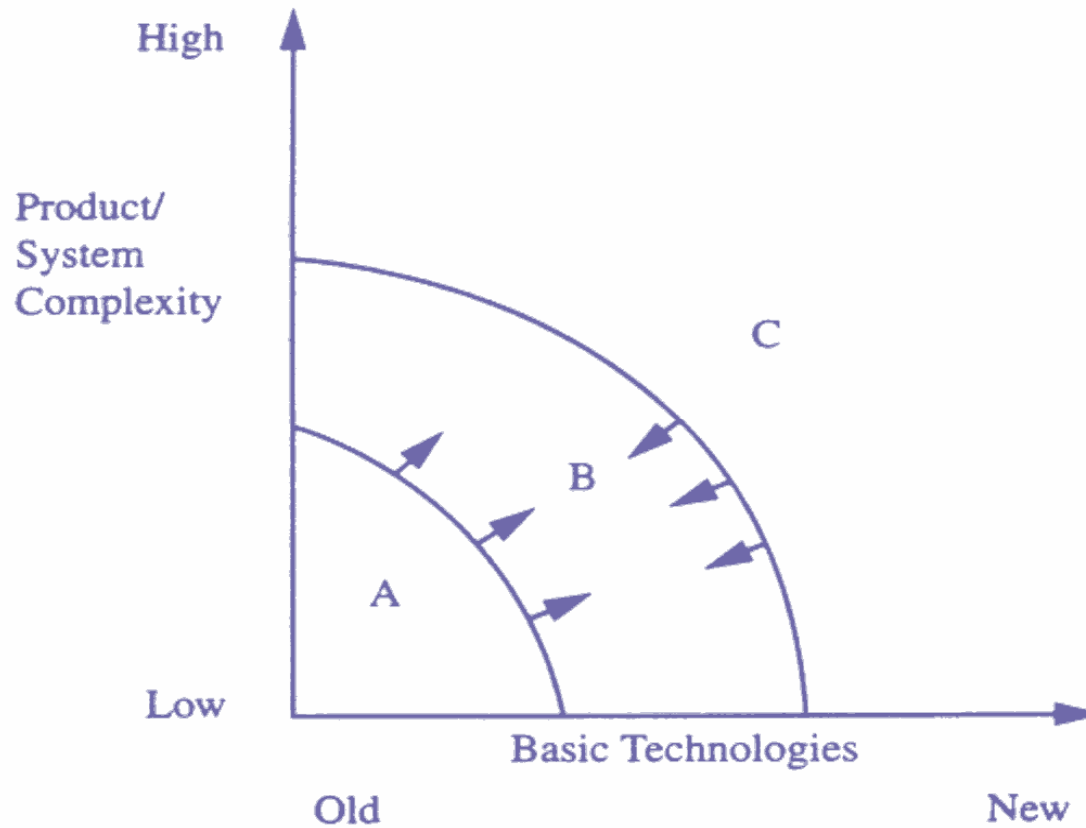


Figure 5.1: Percentage of 24-year olds with natural science and engineering degrees (years vary between 1990 and 2001)
 Source: National Science Board (<http://www.nsf.gov/statistics/seind04/append/c2/at02-33.xls>)

