UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

COMPETITIVENESS AS A DETERMINANT OF IRISH ECONOMIC DEVELOPMENT IN THE PAST AND CHALLENGES FOR THE FUTURE

Ljubljana, May 2020 TINA MOHORČIČ

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LIST OF ABBREVIATIONS

CIA – Central Intelligence Agency
CIP – Capital Investment Plan
CSF – Community Support Framework
ECB – European Central Bank
ECU – European Currency Unit
EU – The European Union
GCI – Global Competitiveness Index
GDP – Gross Domestic Product
GNP – Gross National Product
ICT – Information Communications Technology
IMD – Institute of Management and Development
IMF – International Monetary Fund
NCC – National Competitiveness Council
NDP – National Development Plan
NUTS – Nomenclature of Territorial Units for Statistics
OECD – Organisation for Economic Cooperation and Development
R&D – Research & Development

RTDI – Research, Technology, Development & Innovation
SWOT – Strengths, Weaknesses, Opportunities, Threats
UK – United Kingdom
USA – United States of America
FDI – Foreign Direct Investment
WEF – World Economic Forum

INTRODUCTION

Many different definitions explain what international competitiveness or competitiveness in general is. However, international competitiveness is a process that can be experienced on different levels, on firm, regional, and national levels. Competitiveness becomes international once it involves at least two or more countries. Taking into account all the definitions, "as each micro-unit of competitiveness (firms) reaches an advanced level of competitiveness, the process moves to higher or more macro units (countries) and becomes international competitiveness eventually " (Buckley, Pass & Prescott, 1988).

Ireland is labeled as a European success story of the last decade. However, it was not always like that. In previous decades, the country was facing major obstacles in its economic performance (Barry, 2003). Up to the year 1973, Ireland was the so-called "poor cousin of Europe" and too dependent on Britain economically. Joining the EU unlocked a possibility for a major development of the country. This membership has helped Ireland attract foreign direct investment, created thousands of new jobs, made it easier for their businesses to trade on both European and international markets and gave the country the right to participate in and benefit from global research and development (European Commission, 2020).

Nowadays, Ireland is ranked number 24 out of 141 countries, proving that it is one of the most developed countries in the EU. The island's economy is very advantageous in comparison to other EU countries with nearly perfect employment, increasing wages, and a desirable business environment. Among the country's other competitive advantages, Ireland scores well on its education and labor market, technological dynamics, the quality of products, and the ease associated with starting a new business. The country faces downsides on such issues, such as the level of infrastructure and competition of the financial market (Trading Economics, 2019).

The goal of the master's thesis is to study the economic development of Ireland upon joining the EU and today more closely and to study to which extent the development of Ireland benefited also from its competitiveness. By doing so, I will also study how competitive is Ireland in the international context, what their main factors of competitiveness are and what the contribution of these factors is to growth. Besides, I will examine the contribution of economic policies to both competitiveness and economic development. The purpose of this thesis is to propose based on Irish experience and to highlight the elements of success that could be transferred to other countries also.

The thesis will be guided by the following research questions:

1. What were the characteristics of Irish development in the past by key stages (before the EU, the early EU era, and nowadays)?
2. What were the key determinants of economic growth and development of Ireland in the past?

3. What were the characteristics of competitiveness in the past in Ireland and what are they today and how did competitiveness contribute to economic development?
4. How did the state contribute to the development and competitiveness of their policy measures?
5. What are the challenges for Ireland in the future?

The master's thesis is composed of a theoretical and an empirical part. In the first part, the description, analysis, and synthesis of the existing credible literature and sources are presented.

In the empirical part, a comparative study analysis of the existing databases is carried out, followed by my analysis of the mentioned databases. The analysis defines the differences between the past and the future of the country and helps determine the level of competitiveness of Ireland in the international context.

In the final part of the master's thesis, the interpretation of the findings of the comparative study analysis is presented. On this basis, policy suggestions have been constructed for Ireland to improve its performance and international competitiveness in the future.

The main restrictions facing the project are that this master's thesis only focuses on measuring the competitiveness based on World Economic Forum (hereafter: WEF) and Institute of Management and Development (hereafter: IMD), instead of other methods as well. The data obtained from these two methods are compared only between the EU member states because the EU is the most important international trading partner for the Irish economy.

The main assumption is that the competitiveness of each economy is important for increasing its prosperity. With the expansion of the market which creates new ways for development and new challenges, competitiveness is crucial for the existence of an increasingly challenging market that the EU offers.

This master's thesis was just finalized at the beginning of the COVID-19 spread over Europe and the world and already giving a sign of the beginning of a bigger crisis, maybe even bigger than the last one in 2008. It is not yet known how much the economies including Ireland will be affected. The first estimates show a possibility of a substantial drop in GDPs which would affect the labor market, demand, products demand consequently, despite all measures which are and will be taken by the EU and every single member state government. European Central Bank (hereafter: ECB) also issues the measures to increase the liquidity on the market and, therefore, financial support to the corporate sector to maintain its level of business as much as possible and to prevent the major drop of the demand on the market.

1 ECONOMIC SITUATION 1973-2020

Ireland embodies the most rapidly growing economy in the world since the end of the 20th century and its growth continues into the new millennium. The spinning point in Irish development was 1987. After 1987, they decided to the "impossible" and accepted the national agreements between the government, employers' associations, and trade unions to work jointly to recover the economic situation. Up until then, Ireland was known as a poor, rural country. Many analytical events led this island country to be called "the Celtic Tiger", which arose from the economic achievement which was perceived as a rapid economic growth fueled by foreign direct investments (hereafter: FDI) (European Commission, 2020).

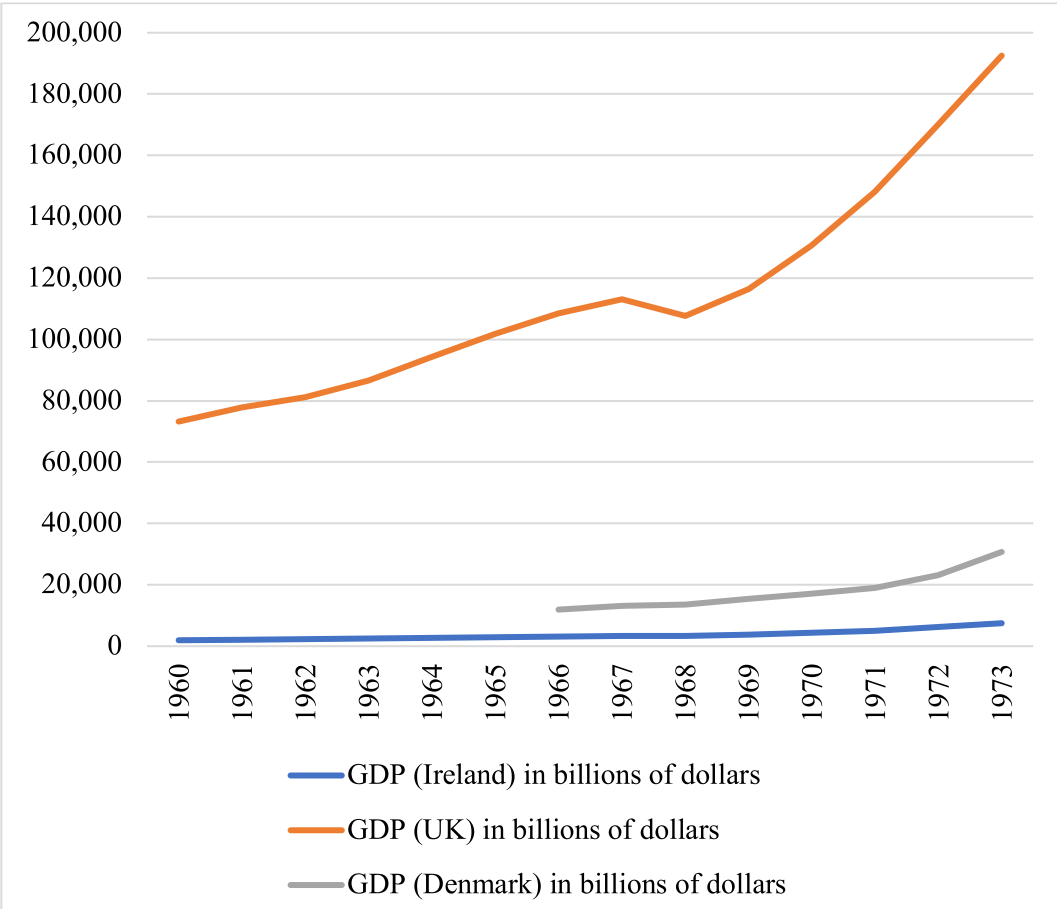
1.1 Economic situation before joining the EU

The economic history of the Republic of Ireland essentially began in 1922, once the then Irish Free State won independence from the United Kingdom (hereafter: UK). In the time of independence, Ireland had a population of 3 million people who were generally poor farmers. The northern part of Ireland persisted under the British crown at the time, fearing the introduction of customs. In contrast to anticipations, however, the ruling party did not impose the customs but sustained to continue the free trade policy (Barkham, 2010).

Before this separation of the island economy, Ireland was on the move in the latter half of the eighteenth century. Under a dispersed legislature, though lacking its structures, economic and social developments were being made at a time when the early consequences of the industrial revolution in Britain were beginning to spill over into the neighboring countries. From the start of the nineteenth century, the Act of Union essentially changed the terms on which Ireland would transmit to the global superpower on its doorstep. After the Union, politics adjusted to regulate from London and there was no protection from the complete rigors of competition with the hegemonic British economic giant, conversely, to claim that all economic progress stopped after the Union is utterly naïve. The revising historians claim the fact that while in many regions of Ireland economic indicators did improve during the last two decades of the eighteenth century, they improved even more in the aftermath of the Union and up to the onset of the Great Famine. Undeniably, the Irish parliament had combated protectionism and favored free trade. The end of the free trade era was in 1932 while many industrial protectionist measures were introduced at the same time. These measures initially elevated the rate of employment in manufacturing from 1.6% during the free trade era to a 4.3% rate during the industrial protectionism. However, this did not last long. The protectionism ended in the 1950s and, consequently, the employment growth in manufacturing decelerated to an annual 0.8% rate. As of 1960, the unemployment rate stood at 5.7% and did not fluctuate that badly until the entrance into the EU in 1973 when it was at 6.2% (Eurostat, 2020). On the other hand, the exports augmented in reaction to the European postwar prosperity. However, as expected, these exports were primarily agrarian. Ireland produced low-quality products with high prices for a small domestic market. As some foreign companies were not even allowed to export their products to Ireland, the Irish industry remained uncompetitive and weak until 1960. Throughout the 1950s, some 400,000 people emigrated. These severe circumstances eventually saw a reversal of the protectionism policy which began to be demolished in the late 1950s. A free trade arrangement with Ireland’s predominant trading partner, the UK, came into force in 1966 (Bradley, 1999).

It is important to position Ireland regarding its development, compared to other countries. The first important comparison would be Gross Domestic Product (hereafter: GDP). Figure 1 shows Ireland's position for the period between 1960 and 1973, compared to the UK and Denmark, which were the two countries that entered the EU at the same time as Ireland. One can observe that Ireland's GDP growth was very poor and slow compared to the other two countries.

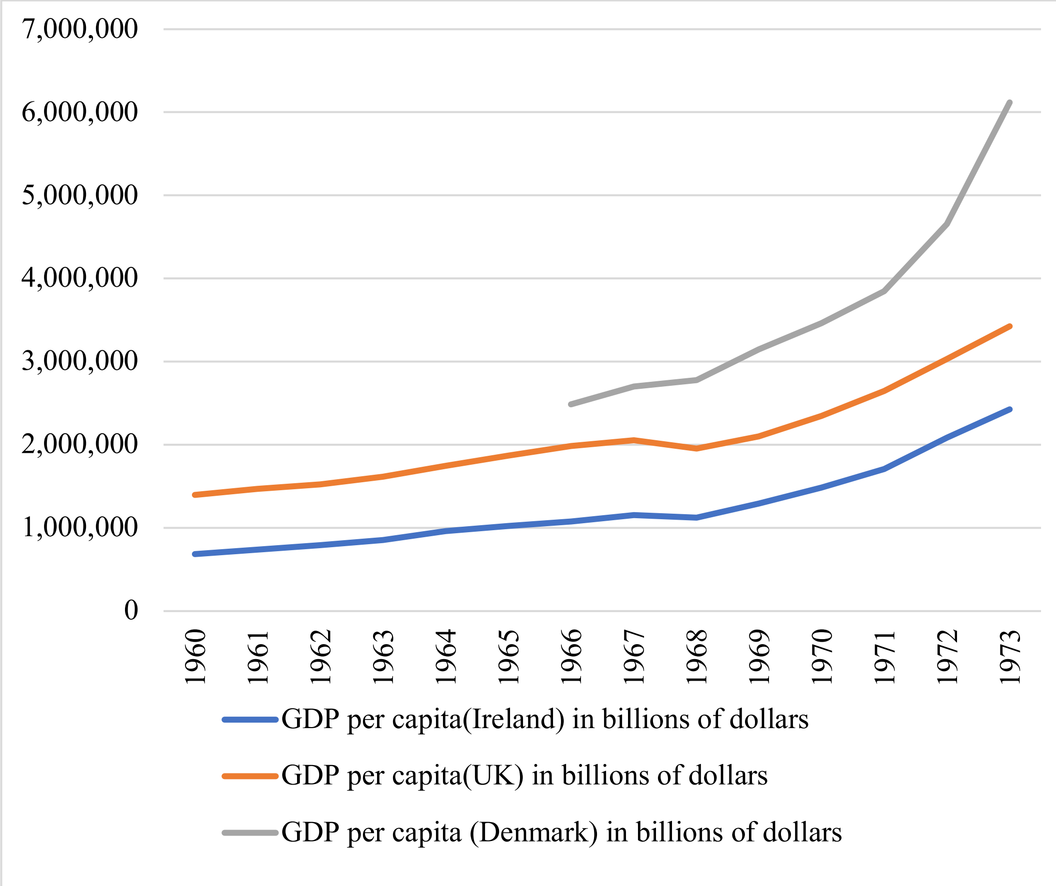
Figure 1: Comparison of GDP growth for the year 1960-1973 for Ireland, UK, and Denmark



Source: World Bank (2020).

Because Ireland has a small economy by several people, it is important to look at GDP per capita as well. The following figure 2 reveals the comparison of GDP per capita of Ireland in comparison to the UK and Denmark for the years 1960 to 1973.

Figure 2: Comparison of GDP per capita for the year 1960-1973 for Ireland, UK, and Denmark



Source: World Bank (2020).

To sum up, until here, Ireland was the poor cousin of Europe and economically over-dependent on Britain. On January 1, 1973, the Republic of Ireland, together with the UK, and Denmark, entered the European Economic Community, today known as the European Union (hereafter: EU) (European Commission, 2020).

