METROPOLITAN ECONOMIC STRATEGY

THE SEATTLE REGION'S STUDY MISSION TO DUBLIN: LEARNING FROM IRELAND'S SUCCESS IN COMPETING FOR EMPLOYMENT AND INCOME GROWTH IN THE GLOBAL ECONOMY

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International trade is a vital part of the economy of the Puget Sound Region centered around Seattle, Washington. This globalized economic perspective is the foundation for the Greater Seattle International Study Mission program initiated in 1992. Annual delegations composed of metropolitan Seattle's leaders from government, business, education, communications media, labor, and the non-profit sector, visit dynamic urban regions in other countries for an entire week, to learn from their successes and failures.

The Trade Development Alliance and the Greater Seattle Chamber of Commerce organize the annual international study missions. The theme for the past dozen years has been "A Competitive Region in a Global Economy." The subjects of these week-long international study mission agendas range from transportation to the arts, research universities to marine ports, and housing to early childhood education systems.

The International Study Mission program is based on the premise that every urban region, whether in China or Spain, has good ideas and practices to learn from and emulate. For example, in Barcelona, Seattle's delegates saw Catalan regional leaders overcome political differences to work together developing and implementing an economic strategy that reinvigorated the entire region. This led to the creation in metropolitan Seattle of the Prosperity Partnership, an initiative of the Puget Sound Regional Council to create a bold new action plan designed to ensure that the regional economy continues to flourish.

Seattle's most recent International Study Mission in May 2005 was to Dublin. Ireland is a particularly interesting example for the Puget Sound Region. Metropolitan Dublin and the Republic of Ireland have experienced recent success and now must confront new competitive challenges in an increasingly globalized world.

Ireland is doing quite well these days. Unemployment is at an historic low. Gross Domestic Product (GDP) per capita is 125 percent of the European Union's average GDP. Ireland's economic growth is averaging 5 percent per year while European nations such as France and Germany average just 1 percent. Ireland, now known as "the Celtic Tiger" because of its economic dynamism during the past 15 years, is not just sitting back to enjoy its current success. Rather, the Irish nation is strategizing and working hard to sustain its accomplishments far into the future.

Irish leaders are preparing for the next 10 years. They recognize that the "world is flat," along the lines of the recent best-selling book by *New York Times* foreign affairs columnist Thomas Friedman. International competition for investment, employment, and trade is growing in the global economic marketplace. One of the 70 delegates from metropolitan Seattle's International Study Mission to Ireland said "we are looking in a mirror, not a window." Most of the delegates noticed the similarities between metropolitan Dublin and metropolitan Seattle — both the accomplishments and the challenges. In examining Dublin, Seattle's delegates recognized key characteristics facing both of their respective urban regions. Before delving further into these themes, let's first elaborate on the rise of the "Celtic Tiger."

The Celtic Tiger Roars

In the 1970s, the Republic of Ireland was in desperate straits. Unemployment was as high as 18 percent, and GDP per capita was only 69 percent of the European Union (EU) average. The Irish economy was centered on older industries such as textiles, ship-building, and agriculture. As has often been the case ever since the great potato famine during the 1840s, Irish people were leaving their land for, if not greener pastures, then at least more prosperous ones. At the same time, "the Troubles" continued in Northern Ireland, as ongoing sectarian violence crippled both the economy and public morale.

Then something startling happened. In 1973 the Republic of Ireland joined the European Union, and began receiving substantial grant funds for infrastructure and other economic development, education, and social capital investments. The country's relatively low 12.5 percent corporate tax rate began bearing fruit. Ireland's education system, which in 1969 began providing free secondary-level schooling for everyone, started producing a well-educated workforce that stayed in the country rather than migrating abroad. Ireland's leadership — government, business, labor, and civil society — developed a common vision, stuck with it and introduced policies to implement their vision. As one speaker told metropolitan Seattle's delegation, "Ireland's success is based on DVP — dissatisfaction, vision, and planning."

