

INTRODUCTION

Desmond McCafferty

Department of Geography

Mary Immaculate College, University of Limerick

and

James A. Walsh

Department of Geography

National University of Ireland, Maynooth

The competitive position of regions in an enlarged and deeper European Union has been the focus of much debate over the past decade. A number of major events with significant implications for regional development occurred in the late 1980s and early 1990s. These included the adoption of economic and social cohesion as a central objective of the EU in the Single European Act (1987), the reform of the Structural Funds (1988), the completion of the internal market (1992), the reunification of Germany and the collapse of the Eastern bloc (Williams, 1996). As greater prominence was accorded to regions, and more attention was focused on ameliorating the potential conflicts between competition and cohesion objectives, the European Commission produced a series of tri-annual reviews of the regional situation in the Community. These highlighted the extent of core-periphery disparities (CEC, 1991), and the importance of innovation as an influence on regional competitiveness (CEC, 1994a). The Commission also embarked on a major reform of the Common Agricultural Policy, contemporaneously with the introduction of an environmental programme aimed at laying the foundation for a sustainable approach to development (CEC, 1992) and a new strategy for Growth, Competitiveness and Employment (CEC, 1993).

These initiatives individually and collectively had significant implications for the spatial development of the Union. This new reality prompted a programme of investigations into the processes shaping the spatial dimension of development, which was most clearly expressed in the *Europe 2000+* report (CEC, 1994b). The agenda for the development of the Union over the medium term has recently been outlined in the *Agenda 2000* report (CEC, 1997a) and the first draft of an indicative integrated strategy for spatial planning has been published (CEC, 1997b). The new agenda places much emphasis on competition, but also on new forms of territorial co-operation and on the need to understand the relations between functional territorial units.

Contemporaneously with the EU initiatives there has been a major re-evaluation of theories of, and strategies for, regional development. The Regional Studies Association has been to the forefront in leading the debates on a wide range of regional issues, through its bi-annual international conferences, its journal *Regional Studies*, and its highly successful texts on *Regional Policy and Development* published in association with Jessica Kingsley. As these debates have evolved, increasing significance has been placed by theorists on the ability of regions to compete effectively in the global marketplace. Among the factors

which have been identified as vital to regional competitiveness, that which has probably received most attention is innovation, a concept which has undergone considerable re-definition and broadening as the importance ascribed to it has increased.

The trends summarised above have impacted on Ireland, both north and south of the border. New trading conditions have been associated with considerable adaptation and the opening of new opportunities, especially for inward investment. An array of economic, social and political factors combined has produced a period of unprecedented economic expansion in the Republic of Ireland (Duffy *et al.*, 1997; Gray, 1997). Of course there have been some negative side effects, particularly related to the environmental, social and spatial dimensions of change (Walsh, 1997). Some of these concerns are beginning to be addressed through initiatives such as the *National Anti-Poverty Strategy* (Government of Ireland, 1997a) and the *Sustainable Development Strategy* (Government of Ireland, 1997b). Other issues that have attracted attention include the establishment of a National Innovation System (Cooke, 1996) and the reform of local government (Government of Ireland, 1996). The significance of regional planning has been neglected however, apart from the establishment of statutory Regional Authorities in 1994 with very limited functions.

Within Northern Ireland progress has been slower, in large part due to the uncertain political situation. However, in recent times there has been a significant amount of strategic analysis which will help to guide future policies and strategies. These include, for example, the reports from the Northern Ireland Economic Council on industrial policy, tourism, lessons from other successful regions, and an active labour market policy for resolving long-term unemployment (1996, 1997a, 1997b, 1997c).

This volume draws together a selection of papers from two conferences organised by the Irish Branch of the Regional Studies Association in 1995 and 1996. The first conference, on the theme *Regional Development: an All Ireland Perspective*, responded to the changed political situation ushered in by the Republican and Loyalist cease-fires in Northern Ireland towards the end of 1994, and the on-going consequences of EU integration in terms of the reduced significance of the border as a barrier to economic flows on the island. One of the questions considered was the extent to which these changes in the political and economic environments might allow the economies of both Northern Ireland and the Republic of Ireland to meet the considerable challenges facing them in terms of productivity and competitiveness. In this context, issues in relation to the nature and level of innovation were also identified, and these were further explored, as well as the institutional and strategic framework necessary to support innovation, in the second, 1996, conference on *Shaping our Regions: Subsidiarity, Innovation and Economic Development*. The conferences were organised against the background of the events described above and also in a context where regional (meso-level) development strategies had been largely neglected. Within the Republic of Ireland regional development had been replaced by innovative local development initiatives (Sabel, 1996; Walsh, 1996) though these could never be a substitute for strategic regional planning. The need for a proactive regional policy and a supporting strategy was set out in a report prepared by Shannon Development as an input to the Forfás strategy for the medium to long-term development of enterprise, *Shaping our Future* (Shannon Development, 1996).