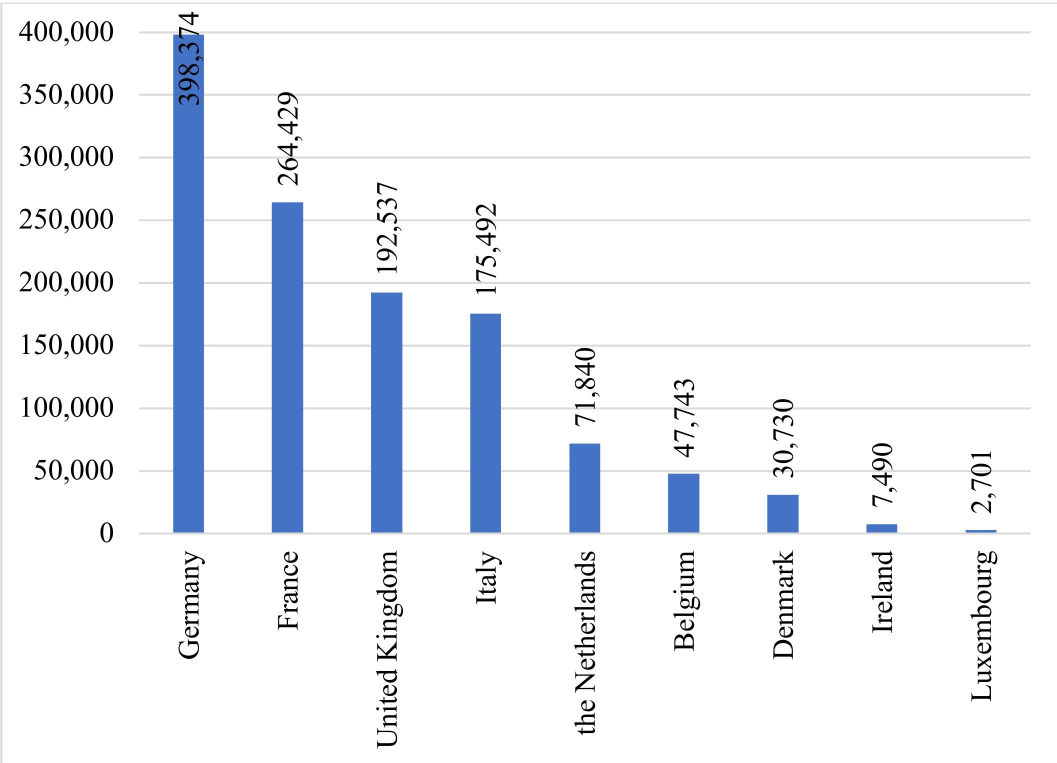
1.2 Economic situation during early EU era and nowadays

It is unquestionably the most noteworthy step the country has ever taken on its journey path as an independent nation. The EU membership was the so-called conclusive keystone on its economic independence providing a legal background within which it has equal rights and, of course, responsibilities to the UK and all of the other European neighbors. For smaller countries within the EU the benefits of such legal organization, protecting their rights has proved important and it assists in explaining why Ireland has attempted the EU membership with fairly superior keenness than the UK (Fitz, 1999).

At the time of entrance to the EU, Ireland was the poorest and the least developed country among the member states. Her quick development, however, soon caught the others. It is safe to say that Ireland's EU membership had helped Ireland in numerous ways enormously. The major benefits, i.e. free trade access and competition in Europe, reduced economic dependence on the UK, Ireland as the closest point between the EU and the United States of America (hereafter: USA) and Ireland's FDI (European Commission, 2020).

As of 1973, the year of Ireland's entry into the EU, there were 9 EU members – Germany, France, Italy, the Netherlands, Belgium, Luxembourg, Denmark, the United Kingdom, and Ireland. For the comparison, Ireland performed as the second-worst regarding the GDP, right after Luxembourg. Figure 3 shows a GDP comparison for all 9 members of the EU for the year 1973 (World Bank, 2020).

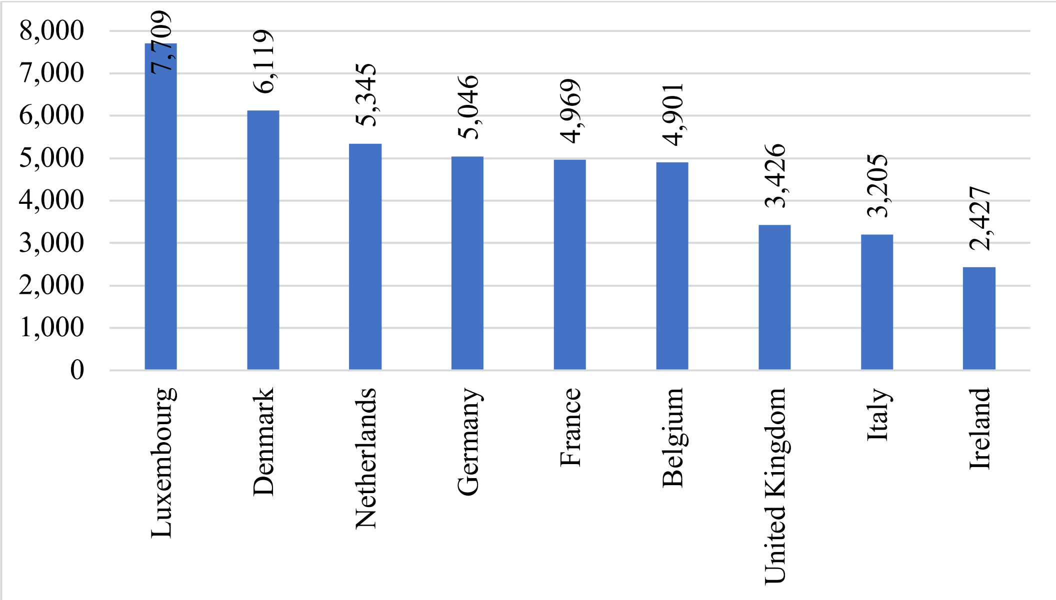
Figure 3: Comparison of GDP (in billions of US dollars) among EU9 members for the year 1973



Source: World Bank (2020).

To get a clearer view, Figure 4 represents the GDP per capita of Ireland compared to the other eight members of the EU in 1973. The results show that Ireland's GDP per capita is the poorest out of all nine members of the EU in 1973. The one with the highest and, therefore, the strongest GDP per capita had Luxembourg followed by Denmark and the Netherlands.

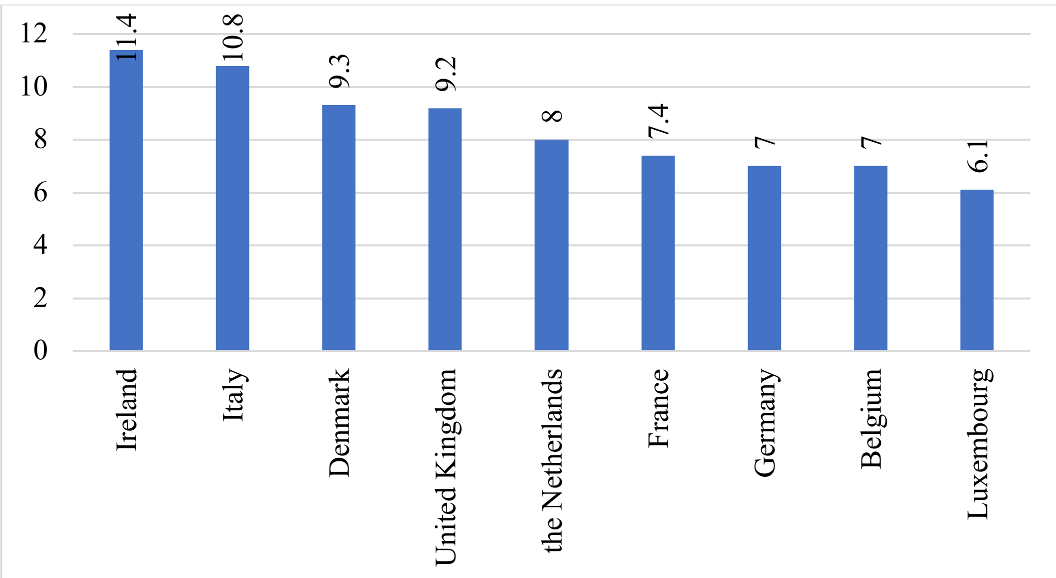
Figure 4: Comparison of GDP per capita (in billions of US dollars) among EU9 members for the year 1973



Source: World Bank (2020).

Furthermore, the inflation rate is the rate at which prices increase over time, resulting in a drop in the purchasing value of money (Organisation for Economic Cooperation and Development, 2020, hereafter: OECD). The lower the inflation rate, therefore, the better for the GDP and overall growth of the economy. Figure 5 shows that Ireland had the highest inflation rate (11.4%) among all the nine members of the EU in 1973. The best performance, again, showed Luxembourg.

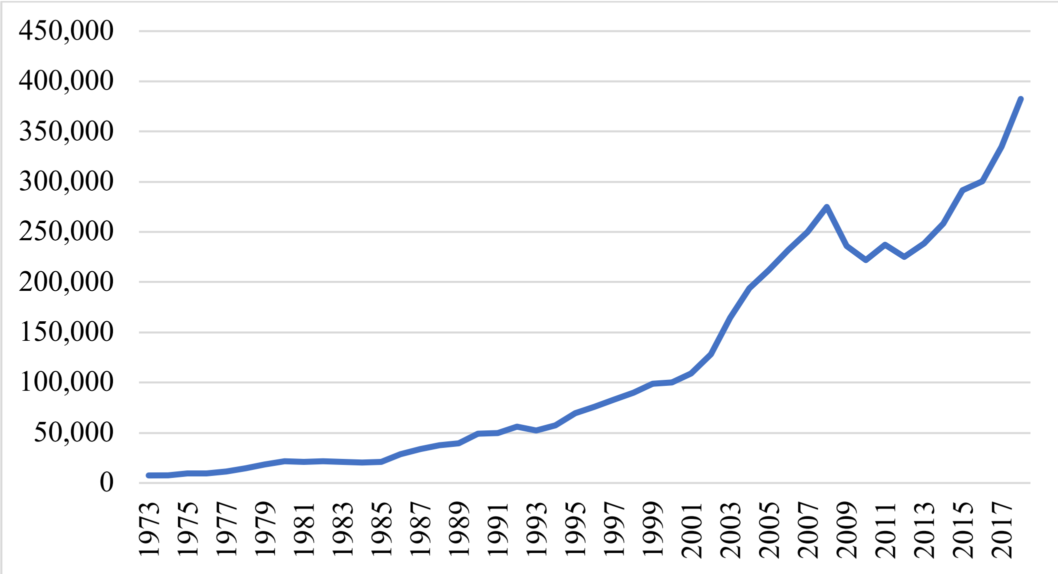
Figure 5: Comparison of inflation rate (annual %) among EU9 members for the year 1973



Source: World Bank (2020).

Looking at the start of the EU era, to the year 1973, Ireland's GDP stood at the number of 7.49 billion US dollars. Figure 6 shows the substantial growth of GDP Ireland faced up to the year 2017 (World Bank, 2020). It is visible how Ireland's GDP grew up to the year 2007 and then faced a downturn from the years 2007 to 2012 due to a huge economic crisis. After that year, the GDP started to grow again tremendously.

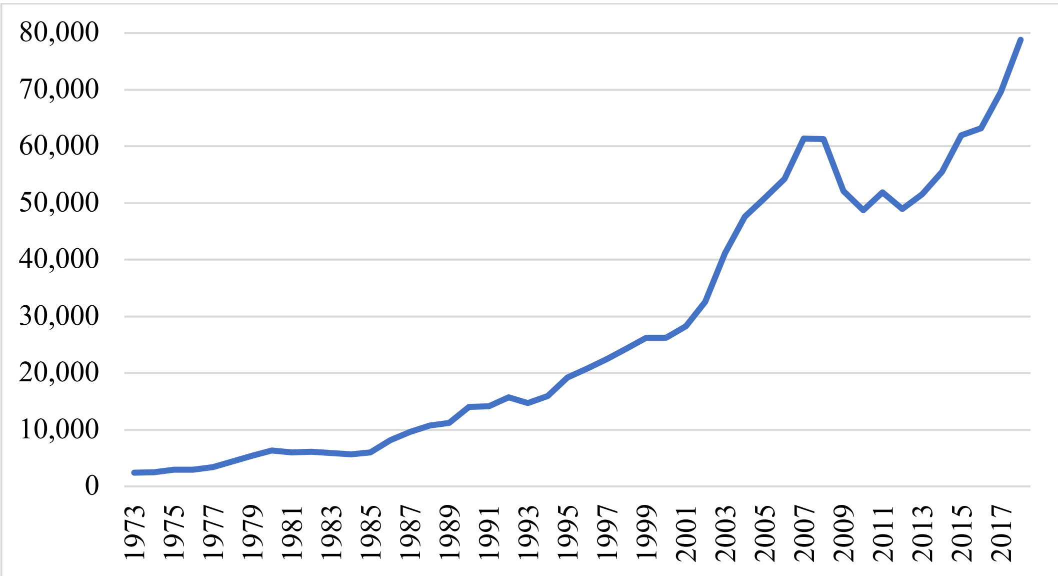
Figure 6: Ireland's aggregate GDP (in billions of dollars) from the year 1973-2017



Source: World Bank (2020).

Besides, to support the above statements, the following figure 7, representing the GDP growth per capita, shows the same pattern.

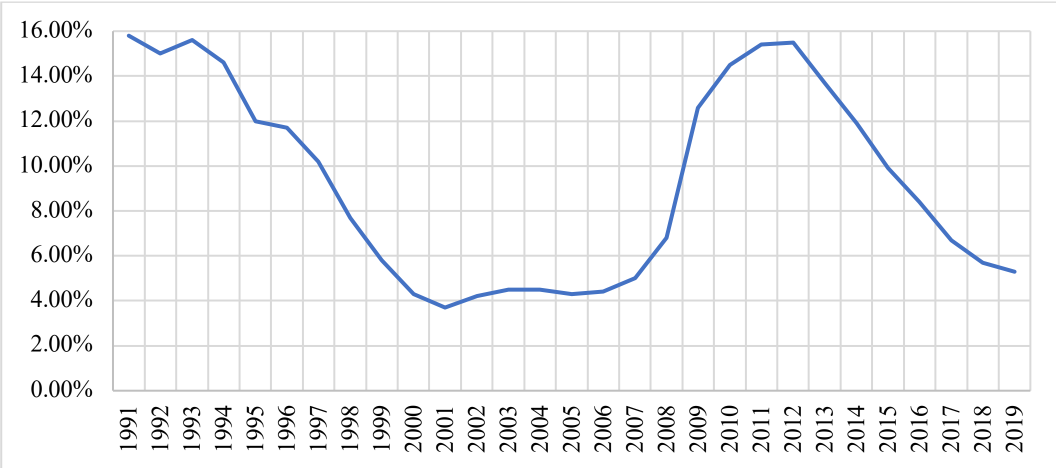
Figure 7: Ireland's GDP per capita (in billions of US dollars) from the year 1973-2018



Source: World Bank (2020).

Furthermore, if we look at the unemployment situation, we can observe it from the year 1991 onwards, since the World Bank holds the data from that year on. Figure 8 shows how the unemployment rate fluctuated. It started at a rate of 15.8% in 1991 and was steadily decreasing to a very low rate of 3.7% in 2001. For the next few years, it succeeded to remain low. However, it started to rise again during the time of the crisis from 2007 to 2012 when it reached a high of 15.5 %. Again, after that, decreasing the unemployment rate began to take place and it reached a rate of 5.3% in the year 2019 (World Bank, 2020).