The small-country squeeze



Source: Kotler *et al*, 1997

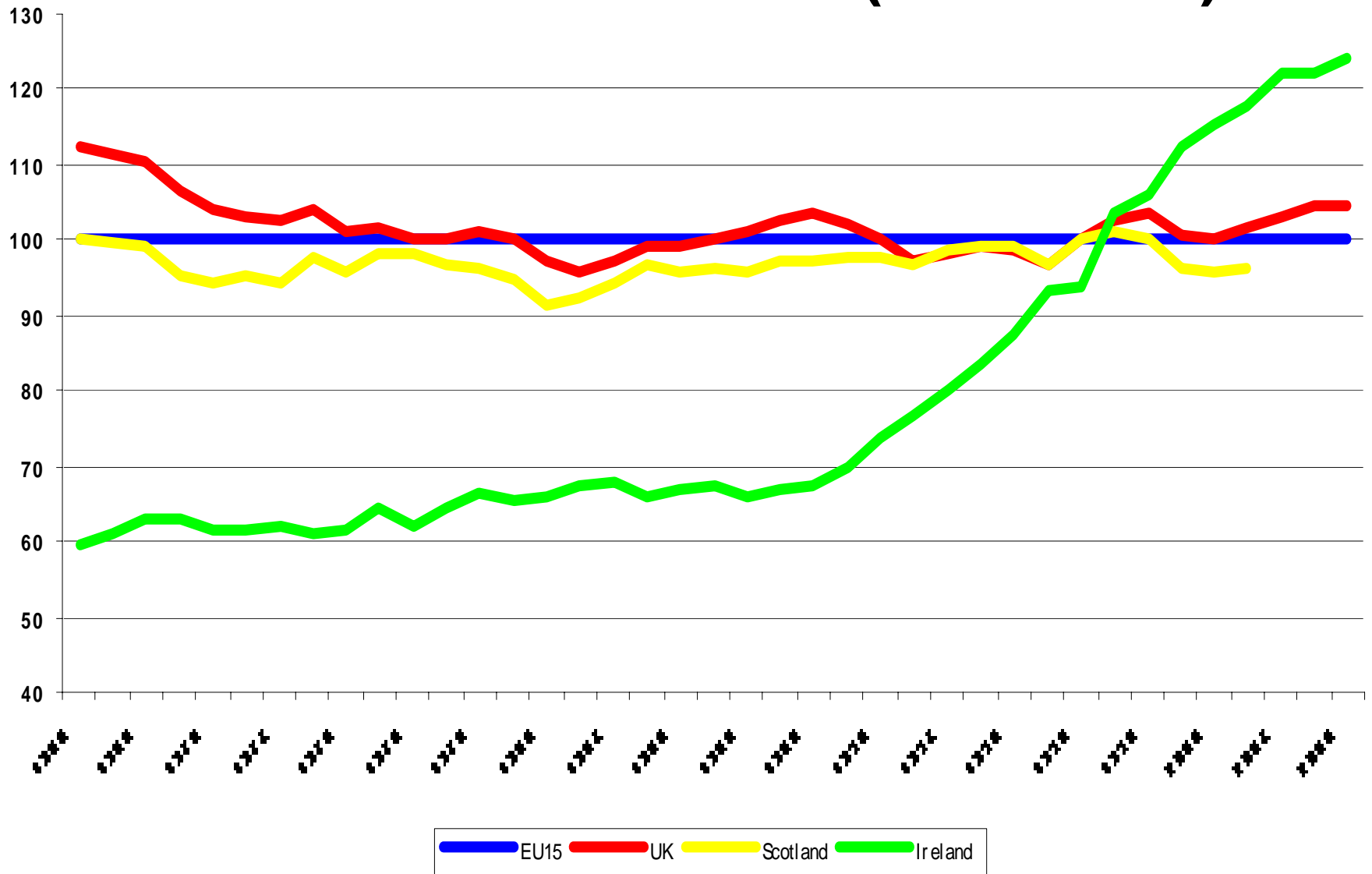
The “Irish” model

- **Attract export-oriented foreign direct investment (mainly from the USA)**
- **Ensure attractiveness of business and productive environment to capture greater share of mobile investment**
- **Being inside EU helps!!!**
- **“Jobless” growth for a while, as old industries fail and are replaced by the new foreign-owned businesses**

The "Danish" model of development

- **Build on existing national strengths (the agri-industrial complex)**
- **Use innovation and entrepreneurship to enhance competitiveness**
- **Target niche sectors and products**
- **Win greater share of global markets**