The selected papers have been grouped retrospectively into a number of thematic sections. The first group, in section I, provides a context and, perhaps, an agenda for regional policy in Ireland by examining the evolution of regional development policies across Europe in the last twenty years. Denis Maillat identifies a number of distinct 'generations' of regional policies beginning with the exogenous policies of the 1970s focused on the attraction of mobile investment, through the endogenous development policies of the 1980s, into the new approaches of the 1990s which attempt to integrate both these approaches in response to the process of globalisation. Looking forward to an emerging fourth generation of policies, he suggests that one of the most important regional resources (in non-metropolitan regions) will be the system of medium sized towns, which provides the physical context in which the key non-material resources for innovation can be anchored and supported.

Examples of regional policies oriented towards endogenous growth are provided in the next paper, by Antonio Vázquez-Barquero, who shows that local development initiatives have been widespread throughout Europe, both in centralised and regionalised states. In all cases the goal of these strategies is to improve the competitiveness of the local productive sector and thereby its integration into the global economy. Among the factors accounting for the emergence of the new approach, he identifies institutional changes, including the progressive decentralisation of control of development policy to local and regional administrations in the neo-liberal state. In the last paper in the section, Danielle Mazzonis describes the experience of the Emilia-Romagna region of Italy which has been widely studied as an exemplar of the types of institutional structure (of the political/administrative system) and organisational structure (of the productive system) which are conducive to dynamic regional development.

The next group of papers focuses on the development challenges faced by Ireland, both at national and regional level. Noting the trend towards competitiveness as the primary goal of industrial policy in Ireland, the first paper, by Birnie and Hitchens, gives an international comparison of levels of productivity in Ireland, North and South. They show that productivity in the services sector in particular has been well below international standards, in almost all cases falling behind the UK level which itself is well adrift of levels in other EC countries, the US and Japan. The causes of low productivity are argued to lie partly in scale factors, but also in the education and training system, and in the combined effects of state aids and lack of competition. While productivity in manufacturing in the Republic of Ireland is shown to compare favourably with other countries, this is argued to be due almost entirely to the foreign-owned sector.

Sweeney investigates in more detail what he labels the failure of Ireland's indigenous manufacturing sector. Arguing that economic development is essentially a local phenomenon in which the main factor is technological progress and the central actors are entrepreneurs, he describes the nature of the social and political/administrative environment that is necessary to foster locally-rooted technological advance. In respect of the latter factor, the problem for Ireland, he argues, continues to be the over-centralised government system, and he concludes with the view that, were it not for the stultifying effects of centralisation, Ireland's rural communities have the potential to provide the requisite 'munificent environment' for innovation.

The rural theme is explored further in the next paper by Eileen Drew and Candy Murphy. They argue that rural women are in many respects not just a marginalised but an invisible sector of Irish society. However, if rural development is to be an *inclusive* process then it must take account of the needs of women; and if it is to be *effective* then it must respond to their concerns and finds means to harness their energies. The final paper, by Jim Walsh, amplifies these views with a detailed piece on the requirements for sustainable regional and local development. Walsh's paper begins by outlining the current state of regional development in Ireland, highlighting the growing gap between rural areas and the functional regions of the larger urban centres in terms of the nature and range of opportunities for employment. Noting the opportunity costs associated with the failure to articulate a clear regional development strategy in the past, he proceeds to consider the key elements which such a strategy needs to possess in the current climate, his reference here to the equity dimension of sustainability being particularly relevant to the issues highlighted by Drew and Murphy.

Section 3 looks in some more detail at the factors underlying the problems of competitiveness and innovation identified by Birnie and Hitchens and by Sweeney. Breathnach considers the implications for industrial development policy (and related institutional structures) of the concept of industrial clusters as developed by Michael Porter and others. He finds that while a number of recent reports have advocated the concept as the basis of industrial development, there has been a reluctance among the state agencies involved in industrial promotion to move away from the firm-level policies of the past towards the meso-economic focus which successful cluster development calls for (and which is identified by Mazzonis as a crucial element in the industrial policy of Emilia-Romagna).