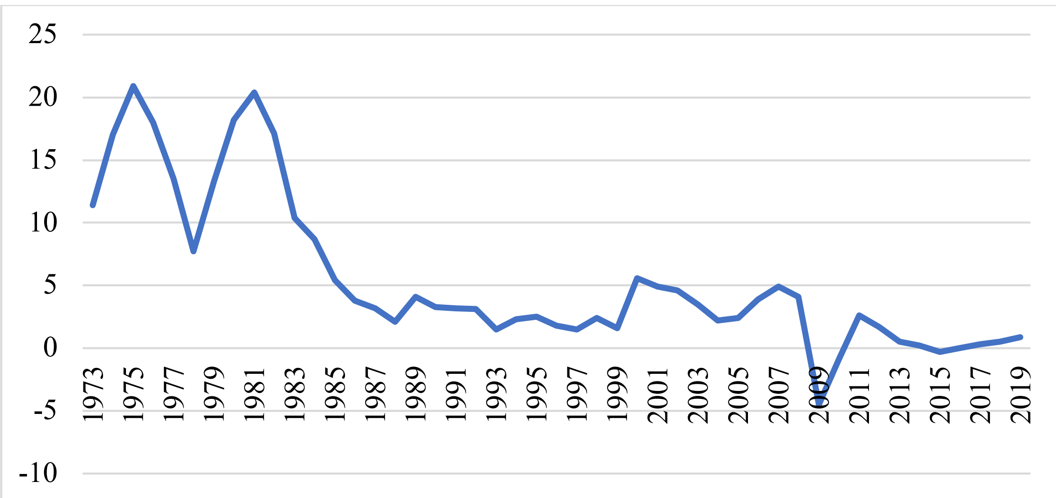
Figure 8: Unemployment rate (% of the total labor force) of Ireland from 1991 to 2019



Source: World Bank (2020).

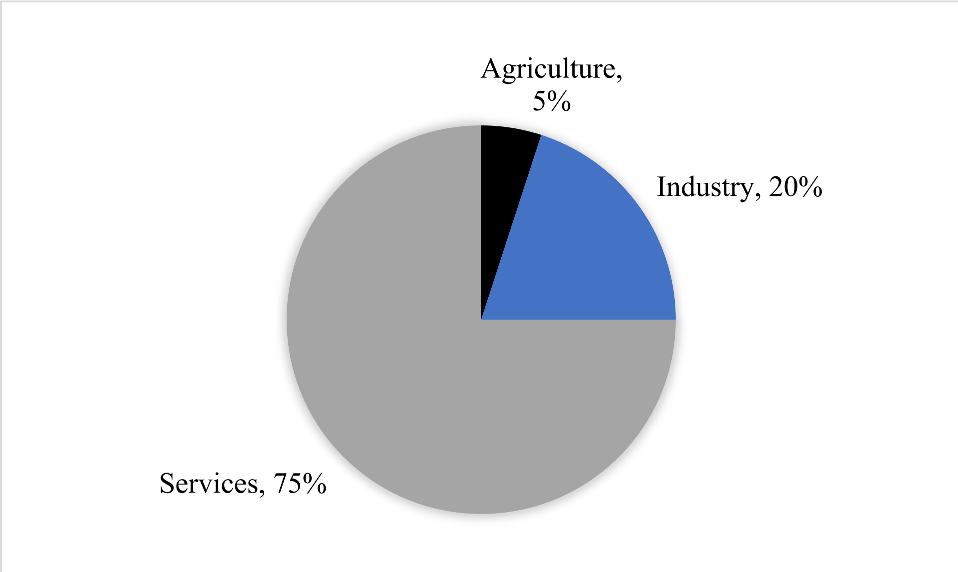
Since Ireland started with a very high inflation rate in the year of the EU entrance, Figure 9 shows that the inflation rate even rose for the following two years. The year 1981 was the turning point when the Irish economy managed to start lowering it and was successful at it, i.e. they were able to keep it low with very small, less noticeable changes.

Figure 9: Inflation rate (annual %) of Ireland from 1973-2019



Source: World Bank (2020).

Figure 10: Structure of the GDP

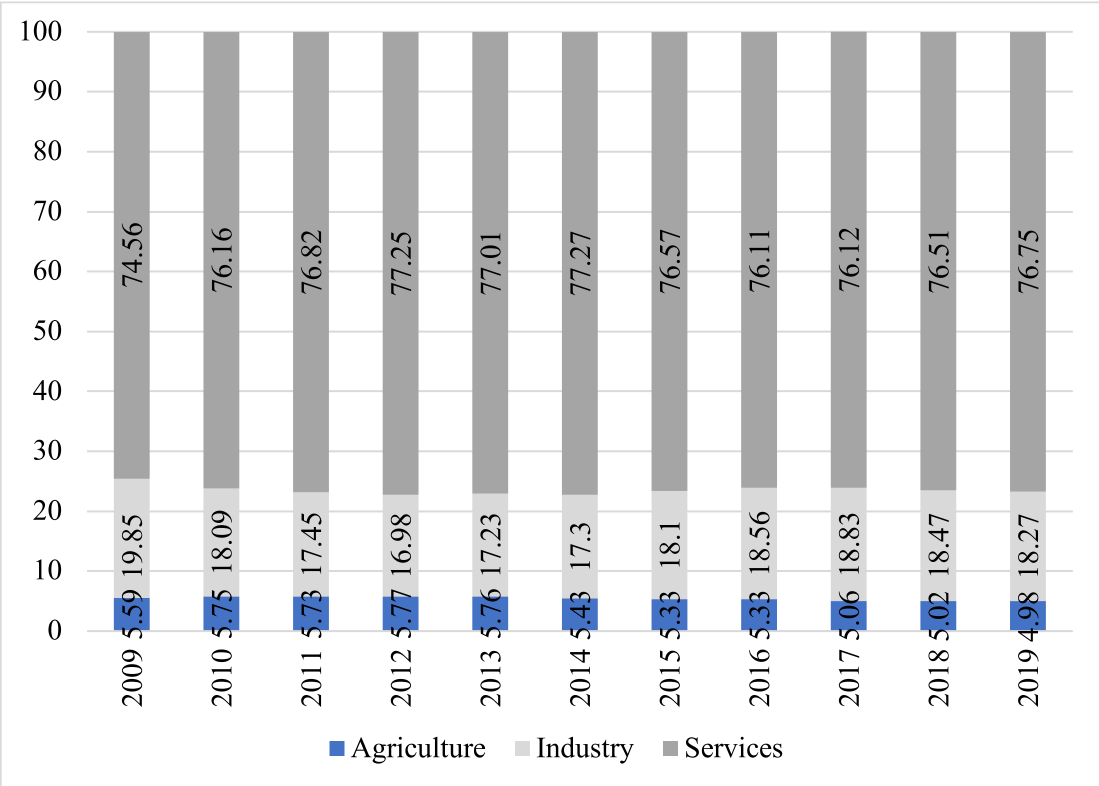


Source: OECD (2020).

In general, the agricultural sector accounts for 5% of GDP and employs about 5% of the workforce. The government seeks to strengthen its role in the economy by modernizing and transforming the food processing industry (beef processing, dairy products, potatoes, barley, and wheat). The largest segments of the agricultural sector are beef and dairy production. The important segments include pig farming, sheep farming, and cereal production. The services sector accounts for 75% of GDP and employs three-quarters of the workforce. The important segments are banking and financial services which have transformed Dublin into a major international financial center. Tourism is also very important for the country. The recent industrial development of Ireland has been achieved through a targeted policy of promoting advanced export-oriented companies, and partly through attractive offers for investors. The industrial sector accounts for 20% of GDP and employs 19% of the workforce. The most important segments are the textile and chemical industries and the production of consumer electronics. In 2018, industrial production in Ireland recorded a growth of 0.1%. Growth in industrial production is also projected to continue positively over the next three years. It was expected to reach 2.5% and 2% in 2019 and 2020, and 3% in 2021 (OECD, 2020).

To study the structure more precisely, Figure 11 shows the structure of GDP for ten years. One can argue that the distribution of the three economic sectors is very similar. The biggest difference regarding agriculture was between the year 2012 when 5.77% of the employees in Ireland were active in the agricultural sector and the year 2019 when only 4.98% of the employees stayed in agriculture. For the industry, the clearest difference was between the year 2009 (19.85%) and the year 2012 (16.98%). Lastly, the service sector was least occupied during the year 2009 (74.56%) and the most occupied during the year 2014 (77.27%) (Statista, 2020).

Figure 11: Structure of GDP for the period 2009-2019



Source: Statista (2020).

It is safe to say that Ireland's economic situation nowadays outperforms most of the other Eurozone countries with a very low unemployment rate and rising real wages. It was indeed among the countries hardest hit by the economic crisis during 2007 and 2008. However, the Irish economy has bounced back and recovered (European Commission, 2020).

As of the end of 2019, Ireland's currency is euro and has a population of 4,84 million people with a GDP of 341 billion euros. GDP per capita stands at 71,439 euros. The unemployment rate is low and is at 4.8% which makes it the lowest it has been in the year 2019. A youth employment rate, which measures job-seekers between 15 and 24 years of age is 12.6%. The age of retirement is the same for men and women: 66 years of age. The average weekly working hours are 32.6 hours and the average hourly earnings sum at 23.53 euros. The annual inflation rate is 1.3%. Regarding the trade, exports sum up to 12,684,800 thousand euros, while imports are at 6,707,900 thousand euros, resulting in the balance of trade of 5,976,900 thousand euros (Eurostat, 2020).

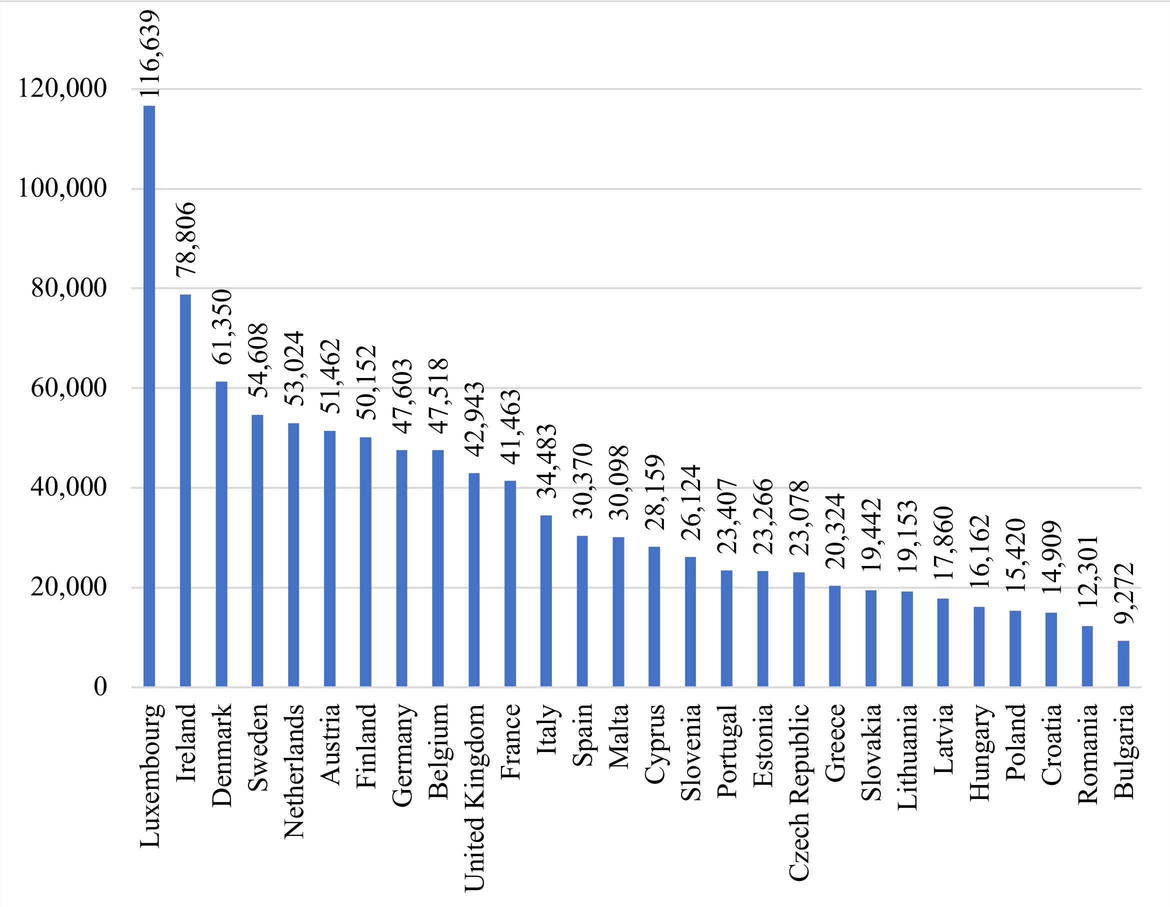
Ireland has a small, open economy that is heavily reliant on exports. Being part of the EU's Single Market, it makes easier for Irish businesses to trade on both European and international markets (European Commission, 2020).

To get a clearer visual representation, it is welcoming to look at Ireland's positioning against the other EU members today. Since the last available data is from the year 2018 or the year

2019, the United Kingdom that left the EU on January 31, 2020, is included in the statistics and, therefore, we deal with 28 EU members. With that being said, the mentioned members are Germany, France, Italy, Spain, Ireland, Denmark, Sweden, Croatia, Luxembourg, Cyprus, Czech Republic, Slovenia, Slovakia, Netherlands, Austria, Belgium, Finland, Malta, Portugal, Estonia, Greece, Hungary, Latvia, Lithuania, Romania, Bulgaria, Poland, and United Kingdom.

The first factor to look at is GDP per capita. Ireland performs as a second-best, right after Luxembourg. If we compare it to the year 1973 when it performed as last among the existing nine members of the EU, the growth is tremendous. Luxembourg, however, remains the first as it was already in 1973.

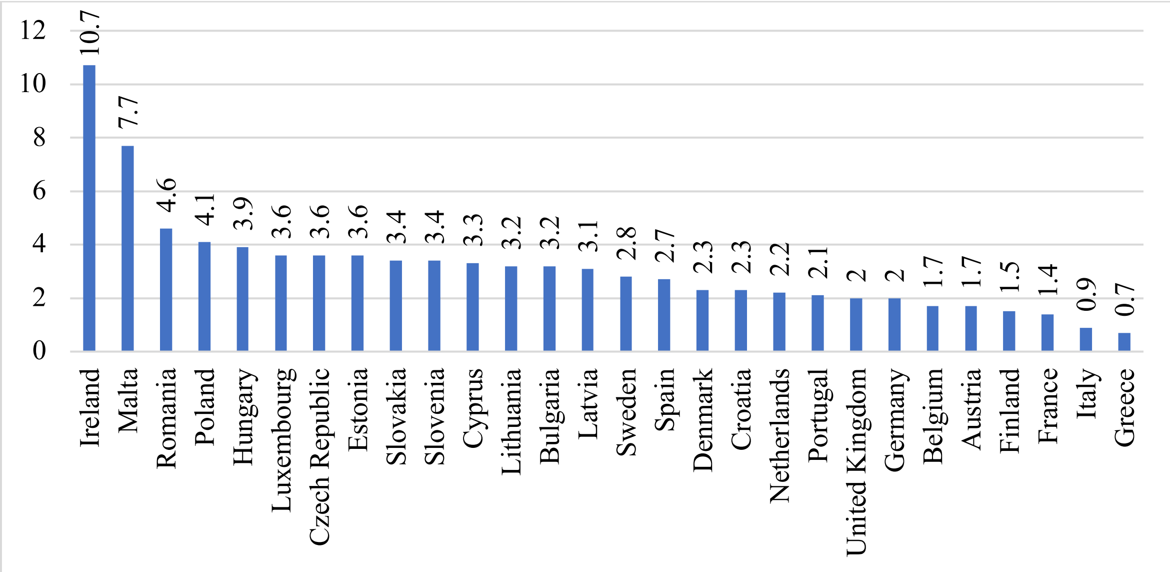
Figure 12: Comparison of EU28 regarding GDP per capita (current US $) for the year 2018



Source: World Bank (2020).

