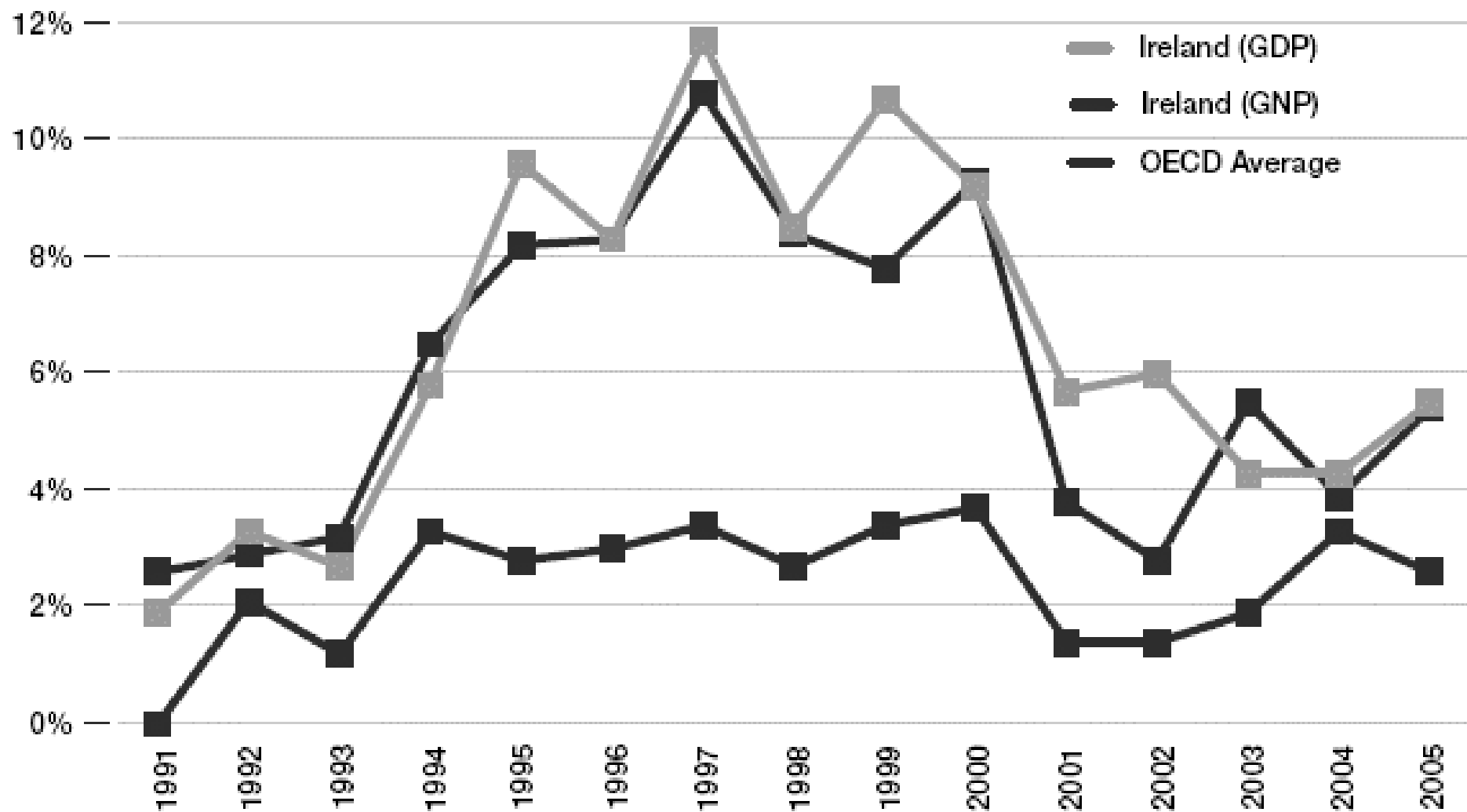
## Ready Supply of Labour (000s)



