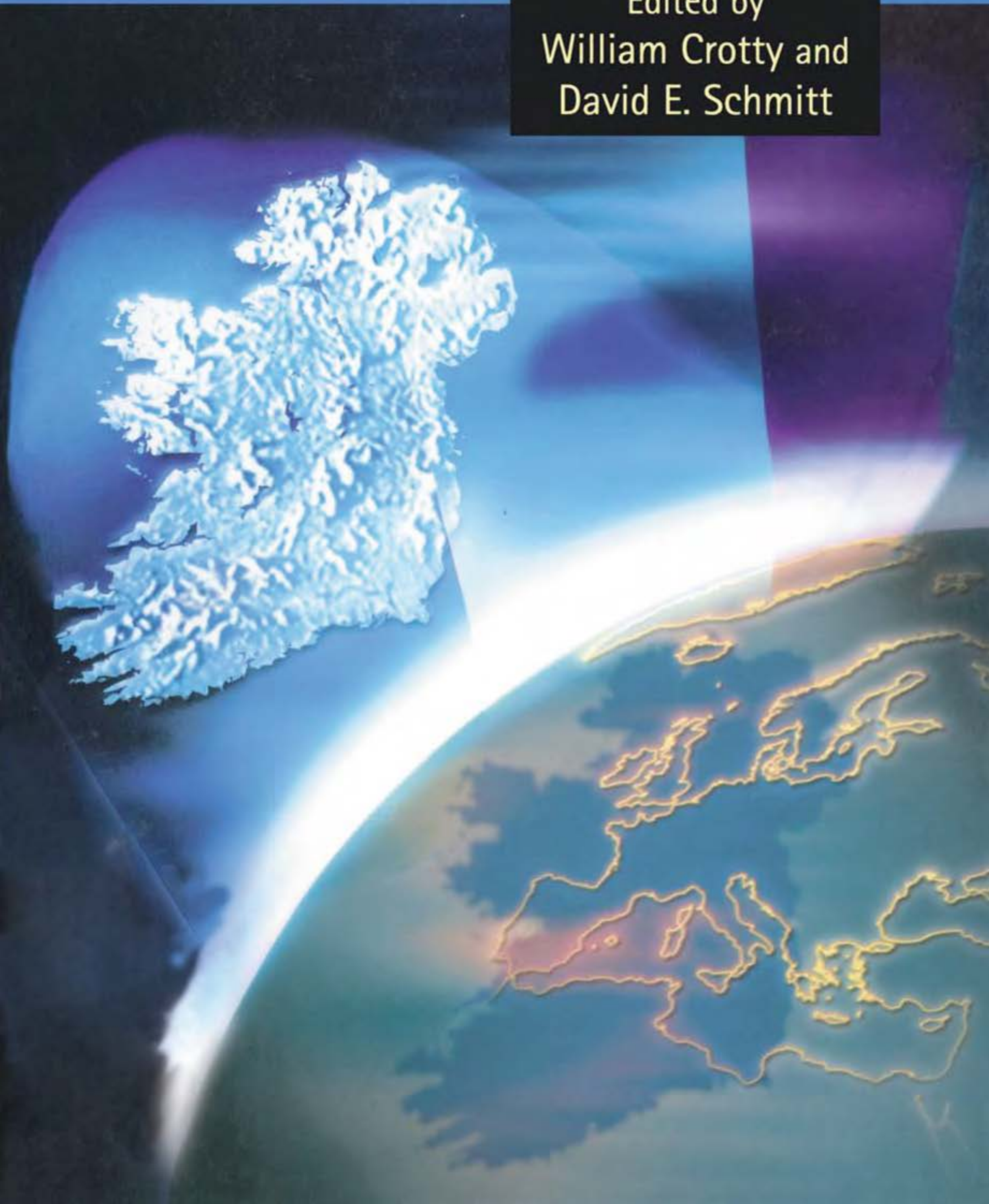
IRELAND ON THE WORLD STAGE

Edited by
William Crotty and
David E. Schmitt



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Preface

This book was conceived in a sense both to meet our curiosity about developments in Ireland as they related to the international arena and to fill what we believed to be a gap in the literature on Ireland. The intention was to develop a volume with a far-ranging series of analyses examining a series of problem areas relating to Ireland's international presence. The focus was to be on Ireland in the contemporary period, its role in the international community, its distinctive foreign policy, and its successful economic development and trade and fiscal relationships, both on a regional basis within the European Union and more broadly within a globalised world economic and political system. The forces that shape Ireland's approach to the international community, the history behind these, and, to a lesser degree, the social and cultural changes within the society that have both resulted from, and contributed to, the developments underway were all to be topics of concern.