To support the above statement, Figure 13 represents the GDP growth for all the 28 EU members. The GDP growth is calculated as an average growth of 5 consecutive years from 2014 to 2018. As expected, the highest growth rate in percentage has Ireland, with 10.7%. The following country is Malta, with a much lower percentage which accounts for 7.7% of the annual GDP growth rate.

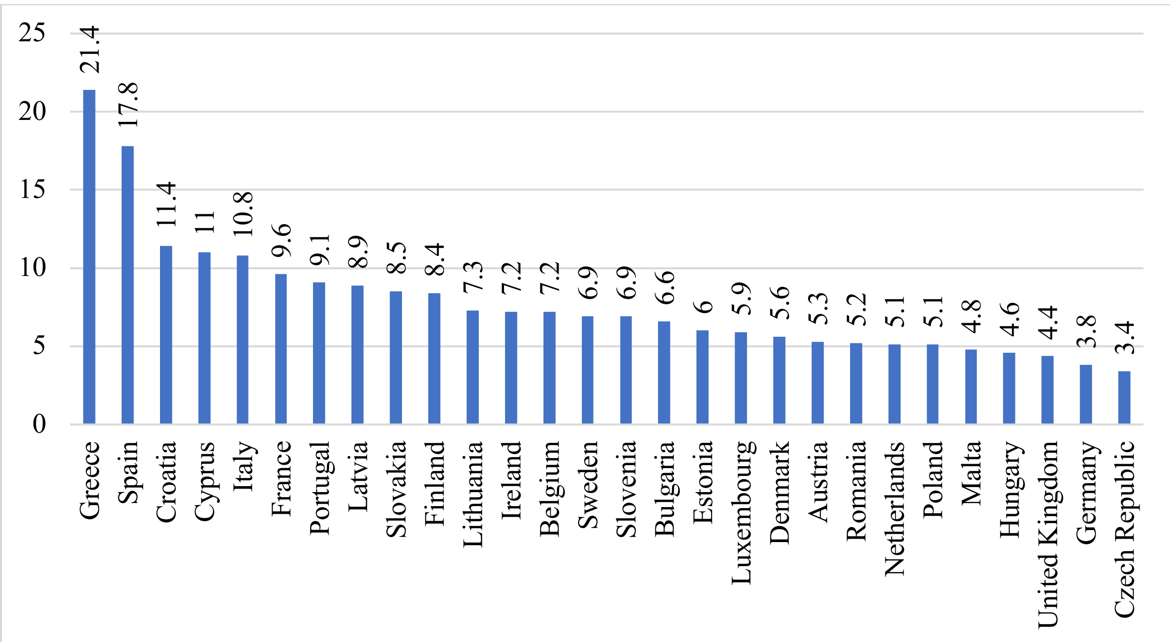
Figure 13: Comparison of EU28 regarding average GDP growth (annual %) for the years 2014-2018



Source: World Bank (2020).

The next important factor to compare Ireland against the other EU members is the unemployment rate. Again, the average rate for the 5 consecutive years was taken into account. As seen in Figure 14, it can be said that Ireland is very comparable to Slovenia in this case. It faces a 7.2% unemployment rate which is recognized as a low and desirable rate.

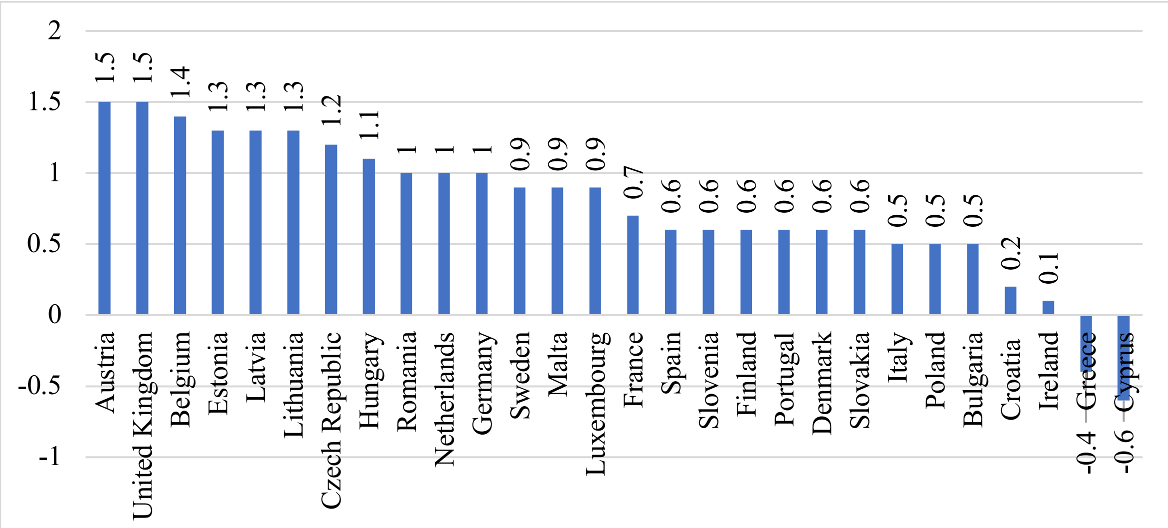
Figure 14: Comparison of EU28 regarding average unemployment rate (% of the total labor force) for the years 2015-2019



Source: World Bank (2020).

The next factor is a factor with which, again, Ireland stuns. It is the inflation rate. Similarly, as before, the inflation rate is taken as an average rate of 5 consecutive years, from 2014 to 2018. Ireland performs as a country with the third-lowest inflation rate. The rate stands at 0.1%. Figure 15 presents all 28 members and their inflation rates. Although, it is meaningful to proceed with caution. Theoretically this inflation rate seems perfect and very desirable, because it is low and positive. On the other side, ECB claims that an inflation rate below, but close to 2% is the rate that is expected and should be targeted. Such rate enables enough stimulation for the growth and sustainable quality of the economy.

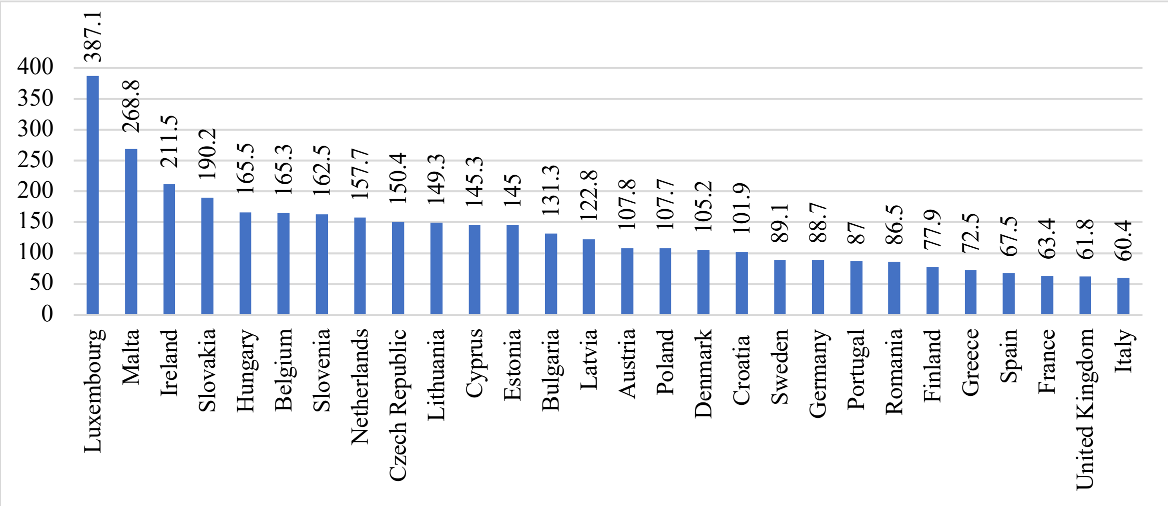
Figure 15: Comparison of EU28 regarding average inflation rate (annual %) for the years 2014-2018



Source: World Bank (2020).

Since Ireland is one of the three countries among the 28 EU members with the highest trading in terms of percentage of GDP, as presented in Figure 16, it is important to look at what their main products of import and export are. Furthermore, Figure 16 also visualizes how Ireland is a very open economy.

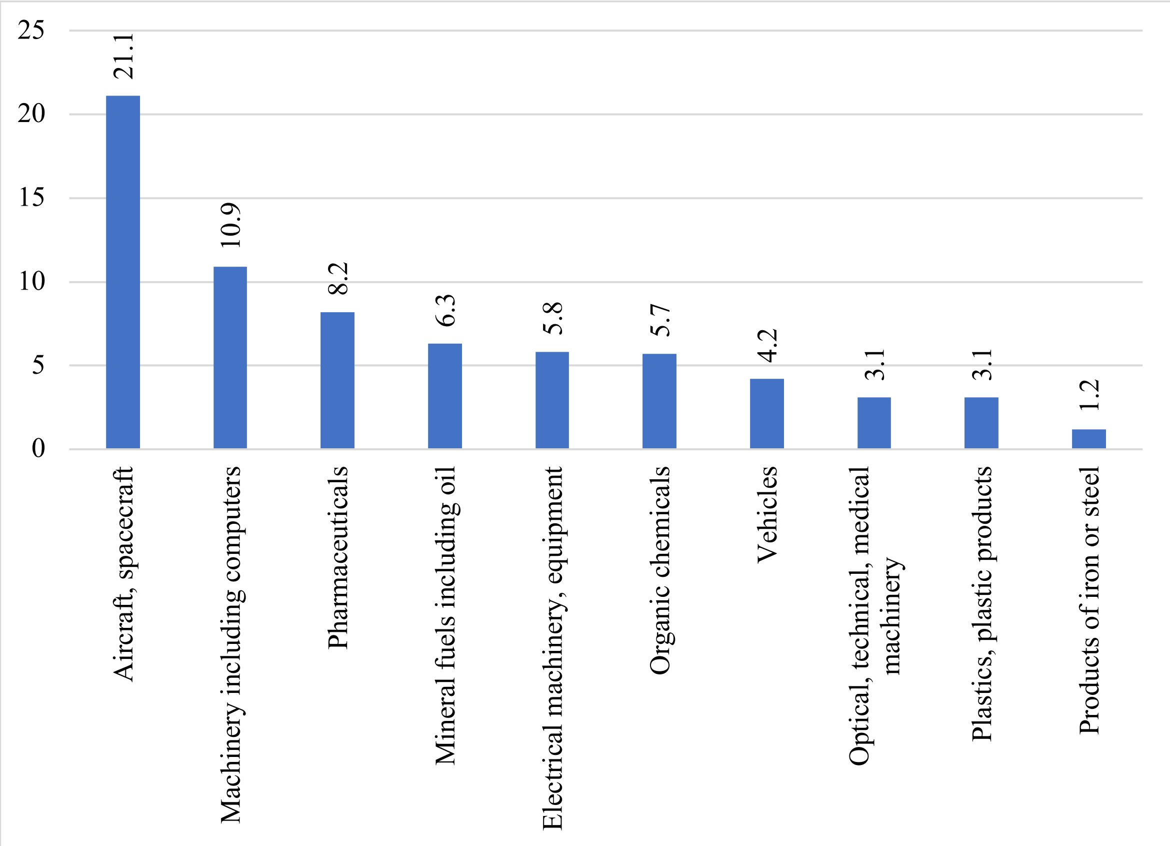
Figure 16: Comparison of EU28 regarding trade (% of GDP) for the year 2018



Source: World Bank (2020).

With the shown percentage share of each import category in brackets, the main ten import products are aircraft, spacecraft (21.5% of total imports), machinery including computers (11.1%), pharmaceuticals (8.4%), mineral fuels including oil (6.4%), electrical machinery, equipment (5.9%), organic chemicals (5.8%), vehicles (4.3%), optical, technical, and medical machinery (3.2%), plastics and plastic products (3.1%), and, finally, products od iron or steel (1.2%) (International Trade Center, 2020). Figure 17 shows those top imported products in billions of US dollars.

Figure 17: The main ten import products for Ireland (in billions of US dollars)

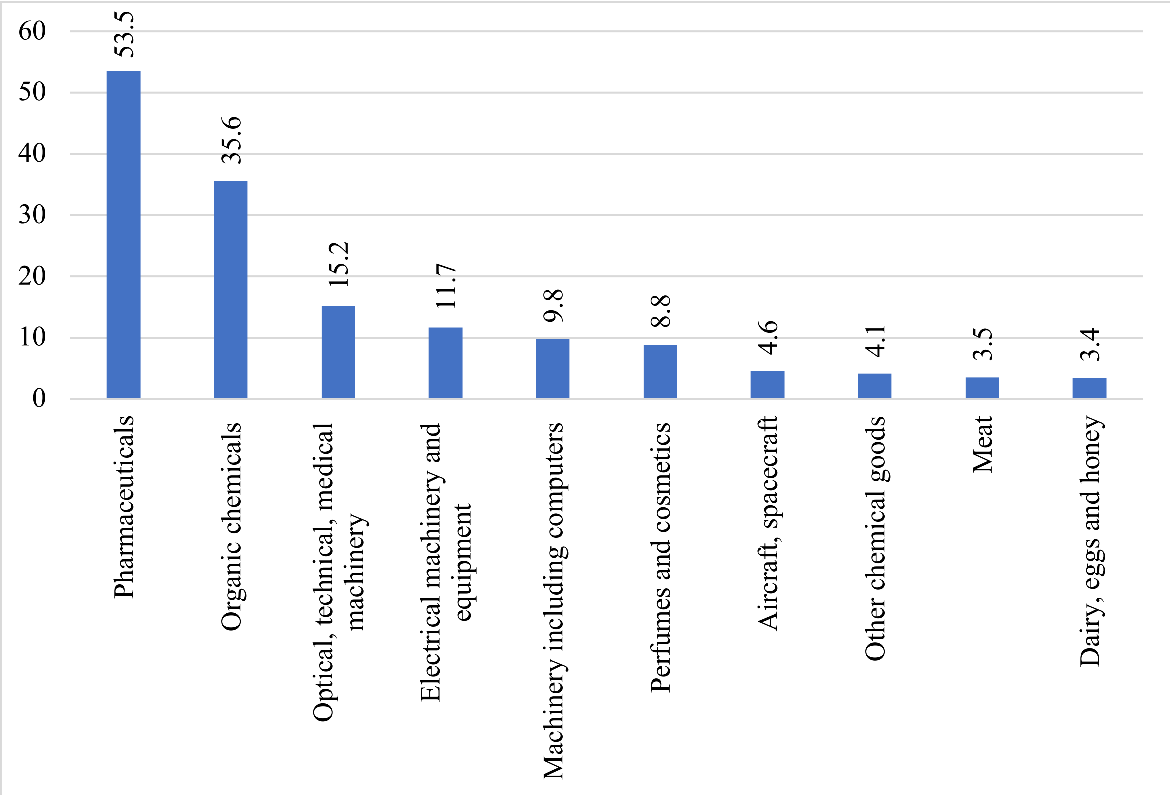


Source: International Trade Center (2020).

