

PRESS RELEASE

IRELAND'S COMPETITIVENESS NOT YET BASED ON SOLID FOUNDATIONS – NATIONAL COMPETITIVENESS COUNCIL

Ireland's competitive position, while outstandingly strong in recent years, is not yet based on solid foundations and needs to be kept under constant review if recent danger signs such as skills shortages, infrastructural bottlenecks, lack of investment in telecommunications and the growing gap between multinationals and indigenous companies are not to undermine it, according to the National Competitiveness Council, which published its first annual competitiveness report today, (11 March 1998).

Speaking at the publication of the annual report, the chairman of the National Competitiveness Council, Mr. Brian Patterson, said: "Ireland's success is clear for all to see. It didn't happen by accident - far-sighted decisions taken many years ago, as well as the maintenance of partnership and consensus have played important roles. But all of this is no guarantee of future success. There are many challenges ahead and we must be vigilant and self-critical if our success is to be maintained".

The Council's key findings are as follows:

- The Irish economy has been enormously successful in recent years. However, the forces of global competition are increasing. This and other challenges ahead, mean that we must critically examine our competitiveness and take actions now which will sustain our success in the future.
- Ireland's current competitive base is not yet built on solid foundations.
- Exporting industries are not sufficiently diversified – by product or by market.
- The performance gap between multinationals based here and Irish indigenous firms is too wide.
- Ireland lags behind other countries when it comes to investments in key areas such as telecommunications and infrastructure.

- Emerging skills shortages may put a brake on future progress and could create inflationary pressures.
- A degree of complacency has crept into the Irish economy and the Council believes that there is an urgent need to keep our competitiveness under constant review.

The setting up of a Competitiveness Council was recommended in the Forfas strategy document “Shaping Our Future”, a Strategy for Enterprise in Ireland in the 21st Century. The Council, which was established by the Government in May, 1997 as part of the Partnership 2000 Agreement, is required to report to the Taoiseach on key competitiveness issues, with recommendations on policy actions required to improve Ireland’s competitiveness position. Forfas is providing the secretariat to support the work of the Council.

In its first annual report, the Council predicts that global trends will accentuate the need for improved competitiveness if we are to sustain present economic growth in Ireland. The foundations of competitiveness must be deepened to include more Irish-owned enterprises and broadened to include the full range of economic sectors, especially services.

Global trends, such as the rapid growth of international competition, the growth of regional blocs and the increased convergence between trade, investment and technological change will have a major influence on future Irish growth.

The Council believes that increased innovation and the preparation for the Information Society will be the key factors of success. At a European level, EMU will heighten the need for competitiveness, as will the growing challenges of Eastern European countries, even before EU enlargement.

The report highlights 11 key areas: skills, education, needs in different sectors, EMU, costs, taxation, trade diversification, the labour market, innovation, telecommunications and the Information Society and public administration. The Council will work with and support existing bodies, in developing an integrated set of recommendations.

In conjunction with the publication of its first annual report, the Council also issued a summary statement on competitiveness today. Actions which the Council believes are required include:

- Bringing Irish PRSI and personal tax rates more in line with UK levels.
- Greater reductions in corporation tax for small firms.

- The introduction of a comprehensive system to anticipate and provide for the skill requirements of the economy.

The Council's first annual competitiveness report is aimed at measuring Ireland against competitor countries and covers the full range of policy issues. It is the first of an annual series of reports which aims to keep all relevant competitiveness issues under review and at the same time to list priority issues which the Council feels should be dealt with urgently.

Mr John Travers, Chief Executive, Forfas said that the Council is working to "develop a series of statements of what is needed in competitiveness terms for the future successful performance of the Irish economy, in areas such as costs, education and training, the labour market, capital markets, telecommunications, energy and other factors."

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For further information, please contact:

**Brian Bell,
Wilson Hartnell Public Relations.
Tel: 01 – 496 0244**

**Tom O'Dwyer, Manager,
Forfás Press & Communications.
Tel: 01 – 607 3085**

**National Competitiveness Council
Secretariat : Forfás
Wilton Park House
Wilton Place
Dublin 2**

**Tel : 01 607 3000
Fax : 01 607 3030**