The volume is intended to a degree to be a companion piece to our earlier *Ireland and the Politics of Change* (1998), which focused primarily on the transformations underway in Irish society, their causes, and their consequences. In one respect at least we have been successful in this regard. As with the first volume, we have been able to work with an outstanding group of scholars, each an established expert in their particular areas. For this, we are most appreciative.

Each of the chapters by the authors focuses on a specific aspect of Ireland's international role and on a particular set of issues. Each develops a number of conceptual themes and comparative approaches of relevance to understanding the forces at work in the area and each includes an introduction to the background of the issues discussed in order to establish a context for understanding the contemporary dimensions of the problems and relationships being explored. The major focus is on the contemporary period and the distinguishing aspects of Ireland's place in the international arena. The objective is to present a multi-faceted series of perspectives by the most knowledgeable of observers intended to enrich our understanding of Ireland's role in, and contribution to, an increasingly globalised community of nations.

In addition to our co-authors, as editors we would like to express our thanks to a number of people who contributed to the publication of this book. These include:

Emma Mitchell, Pat Root and Verina Pettigrew of Pearson Education; three reviewers whose analyses were of particular help: Professor Michael Cox, University of Aberdeen, Todd Landman, Deputy Director, Human Rights Centre, University of Essex, and Dr Jonathan Tonge, University of Salford; Teresa M. Evans, Press and Public Affairs Officer, British Consulate-General, Boston; Janet Louise-Joseph, Barbara McIntosh-Chin and James Rossi, all of Northeastern University; Alvin C. Zises, who established the Edward W. Brooke Chair in Political Science at Northeastern in 1975; Maise, Tom and Helen Crotty; Kitty, Paudy, Eimear and Una Daly; Suzanne Crotty; Marian and Neal Flavin. We especially thank William Crotty's wife, Mary Hauch Crotty, and David Schmitt's sister Virginia Backus, to whom we have dedicated this book.

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To Mary Crotty and Virginia Backus

Chapter 1

Introduction: the Irish way in world affairs

William Crotty

Introduction

Ireland as a world power? Not quite! But Ireland as an international success story, yes. From a small (estimated population 3.6 million) and backward country, traditionally one of the 'poor cousins' on the fringes of Europe and historically wedded economically and, pre-independence, by force to the needs and colonial ambitions of Great Britain, Ireland has emerged in recent decades as a country reborn – prosperous, self-confident, and a player of consequence on the international scene. Marked by a newly evolving social culture and a demand for more of the fruits of prosperity, it is a nation that through careful planning, discipline, and a skilful use of the resources at its disposal has taken an aggressive approach to international trade and finance, self-consciously positioning itself to benefit from the regional interdependence and globalised marketplace now in place. The strategies being followed are not without risk, but the successes to date far outdistance the trouble spots that remain in its society and the potential problems of future years are (as of now) seemingly far off.

It is a story worth telling in its own right; the case of a country redirecting its priorities and marshalling its energies to break from a traditional past and competitively challenge, with a high degree of success eventually, for a place in the economic developments of its age. There are few success stories like it.

This is not to say that Ireland has suddenly emerged as a Super Power (in itself a small group of one). But the country has transformed itself from an impoverished, isolationist, rural and sectarian nation largely bypassed by the Industrial Revolution into a more cosmopolitan, wealthier and economically competitive force in Europe and also, if to a lesser extent, in the newly globalised economy.

The primarily domestic and internal aspects (along with considerations of its relationship to Northern Ireland and England) of the changes underway are developed in our earlier *Ireland and the Politics of Change* (1998). In the studies in this volume, we and our co-authors explore the nature of the changes that have taken place in Ireland's international relations and the ramifications these have for the society. The present volume is in many respects a companion piece to the earlier one, this time with the focus on Ireland's external presence and the place the country has carved for itself in the international arena.

Ireland prior to the contemporary era

From its founding in 1922 until the late 1950s (and a transfer of power and the beginning of a new political age), Ireland was a nation content to go its own way, shielding itself from the political currents and upheavals of the day. Its focus was on asserting its own nationhood, and its distinctive cultural and societal values, freed of the obligations of world citizenship and removed from the struggles that were to engulf Europe (Brown 1985; Lee 1995; Kennedy 1996).