Ireland's Economic Boom

	1973	2004
Population	3.5 million	3.9 million
Employment	1.2 million	1.9 million
GDP (millions of Euros)	36,321	137,867
GDP per capita (in Euros)	10,357	35,197
Unemployment	15%	4.2%
National Debt	69% of GDP	34% of GDP
Exports (billions of Euros)	28.5	109.3

As the Republic of Ireland began climbing out of its long period of economic stagnation, in the north, some courageous leaders from both sides of the conflict, with strong encouragement from US President Clinton and UK Prime Minister Blair, worked towards a cease fire in the mid-1990s through what became known as the "Good Friday Agreement." With the prospects of genuine peace in the north for the first time in decades, the Republic of Ireland commenced its transformation into the "Celtic Tiger," based on European Union markets and structural funds; effective strategic planning and investments; good quality infrastructure; a youthful, rapidly growing, and well-educated workforce; and global growth in telecommunications and information technology businesses attracted to locate manufacturing plants, research and development facilities, and service centers in the Emerald Isle.

Ireland's unemployment rate fell to 4.2 percent even as the size of its workforce nearly doubled. Irish GDP per capita rose to 125 percent of the European Union average. The long decline in population abated and even reversed itself as Irish-Americans and ethnic Irish from other nations returned not only as tourists, but to live and work in the land of their ancestors. More significantly, for the first time in history, Ireland became a magnet for immigrant workers coming from many other countries and continents. Grafton Road, Dublin's main shopping thoroughfare, looks increasingly like a session of the United Nations General Assembly.

Foreign investment, assiduously cultivated, poured into the country during the past decade. Today, over 1,000 foreign companies have a presence in Ireland, employing more than 100,000 people. These foreign companies have contributed to improving on-the-job skills in their Irish workforce. In addition, many Irish people who had previously worked overseas returned to Ireland, bringing even more professional experience.

As Ireland's textile industry declined, new advanced manufacturing and service sectors emerged, such as information technology and telecommunications. In fact, today Ireland is one of the world's largest exporters of computer software. Today Ireland hosts more than 700 financial services firms. Over 3 million of Ireland's 4 million people reportedly own mobile phones. Recently, *The Economist Magazine* has ranked Ireland as the world's number one place to live and work.

Ireland's government, working with business, labor, and educational institutions, forged a successful strategy to build the Irish economy. The combination of European markets and infrastructure funds, high-quality education, relatively low business taxes, aggressive foreign investment recruitment programs, and a good quality of life, all helped Ireland to become one of the best performing national economies in Europe.

Preparing for the Future

While it is easy to become complacent in boom times, and common for divisive issues to undermine a common vision, Ireland is working diligently to avoid these twin traps and push the country forward to maintain and improve its economic performance. For example, Eoin O'Driscoll, chairman of FORFAS, the national policy advisory board for enterprise, trade, science, technology, and innovation, operating as part of the national government's Department of Enterprise, Trade, and Employment, spoke to the Seattle delegation on its first day in Dublin, in a presentation entitled "Ahead of the Curve." Mr. O'Driscoll explained how Ireland during the peak of the boom in the late 1990s examined whether it was on a trajectory that would keep rising or whether they were at a point where the curve could drop down. Ireland's leaders decided it was best to assume the latter and to work even harder to make sure their country kept ahead of the curve.

According to Mr. O'Driscoll, Ireland's leaders are concerned that their country might be like a football club playing so well it is moved up into the highest league. The problem, Mr. O'Driscoll said, is that, "80 percent of such clubs fall out of the top league a year later." Ireland is trying to ensure its continuing economic competitiveness in the major leagues.

FORFAS is a major part of this effort. FORFAS is a Gaelic word, with FAS meaning "growth" and FOR meaning "accentuate." FORFAS, founded in 1994, provides a secretariat and research function to several independent advisory councils including: a) Advisory Science Council; b) Expert Group on Future Skills Needs; and c) National Competitiveness Council. Today, FORFAS also includes Enterprise Ireland, providing financial and technical assistance to local companies; IDA Ireland, promoting foreign direct investment; and Science Foundation Ireland, supporting basic and applied research and development in science and technology.

