

EXPLORING THE IRISH MODEL AND ITS APPLICATION TO THE EXPANDED EUROPEAN UNION

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The goal of this project was to study the transformation of economic conditions within the Irish Republic since its inclusion in the European Union (EU), with an emphasis on the possibility of Ireland serving as a model for other economically developing nations. Ireland moved from a Third World economic status to a First World economic status in a relatively short period of time. The "Celtic Tiger" is a term commonly used to talk about how Ireland grew as an economy. "The Republic of Ireland is known as the 'Celtic Tiger' because of its dynamic economic growth in recent years. For centuries a rural backwater with no industrial base, Ireland has risen to be one of the world's most successful high-tech economies in the space of a few decades" (O'Rourke). An investigation of economic and other factors supporting this transition may provide a paradigm for the creation of similar transformations in developing countries.

The timeline for the transformation of the European Union spans about sixty years beginning with the rebuilding of Europe after World War II. This study provides an analysis of the transformation of the Irish economy starting with the year 1993 when the EU became a single market for goods and services. The EU simultaneously formulated a plan to provide funds to countries with weaker economies to accomplish the goal of creating sufficient infrastructure to have a seamless market among 15 member nations. This union was expanded to 25 countries in 2004.

The McMaster Fellow and Scholars were deployed as follows. Shannon Liechty participated in a summer school program provided by University College Cork. Professor Gallagher traveled to Cork, Ireland to begin the interview process. Rachel Niese then met with Professor Gallagher and

Shannon Liechty and traveled from Shannon, to Dublin, Ireland, to London, England, and eventually to the Netherlands. This study design involved interviewing over 20 business leaders to obtain an understanding of the effects of the EU on the member nations in general and on the Irish Republic in particular.

SHANNON AND CORK: IRELAND'S GATEWAY CENTERS

Economic development in many countries takes place around core cities that constitute the population centers of the region. These "core regions monopolize higher value activities" because of their access to centers of production (Callanan, 2000). This type of economic development has the potential to leave other parts of a country isolated and to create a low socio-economic status for the people indigenous to those regions.

Regions may be classified into five categories (as cited in Friedman and Alonzo) including: 1) core regions, 2) upward transitional regions, 3) downward transitional regions, 4) resource frontiers, and 5) special problem regions. The Shannon Region is an example of a resource frontier. The Republic of Ireland established Shannon Development to create the potential for an economic renaissance in the less developed Western part of the island. The components of the Shannon Development plan included strong regional community leadership, developing surrounding towns to a critical size, developing transportation networks, and establishing knowledge centers. This type of focused economic development may provide an example for other countries.

The model used by Shannon Development was based on various historical regional development plans including the Tennessee Valley Authority. The Cork region in Ireland has also established an economic development plan that includes "Cork City, the satellite towns of Midleton, Carringtonwohill, Carrigaline, Ballincollig and Blarney, and the ring towns of Bandon, Macroom, Mallow, Fermoy, Youghal, and Kinsale" (Cork Area Strategic Plan, 2001-2020).

The economic growth under Shannon Development is attributed to the following factors:

- 1) a pro business government environment
- 2) English speaking country
- 3) a well-educated workforce
- 4) the future availability of workforce

- 5) corporate tax rates
- 6) strategic investment in infrastructure
- 7) the National University System
- 8) Shannon Airport
- 9) the adoption of the Euro
- 10) EU Policies.

- (Shannon Development, 2003a)

One of the challenges Ireland faced was to not concentrate all of the economic development in the core region surrounding Dublin. Irish planning has always allowed for the potential for development of the Western Part of Ireland. This part of the Emerald Island is known for its rugged beauty. According to Callanan (2002), the Tennessee Valley Authority (United States), Cassa per il Mezzogiorno (Italy), and Highlands and Islands Development Board (Scotland) are the other examples of regional development agencies that were able to 1) unify regional development; 2) decentralize administration; 3) involve the "grass root constituencies"; 4) address social responsibility; and 5) exercise non-political policy making.

The major areas of concern in the Shannon Region were also of importance in the early regional development agencies including general infrastructure, agricultural policy, industry, and tourism. The industrial portion of the Shannon Development included a wide range of exports. According to a presentation to the Great Lakes International Trade Institute in March of 2003, the components of exports include machines and equipment, agricultural products, services, computers, and chemicals. Computers and chemicals combine to make up 57% of the exports from the region (Shannon Development, 2003b). The Irish Development Agency (IDA) states that Ireland generates 79.3% of its gross domestic product (GDP) from exports with a trade surplus of 34.1%.