In large part, this was a conditioned response to centuries of suppression and oppression by its ruler and more powerful neighbour, Great Britain. After Independence, its political life had been shaped by the bitter and divisive civil war that followed (Garvin 1996). The intense and emotional divisions revolved around the Anglo-Irish Treaty of 1922 that divided Ireland North and South and led to the Civil War (Garvin 1981). This conflict was to form the basis for the structural divisions of the two major political parties, Fianna Fáil and Fine Gael, ones that have continued to this day.

The dominant political presence of the post-independence decades was Eamon de Valera, a founder of Fianna Fáil in 1926 and its leader until 1959. His contributions to the evolving state were legendary: President of the Executive Council, 1932–37; Taoiseach (Prime Minister), 1937–48, 1951–54 and 1957–59; and President of the Republic, 1959–75. De Valera was to put his stamp on the newly independent Ireland. He was responsible for removing all official traces of association with Great Britain and for framing the Irish Constitution that codified not only government structures and powers and the assumptions underlying its laws but also spelled out the values and ambitions he held for the newly evolving developing state. The 'Age of de Valera' was noted for its emphasis on a 'rural economy and rural virtues'; its sectarianism (the special position of the Catholic Church was acknowledged in the 1937 Constitution and the people were overwhelmingly Catholic in religion) (Berger 1973; Whyte 1980; MacGréil 1991; Drudy and Lynch 1993; Fahey 1994; Hornsby-Smith 1994; Hornsby-Smith and Whelan 1994; Inglis 1998); its antipathy toward England, resulting in long-term economic battles particularly notable during the 1930s; its social solidarity and cultural traditionalism; a subordinate position for women in society with an emphasis on their roles as homemakers and mothers (Whelan and Fahey 1994; Galligan 1998a and b, 1993); and its independence and neutrality in world affairs (as an example of the latter, Ireland remained neutral in World War II despite intense lobbying by both the United States and Great Britain) (Sloan 1997a and b; Fanning 1998; Fitz Gerald 1998). Ireland during these years was an inward-looking nation, one that chose to build on its cultural strengths, qualities that had contributed to its cohesiveness and shaped its world views and social institutions during the centuries of British domination. In effect, this can be seen as a healing period when the patterns of social conduct, the forms of government, its perception of the ways in which the world operated and the qualities that would come to distinguish the new state were put into place. A major consequence of this inward-looking nation-building, as indicated, was a withdrawal from world politics, a reluctance to engage in international trade and a form of ardent isolationism that closed the nation to external concerns (Fisk 1985; Dwyer 1988; Keogh 1988).

All of this was to change, and change dramatically, with de Valera's stepping down as Taoiseach and the choice of his long-time associate and deputy, Sean Lemass, to succeed him. Lemass' career lines and political résumé was strikingly similar to de Valera's: a founding member of Fianna Fáil in 1926 and its leader from 1959 to 1966; a veteran of the War of Independence and the Civil War; Vice-President of the Executive Council (Deputy Head of Government) when de Valera served as Taoiseach from 1937 on; and the holder of ministerial portfolios virtually non-stop in Fianna Fáil governments beginning in 1932. While his political pedigree resembled de Valera's, his political and, most importantly, economic objectives did not. Lemass was a proponent of free trade and an advocate of systematic government planning to develop in the Irish economy an ability to compete internationally. He saw this approach as an antidote to the poverty and social backwardness of the country whose leadership he had inherited, the avenue to a more prosperous and economically more rewarding future for its citizens. His government introduced the first of what were to be a series of national plans to establish the nation's priorities; mobilise its resources; foster a consensus among government, business and the trade unions as to wage restraints (best exemplified by the 1987 business–labour agreement to curtail labour costs in return for job growth); and provide marking points for the transition to an internationally competitive economy. It bears repeated emphasis that the fundamental changes instituted and the prosperity that followed in time were the consequences of deliberate, reasoned choice made by successive governments committed to strengthening the economy and forcing Ireland to compete in the international marketplace (Goldthorpe and Whelan 1994; Kennedy, Giblin and McHugh 1994; Burke 1995; Girvin 1997; Murphy 1997).