FORFAS is designing and implementing a national economic strategy building on the previous decade of accomplishment. This new strategic document, called *Ahead of the Curve, Ireland's Place in the Global Economy*, "presents an analysis of Ireland's recent and current enterprise performance, reviews international enterprise trends and perspectives, and identifies important steps to underpin Ireland's successful transition to a new phase of enterprise development." FORFAS develops the economic strategy framework for the 4 million people of Ireland, just as the Prosperity Partnership is working to do the same thing for the 3.5 million people living in the Puget Sound Region.

Perhaps the most impressive aspect of FORFAS and of Ireland is that even as they enjoy their recent economic progress, they are actively planning for the next steps. FORFAS benchmarks Ireland's performance against its global competitors, comparing infrastructure, tax systems, education, and many other factors. "We want to see where we are weak against our competitors," FORFAS officials told the Seattle delegation.

Embracing Globalization

As Thomas Friedman notes in his new book, *The World is Flat*, "there are dozens of people doing the same thing you are doing, and they are trying to do it better … The world is a football field now, and you've got to be sharp to be on the team which plays on that field. If you're not good enough, you're going to be sitting and watching the game. That's all."

Ireland's leaders recognize these trends and are taking actions to deal with new global realities. Ireland currently has a thriving software industry, but rapidly growing economies such as India are not far behind. Many strongly developing nations, from Brazil to South Africa, want to climb the ladder to higher value added production, potentially displacing Ireland's recent competitive advantage.

Eoin O'Driscoll told Seattle's delegation that Ireland understands this new world and what it must do to compete effectively within it. Irish officials recognize there are three large global challenges they must address in order to succeed in the 21st century. Firstly, globalization is rapidly increasing and having profound impacts on both developed and developing countries. Mr. O'Driscoll noted that with China's entry into the World Trade Organization (WTO) and other countries joining the world of global trade, the amount of people in this trading system has nearly doubled within a very brief period of time. Perhaps most interesting about O'Driscoll's comments on globalization and the Irish government's approach to the phenomenon was that there was no bemoaning globalization, no trying to wish it away. Instead, Ireland's leadership accepts globalization as a fact of life, analyzing how the country can best take advantage of the opportunities and simultaneously mitigate the hardships. As Michael Martin, Ireland's Minister for Enterprise, Trade, and Employment, emphasized, "We recognize globalization is here to stay. We don't complain; we just get on about it."

Secondly, Ireland acknowledges that it must continue shifting its economy from agriculture and basic manufacturing to advanced manufacturing and business services. Nearly 70 percent of the Irish economy is now centered on services.

Thirdly, Ireland clearly recognizes the role of knowledge, information, skills, and expertise are paramount in generating and sustaining prosperity and quality of life.

Raising the 'Creative Class'

Eoin O'Driscoll stated that Ireland does not want to "pick winners" in the sense of more traditional targeted industrial policies. Instead, he insisted, "We want to be fast followers." Almost all the speakers to the Seattle delegation agreed that education has been central to Ireland's recent economic success. Building on that foundation to create a true "knowledge economy" is the key to Ireland's future, its leaders believe.

To that end, Ireland created Science Foundation Ireland (SFI) in 2000, one of the organizations under the administrative management of FORFAS. SFI was created with 646 million Euros (US$623 million) in funding. One of the speakers to Seattle's study mission played a key role in securing that funding. Brian Sweeney, Chairman and former CEO of Siemens Ireland, headed up the commission that made recommendations for research and development spending and for other initiatives to grow Ireland's knowledge economy. Mr. Sweeney was given 20 minutes to brief Ireland's cabinet ministers, but more than an hour later they were still deeply engaged in the conversation, and soon SFI was born.