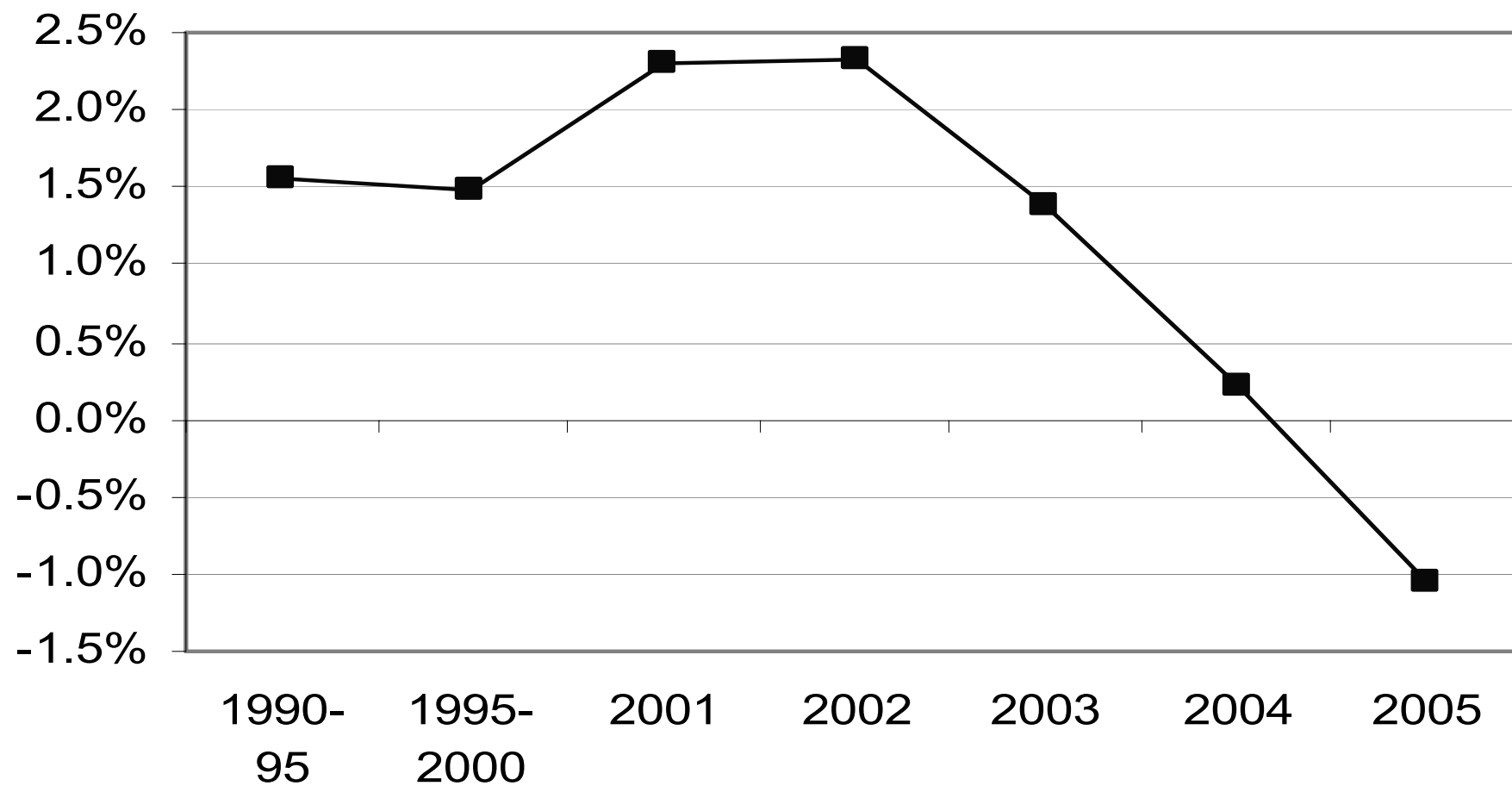
# Changed Momentum of Ireland's Growth

- ▶ **What drives Ireland now? Can we be complacent?**
- ▶ **Changed momentum of Ireland's growth**
  - ▶ Domestic driven, not export-led
  - ▶ Share of world trade falling
  - ▶ Property boom
  - ▶ Loss of manufacturing jobs
  - ▶ Intensified international competition for investment projects and for trade
- ▶ **Vision for future growth needed**