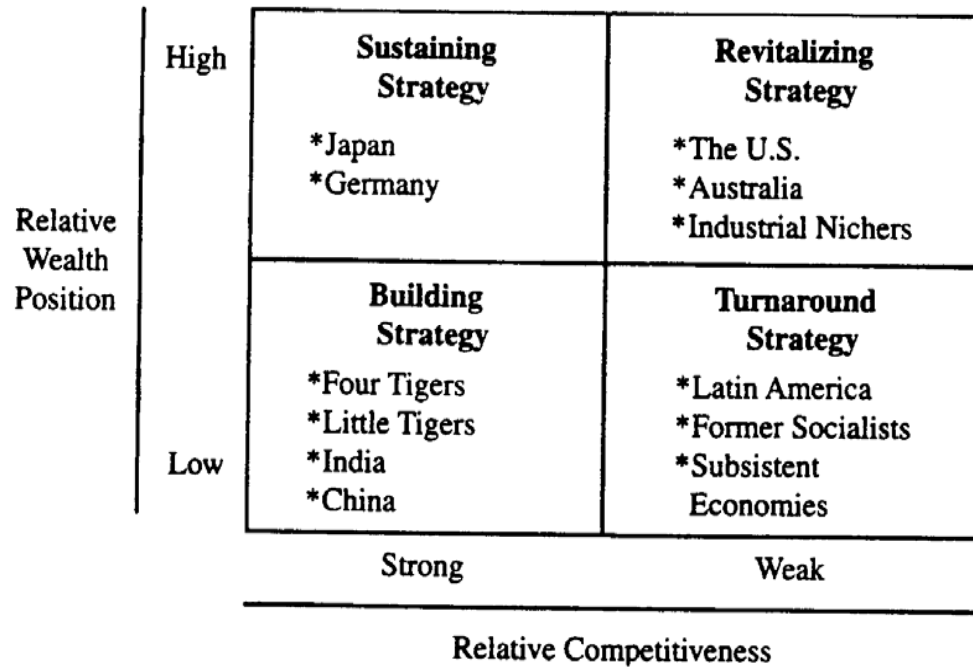
GDP/head: EU15=100 (1966-2004)



Sectoral portfolio in Irish manufacturing: 1998

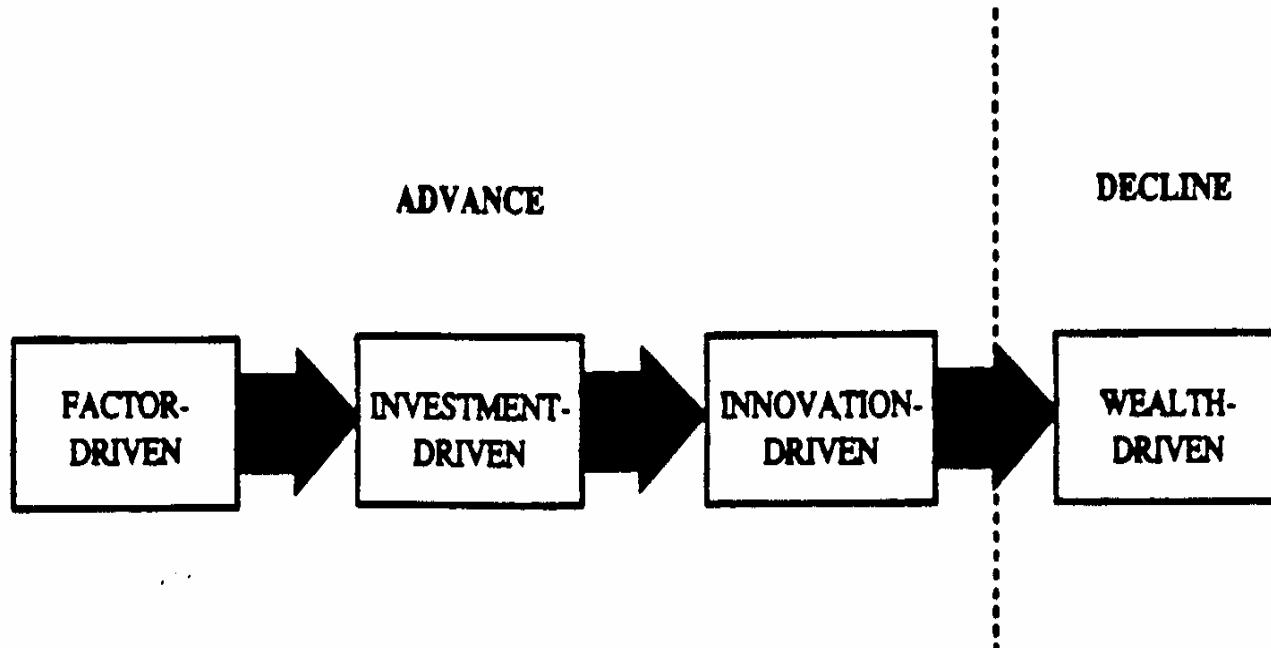
	Gross output (1998) (£million)	Gross output share: 1998 (percent)	Gross output 1991 (£million)	Average annual real growth rate: 1991-98	Employment numbers (1998)	Employment share 1998 (percent)
Electrical & Optical Equipment	13831	28.6	3848	16.3	59830	24.6
Chemicals & Man-made Fibres	11728	24.2	2685	24.1	21432	8.8
Food, drink & Tobacco	10381	21.4	7807	5.4	46286	19.1
Paper & Printing	5018	10.4	1645	14.5	23237	9.6
Basic Metals & Fabricated Metal Products	1301	2.7	869	1.7	14920	6.1
Other Machinery & Equipment	1196	2.5	732	8.0	14352	5.9
Other Manufacturing n.e.s.	1207	2.5	771	5.1	12164	5.0
Other Non-Metallic Mineral Products	917	1.9	582	8.2	9947	4.1
Rubber & Plastics	855	1.8	515	4.1	10516	4.3
Textiles, Clothing & Leather	777	1.6	808	-2.7	15620	6.4
Transport Equipment	749	1.5	406	5.3	9286	3.8
Wood & Wood Products	469	1.0	230	6.7	5092	2.1
Total	48429	100.0	20127	13.9	242772	100.0
Source: Census of Industrial Production, 1991 and 1998						