Ireland's expanding educational system plans to produce many of these new knowledge workers. Ireland's youthful population can produce many university students in the near future. In 1989, Dublin University (DCU) had just 2,000 students, compared to 10,000 students in 2005. Although Ireland's birth rate has decreased since the 1980s, its universities are not seeing a drop in enrollment, because higher education today has become a very important economic and cultural value.

Ireland's institutions of higher education also play a crucial role in research and development. SFI was created to fund research in the existing universities, rather than create new organizations. The tech transfer story of these universities is an interesting one. Ireland's universities permit academic researchers to create private spin-off businesses that benefit from their publicly supported research, thus facilitating economically viable technology transfer. While university professors and academic scholars may thrive financially from their research by working as consultants to or by making equity investments in private firms, they are financially discouraged from leaving the universities to become full-time private sector entrepreneurs or executives.

Ned Costello, Assistant Secretary General of the science and technology division of the Ireland Department of Enterprise, Trade, and Employment told the Seattle delegation that his nation's government is substantially increasing its spending on research and development (R&D). Ireland spends 1.62 percent on R&D as a percentage of GDP, which is a relatively high percentage compared to most European countries, but significantly less than the US and certain Scandinavian countries such as Finland and Sweden. Similarly, Ireland's 5.1 researchers per 1,000 employees places Ireland well above the median, but still not in the top tier of advanced economies. To catch up, Ireland plans to increase R&D spending to 2.5 percent as a percentage of GDP by the end of this decade.

However, Ireland currently is having trouble attracting university students and researchers into the critically needed fields of science and engineering. One of SFI's programs is to encourage more Irish students to enter these vital disciplines. The SFI initiative includes producing a popular television series on science and technology.

The goal of Ireland's economic strategy is to move the country up the global economic value chain, recognizing that some of the nation's competitive advantages during the last decade won't carry them forward through the next decade. What lies ahead is a major challenge — that all urban regions, including Seattle, also face.

The Challenges

Many of Ireland's challenges have been brought on by its recent rapid rise in prosperity:

- *Cost of living*: Dublin is nearly as expensive as London according to some recent surveys. Housing is very costly and in short supply, pushing people farther away from the center of Dublin which, of course, leads to . . .
- *Transportation problems*. Dublin is working to address its transportation problems, opening the Luas light-rail transit line last year. Facing much skepticism, Luas is already exceeding its most optimistic ridership projections. Roads throughout the rest of the country mostly are inadequate. What should be a short drive from Galway to Dublin can take more than three hours, as one negotiates many roads that are narrower than the width of two cars.
- *Spreading the prosperity*. Ireland's economic and social disparities have unfortunately increased during the past "boom" decade. This growing economic inequality can lead to rising social problems and conflicts in the years ahead.
- *The stalled peace process*. The Republic of Ireland was already developing but really took off with the cease fire in Northern Ireland. What happens if the stalled peace process is not restarted?

Results are the Key

After witnessing the economic issues that Dublin is addressing, together with challenges faced by other urban regions recently visited by Seattle's international study missions such as Barcelona, Shanghai, and Munich, one can see that many urban regions are struggling with the same concerns: commercializing technology, developing a growth-friendly business climate, and creating a place in which knowledge workers want to live. The Puget Sound Region is learning from other urban regions in other countries how to develop effective strategies to produce better long-term results. More than one Seattle delegate came out of the Dublin trip saying that working together to implement the Prosperity Partnership must be paramount.

Presently, the Prosperity Partnership and the Greater Seattle Chamber of Commerce are about to commence their annual leadership conference, bringing together the civic leadership of the region for two days of focused discussion about an important challenge. This year's topic is a direct result of the Dublin international study mission: "Competing in a Flat World."

As we have seen, Ireland's government has accepted the realities of globalization and is actively working to compete in this new world. The Puget Sound Region is doing the same thing. As Seattle's regional leadership conference organizers observe, "The leadership of Washington State and the Puget Sound Region needs to . . . successfully compete for expanding businesses and good jobs in a more complex world economy." The visit to Ireland was an excellent way to begin the renewal.

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