One of the reasons for the importance attached to cluster formation is the stimulus it is thought to provide to innovation. The next two papers deal with innovation in manufacturing from opposite ends of the process. First, Kathleen Quinlan looks at one of the most important *inputs* to the process i.e., R&D expenditure, and shows that while such expenditure remains low by international standards, it has been increasing rapidly in the first part of the 1990s. Much of this growth has taken place in the software sector, where there may even be evidence of incipient cluster formation. However, much of the R&D performed in this sector is of a relatively low grade, concerned with experimental development rather than with basic or indeed applied research. The second paper, by Stephen Roper, looks at evidence which suggests that while Ireland may lag behind other developed economies in Europe in terms of expenditure on R&D and in terms of patenting activity, performance is comparatively better in terms of the *output* of innovations. This he links to the importance of technology transfer within the foreign-owned sector of Irish manufacturing, thereby echoing the observations of Birnie and Hitchens regarding the dualistic nature of manufacturing in the Republic of Ireland.

The remaining two papers in this section focus on the services sector. O'Flanagan looks at retail development in Ireland and suggests that there is limited potential for the type of large-scale regional shopping centre which has developed in the US, mainly because of restrictions on market size. Instead the retail environment in the future will be marked by a high degree of diversity, with small scale development occupying an important place. One

rather negative feature to which the attention of planners and policy makers is directed, is the emergence of a dualistic structure along social class lines in forms of retail provision, especially in the larger centres of population. The final paper, by Hannigan describes recent trends in tourism in Ireland, North and South, and notes the surge in the industry in the late 1980s and early 1990s. It is argued that in the case of the Republic of Ireland certainly, this growth occurred independently of the policy initiatives introduced in 1989. Moreover data is presented to suggest that the net benefit of the growth to the economy has been comparatively modest, even in spite of the level of job creation involved. However, a critical determinant of the overall net social benefit is the extent to which the growth has benefited marginal areas, suggesting that in order to optimise the benefits of tourism development there needs to be a regional dimension to the strategy.

Section four shifts the focus to strategic planning issues. Hendrik van der Kamp examines what has been traditionally one of the most popular regional policy instruments in Ireland, viz., investment in infrastructure. As well as issues in relation to transportation infrastructure and the newer communications infrastructure, he also considers the infrastructural requirements of sustainable development (eco-stations, eco-networks etc.) and concludes by arguing for the need to integrate the planning of strategic infrastructural investment with land use planning. Seamus Grimes, in the following paper, notes the heavy investment in telecommunications infrastructure in Ireland in the 1980s, and examines the locational tendencies of service activities - in particular those based in back offices and call centres - using this infrastructure. His findings are in line with the urbanisation tendencies described by Walsh: while the first wave of back offices tended to locate in small towns in rural areas, the second wave, and almost all of the more highly skilled employment in call centres, has been based in Dublin. He concludes though with the observation that IT does not provide a quick fix solution to the problems of small firm development, and in this respect the decision of the IDA to focus on inward investment as part of its IT-based strategy for development appears to have been vindicated.

In the next paper, Noel McNally attempts to outline some of the strategic factors which are likely to influence the development of the Northern Ireland economy. He argues that, given the close integration of Northern Ireland within UK product and factor markets, and common fiscal and monetary policy, the region's economic prospects will remain largely determined by developments in the UK as a whole. However, recent evidence of improved competitiveness (lower unit wage rates) in Northern Ireland may be due to long-term structural change, and in the final paper in the section Mark Hart focuses in on one aspect of this change, viz., the shift in the Northern Ireland manufacturing sector towards increased employment in the small firm sector. Small firms have been central to endogenous development policies throughout Europe, and in this paper Hart examines the achievements of policy in Northern Ireland, where reliance on the indigenous sector has in part been forced by the difficulties in attracting external investment caused by the political situation. While demonstrating that the small firm sector has been the most important source of new jobs in Northern Ireland manufacturing, and that employment growth in the sector cannot be simply attributed to high levels of government expenditure, he concludes that industrial development strategies for regional economic development must not rely exclusively on small firm policies.