Ireland's top 10 imports are approaching three-quarters (70.9%) of the overall value of its product purchases from other countries (International Trade Center, 2020).

Similarly, with the shown percentage share of each export category, in brackets, represented in terms of overall exports from Ireland, the main ten export products are the following: pharmaceuticals (31.5% of total exports), organic chemicals (21%), optical, technical, medical machinery (9%), electrical machinery and equipment (6.9%), machinery including computers (5.7%), perfumes and cosmetics (5.2%), aircraft, spacecraft (2.7%), other chemical goods (2.4%), meat (2.1%), and, lastly, dairy, eggs, and honey (2%). Figure 18 represents those export products in billions of US dollars (International Trade Center, 2020).

Figure 18: The main ten export products for Ireland (in billions of US dollars)

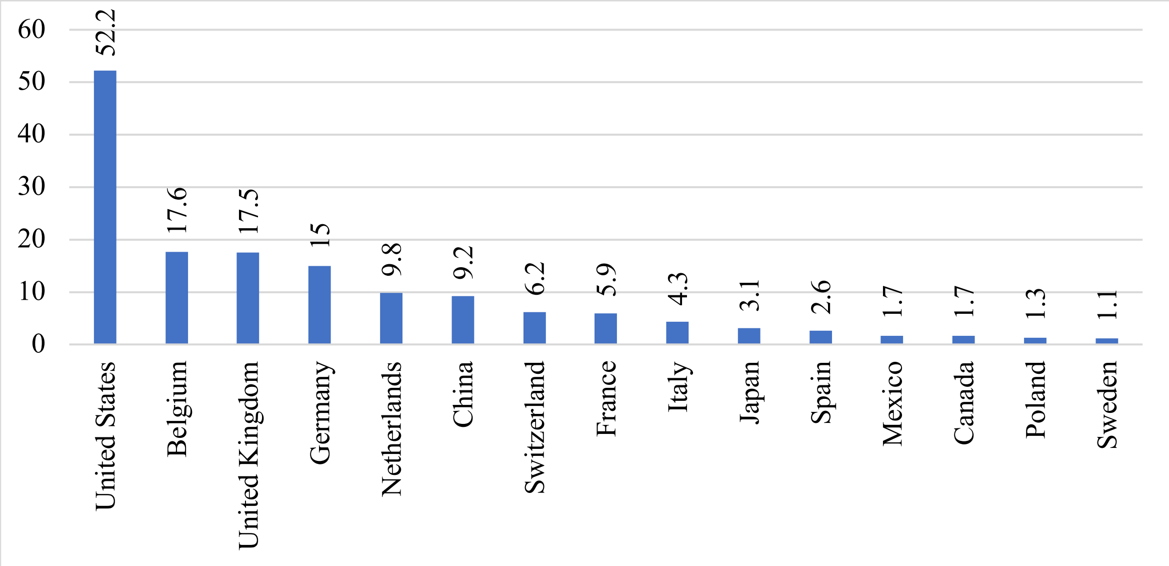


Source: International Trade Center (2020).

Ireland's top 10 exports accounted for 88.5% of the overall value of its global shipments (International Trade Center, 2020).

Next, we look at Ireland's top trading partners in terms of Irish export sales. In Figure 19, the top 15 countries are presented. The first one is the United States with 30.8% of Ireland's total exports. Belgium follows with 10.4%. The United Kingdom is in third place with 10.3%. The fourth and fifth place was achieved by Germany and the Netherlands with 8.8% and 5.7% respectively. The next ten countries with the percentage of exports in the brackets are the following: China (5.4%), Switzerland (3.7%), France (3.5%), Italy (2.5%), Japan (1.8%), Spain (1.5%), Mexico (1%), Canada (1%), Poland (0.8%) and, lastly, Sweden (0.7%). The mentioned countries are the countries that imported the most Irish products in the year 2019 measured in billions of US dollars. Figure 19 visually represented the stated data (International Trade Center, 2020).

Figure 19: The top 15 trading partners of Ireland in terms of Irish export sales (in billions of US dollars) for the year 2019

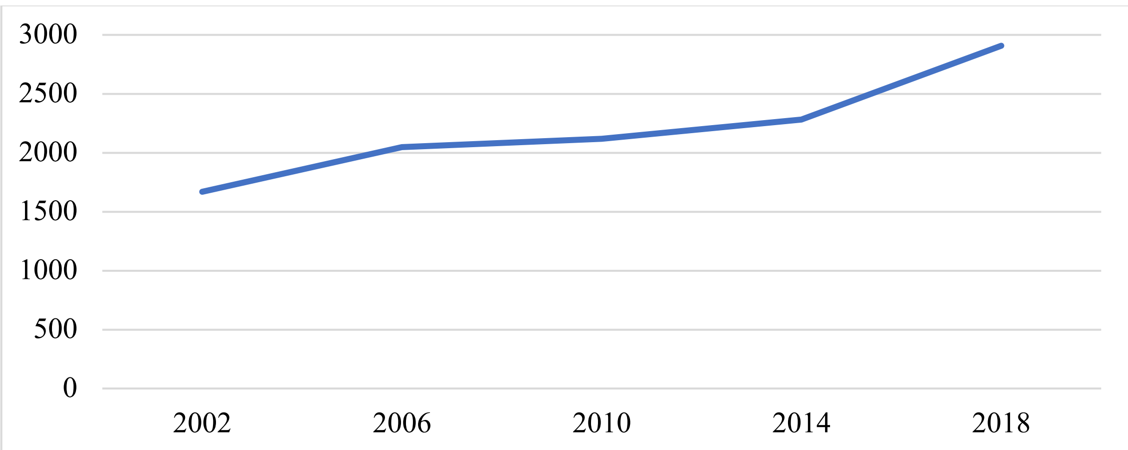


Source: International Trade Center (2020).

Analyzing Figure 19, presented Ireland's 15 trading partners represent nearly 90% of the total country's exports for the year 2019. In comparison to the year before, Ireland's fastest-growing importer was China. It grew its imports by 65.5%. Germany was the following with 19.6% growth. The United States is in third place with 12.6% growth. The next was the Netherlands with 7.8% and last Canada with 3.7%. However, on the flip side, Japan was recognized with a reduction in Ireland's imports. It fell by 35.4% (International Trade Center, 2020).

The following figure 20 shows the average net salary for Ireland for the years 2002 until 2018. One can observe steady growth over the years.

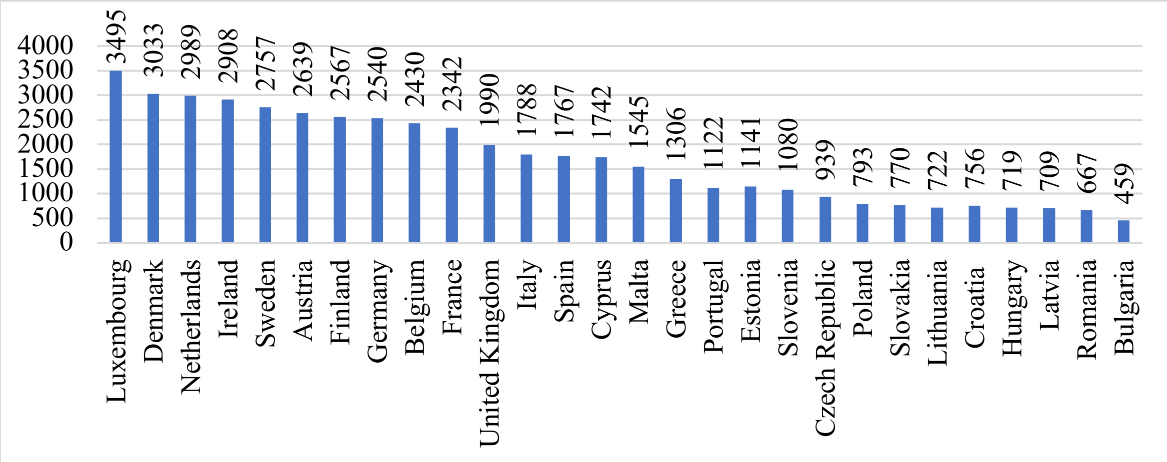
Figure 20: Average net salary for Ireland for the years 2002-2018



Source: Eurostat (2020).

The following figure 21 shows the average net monthly salaries for the 28 members of the EU for the year 2018. Ireland stands in fourth place, which means that it has the fourth-highest average net monthly salary out of all 28 countries of the EU. Luxembourg, Denmark, and the Netherlands follow on the first three places. Ireland's average salary stands at 2.908 EUR.

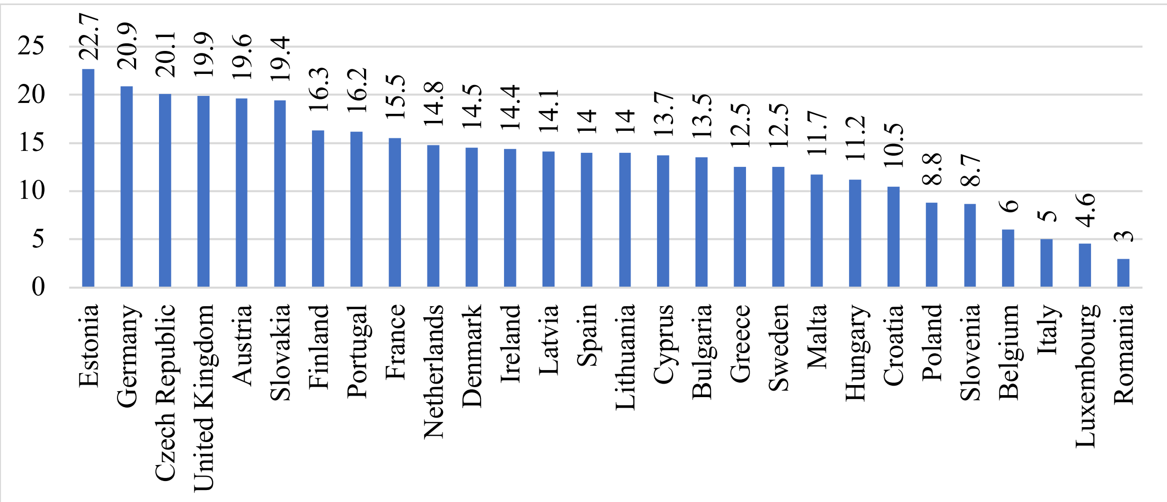
Figure 21: Comparison of EU28 regarding the average monthly net wage (in EUR) for the year 2018



Source: OECD (2020).

It is also important to know how these salaries are distributed based on gender. Figure 22 represents the gender pay gaps in percentage for all 28 members of the EU for 2018. In 2018, the highest gender pay gap in the EU was recorded in Estonia (22.7 %) and the lowest in Romania (3.0 %). In 2018, women's gross hourly earnings were on average 14.4 % below those of men in Ireland (Eurostat, 2020).

Figure 22: Comparison of EU28 regarding the gender pay gap (in %) for the year 2018



Source: Eurostat (2020).

Ireland has a small, modern, market-oriented economy. It has been considered as one of the most economically viable countries for the last fifteen years and has seen high growth rates. Low corporate taxes, favorable geographical location, EU membership, and rapid labor force growth (mainly due to immigration) have attracted a high share of FDI. Multinationals have focused their investments primarily on fast-growing and technologically demanding sectors, such as information technology, financial services, the chemical industry, and pharmaceuticals. In 2010, the country experienced a financial meltdown and applied for EU and international financial institutions (ECB, International Monetary Fund (hereafter: IMF) assistance to prepare a rescue bailout (Central Intelligence Agency, 2019, hereafter: CIA).

Ireland left this financial rescue package in December 2013 and again became a financially independent country. Ireland has followed the opinion of the IMF, ECB, and EU on the implementation of austerity policies closely, including raising taxes, cutting public sector wages, and cutting budgets. International investors have restored confidence in the country as evidenced by the successful issuance of a 10-year government bond and the stabilization of the banking sector (CIA, 2019).

1.2.1 Key industries and their competitiveness

Due to Ireland's prosperous natural resources, the island's key industries encompass agriculture, mining, forestry, and fishing. The stated industries label around 5 to 6% of Ireland's GDP and engage about 8% of the entire labor force. The island has enormous potential for agronomy bearing in mind its large prosperous territory, predominantly in the southern and midland areas. Nonetheless, the agricultural sector supplies only 1% of the whole GDP. The mining industry in Ireland is composed of the production of the three main metals. These are lead, zinc, and alumina. Out of these three, they produce zinc the most and, therefore, export it a lot. In addition to those metals, Ireland is engaged in the production of minerals as well, especially copper, gold, limestone, and gypsum. Even though the territory is very promising, it has very little land covered with forest, which accounts for only 9%. Therefore, the country is very reliable on wood import. In the past, the country was well known for its overflowing sources of fish. The over extensive fishing, however, made it impossible for them to continue and forced them to switch to aquaculture instead. Other than that, one can say that the four most competitive and, therefore, leading industries in Ireland are pharmaceuticals, software, and information communications industry and financial services (Omondi, 2019).

1.2.1.1 Pharmaceutical and Medical Technology Industries

The most rapidly developing industry known in Ireland is without any doubt the pharmaceutical and medical technology industry. The reasons that drive this mentioned industry is a very high demand, tremendous rivalry, and up-and-coming startups. This industry is divided into the medical technology sector and the pharmaceutical sector. The first one owns more than a hundred firms and keeps engaging around 25,000 employees. However, the second one engages almost twice as many employees (Omondi, 2019).

1.2.1.2 Software and ICT Industries

Dublin is a city known for many foreign firms situating their workplaces. This is one of the reasons why the Irish technology industry has experienced such success. The Information Communications Technology (hereafter: ICT) sector owns around two hundred firms and engages more than 35,000 employees. However, the software sector engages about one-third of employees less. Not surprisingly, Ireland is one of the top exporters of software in the world (Omondi, 2019).

1.2.1.3 Financial Service Industry

The financial service sector is a sector that is usually harmed the most by crisis and Ireland was not an exception. During the last crisis, in the year 2008, this sector was significantly touched. However, one can observe that it bounced back and presently faces generous advancement. This sector engages around 35,000 employees and creates around 2 billion euros in taxes consequently. One of the most important factors that keep the island attractive and developing is FDI. The country is recognized as one of the top ten biggest suppliers of comprehensive financial services. The majority of financial firms can be found in Dublin, nowadays, where 60 credit institutions are situated. The banking sector is controlled by the Bank of Ireland, AIB Bank, and Ulster Bank (Omondi, 2019).