The study of these regional development agencies identifies significant distinguishing characteristics.

- 1) They are geographically focused.
- 2) They are multipurpose in scope and active in several economic sectors.
- 3) They have a strong relationship with regional groups.
- 4) At the start-up phase, the influence of individual personalities and leaders is significant.

The Cork Area Strategic Plan (CASP) was a leading influence on the National Development Plan (NDP) for the years 2000–2006. “Cork is a designated gateway city under the NDP, and CASP provides the mechanism that will promote Cork as a major national strategic growth center for the next 20 years.” (Cork Area Strategic Plan 2001 – 2020, p. 7). The Cork strategy has the significant distinguishing characteristics identified in the Shannon Development Corporation document including a regional focus, identifiable business segments, and a geographical development focus.

Three of the Cork area leaders were interviewed on July 1, 2003, and July 2, 2003, by Michael J. Gallagher. Follow-up interviews were conducted by Shannon Liechty and Rachel Niese on July 16, 2003. Lucy O’Donoghue, Development Executive at the Cork Chamber of Commerce was interviewed along with Ann Bogan, Planning Department of the Cork Chamber of Commerce, and Dennis Healy, Cork Harbour Commissioner.

According to Lucy O’ Donoghue, Cork is second in regional economic development to the Dublin area (Cork Chamber of Commerce, July 1, 2003). The areas of emphasis in the plan include a 116 million Euro expansion of the Cork Airport. The development plan includes an identification of derelict sites and development from the inner ring outward supporting the goal of showcasing Cork.

Ann Bogans, from the Community and Enterprise Division of the Planning Department, emphasized the role of Spatial Planning. Ireland has a National Spatial Strategy that looks to develop regions to a critical mass that will allow the infrastructure to boost economic initiatives (Interview with Ann Bogans, 7/3/2003). “CASP seeks to reflect spatial planning guidance that is emerging from initiatives such as the National Spatial Strategy (NSS) and the National Development Plan (NDP) which encourages Gateway centers such as Cork to develop as the focus of successful and innovative regions” (Cork Area Strategic Plan, 2001 - 2020). This strategy develops inner rings and outer rings that can provide a basis for continuing the use of the land to reach the population without shifting focus away from the core.

Dennis Healy, who was instrumental in writing the 20-year Cork Area Strategic Plan, states: “development in Cork runs from the inner city. They are very quick to develop derelict sites rather than to go on the ring roads for development. This keeps the cities strong and the countryside clear. We do not want to make the same mistakes made by other developed countries including the United States” (Interview with Dennis



THE GROUNDS OF BUNRATTY CASTLE IN SHANNON, IRELAND. PHOTO BY MARY ANN STUDER

Healy, 7/2/2003). The development plan includes the infrastructure for a public transportation system that will alleviate the current reliance on automobiles. "The immediate strategic objective of the integrated transport system is to create conditions that will facilitate a change in public attitudes towards the use of public transport. This is seen as a strategic necessity not only for reasons of environmental sustainability, but also to be able to accommodate the growth in demand for transport that accompanies economic growth and expansion" (Cork Area Strategic Plan, 2001 - 2020).

THE IMPACT OF THE EDUCATIONAL SYSTEM ON DEVELOPMENT

Leaders from the educational community of the Republic of Ireland were interviewed by Shannon Liechty as part of her project. The educational system has provided a strong resource for the growth of the "Celtic Tiger."

The higher education system of Ireland has always had a strong influence on the Irish economy – even when the Irish economy was struggling. The result then was that although the Irish were well educated, many went abroad to work in more developed economies. Several sources stated that "our biggest export was people" when referring to the graduates of the universities in the Republic of Ireland.

The objective of this phase of the study was to look at how the higher education system in Ireland has influenced the economy in recent years. In addition to basic research about the country of Ireland, interviews were garnered with a Career Services Representative and an Admissions Counselor from the University College Cork. Also, Don Thornhill from the Higher Education Authority provided considerable information about this topic.

In order to understand how higher education affects the Irish economy, it is important to know the process of education one must go through in order to reach higher education status. The first interview conducted was with Lynn Bannon, an Admission counselor from the University College Cork. According to Ms. Bannon, the Irish believe that education is a basic right everyone must receive; therefore education is free at all levels in Ireland. In general, the Minister for Education and Science is the person most responsible for education in Ireland. This person has a seat in the government and provides most of the funding for Irish education.