Strategic thrusts of nations



Source: Kotler *et al*, 1997, page 164

Porter's stages of competitive development (Porter, 1990)

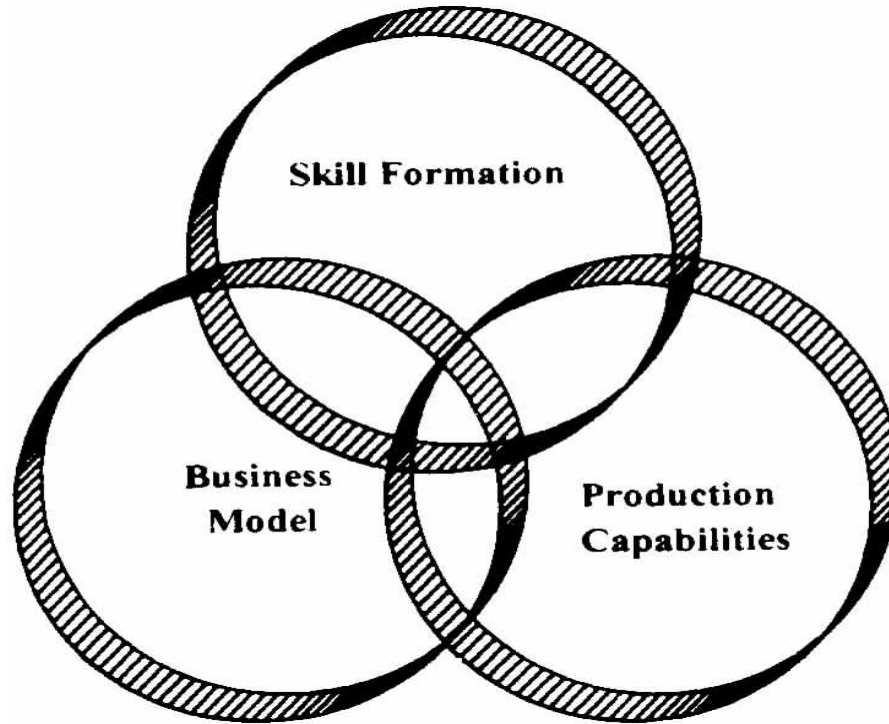


Porter's stages of national competitive development

Key driver	Source of competitive advantage	Country examples
Factor conditions	Basic factors of production (e.g., natural resources, lower skilled labour)	South Korea, Singapore and Ireland (before 1980s)
Investment	Capital equipment, transfer of technology	Japan (during 1960s) South Korea (during 1980s) Ireland (after 1980s)
Innovation	All four elements of Porter's "diamond"	Germany, Sweden (post-war) Japan (since 1970s) Italy (since early 1970s) Ireland (post 2000)?
Wealth	Erosion of competitive advantage	UK (post-war) USA, Switzerland, Sweden (since 1980s)

