Irish development model
Should we emulate it?

INTERNATIONAL

Ireland was the flavour of the month in the mid 90s when talk of a social pact was rife within the corridors of Nedlac. The Irish model seems to have resurfaced again. **Dinga Sikwebu** questions the success of this model and its application for SA.

With persistent levels of poverty and unemployment in South Africa, the air is full of debate about appropriate economic models. A discussion paper prepared for the African National Congress (ANC) National General Council appraises development paths followed in different periods in Europe and East Asia. In his online column in ANC Today, President Thabo Mbeki recently wrote about the success of Ireland's development model. Quoting extensively from a 2002 International Labour Organisation (ILO) discussion paper, the president tells a story of how in Ireland, trade-offs on wages, industrial action, personal taxation and social welfare were precursors to sustained economic growth. How accurate is the president's narrative?

After the economic demise of the Asian tigers (South Korea, Malaysia, Thailand and Indonesia) in 1997-1998, the search for economic models shifted to Ireland. In the 1990s, Ireland became the star performer with an average annual gross domestic product (GDP) growth of 9,3% for 1994-2000. After a decade of stagnation, Ireland also became a destination for investment, attracting one in ten of all foreign-owned manufacturing projects that came to Europe in the 1990s. The country attracted, from the United States (US), major pharmaceutical and information and communications technology (ICT) companies.

Although in decline in 2001-2003, Irish growth rates continued to be in front in the Organisation for Economic Co-operation and Development (OECD) pack. For the three-year period, Ireland's 4,8% average annual average GDP growth outpaced the OECD average of 1,6%. This period of phenomenal growth coincides with institutionalised social partnership where government, labour and business reach three-year pay and tax agreements. Since 1987, Ireland has had six tripartite social accords, an arrangement that Mbeki refers to in his letter.

'Unfortunately, it would seem that there is no "silver bullet" – no single, overriding policy that could be singled out as responsible for Ireland's success,' said the OECD Economic Survey: Ireland published in 1999. Despite attempts to attribute economic growth to government-labour-business social pacts, some analysts argue that such agreements 'legitimise market outcomes'. Policies such as export promotion predate the era of social partnerships. In the late 1950s the country introduced taxes to encourage manufacturing exports. Since Ireland joined the European Union (EU) in 1973, the country received structural funds meant for regions that are considered to be the EU's backwaters.

But there is also a dark side to Ireland's growing prosperity. Despite the image of a booming economy, Ireland remains an unequal society. This was confirmed in a 2004 follow-up ILO paper that found that the 'social dividend' of Ireland's growth was not shared equally. Their study shows that while productivity growth was recorded in the modern manufacturing sector in 1985-1998, real wages lagged behind.

Ireland has over the last two decades also become less friendly to trade unions. A longitudinal study that Cranefield-University of Limerick conducted in 1992, 1995 and 1999 revealed that although union membership grew in the 1990s, 40% of private sector respondents reported an absence of union presence in their establishments. This is especially so against companies established between 1987 and 1997 through new greenfield investments. They do not recognise unions while 85% of all US companies that moved to Ireland use the absence of a legislative compulsion, to deny unions recognition. According to the ILO report, this anti-union stance is 'the result of the Irish Development Agency's decision to stop requesting union recognition as a precondition for its attractive location packages'.

While a look at other experiences may be useful in South Africa's search for a development model, we need to understand exactly what happened in other countries before we try to emulate them. As an extremely unequal country, South Africa cannot follow a model that has produced huge inequalities. There is also the question of how whatever model we adopt reinserts the country in the global economy. Ireland's extremely open economy has made the country vulnerable to vicissitudes of world capitalism. Following a decline in the US economy in early the 2000s, the Irish economy experienced a dip. With a significant amount of exports being agricultural products, the 2001 outbreak of foot and mouth disease affected Ireland. With our experiences of how economic liberalisation leads to vulnerability, emulating the 'Celtic tiger' may not be a good idea.

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