Section five looks at the response of policy makers to the need to foster the innovative milieux referred to by Maillat, Vázquez-Barquero, and Breathneach. Following on from Maillat's comments on the need for both external and endogenous growth impulses, Cooke *et al.* argue that the establishment of innovation support strategies is a central requirement if regions are to become attractive for inward investment. Their subsequent analysis of the concept of regional innovation strategies points up the need for policy to (i) focus on clusters (ii) provide more than just R&D funding and (iii) take account of the geographical scale of firms, and hence of the level - regional or national - at which support needs to be offered. The paper concludes with a typology of regional innovation systems and the challenges they face, showing that as regions differ so must their innovation strategies.

Mikel Landabaso outlines the two main pilot schemes operating under the European Regional Development Fund which are aimed at introducing innovation into the regional development agendas of "less-favoured" regions: Regional Technology Transfer Projects (RTTs) and Regional Innovation Strategies (RIS). The latter initiative succeeds the earlier Regional Technology Plans which attempted to stimulate the development of innovative milieux by creating the necessary social capital for successful innovation. The scheme is currently operative in almost 30 regions of the EU, including the Shannon region in Ireland, and in the third paper in this section Brian Callanan describes the Shannon Regional Innovation Strategy, outlining the organisation of the initiative, the main objectives, and the priority issues in relation to innovation which have been identified so far. These include the need for greater innovation in both the foreign-owned and indigenous sectors, and the scope for innovation in local development activity.

The final group of papers, Section 6, explores some of the recent developments in the political and institutional spheres that are likely to impact upon both regional development trends and regional policy in Ireland in the short to medium term. The first two papers focus on what is potentially one of the most significant institutional developments, namely the establishment of a new layer of regional authorities in 1994. Noting the polarised nature of recent growth in Ireland, John McAleer suggests that, for the endogenous approach to development to succeed, there is a need to correct a democratic deficit which is evident in the operation at regional level of the state agencies concerned with various aspects of development. In this context he calls for the regional authorities to be given a much more significant role and better resourcing than that accorded to them so far. One of the first tasks assigned to the regional authorities was the completion of regional reports, and these reports, together with that of the Western Development Partnership Board, are considered by Hendrik van der Kamp and Michael Bannon. They find a high degree of diversity, not just in the coverage and methodology of the reports (which is to be expected and even encouraged), but also in the quality of the reports. Nevertheless, given the constraints within which the regional authorities currently operate, they find that the reports represent a good beginning to their work, and they end by supporting McAleer's call for the resourcing of the authorities to be increased.

The final paper in the volume, by Paul Gorecki, attempts to identify the factors which, within the context of peace and political stability in Northern Ireland, may be expected to affect trends in regional development on the island of Ireland. He identifies considerable scope for increased inter-firm and inter-governmental co-operation, though like McNally

he notes that the latter is ultimately limited by the different institutional contexts which make complete policy harmonisation improbable. While the benefits of increased trade alone could amount to between 7,500 and 75,000 jobs, these benefits are not likely to be evenly distributed geographically: the greatest potential gains would be expected in the border regions. However the economic policies pursued by the two governments (which in the recent past have somewhat different emphases) will clearly have a major bearing on the geographical pattern of future development, as will the fate of proposals such as that for an economic corridor between Dublin and Belfast. The emergence of industrial clusters along this corridor is a possibility, a result which, Gorecki notes, would be counter to that aimed at by traditional regional policy in both parts of Ireland.

This last observation highlights the fact that, within a context of increasing economic integration within the EU, and with the policy emphasis on competitiveness and, perhaps, the development of industrial clusters, the current trend towards increased regional concentration of economic activity seems likely to continue. New approaches to regional development in Ireland are required which will take account of objectives towards convergence between regions of the EU and within Ireland. The pursuit of such objectives must occur within a framework based on the principles of sustainable development. The current Community Support Framework is set to expire at the end of 1999, after which there is likely to be a gradual withdrawal of EU structural assistance from Ireland. The debate is already underway concerning the way in which future development assistance to Ireland will be organised. Central to the discussions is the question of whether or not the Republic of Ireland will continue to be treated as a single region for the purposes of structural funding. There is an urgent need for an open and well-informed debate about all of the issues involved. It is the hope of the Irish Branch of the Regional Studies Association that by setting out the elements of the current regional situation in Ireland, and examining some of the issues involved in moving towards the type of regional policies which are increasingly finding favour throughout Europe, the present volume will contribute to and inform this debate.

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