There was nothing accidental or providential about the course chosen or any ambiguity as to who set the priorities or what they were to be (Munck 1993; Ó Gráda 1995, 1997; O'Hagan 1995). The role of government in instituting the transformation from the Old Ireland to the New Ireland is a distinguishing feature of what has occurred (Shirlow 1995; Sweeney 1998; Crotty 2001). It is a potential reference point for countries wishing to follow the same course that has served the Irish so well. Yet it is an approach that makes certain assumptions and builds on a distinctive set of national advantages (see below). It should be noted also that there are competing models of government intervention in the economy (Korea, Taiwan, Malaysia and, on a different scale, Japan as examples) that despite their difficulties might be more applicable in some cases.

The Lemass' government of the 1950s and early 1960s then and the earliest of the national plans thus set the course for Ireland's economic development and a refashioning of its international relationships. While highly successful, the ride has been anything but trouble-free, however. My colleague David E. Schmitt writes:

Progress from the late 1950s through the 1990s . . . was by no means smooth. The country sustained a serious recession as well as inflation during the late 1970s to early 1980s. Indeed, through 1985 Ireland had low income and consumption growth as well as high unemployment and national debt compared with other EC [European Community] members . . . basic structural and international factors limiting the effectiveness of economic planning were the oil crises of the 1970s and inflationary pressures resulting in part from Ireland's close economic linkage to Britain . . . as Ireland modernized economically later than the small, open economies of states such as Norway, Sweden, Switzerland, and Austria, the government had to oversee fundamental changes . . . the limited policy and class differentiation among the major political parties as well as a relatively weak and fragmented labor movement provided less coherence to efforts aimed at developing a national pay and wage policy during the 1970s and early 1980s . . . These attributes contributed to labor unrest and inflation. (2000: 788–9)

The 1980s provided some of the most serious of the setbacks encountered (Goldthorpe and Whelan 1994; Jacobsen 1994; Guiomard 1995; Haughton 1998; Tansey 1998). The manner in which these were handled established the contours for economic policy up through the ensuing decade and into the new century and are credited with realising the prosperity Ireland has come to enjoy.

Richard Rapaport explains:

If a new economic paradigm is being born in Ireland, it is the result of a long-shot wager made by government planners in the dark days of the '80s when Ireland's unemployment reached a high of 18%, the national debt was a staggering 125% of the country's gross national product, and 1,000 people a week were emigrating. During one dismal year in the early '80s recruiters from Sweden poached an entire graduating IT [Information Technology] class from the University of Limerick for overseas jobs. (1999: 115)

Today 'Ireland's economy has been growing faster than any other in the Western world' and the problems that have emerged are mainly those associated with affluence (Hoge 2000).

Rapaport reviews how this has all come about:

Ireland's high tech gamble went like this: Tempt multinational technology manufacturers with tax incentives and the promise of getting educated workers with little history of labor unrest. This was the first step of a three-generation IT development plan. This plan also called for an educational system that would rapidly respond to industry needs and a new communications infrastructure to transfer a country referred to as 'an offshore island of an offshore island' into the technology 'middleman' between the United States and Europe.

By the early 90's, technology's most important multinationals were on board, including Microsoft, Apple, Sun, Hewlett-Packard, and Intel. They came to Ireland because of the tax breaks and a bright, eager, competitive-wage, English-speaking workforce. Some, such as Intel, IBM, and Dell, liked what they found and stayed. Others, such as Seagate, split for cheaper climes due to disappointing marketing results. But the effect of those first multinationals was to create a legion of skilled workers.

They also spawned indigenous hardware and software suppliers, as well as a generation of Irish executives knowledgeable in the ways of American high-tech . . . they were the models for the next generation . . . who found niches in e-commerce, financial services, Web development, communications infrastructure support, and other fields, and built Ireland's leading digital enterprises. (1999: 115–16)

Rapaport writing in *Forbes ASAP* notes that an '$8 billion technology sector . . . is driving Europe's hottest high tech environment' and concludes that 'Ireland is rich' (1999: 114–15). His bullishness appears justified.

It may be that Ireland will provide a road map of consequence for other small nations wishing to benefit from the new international economic order. It would not be easy and would necessitate a country and its citizenry willing to develop the leadership, discipline, communal priorities and social and political teamwork necessary to reverse generations of economic stagnation and, more often than not, political and social disorder. There can not be too many post-Communist nations and developing countries with the level of resolve and official foresight evidenced by the Irish and with its distinctive natural advantages (in a country once referred to as 'resource poor'). Ireland had much to capitalise on and did so with skill and vision.