There are seven universities in Ireland - University College Cork; University College Dublin; National University of Ireland Galway; National University of Ireland Maynooth; University of Dublin - Trinity College; University of Limerick; and Dublin City University. Ireland also has fourteen Institutes of Technology. These institutions offer courses in humanities, business studies, engineering, science, and computer technology. Students planning to enter the field of education need to attend one of the eight colleges of education.

Ms. Bannon commented in the interview that education has long been a priority and the number of students enrolling in higher education has not really increased in the last ten years. The majority of students who attend come from the middle and upper middle classes.

The next interview for this study was with Mary McNulty, University College Cork Career Services officer. Ms. McNulty indicated that helping students find internships and co-op positions were among their primary objectives along with facilitating student participation in career tests and job fairs.

In order to have an impact on the Irish economy, students who receive an education in Ireland need to use their degree for the economic development of Ireland. We posed the following question: "Has there been a change in the philosophy of the Irish graduate in relationship to staying in Ireland after graduation?" Ms. McNulty confirmed that there had been with this statement: "since the Celtic Tiger graduates stay in Ireland to work. Ten years ago many people emigrated because of lack of job opportunities here."

The book, *What Do Irish Graduates Do?* by Seamus McEvoy, provides statistics relating to the changing career paths of the graduates of the institutions of higher learning in the Republic of Ireland. A collaborative effort between the Higher Education Authority and the Careers and Appointments offices, this publication uses statistical information to describe the outcomes for students. Figures show that in Ireland in the year of 1990, 19% of students emigrated and in the year 2000, only 11%.

One of the major interviews for the study took place at the Higher Education Authority located in Dublin, Ireland. The main purpose for the Higher Education Authority (HEA) in Ireland is to be a planning and development body for the institutions of higher education. The HEA was started in 1968 and was given constitutional power in 1971.



THE WATERFRONT IN CORK, IRELAND. PHOTO BY MARY ANN STUDER

The Higher Education Authority believes that knowledge and growth within the Irish economy is backed by education. "The Irish education system has long been recognized as one of the most successful in the world in meeting the needs of business. It has played a major part in the impressive growth of the Irish economy in the last decade" (IDA Report 2001).

There is an emphasis on technological education at many of Ireland's research institutions. The Higher Education Authority published a document entitled, "Creating and Sustaining the Innovation Society." This was published as part of their strategic development process. It is used to help develop a framework for national policy for research and technological development.

Education influences the economic conditions within a country or region. Education also influences the cultural development within a country. Cork, Ireland, submitted a proposal for and was awarded the designation of the "European Capital of Culture for 2005." This development surprises many when they consider other countries within the EU. The leaders of

Cork were very proud of the work they did to win this competitive process. They have genuinely improved the city's cultural opportunities.

Much of the improvement and change can be traced back to Irish education and the research institutions in Ireland. To examine how that affects the advancement of humanity, one needs to look at the factors that led to making Ireland more successful. Other countries struggling with conditions similar to the conditions that held Ireland back could pattern improvements in their educational systems after elements of the Irish education system.

APPLYING THE IRISH MODEL IN OTHER EUROPEAN VENUES

The Republic of Ireland has generated much interest because of its economic renaissance over a period of 25 years. The EU is looking to the Emerald Island as a model for various Eastern European countries to develop a competitive strategy. Don Thornhill, Chairman of the Higher Education Authority, remarked that Ireland's strategy as it becomes a mature economy should be based on creating a competitive advantage that has as its focus education to sustain a knowledge economy. This is in contrast to Ohio's strategy of developing cutting edge products to market in the knowledge economy. Ireland has supported the development of people whereas many other communities try to fund product research (Communities, Higher Education, and the Changing Economy May, 2003, Columbus, Ohio).

Ireland has intentionally invented itself as a Gateway Center to Europe. The EU was able to assist Ireland in developing the infrastructure and the focus to become a major economic presence within the EU. Don Thornhill stated that the EU helped the Republic of Ireland with funding but more importantly required the country to develop strategies that would propel it into the knowledge economy.

The EU could look to the Republic of Ireland for guidance in the planning of the use of economic resources. Leaders in Ireland believe that the EU requirement for planning documents were as responsible for the economic renaissance as the funds for infrastructure. These planning documents include the National Development Plan, the National Spatial Plan, Creating and Sustaining the Innovative Society (Higher Education Planning Document), regional strategic plans including the Cork Area Strategic Plan

(CASP), and the Strategic Planning documents from the National Universities. The Irish authorities were able to integrate these documents to develop a plan that strategically used the resources of the island.