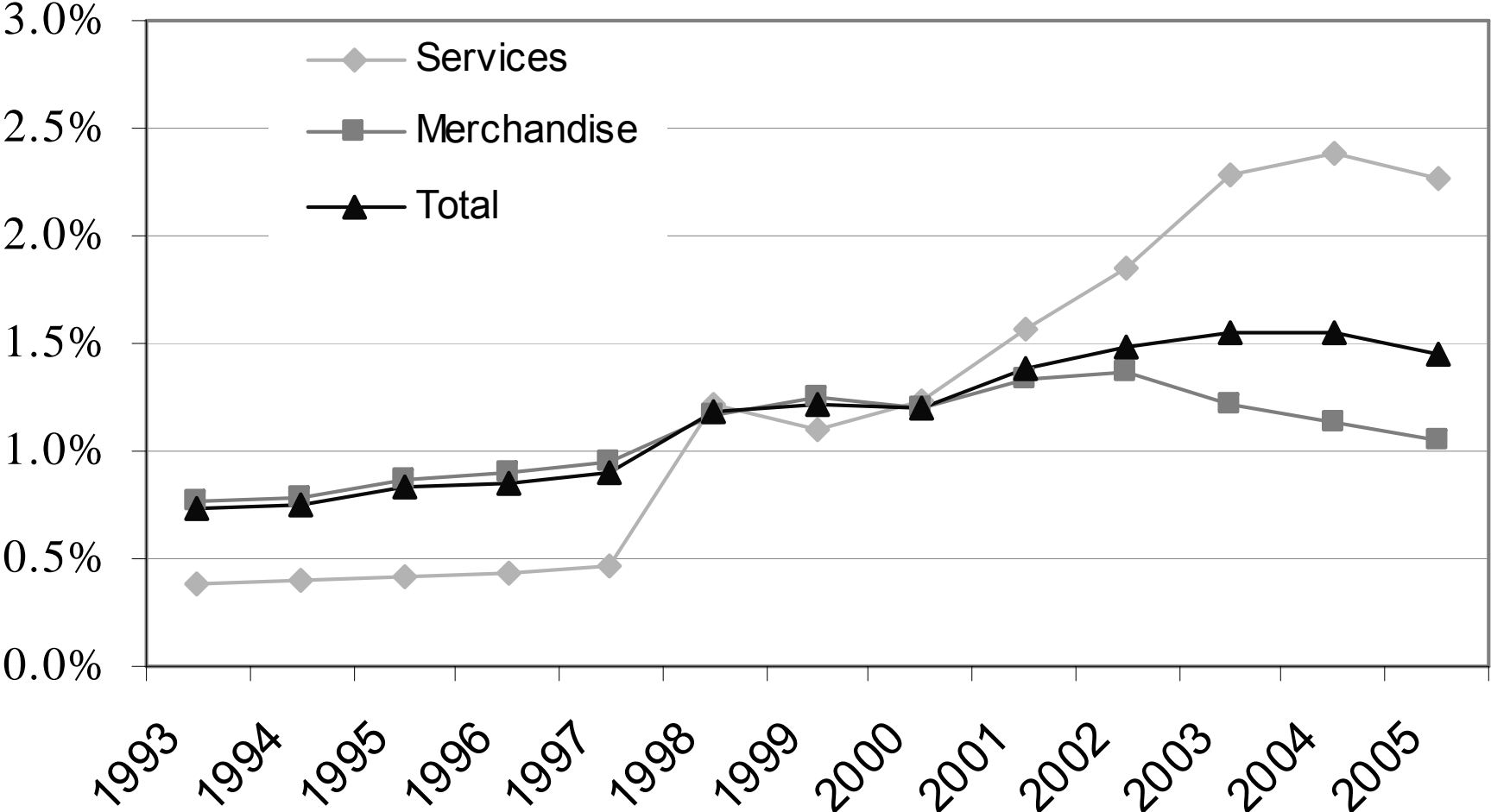
## Growth is good but slowing...