Whether Ireland can serve as a model for others beginning the long climb towards economic respectability is yet to be seen. Few emerging countries would have implicit advantages similar to Ireland's – an English-speaking and well-educated population (with an educational system intentionally redesigned to attune itself better to the demands of information age technology); a democratic culture and a strong social cohesive solidarity; positioning at the doorsteps of Europe with access to its markets; European Union (EU) membership with subsidies provided to upgrade its economic competitiveness; free of external threats to its independence and relieved of the need to invest in a large military and defence presence; and culturally and emotionally, and more recently economically, tied to the United States, the world's one remaining Super Power and its largest economy. In relation to the last point, 40 per cent of the overseas companies located and doing business in Ireland in the mid-1990s were from the United States (compared to Germany with 18 per cent and Britain with 16 per cent, the runners-up). Few to any other developing nations are likely to enjoy such advantages, although again it should be stressed it took government initiative to harness and focus these in the manner necessary to achieve the goals desired. Ireland's economic success has driven its international role and is the primary force shaping its contemporary presence in an increasingly globalised world economic and political order.

Indicators of social and economic development and international trade

Various gauges can be explored to illustrate the changes that have taken place in Irish society and in Ireland's world position (Organization for Economic Cooperation and Development, OECD 1998a, b, 1997; United Nations 1998a, b, c; World Bank 2000a, b, c, 1997). First, in terms of demographic change, the developments are significant (Whelan 1994; Whelan and Fahey 1994; Breen and Whelan 1996;

Table 1.1 Demographic change in Ireland: selected indicators

Indicator	**Year**				
	1950	**1960**	**1970**	**1980**	**1990**
Life expectancy[1]	–	69.6	71.4	72.5	74.6
Birth rate[2]	21.3	21.4	21.9	21.8	15.1
Infant mortality[3]	45.3	29.3	19.5	11.1	8.2
Age 65 and over[4]	10.7	11.2	11.2	10.7	11.4
Females in labour force[5]	–	25.6	25.8	28.7	31.6

Notes:
1 In years.
2 Annual live births/1,000 population.
3 Deaths before age 1/1,000 population.
4 Age 65 and over as percentage of population.
5 In percentages.
Sources: Lane *et al.* (1997): Table 1.7, p. 14; Table 1.9, p. 16; Table 1.9, p. 16; Table 1.6, p. 13; and Table 3.2, p. 37; and the sources cited therein.

Fahey 1998; Hardiman and Whelan 1998; Westarp and Boss 1998). Table 1.1 shows life expectancy to be up; the birth rate, historically high, has fallen; infant mortality is down substantially (and lower than comparative figures for the United States); the ageing of the population has increased somewhat, and is now significantly above levels for the 1960s and 1970s; and the female participation in the labour force, discouraged in more traditional times and while still behind most other advanced democratic countries (42.8 per cent in the United Kingdom, 44.5 per cent in the United States), to have increased to about one-third.

Employing a comparative measure used by the United Nations, the 'Human Development Index', comprising the dimensions of longevity, adult literacy and mean years of formal education and income (per capita purchasing power parity in dollars), Ireland again demonstrates impressive gains between 1960 and 1992 (Table 1.2). It continues to rank behind other advanced industrial nations such as the United States, Canada, Australia and France. Of significance, however, change is evident and it is in the right direction.

In relation to economic development, Table 1.3 illustrates the redistribution in sector employment for the decades between 1950 and 1990. As much as anything else, these figures tell the story of the shifts in the Irish economy (Breen *et al.* 1990; Whelan *et al.* 1994). The changes are pronounced. Employment in industry has remained stable. The transformation that has taken place has been in agricultural employment, down to 12 per cent of the labour force entering the 1990s, and services, the bedrock of the new economy, approaching two-thirds of those employed.