2 COMPETITIVENESS OF THE COUNTRY

The competitiveness depends on productivity with which a state uses its human, capital, and natural resources. Productivity sets a sustainable standard of living and, thus, nations compete to offer the most productive environment for business (Buckley, Pass & Prescott, 1988). The competitiveness of the country can be measured and assessed with many different analyses and reports. The three main analysis that will be presented are:

1. Competitiveness according to WEF,
2. Competitiveness according to IMD,
3. SWOT analysis.

2.1 Irish competitiveness according to WEF

The abbreviation WEF stands for World Economic Forum that is based in Geneva and was first founded in 1971. The WEF'S mission is cited as "committed to improving the state of the world by engaging business, political, academic, and other leader of society to shape global, regional, and industry agendas". The organization requires membership which is made up of the world's largest corporations (WEF, 2020).

2.1.1 WEF methodology for measuring competitiveness

The level of productivity of a country is determined by factors of competitiveness. The global competitiveness ranking introduced by the WEF is based on the global competitiveness index (hereafter: GCI). GCI outlines competitiveness as a set of institutions, policies, and factors. These GCI scores are computed based on a data of 114 indicators covering 12 categories. The mentioned 12 categories are the so-called 12 pillars of competitiveness and, thus, the major factors influencing the country's level of competitiveness. Combined, they present a vision of how competitive a country is. They are the following:

1. institutions,
2. infrastructure,
3. macroeconomic environment stability,
4. health and primary education,
5. higher education and training,
6. goods market efficiency,
7. labor market efficiency,
8. financial market,
9. technological readiness,
10. market size,
11. business sophistication and finally,
12. innovation.

One of the most important factors of competitiveness is macroeconomic stability. It is vital not only for business operations but also for the overall competitiveness of a country. For illustration, businesses find it tough to function under the state of hyperinflation. Government surplus or deficit, savings, interest rates, and government debt influence a country's macroeconomic stability too significantly (WEF, 2014).

The institutional environment affects a country's competitiveness and development powerfully. It formulates a basis within which different institutions cooperate to create prosperity in the economy. It comprises both public and private institutions. Institutional framework influences investment decisions and the organization of production considerably (WEF, 2014).

Accessibility of a high-quality infrastructure is a principal factor for proficient business processes. Quality infrastructure declines the strength of the gap between regions and helps them integrate nationally and internationally. A well-developed transport and communication infrastructure linkage is a prerequisite for the effective operating markets and export development. Effective means of transport for goods, quality of roads, railways, and air, and people and services accelerate to get the goods to market in a secure and timely manner and accelerate the movement of workers across the country to the most suitable jobs. An adequate supply of quality of electricity without interruption is also crucial for unrestricted manufacturing operations. Additionally, a strong telecommunication network smooths a rapid and free flow of information adding to growth (WEF, 2014).

The convenience of a workforce is fundamental to a country's prosperity and productivity. Poor health leads to major cost to the business, as sick workers are frequently absent or function below the level of efficiency. Basic education expands the efficiency of workers. Consequently, the lack of basic education becomes a limitation as a firm discovers it tough to move up the value chain by fabricating more sophisticated or value-intensive products (WEF, 2014).

To move up the value chain beyond modest production processes and products, the quality of higher education and training is the key. It also necessitates the teams of highly educated and trained workers skilled and capable of rapidly acclimatizing to the fast-changing business environment, hence the quantity of education, i.e. the secondary and the tertiary admission and educational expenditure, the quality of the educational system, math's and science education, and management schools. On the job training, they convert into commanding for business operations moving up the value chain (WEF, 2014).

Countries with efficient markets for goods are responsible for the production of the right mix of products and services are given supply and demand conditions. Such markets also ensure that these goods can be most successfully traded in the economy. Healthy market competition, both domestic and foreign, is critical in compelling market efficiency and, therefore, business productivity by guaranteeing that the most efficient firms producing goods demanded by the market are those that survive. Market efficiency also varies based on demand conditions, such as customer orientation and buyer sophistication. Consumers who undertake poor treatment by firms manage not to insist on the necessary discipline of companies that is required for the efficiency to be achieved in the market (WEF, 2014).

In a directive to guarantee that workers are allocated to their most competent capability, the efficiency and flexibility of labor markets are vital. In a productive economy, workers are allocated suitably and provided with incentives that motivate them to put in their best determination in their jobs. To make the best use of their abilities, a well-defined relationship between worker-incentives and their efforts is required, including gender equity in the business (WEF, 2014).

An efficient financial sector is critical to direct resources to the best investment projects or entrepreneurs rather than to those politically associated. Sophisticated financial markets that can make capital available for private sector investment from sources, such as loans from a sound banking sector, well-regulated securities exchanges, and venture capital. A modem financial sector develops products and methods so that small innovators with good ideas can implement them. Providing risk capital and loans that are trustworthy and transparent is also critical for efficient financial markets (WEF, 2014).

The agility with which a country adopts the existing technologies to enhance the productivity of its industries is crucial to competitiveness. Access to information and communication technology (ICT) and its usage become fundamental to determine a country's overall level of technological readiness, given the critical spillovers of ICT to other economic sectors and its role as efficient infrastructure for commercial transactions. Therefore, the presence of an ICT-friendly regulatory framework and high rates of ICT penetration significantly contribute to a country's overall competitiveness. The availability of business inventions to the business community is highly important in determining technological readiness (WEF, 2014).

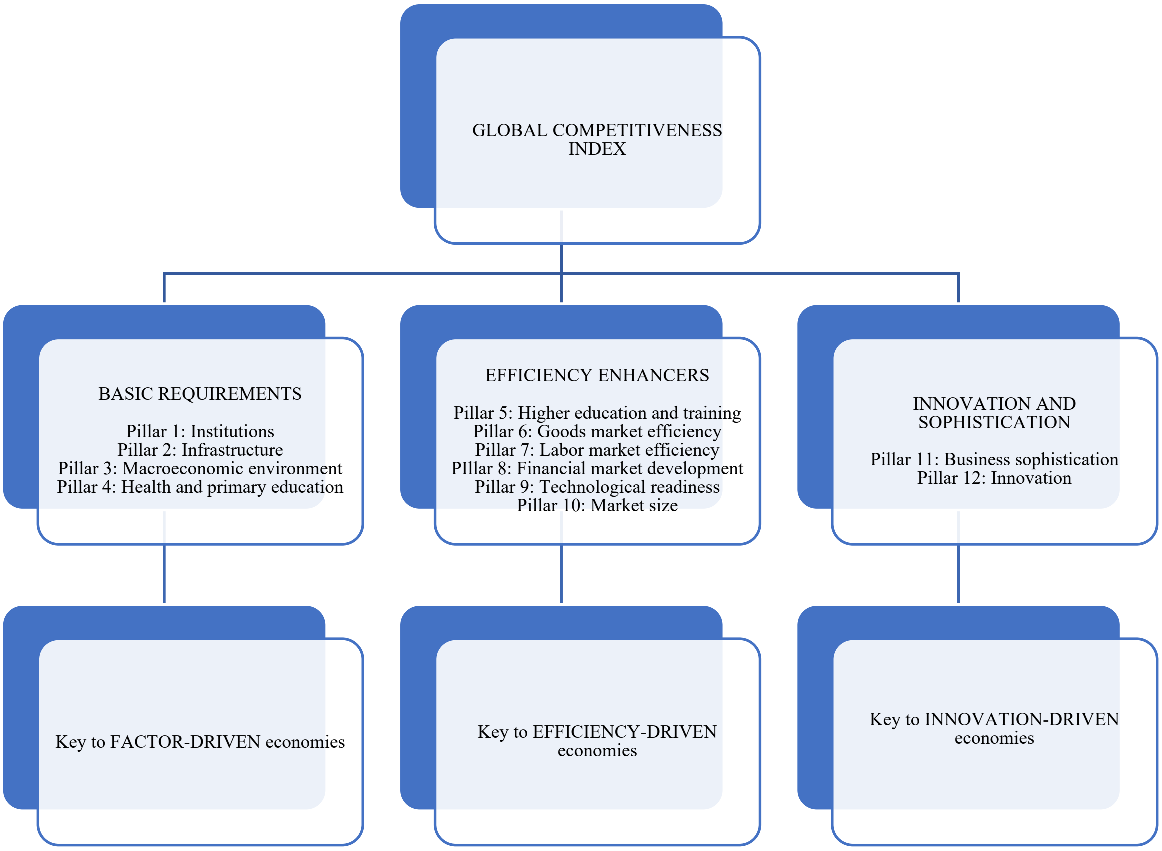
Productivity is influenced by the size of the market as large markets allow firms to exploit economies of scale. Globalization has opened up opportunities for firms to market internationally, especially for small countries (WEF, 2014).

Business sophistication includes the quality of a country's overall business networks and supporting industries, as well as the quality of the individual firm's operations and strategy. Business sophistication contributes to higher efficiency and an increase in productivity, enhancing the competitiveness of a country. The quality of a country's business network and supporting industries include the quantity and quality of local suppliers and the state of cluster development. When companies and suppliers are interconnected in geographically proximate groups ('clusters'), efficiency is heightened, leading to greater opportunities for innovation and the reduction of barriers to entry for new firms. Individual firm's operations and strategies (branding, marketing, the presence of a value chain, and the production of unique and sophisticated products) also contribute to sophisticated and modem business processes. Business sophistication is particularly important for countries in the innovation-driven stage of development (WEF, 2014).

Improving institutions, building infrastructure, reducing macroeconomic stability, improving the human capital or efficiency of the labor, financial, or goods market substantially contribute to a country's competitiveness. As these factors run into diminishing returns, in the long run, a country's competitiveness can be enhanced by technological innovations. Productivity can be improved by adopting existing technologies or making incremental improvements in other areas by the less-developed countries. However, this is no longer sufficient to increase productivity by the countries that have reached the innovation stage of development. To maintain a competitive edge, companies in these countries must design and develop cutting-edge products and processes. This requires an environment conducive to innovation activity by getting sufficient investments in research and development, especially by private, high-quality scientific research institutions, collaboration in research between universities and industry, and the protection of intellectual property (WEF, 2014).

As presented in Figure 24, due to GCI, all countries are divided into three stages of economic development, based on what stimulates their growth. They are represented in Figure 23: factors-driven, efficiency-driven, and innovation-driven. It is important to note that all the mentioned factors are not self-regulating and independent of one another. Somewhat they cultivate to strengthen and support each other to establish the competitiveness (IMD, 2019).

Figure 23: The Global Competitiveness Index framework



Source: WEF (2017).

2.1.2 The competitiveness of Ireland according to WEF

Figure 24 positions the 28 EU members among the stages of development according to the WEF methodology for the year 2017. One can observe that the majority of the EU members, including Ireland, belong to stage 3, which are the innovation-driven economies. The second biggest stage of development that holds 7 out of 28 EU members is a transition from stage 2 to stage 3. And finally, only Bulgaria, falls under stage 2, which represents the efficiency-driven economies. Thus, no EU member is considered as a factor-driven economy (WEF, 2017). The oldest report currently published is the report from the year 2006. It is documented that Ireland has been an innovation-driven economy ever since then and has not changed its position. Since the data from before 2006 is not available, only assumptions can be made. In the innovation-driven stage, they are only able to sustain higher wages and a higher standard of living if their businesses can compete by providing new or unique products. At this stage, companies must compete by producing new and different goods using the most sophisticated production processes and through innovation (WEF, 2017). As already described in the past, Ireland was not a technologically developed country. It was more or less agricultural. Therefore, one can argue that at some point in time, it could be an efficiency-driven economy before becoming an innovation-driven one. At this stage, they must begin to develop more efficient production processes and increase product quality. Here, competitiveness becomes increasingly driven by higher education and training, efficient goods markets, efficient labor markets, developed financial markets, the ability to harness the benefits of the existing technologies and its market size, both domestic and international (WEF, 2017).

Figure 24: Classification of EU28 members according to the stage of development

Stage 1: FACTOR-DRIVEN economies	**Transition from stage 1 to stage 2 economies**	**Stage 2: EFFICIENCY-DRIVEN economies**	**Transition from stage 2 to stage 3 economies**	**Stage 3: INNOVATION-DRIVEN economies**
		Bulgaria	Croatia Hungary Latvia Lithuania Poland Romania Slovakia	Ireland Austria Belgium Cyprus Czech Republic Denmark Estonia Finland Greece Germany France Italy Luxembourg Malta Netherlands Portugal Spain Slovenia Sweden United Kingdom

Source: WEF (2017).

As recognized in the 2019 Global Competitiveness Report published by the World Economic Forum (WEF), the country scores number 24 out of 140 assessed countries on the Competitiveness rank and the competitiveness index is at 75,12 out of 100 points. This report consists of 98 variables, from a mixture of data from international organizations, as well as from the WEF's Executive Opinion Survey. These mentioned variables are ordered into twelve pillars with the most important including macroeconomic stability, institutions, ICT adoption, skills, business dynamics, infrastructure, product market, labor market, financial system, health, market size, and innovation capability. The index fluctuates between 1 and 100 points, indicating that the higher average score means a higher degree of competitiveness (National Competitiveness Council, 2019, hereafter: NCC).

Table 1: Performance of the 12 pillars of GCI for Ireland for 2006-2017

Index Component		**Rank (137)**	**Value**	**Rank (117)**	**Value**	**Ranking change**
		2017-2018	2017-2018	2006-2007	2006-2007	
The overall index		**24**	**5.2**	**21**	**5.2**	**-3**
Basic requirements		**20**	**5.7**	**23**	**5.5**	**+3**
1^{st} pillar	Institutions	19	5.3	17	5.2	-2
2^{nd} pillar	Infrastructure	31	5.1	31	4.6	0
3^{rd} pillar	Macroeconomic environment	24	5.8	20	5.3	-4
4^{th} pillar	Health and primary education	16	6.5	24	6.8	+8
Efficiency enhancers		**21**	**5.1**	**18**	**5.2**	**-3**
5^{th} pillar	Higher education and training	10	5.8	16	5.5	+6
6^{th} pillar	Goods market efficiency	8	5.3			
7^{th} pillar	Labor market efficiency	21	4.9			
8^{th} pillar	Financial market	69	4.0	13	5.2	-19
9^{th} pillar	Technological readiness	18	6.0	24	4.9	+6
10^{th} pillar	Market size	45	4.5	-	-	-
Innovation and sophistication factors		**19**	**4.9**	**19**	**5.0**	**0**
11^{th} pillar	Business sophistication	19	5.2	16	5.4	-3
12^{th} pillar	Innovation	19	4.7	20	4.5	+1

Source: Schwab (2006) & Schwab (2017).

The results obtained by WEF for the Irish economy in 2017 are presented in table 1 above. In 2017, Ireland scored the 24^{th} place among 137 economies and is defined as the innovation-driven economy. As previously mentioned, Ireland recorded 75.12 points out of 100 on the 2018 Global Competitiveness Report published by the World Economic Forum. Competitiveness Index in Ireland averaged out at the level of 21.24 points from 2007 until 2019, reaching an all-time highest peak of 75.96 points in 2017 and a record low of 4.74 points in 2011 (WEF, 2019). Furthermore, based on the data represented in the table below, we can compare the changes in Ireland's competitiveness over a decade. As we can see, according to the GCI, the overall competitiveness of the Irish economy is nearly on the same high level during 2006-2017 (the 24^{th} rank in 2017 and the 21^{st} rank in 2006). At the end of 2017, the highest ranks observed for such pillars are goods market efficiency (the 8^{th}), higher education and training (the 10^{th}), health and primary education (the 16^{th}), technological readiness (the 18^{th}), business sophistication (the 19^{th}), innovation (the 19^{th}), and institutions (the 19^{th}), while the lowest apply to what follows: financial market (the 69^{th}), market size (the 45^{th}) and infrastructure (the 31^{st}). Poor infrastructural development in Ireland can be seen in a slowed down internal transportation that enables the movement of people, goods, and services.