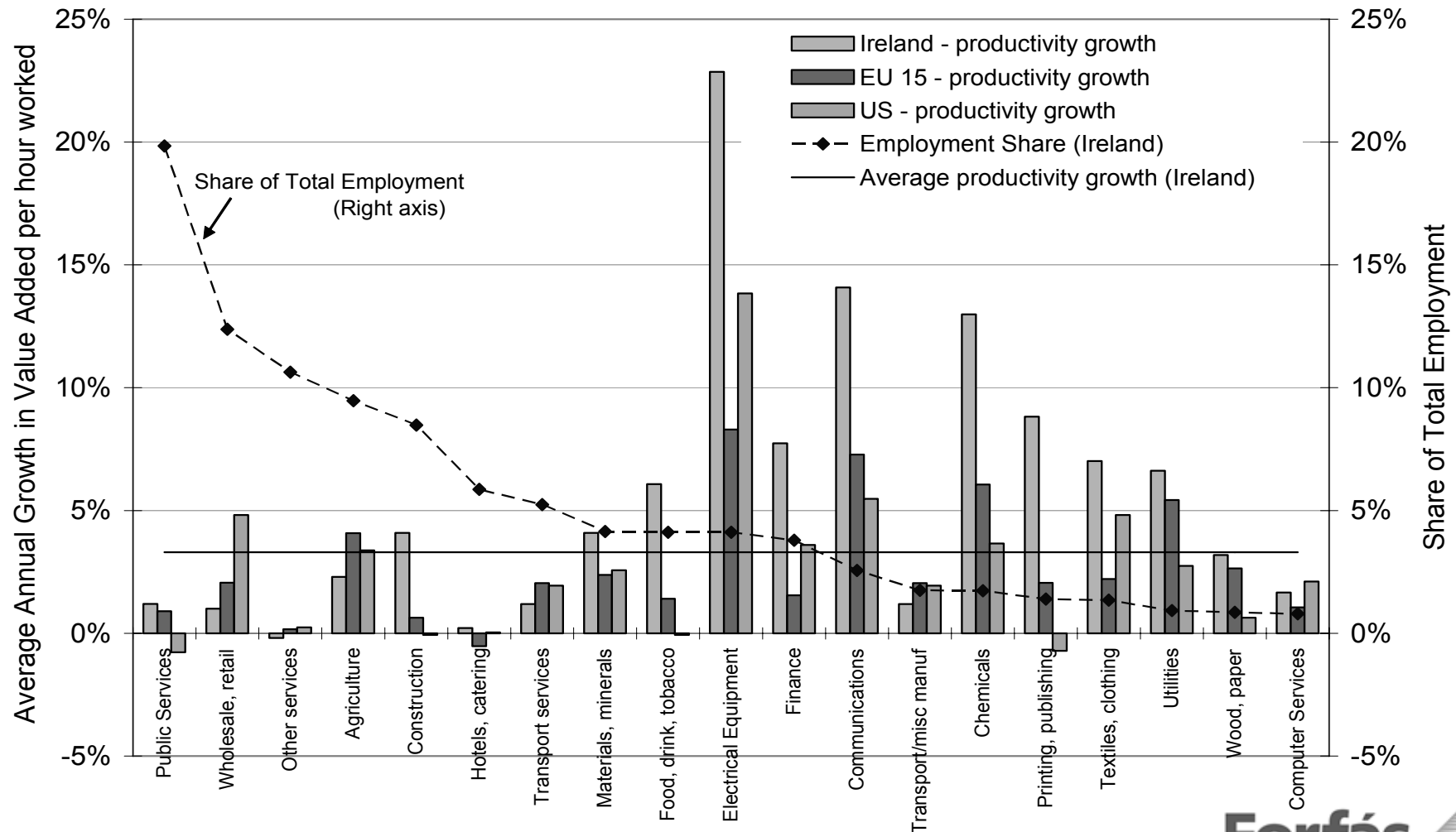
# Declining Contribution of Net Exports to Growth