PERSPECTIVE OF BUSINESS LEADERS

Eleven business leaders were interviewed to obtain an understanding of the role of the EU in economic development in the various EU countries. This study is based on travel to Shannon, Cork, Limerick and Dublin, Ireland; London, England; and Amsterdam, the Netherlands. A questionnaire was administered which addressed such issues as EU policies and procedures and the assistance the EU has offered each of these business leaders' countries.

The viewpoints of the business leaders were surprisingly varied. Irish business leaders expressed their gratitude to the EU for helping them gain the title of "Celtic Tiger." "Looking into the future, it is my opinion that Ireland is a much stronger country than before and will not need the assistance they once needed from the EU," stated Brian Callanan from Shannon Free Zone (Interview with Brian Callanan, 7/17/2003).

England's business leaders were less enthusiastic, particularly in regard to the original transfer payments to Ireland and the proposed economic support of the ten new members added the EU in 2004. They explained that the EU has not helped them with economic growth and for that matter will not. They feel that they do not "reap the benefit of the EU" (Interview with John Mackey 7/23/2003). The basis for this reluctance is that they already had a mature economic system with the required infrastructure in place. The leaders in the Netherlands had a positive attitude towards the EU and were grateful for its assistance in trade agreements.

The extent of negative responses to the EU expressed in the interviews with British business leaders was not anticipated by the researchers. More surprising still is the attitude of the people of Ireland when it came to the expansion of the EU to 25 countries. Ireland almost seemed to forget the support that the EU gave to its economic renaissance. The Irish that were interviewed expressed reluctance about providing economic assistance to these countries to bolster their infrastructure at the expense of the existing 15 members of the EU.

The interviews conducted while in England and the Netherlands centered on free trade. Each person interviewed focused on reducing social and

economic disparities through trade as the major objective of the EU. This is consistent with the the EU's mission, "One of the main objectives of the EU is to promote social and economic progress. The completion of the EU's internal "single market" boosted intra-EU trade along with world trade" (Basics of Foreign Trade and Exchange).

Sustainable development, a fundamental objective under the EU treaties, dictates that the social, economic, and environmental effects of all policies should be examined in a coordinated way and considered in decision-making. It means meeting the needs of the present generation without compromising those of future generations. According to the June 2001 Goteborg summit, "Getting prices right so that they better reflect the true costs to society of different activities would provide a better incentive for consumers and producers in everyday decisions about which goods and services to make or buy" (The EU in Brief).

Reducing the social and economic disparities among the regions has always been an EU objective, one that has new relevance considering EU enlargement toward Central and Eastern Europe. "A Cohesion Fund was set up by the Maastricht Treaty to reduce economic disparities among the EU and Spain, Greece, Portugal, and Ireland. Cohesion funding for the four eligible EU member states is \$16.6 billion for the period 2000-2006" (The EU in Brief). Along with the Cohesion Fund, the EU has striven to improve trade policies and procedures for the betterment of their member states and world trade over the years.

Since improving its trade policies and procedures, the EU has gained the title of the world's biggest trader, accounting for 20% of global imports and exports. Free trade among its members contributed to the successful launch of the European Union in 1993. This replaced the European Economic Community (EEC) which was launched in 1957.

The EU is therefore a leading player in efforts to liberalize world trade for the mutual benefit of rich and poor countries alike (Overview: In Brief). "The removal of barriers to free trade within the EU has made a significant contribution to its prosperity and this has reinforced its commitment to global liberalization of trade. As the EU member states removed tariffs on trade between member nations, they also unified the tariffs on goods imported from outside the union" (Overviews: A Global Player). As a result, an automobile from Japan that pays import duty on arrival in Germany can be shipped to Belgium or Poland and sold there in the same way as a German vehicle. No further duty is charged. Ireland

took advantage of this situation in the port cities that surround Cork by positioning these ports as "Gateways to Europe." This allowed centralized receiving in a secure country of massive amounts of freight that could be redistributed within the EU member countries seamlessly.

In summary, the Republic of Ireland enjoyed an economic renaissance through planning its economy using a cluster system of economics. It has created a sustainable competitive advantage both by the education system and by aid received from the EU to build an infrastructure. Many of the leaders of the economy credit the EU for not only providing funding, but also mandating planning. With the entry of ten new members in the EU an opportunity exists for these countries to parlay their strategic competitive advantages to create their own equivalent to the "Celtic Tiger."

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