Measures of each sector's proportionate contribution to the total GDP (Gross Domestic Product) tell much the same story. Most pronouncedly, agriculture has become considerably less important and services considerably more important, the latter approaching 60 per cent of the total GDP by the early 1990s. Industry also

Table 1.2 Human Development Index: selected countries, 1960–92[1]

Country	**Year**			
	1960	**1970**	**1980**	**1992**
Ireland	0.710	0.829	0.862	0.892
United Kingdom	0.857	0.873	0.892	0.919
United States	0.865	0.887	0.911	0.932
Australia	0.850	0.862	0.890	0.926
France	0.853	0.871	0.895	0.927

Note:
1 Includes measures of longevity, literacy/formal education, and income per capita, each weighted equally.
Source: Lane *et al.* (1997): Table 2.12, p. 33.

Table 1.3 Sector impact on the Irish economy

Sector	**Year**				
	1950	**1960**	**1970**	**1980**	**1990**
Sector employment on the Irish economy, 1950–90					
Agriculture	39.6	35.2	25.4	15.6	12.4
Industry	24.3	25.4	31.3	35.0	24.4
Services	36.1	39.4	43.2	49.4	62.8
Sector contribution to the GDP (Gross Domestic Product)					
Agriculture	29.0	–	14.4	13.3	9.0
Industry	25.0	–	31.4	34.2	33.4
Services	46.0	–	54.2	52.5	57.6

Note:
1 Measured in terms of employment in civilian population and presented as percentages. The data are from the International Labour Organization
Sources: Lane *et al.* (1997): Tables 3.3, 3.4 and 3.5, pp. 38–39 and the sources cited therein.

had become significant, although not comparative to services, with a little under one-third of the GDP.

Ireland's role in the technological trade is a prime example of the change underway. Ireland has become a player in the technology game. By the late 1990s, technology contributed an estimated 20 per cent to the country's GDP and Ireland ranked second only to the United States in software exports, accounting for 40 per cent of the packaged software sold in Europe (Rapaport 1999: 114).

Other indicators reinforce the economic restructuring underway. As examples, the GDP was up in the 1990s (compared to the 1980s) as were measures of consumption,

Table 1.4 Irish economic indicators 1: GDP, consumption, capital formation, goods and services, exports/imports, savings and government expenditures

Measure	Year							
	1971–81	**1982**	**1985**	**1988**	**1990**	**1995**	**1997**	**2000**[1]
Real GDP[2]	4.7	2.3	3.1	5.2	8.5	11.1	9.8	6.5
Real private[2] consumer expenditures	4.0	−7.1	4.6	4.5	1.4	4.1	6.3	5.1
Real total gross[2] fixed capital formation	5.9	−3.4	−7.7	5.2	13.4	10.9	10.9	7.8
Real export of[2] goods and services	7.1	5.5	6.6	9.0	8.7	19.6	23.6	7.8
Real imports of food and services[2]	6.2	−3.1	3.2	4.9	5.1	15.8	15.6	9.4
Gross national saving[3]	18.2 (1979)	16.1	15.0	16.7	21.1	21.8	23.7	–
General government total outlays[3]	–	52.2	51.0	45.2	39.0	37.6	34.7	32.1

Notes:
1 Based on estimates and projections.
2 Percentage change from previous period.
3 As percentage of total GDP.
Source: OECD, *OECD Economic Outlook* (Paris: Organization for Economic Cooperation and Development, December 1998c), pp. 191, 193, 195, 199, 200, 206, 217, 218.

capital formation, the import and export of goods and services, and national savings, while government expenditures decreased by 20 per cent compared to the early 1980s (Table 1.4). In addition, interest rates (long-term and short-term) were down; the trade balance had shifted markedly in Ireland's favour; and the account balance (as a percentage of GDP) was positive, a significant improvement over the 1981–90 period (Table 1.5). The government's debt decreased by over one-half and Ireland was projected to have the lowest public debt of the 15 OECD countries as analysed under Maastricht Treaty definitions (Table 1.6).

Ireland has done well. This point is not in question. It is how well the country has done that attracts particular attention. In the mid-1990s Ireland ranked tenth among 50 countries ranked in terms of international competitiveness and internal investment strategies (McCarter 1997: 213). By the end of the decade, it would seem the picture was even brighter. In 1999 alone (the last year for which complete data were available):

> Ireland's economy grew a staggering 11 per cent . . . four times the EU average. All the numbers . . . up: consumer spending up 9 per cent over the year, retail spending up 14 per cent, industrial investment up 25 per cent just in the last year's third quarter . . . [and] Union leaders . . . [were demanding] fresh price controls so that the 50,000 new homes built . . . [in 2000] can be bought by workers. (Nyhan 2000: E4)