Comparing the pillars' ranking of the Irish economy 2006-2017, the decrease is observed for the institutions (–2), the macroeconomic environment (–4), the overall efficiency enhancers (–3), the market efficiency (–19) and business sophistication (–3) while the progress is recorded for the overall basic requirements (+3), health and primary education (+8), higher education and training (+6), technological readiness (+6), and innovation (+1) (Schwab, 2017).

To position Ireland in a global context, comparing it to other countries and positioning it among them is important. For the past decade, the following EU members have been better than Ireland regarding the competitiveness level: Denmark, Sweden, Finland, Germany, Netherlands, United Kingdom, Austria, France, and Belgium. Lastly, Luxembourg has been beating Ireland since 2009. However, Ireland has been successfully leading the following countries: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain. The rankings and scores of EU28 for the year 2017-2018 are presented in Table 2.

Table 2: Rankings of EU28 according to GCI 2017-2018

Ranking	**Country**	**Score**
4	Netherlands	5.66
5	Germany	5.65
7	Sweden	5.52
8	United Kingdom	5.51
10	Finland	5.49
12	Denmark	5.39
18	Austria	5.25
19	Luxembourg	5.23
20	Belgium	5.23
22	France	5.18
24	Ireland	5.2
29	Estonia	4.85
31	Czech Republic	4.77
34	Spain	4.70
37	Malta	4.65
39	Poland	4.59
41	Lithuania	4.58
42	Portugal	4.57
43	Italy	4.54
48	Slovenia	4.48
49	Bulgaria	4.46
54	Latvia	4.40
59	Slovakia	4.33
60	Hungary	4.33

Tables continues

Table 2: Rankings of EU28 according to GCI 2017-2018 (cont.)

Ranking	Country	Score
64	Cyprus	4.30
68	Romania	4.28
74	Croatia	4.19
87	Greece	4.02

Source: WEF (2017).

2.2 Irish competitiveness according to IMD

IMD stands for International Institute for Management Development, located in Lausanne and founded in 1990. It is a business education school (IMD, 2020).

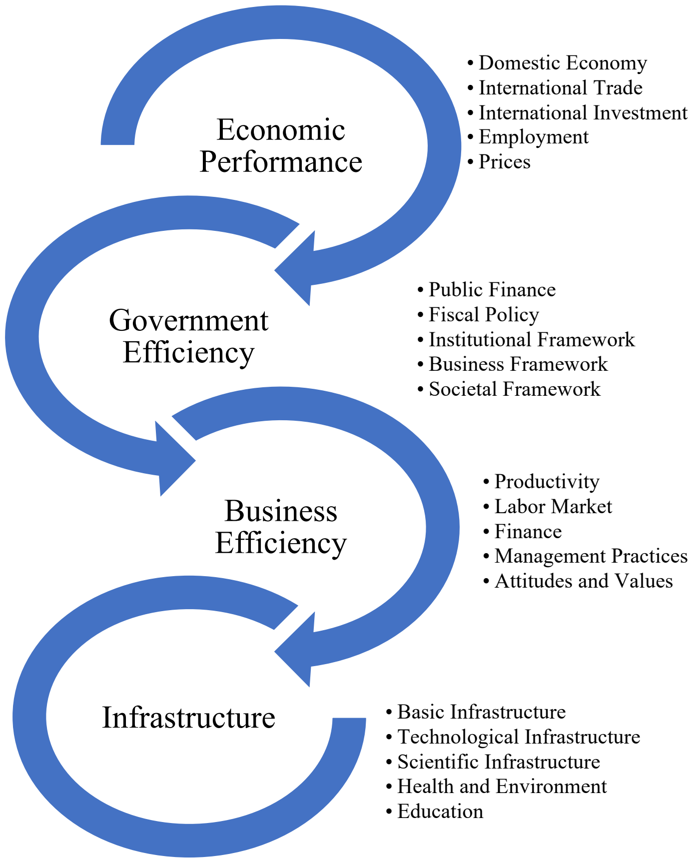
2.2.1 IMD methodology

The IMD World Competitiveness Yearbook is the world's most detailed and all-inclusive report on the countries' competitiveness that has kept being published ever since 1990. This report is recognized as a first look into the world competitiveness, delivering objective benchmarking and trends, as well as a worldwide reference point to statistics and opinion data that highlight the competitiveness of key economies. This methodology divides the national environment into four main competitiveness factors (IMD, 2019). They are the following:

- Economic Performance,
- Government Efficiency,
- Business Efficiency, and
- Infrastructure.

The mentioned four categories are further divided into subfactors. Figure 25 represents the classification of competitiveness factors.

Figure 25: The breakdown of competitiveness factors according to IMD



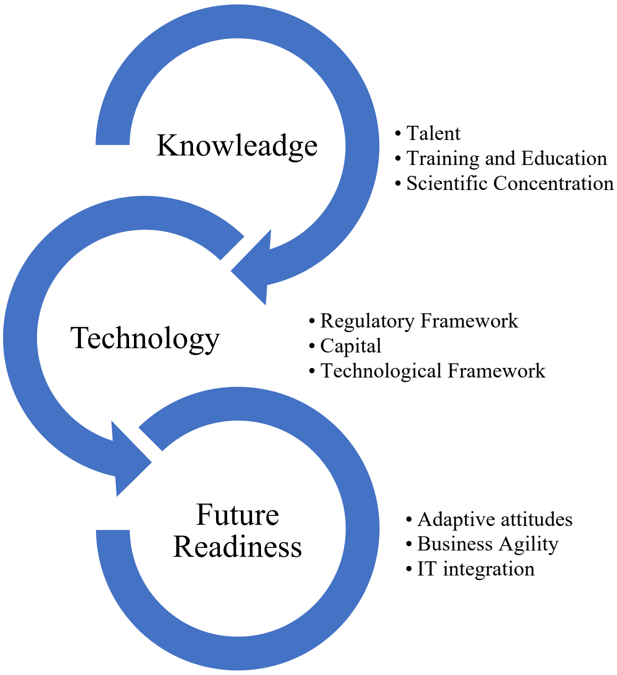
Source: IMD (2019).

Besides, IMD includes the World Digital Competitiveness Ranking, which introduces the set of indicators that are used exclusively in the assessment of the digital setting of countries (IMD, 2019). The three digital factors are the following:

1. Knowledge,
2. Technology, and
3. Future Readiness.

Similarly, as competitiveness factors, digital competitiveness factors have subfactors as well. Figure 26 presents the breakdown of digital competitiveness factors according to IMD.

Figure 26: The breakdown of digital competitiveness factors according to IMD



Source: IMD (2019).

2.2.2 Irish competitiveness according to IMD

Furthermore, the researches of IMD in Lausanne outline national competitiveness as the extent to which a country can promote an environment in which enterprises can generate sustainable value. It uses a blend of quantitative data and qualitative survey responses to assess and rank the competitiveness of 63 countries over more than 300 criteria. According to the results obtained by IMD research, Ireland is among the most competitive economies in the euro area (IMD, 2019). Since 2013, improved macroeconomic performance, the public finances, costs, productivity, and the labor market have helped Ireland's ranking progress from position number 17 in 2013 to number 7 in 2019. We can observe the progress of economic performance (from the 26^{th} to the 6^{th} place), government efficiency (from the 17^{th} to the 11^{th} place), and business efficiency (from the 13^{th} to the 3^{rd} place) while the infrastructure (the 22^{nd} place in 2013 and the 23^{rd} place in 2019) is still ranked low and needs improvement. Under the economic performance category domestic economy, international trade, international investment, employment, and prices fall. The second category, government efficiency, consists of public finance, tax policy, institutional framework, business legislation, and societal framework. Business efficiency encompasses productivity and efficiency, labor market, finance, management practices and attitudes, and values. And finally, the infrastructure comes to life with basic infrastructure, technological infrastructure, scientific infrastructure, health and environment, and, lastly, education (IMD, 2019).

Table 3: Performance of Ireland's competitiveness ranking from 2013 to 2019 according to IMD

	2013	2014	2015	2016	2017	2018	2019
Overall position	17	15	16	7	6	12	7
Economic Performance	26	19	12	6	4	11	6
Government Efficiency	17	14	15	13	9	13	11
Business Efficiency	13	4	13	2	3	10	3
Infrastructure	22	20	24	23	19	21	23

Source: IMD (2019).

According to the IMD survey, Ireland's strengths in 2019 are the competitive tax regime, business-friendly environment, high educational level, policy stability, and skilled workforce. On the other hand, the top 5 challenges for Ireland in 2017 were Brexit, glob-al economic growth, exchange rate volatility, monetary tightening by the ECB, and enhancing investment in infrastructure (IMD, 2017). Two years later, in 2019, the top 5 challenges for Ireland according to IMD were the following: a slowdown in global economic growth, nature, and timing of Brexit, an escalation of trade protection, tightening of financial market conditions and exchange rate volatility (IMD, 2019).

IMD also presents a report based on countries' performance in the three main categories, being investment and development, appeal, and readiness. These evaluate how countries present in a wide range of areas including education, apprenticeships, workplace training, language skills, cost of living, quality of life, remuneration, and tax rates. In 2017 the report covered all 63 countries in the IMD World Competitiveness Yearbook. According to the report, Europe continues to dominate the 2017 list with 11 out of the 15 most talent-competitive economies being situated on the continent, following right after a strong performance in 2016. Switzerland, Denmark, and Belgium remain the most competitive countries in 2017. Austria, Finland, the Netherlands, Norway, Germany, Sweden, and Luxembourg make up the top ten. In 2019, Ireland was at the 21st place, which is lower than in 2014 when it was ranked number 8. The ranking was the following: in the department of investment and development, the country placed the 42nd in 2019, as compared to the 20th place in 2014; in the department of appeal, it scored the 11th place in 2019 and the 4th place in 2014; in the department of readiness, Ireland scored the 12th place in 2019 and the 4th in 2014. Consequently, we can observe a meaningful weakening of Ireland's position across all categories of World Talent Ranging during 2014–2019 (IMD, 2017 & IMD, 2019). For the first time, in 2017, the IMD World Competitiveness Center published a separate report ranking countries' digital competitiveness for the 63 economies (IMD, 2017). The indicators for technology and scientific infrastructure are already included in the overall rankings. The new IMD Digital Competitiveness Ranking, however, introduced several new criteria to measure countries' ability to adapt and explore digital technologies leading to transformation in governmental practices, business models, and society in general. The rankings are calculated based on the 50 ranking criteria: 30 hard and 20 survey data. According to the survey, Ireland is in the 19th position in 2019. The below table shows the Irish performance during the 2013–2019 period for each of the nine subfactors comprising the three Digital Competitiveness Factors (Knowledge, Technology, and Future Readiness) (IMD, 2019).

Table 4: Irish Digital Competitiveness Ranking from 2013 to 2019 according to IMD

Factor	Subfactor	2013	2014	2015	2016	2017	2018	2019
Knowledge	Talent	24	9	21	18	15	14	10
	Training & education	19	17	29	25	34	34	30
	Scientific concentration	37	36	34	32	31	24	29
Technology	Regulatory framework	5	2	13	18	14	20	13
	Capital	53	44	51	49	49	53	49
	Technological framework	20	23	21	18	13	13	24
Future readiness	Adaptive attitudes	20	18	14	13	12	10	3
	Business agility	2	4	6	8	2	3	9
	IT integration	23	20	24	22	24	24	20

Source: IMD (2019).

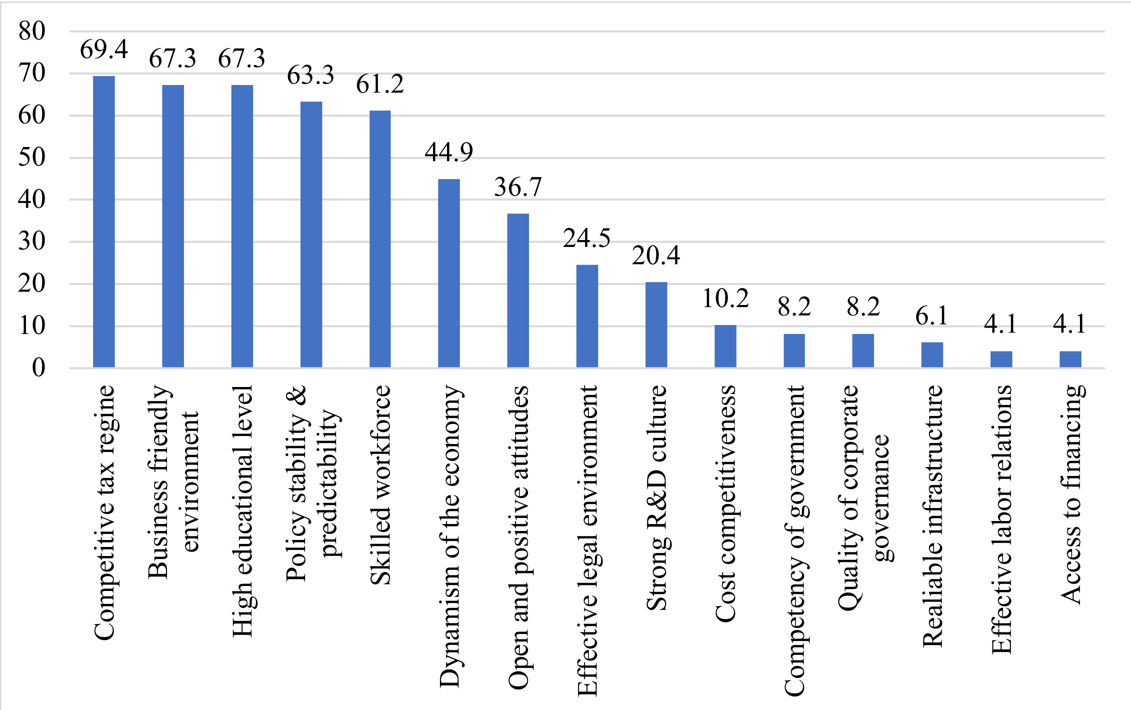
Looking at the 2019 results, one can observe that the strongest subfactor was the so-called "Adaptive attitudes" (3), which encompassed e-participation, internet retailing, tablet possession, smartphone possession, and attitudes toward globalization. The high position was also engaged by "Business agility" (9) and "Talent" (10). The weaknesses are noticeable in the following subfactors: "capital" (49) which includes IT and media stock market capitalization, the funding of technological development, banking and financial services, investment risk, venture capital, and investment in telecommunications, "training and education" (30) which consists of employee training, total public expenditure on education, higher education completion, pupil to teacher ratio, graduates in sciences and women with degrees, "scientific concentration" (29), meaning total expenditure on Research & Development (hereafter: R&D), total R&D per capita, female researchers, R&D productivity by publication, scientific and technical employment, and high-tech patent grants (IMD, 2019).