# Ireland's Share of World Trade, 1993-2005

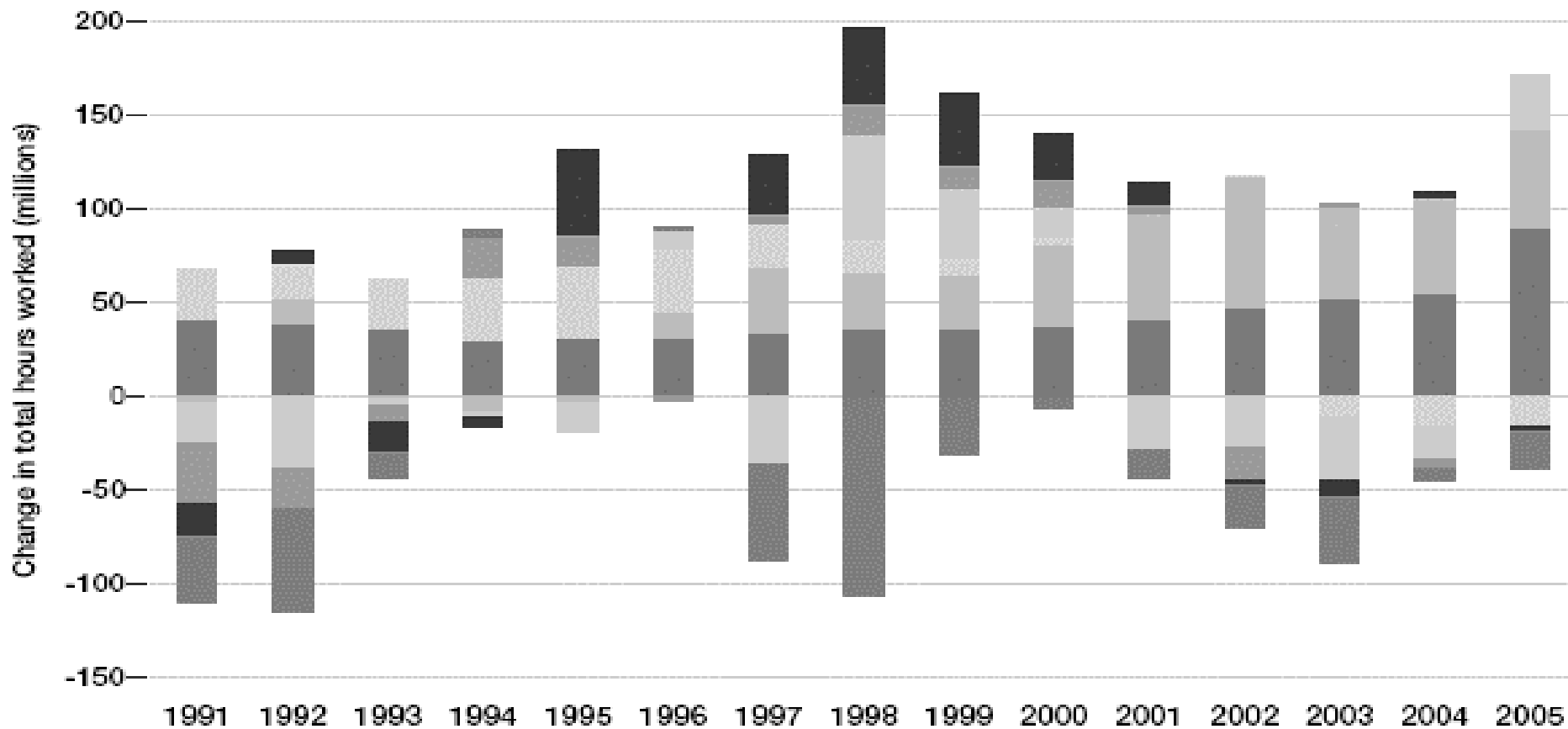


# Narrow Base to Ireland's Productivity Growth



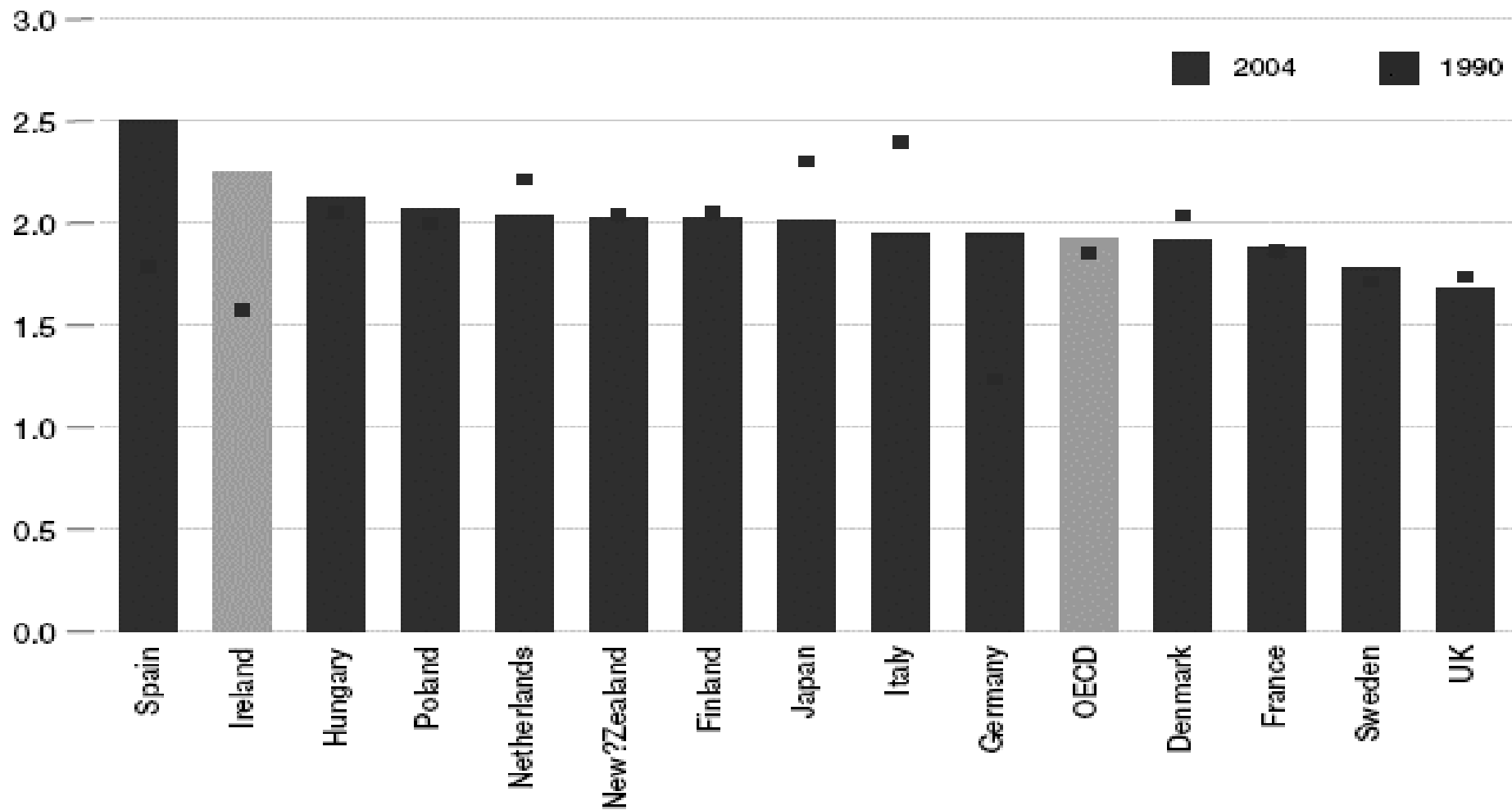
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# Employment, Population and Migration



- Natural Increase
- Migration
- Demographics
- Participation
- Unemp (Short-term)
- Unemp (Long-term)
- Average Hours Worked

# Ongoing Demographic Dividend



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# Ireland's Economic & Social Policymaking

## ▶ Two pillars:

1. Economic policy and enterprise development
2. Social Partnership

## **Economic Policy:**

- Forfas & the Development Agencies
- National Competitiveness Council, Enterprise Strategy Groups, other Advisory Councils

## **Social Partnership:**

- National Economic & Social Development Office
- Social Partnership negotiations

# Forfás

► **Forfás is the national policy and advisory board for enterprise, trade, science, technology and innovation.**

► **Functions of Forfás:**

- To analyse matters relating to the development of industry and enterprise
- To advise the Minister for Enterprise, Trade and Employment on these issues
- To advise and coordinate Enterprise Ireland, IDA Ireland and Science Foundation Ireland in relation to their functions

