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The Voice Of Reason

The Solution Lies Inside The Box

The news has just broken today that Dell are to lay off 1900 staff in Limerick. Coupled with the other such losses in Waterford Wedgewood, Tara mines and the myriad of smaller lay-offs that are not grabbing the headlines, this has already turned out to be a testing year in employment terms.

These losses although hugely regrettable are not unexpected. Our Government has been aware of such problems and their implications for many months now.

The big question is what have they done about it. They allude to the production of a plan. What plan? Where is it? What is in the plan? Why has it not been published long ago?

The answer is I suspect because there is no plan and some sort of rehashed document masquerading as a plan will be eventually produced to save the Ministers embarrassment.

Once again nothing will happen.

According to Eisenhower 'Plans are nothing; planning is everything' and herein lies the problem with Minister Coughlan's enterprise philosophy.

There is and has been no real planning for continued sustained employment for many years.

We have lost an industrial decade since 1998 with our 'strategy' of driving an economy on the back of a property bubble. Meanwhile the fundamental importance of developing either foreign owned, exporting or indigenous businesses was forgotten. We have gone backwards in this regard. As I say we have lost a decade and that loss has enabled many competing nations to catch up.

The boom of the 1990's was driven by export led growth. This was right and proper although the strategy did not empower indigenous business development to the level that was needed. This export led growth contributed to the net worth of our economy albeit that the primary source of our exports was from foreign multinationals.

Dell as a case in point are responsible for 5% of our total exports. Over 75% of businesses in Ireland are private or family owned yet they account for only 11% of our exports.

This indicates a balance that is totally out of kilter with a plan for long term, sustained employment and the creation of indigenous wealth. The attraction of FDI alongside a more inventive and aggressive strategy for the development of Indigenous Irish business is what is required.

Even from the perspective of industrial development we have not focussed on the development of an indigenous Irish industrial base and concentrated on attracting foreign direct investment. Such a strategy admittedly has many benefits and can solve the immediate problem of a lack of employment. But as a complete strategy it has two major flaws:

- All profits are repatriated from the economy thus leading to a net outflow of wealth.
- FDI and foreign multinationals will set up at locations where the prevailing cost bases are at their lowest. Therefore they will eventually leave Ireland for other more economically conducive environments. This is an inescapable fact.

The crux of the matter is that we cannot compete as a low wage economy. We will no longer be an attractive manufacturing base. We cannot compete on the longer term as a knowledge based economy either.

Lets face facts we became a so-called knowledge based economy because we had the existing manufacturing base in place. The R & D, Sales functions etc then came as a natural evolution and this will also happen in the eastern European and Asian countries that are currently taking the manufacturing base.

Our government is hiding behind the façade of a well-educated population at the cutting edge of industrial development. This is simply not true. While our educational standards are adequate at best they are not exceptional and certainly do not give us any major competitive advantage over our eastern European and Asian competitors.

What can we do?

The one possible tool at our disposal is being ignored. We can increase our competitiveness at the stroke of a pen by decreasing our levels of Corporation tax. Sure this would be unpopular in Europe but we have already contravened their guidelines in this regard and we might as well be hung for a sheep as a lamb. We have done it before without qualm so why not grasp that nettle again. We can easily reverse the decision if required in due course.

Decreasing our corporation tax rate from 12.5% to 7.5% would enhance our desirability as a location. It would also help our existing foreign employers ride out the current storm and maintain their Irish bases. It would also promote foreign direct investment and perhaps give the IDA a much-needed advantage in the international marketplace.

Given our rejection of the Lisbon treaty the opinion of the EU is of academic importance as we are on the periphery of the EU decision making process anyhow. No matter what Messers Cowen and Co would have us believe? (Messers is quite a good term for them don't you think?)

Our advantage of being at the top table in Europe has been radically undermined after the rejection of Lisbon. In the past the US multinationals recognised that we were punching above our weight in Europe and were happy to utilise our influence in this regard. This was

our key competitive advantage and not the drivel continually being shovelled out by Government.

This is no longer the case. For a start Barack Obama has a stated policy of bringing home US industry. It will certainly happen to some sectors and probably to companies based in Ireland. The simple truth is that Ireland is no longer an attractive base for US investment. More multinationals will withdraw from Ireland unless we take immediate decisive action.

We must cut the corporation tax rate now!

If we don't expect to see more Dells in the future.

If we are going to have a plan it must also concentrate on the development of Indigenous Irish industry. TK Whittaker recommended this fifty years ago and it still holds true today. The future lies in a strategy that empowers local enterprise and enables the expansion of existing Irish enterprise.

That is the way we must compete.

A message for Mary Coughlan: You must give Enterprise Ireland this mandate and radically increase the resources given to the City and County Enterprise Boards. They are an under funded and under utilised resource. Perhaps we should stop seeking the answer outside the box and focus on what we have and what we are.

The solution lies within ourselves.

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