Source: Kotler *et al*, 1997 (adapted)

Best's capability triad (Best, 2000)



The key lesson from Ireland

- **Intelligent combination of economic policy and business strategy generated huge synergies in terms of national growth and convergence**
- **This process was driven almost entirely by inward FDI**

Encompassing policy and institutional frameworks

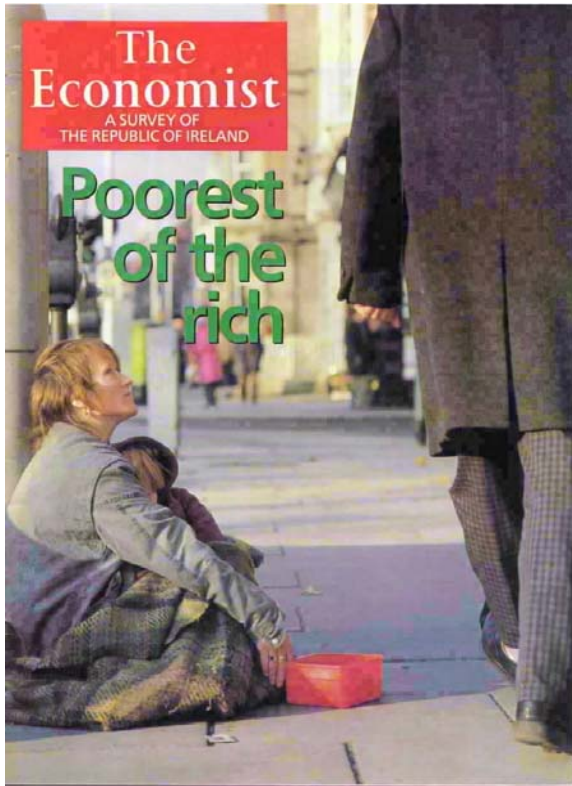
- Economic analysis: concerns the “outer” business environment
- Business analysis: the “middle” ground of corporate strategy
- Small economies have to adapt to the requirements of the global corporate environment

The self-reinforcing nature of convergence

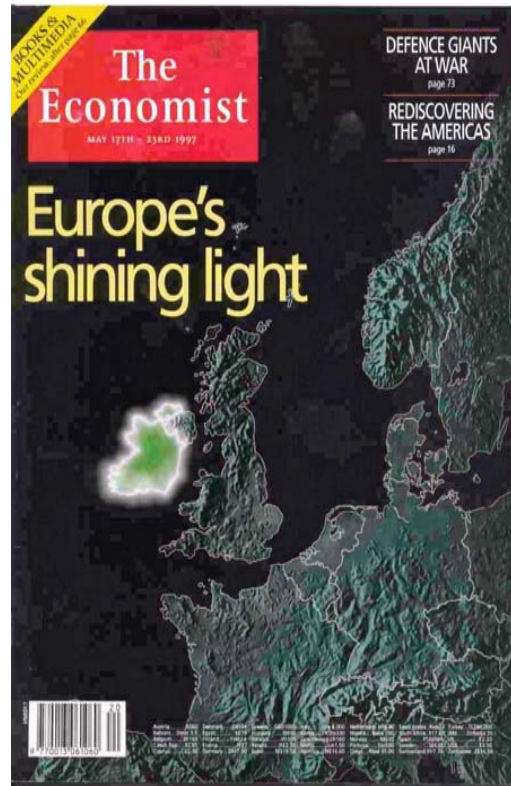
- Initial clustering of industries (foreign owned, high tech) supported by local specialised inputs: tax incentive
- Local labour market for skilled workers, facilitating growth of cluster: human capital
- Spillovers of information encourage growth in foreign and domestically owned firms: physical infrastructure
- Consensual social partnership ensures efficiency is accompanied by equity

Characteristics of “good” development-oriented governance

- a) Assessing long-term strengths and weaknesses**
- b) Recognising trade-offs between policy options, and building coalitions for action**
- c) Building a healthy business-government relationship**
- d) Enhancing government-government co-operation**



1988



1997



2003