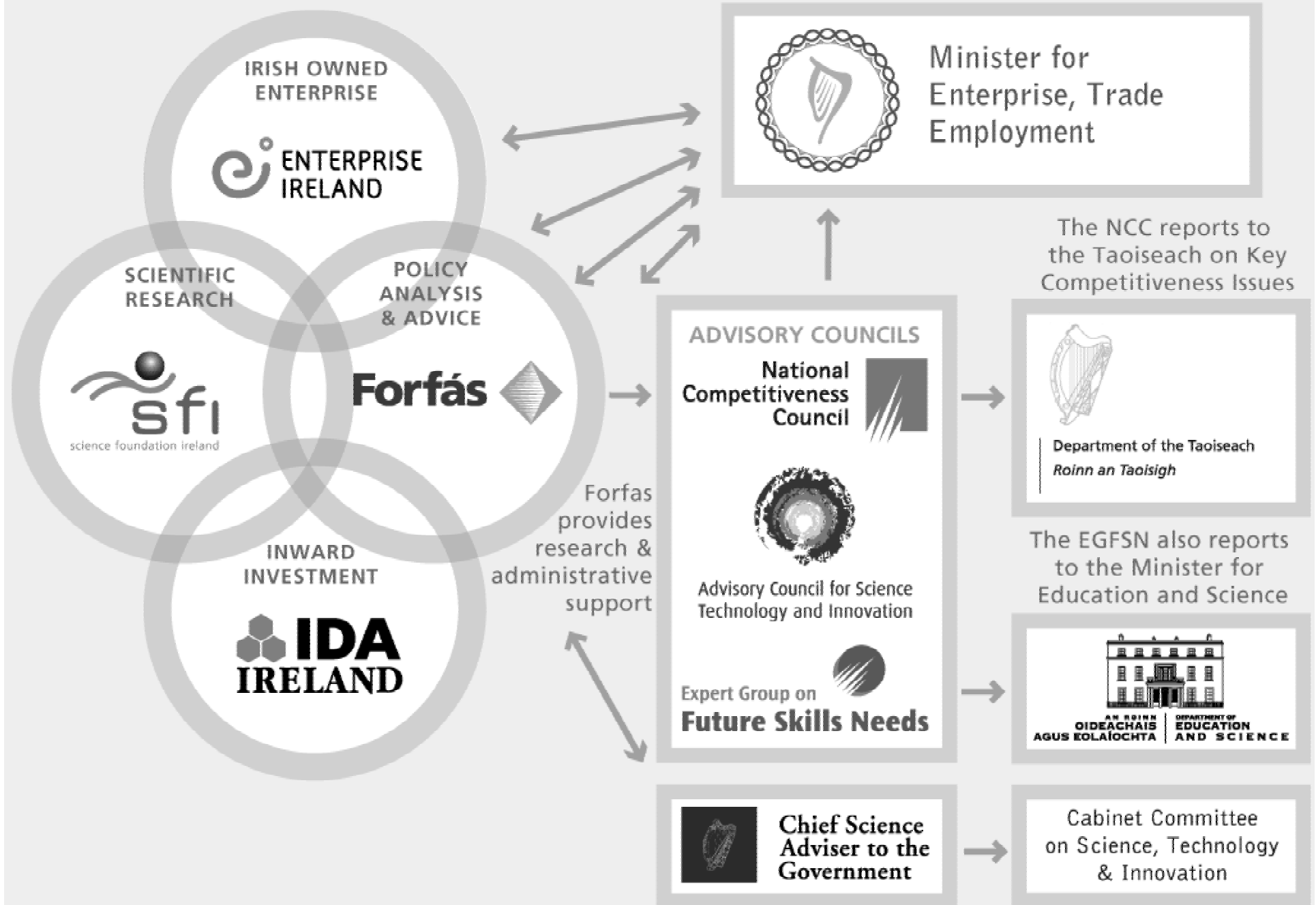
# The National Competitiveness Council

**The National Competitiveness Council (NCC) reports to the Taoiseach on key competitiveness issues for the Irish economy together with recommendations on policy actions required to enhance Ireland's competitive position.**

**The NCC is a social partnership body. Council members are appointed by the Minister for Enterprise, Trade and Employment. The current membership consists of:**

- Representatives of the employer and trade union social partnership pillars
- Persons with relevant expertise in competitiveness, including the CEO of Forfas
- Representatives of various government departments, most in advisory capacity, as well as from InterTradeIreland

# Forfás, its Sister Agencies and Advisory Councils



# Ireland's Vision for 2016

## ▶ **Social Partnership Agreement: *Towards 2016***

### ▶ **Vision:**

“A dynamic, internationalised and ...

... a participatory society and economy with a strong  
commitment to social justice, where ...

... economic development is environmentally  
sustainable and internationally competitive”

# ***Towards 2016: Achieving the Vision***

## **► High-Level actions required:**

- Nurturing the complementary relationship between social policy and economic prosperity
- Developing a vibrant, knowledge-based economy and stimulating enterprise and productivity
- Re-inventing and repositioning Ireland's social policies
- Integrating an island-of-Ireland economy
- Deepening capabilities, achieving higher social and economic participation rates and more successfully handling diversity, including immigration

# ***Towards 2016: Achieving the Vision***

## **► Specific 'hot topics':**

- Energy: cost competitiveness, supply security, long-run sustainability
- Affordable housing: 270% inflation in house prices since mid-1990s
- Transport networks: road, underground, rail
- Fate of manufacturing

# **Economic Policy Priorities**

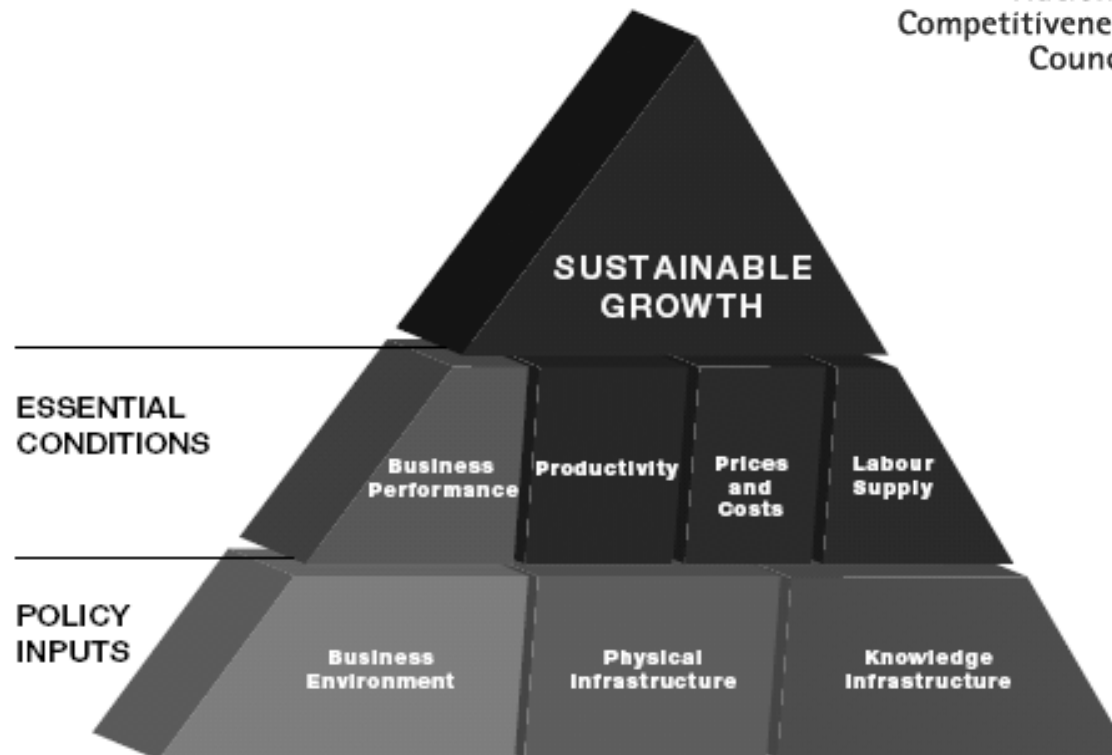
**Return to Export-led Growth**

**Competitiveness through Productivity & Innovation**

**Four priority policy areas for Forfás**

- Knowledge, Science, Technology
- People, Education, Productivity
- Environment, Infrastructure, Regulation
- Enterprise Development Policy

# Ireland's Competitiveness Pyramid



# Knowledge For Business

## **Policies to maximise the impact of investment in technology and innovation through:**

- Strategy for Science, Technology & Innovation, 2006-2013 – approx €9bn over 7 years
- Aligning investment in higher education with enterprise needs
- Fostering greater enterprise-higher education collaboration
- Advising on Irish participation in international science and technology programmes

# People For Business

## How education can prepare people with the skills for the economy of the future by:

- National Skills Strategy, 2006-2020
- Identifying skills needs for the economy
- Supporting, on an ongoing basis, the development of a skilled immigration policy

# Environment For Business

## Pro-innovation and pro-enterprise Government policies in relation to:

- Developing an advanced economic infrastructure
- A conducive tax and financing environment
- A pro-competitive regulatory regime
- Public Sector reform
- Non-technological business innovation
- Balanced regional development

# Policy For Business

## **Forfás & development agencies will work to deliver coherence and responsiveness in Ireland's enterprise strategy**

- Identifying new challenges and opportunities for Ireland's enterprise sector
- 'Economy 2.0': Identifying and promoting opportunities in niche areas and technologies
- Improving the quality of information being received by Government on enterprise performance
- Leading greater understanding of Ireland's productivity performance

# THE END

- Thank you for your attention
- Questions?
- Comments?