As Arturo Bris, Professor of Finance and a director of IMD World Competitiveness Centre once said: “There is no single nation in the world that has succeeded sustainably without pre-serving the prosperity of its people. Competitiveness refers to such an objective: it determines how countries, regions, and companies manage their competencies to achieve long-term growth, generate jobs, and increase welfare. Competitiveness is, therefore, a way towards progress that does not result in winners and losers – when two countries compete, both are better off" (Kardonska, 2020).

2.2.3 IMD Research of competitiveness factors

Furthermore, a survey was made by IMD based on a list of 15 indicators. The respondents were offered to choose 5 key competitiveness factors of their economy. The results of this research (from the highest percentage to the lowest) for Ireland are presented in Figure 25. Consequently, Ireland's strengths in 2019 are the competitive tax regime, business-friendly environment, high educational level, policy stability, and skilled workforce (IMD, 2019).

Figure 27: Key competitiveness factors of Ireland in 2019



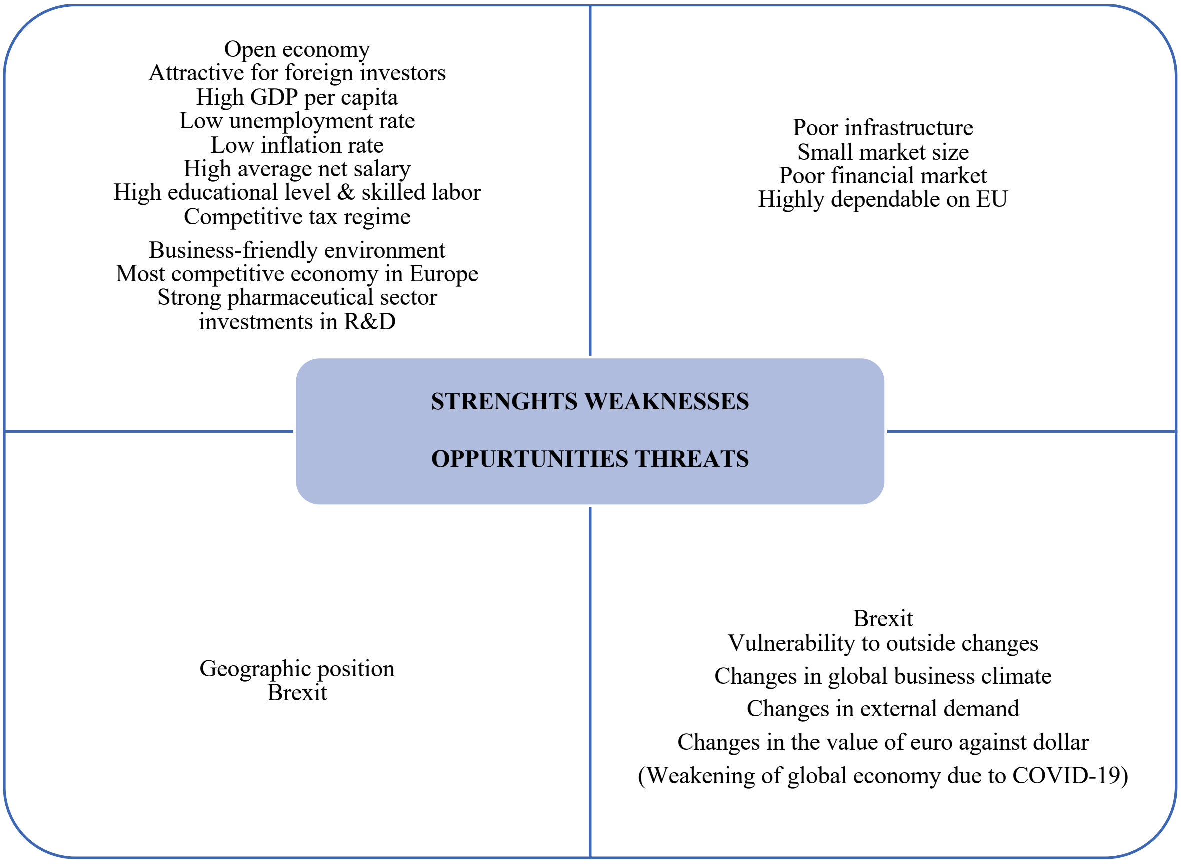
Source: IMD (2019).

2.3 SWOT analysis of Irish competitiveness

SWOT analysis is a strategic planning technique that is established for decision-making and can be used as a tool for evaluating the strategic position of a city, country or organization (Caves, 2004). Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage (Dess, 2018).

Figure 28 encompasses all the key internal strengths and weaknesses and external opportunities and threats for Ireland. These were prepared based on the competitiveness analysis within Chapter 2.

Figure 28: SWOT analysis of Ireland



Source: Own work.

Thus, Ireland has many strengths. The first one is an open economy. Ireland has a very high trade in terms of percentage of GDP, which indicates a very open economy. Because Ireland is a very open economy, that is almost solely reliant on international investment and trade, the release of new products and services onto the Irish market is basically straightforward and not particularly complicated. Ireland has been ranked the 7th by World Bank among 181 economies in the ease of doing business in 2009. Furthermore, Ireland is an attractive destination for investment for many reasons. They are a high educational level, a strong digital framework, and a stable business and legal environment. Attracting FDI into the country has been a part of the NDPs since the beginning and has resulted in the growth and development of Ireland into a competitive marketplace as it is known today. Besides, high GDP per capita, a trend of 0.1% inflation rate, a 4.8% unemployment rate and is the 3rd best country according to the average net salary proves the competitiveness of the country and explains the desirability of the workplace in a country (World Bank, 2019). Moreover, Ireland is the leading most educated country in the world with over 40% of the population attending tertiary education, indicating the very high educational level and skilled labor.

Furthermore, Ireland is known for its stable political status. Such an environment is an enhancement to the firm's pursuit to enter the market. Not to mention, the corporate tax in Ireland, which is the lowest tax rate in Europe and, thus, very favorable. In addition to that, Ireland is investing in R&D. This is an essential component of supporting an innovative and enterprising economy. It assists in creating and maintaining high-value jobs and attracts and develops business and talented people. The strong pharmaceutical sector takes care of the healthcare of the population and reduces the fear of different diseases among the population. To sum up, Ireland has been ranked the 2nd most competitive economy in Europe and, thus, justifies the country's long list of strengths.

On the other hand, one of the first weaknesses is poor infrastructural development. This results in a slowed down internal transportation that enables the movement of people, goods, and services. Besides, Ireland has a poor financial market. Stable and sustainable public finances are a prerequisite for competitiveness. Due to the poor financial sector, Ireland, as mentioned, has been the first country to get the financial bailout package during the last crisis because its financial sector was not able to support its economy at that time. The situation can easily happen again in the case of a major crisis even though the EU increased capital adequacy requirements and stress testing in the banking sector. Moreover, the small market size is an additional weakness. And lastly, the economy is very open internationally and, therefore, highly reliable on others. While a high percentage of international trade is great, it could result in backfiring during the crisis.

The country's opportunities could arise from the location of the country. Although geographically, Ireland is an isolated area compared to other European countries, it is also the closest point between the EU and the USA after the Brexit. The opportunities that could arise from the Brexit are usually unnoticed because this situation predominantly creates threats for Ireland's economy, especially because of constructing a changed and unknown business environment. Looking more positively, the Brexit could provide opportunities as well. Thus, Ireland could gain more importance, i.e. in the EU and, as mentioned before, in the EU-USA connection. Moreover, Ireland could see more foreign direct investments and greater prominence as an EU member after the Brexit (Kennedy, 2019).

Lastly, the biggest threat to Ireland is the Brexit. As stated in Ireland's Competitiveness Challenge 2018 the "Brexit is the single biggest and most immediate external threat". It touches every single factor of economic existence, i.e. business operations, workforce, public expenditures, trade flows, and supply chains (Leahy, 2018). It is obvious to say that Ireland will lose a huge market share with the Brexit. Right after the UK, Ireland is a country that has been affected the most due to the Brexit. Furthermore, Ireland is very vulnerable to the outside changes because it is a very trade-oriented country and, thus, highly dependable on its top trading countries, i.e. the USA, Belgium, and the UK. Mono-productivity orientation in the country, which is primarily focused on two major industries, pharmaceuticals and IT, expands the stress of the economy in the case of deterioration on global demand on any of them. In other words, being so highly dependable on her trading partners with only two major industries increases the risk tremendously in the case of outside changes or changes in external demand. Besides, changes in the global business climate can harm Ireland as well. During the recession, all demand is shrinking usually. Although Irish IT companies are reputable and innovation-driven and invest substantially in innovation, there is a threat that their innovation strategy would appear as wrong and out of the market trends, i.e. their investments in the new products and services will not be paid out. Having in mind, an example of the mobile phone development when the biggest players who did not follow the smartphone's fast development in the market disappeared actually (Nokia, Blackberry). We should not forget the changes in the value of the euro against the dollar. Since their top trading partner in the USA, having a primary market for exports in US-dollar-based countries, the Irish economy is substantially dependent on the euro-dollar exchange rate. Certain companies use fx swap for their protection against the exchange rate volatility while these derivatives might be too costly or too complicated for smaller companies and they tend to be open to the US dollar-euro exchange rate risk. The volatility of the US dollar against the euro is not a risk to be neglected.

3 DEVELOPMENT STRATEGY OF IRELAND AND THE COMPETITIVENESS CHALLENGES

To construct the policy suggestions for the future, it is important to look back at all the development strategies the country undertook and evaluate how they were performed. This chapter focuses on the sequence of the development strategies Ireland accepted up to this point, what new challenges the country faces and the remedies for them.

3.1 Development strategy of Ireland in the past

Ireland started the country's development planning with the National Development Plan (hereafter: NDP) that launched on January 1, 1988. The title was given by the Irish government. The plan was in the form of a budget that a state was willing to invest in to improve the country's disadvantages. This first plan was a five-year plan and was issued for the period from 1988 to 1993. The main objectives and priorities of this mentioned NDP with other words Community Support Framework (CSF) was the development at a national level. This objective accelerated from the fact that the country represented a single Nomenclature of Territorial Units for Statistics – NUTS II region for the structural funds (Irish Regions Office, 2003). This plan had four main priorities:

- Agriculture, fisheries, forestry, tourism, and rural development
- Industry and services improvement
- Off-setting peripherality with better infrastructure
- Development of human resources

The total budget that was invested in these years was about 13 billion ECU. The results of this 1988-1993 NDP were seen in the following data. The GDP increased by 2.5% and rose to 77.7% of the EU average. If we compare it to the year before the plan, it was set at 64.1%. Furthermore, the Gross National Product (hereafter: GNP) increased by 3,5% and the debt-to-GNP ratio decreased by 11,7%. Besides, 30,000 new jobs were created in total and the manufacturing employment number rose for 66,000 new employees at the end of the plan, compared to the beginning. The European Commission also concluded that this NDP made a meaningful long-lasting change in the living standards in Ireland (European Commission, 1994).

Following the first successful plan, the second was prepared for six years from the year 1994 to 1999. This plan was created to further develop the accomplishments of the previous NDP. The focus of the development was again on the national level rather than regional. This plan had, again, four main priorities:

- Productive sector
- Economic infrastructure
- Human resources
- Local urban and rural development

Since the previous plan managed to provide quite a lot of new jobs, the state was in the desire to create additional ones and, thus, develop competitiveness. As an incentive to achieve that, the focus on the productive sector was issued. Economic infrastructure was still poor at that time and desperately needed some progress to battle the geographical drawbacks of the country. As said, the focus was national, and the improvement of the quality of life is an essential part. That is where the focus on human resource development took place. These four priorities were created in the desire of reducing many weaknesses of the country at that time. The budget weighed almost twice as much as the first one. With that being said, it was set at 22.3 billion pounds. To understand the distribution of this budget more clearly, the productive sector, which accounts for the industrial sector mostly received 38.9% of the budget. Human resources gained 37.6% of the budget. The economic infrastructure received 19.8% and the local development received 3.7% of the mentioned budget. The results of this 1994-1999 NDP were seen in the following data. 0.82% of GDP was spent on R&D, compared to the year 1993 when the percentage stood at only 0.65% of GDP. Additionally, 120,000 new jobs were in total and exports rose by 9%. The results of this NDP indicate an additional footstep on the county’s path to catch up with the rest of Europe (European Commision, 1994).

As mentioned, both two initial budget plans focused on stimulating national development. They gained a lot of success. The two main results were the rise of the GNP and the rise of the employment (Irish Regions Office, 2003).

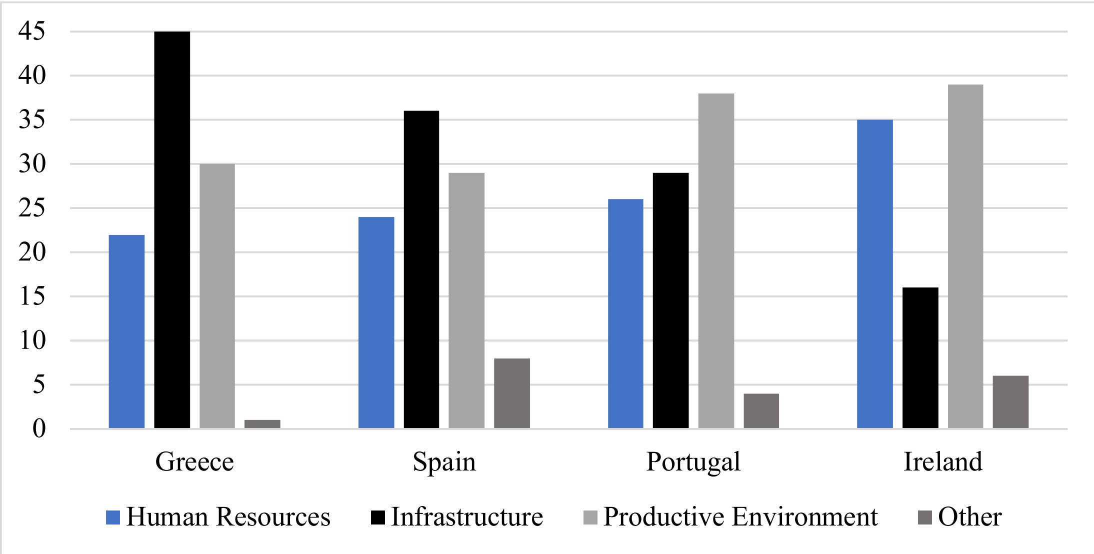
Following, the third NDP was a bit more extensive and was created for seven years from the year 2000 to 2006. As expected, the budget, again, accelerated. This time it was set at 40.588 billion pounds. This investment was broken down for the following objectives:

- Economic and Social Infrastructure
- Employment and Human Resources
- Productive Sector
- Peace Program

For the priority, 20,948 billion pounds were dedicated. For the second, 10,952 billion pounds, for the third 8,588 billion pounds and 100 billion pounds for the fourth one. Economic and social infrastructure conducted national roads, public transport, water, and wastewater, coastal protection, energy, social and affordable housing, and health capital. Employment and Human Resources encompassed employability, entrepreneurship, adaptability, and equality. And lastly, the productive sector focused on Research, Technology, Development and Innovation (hereafter: RTDI), industry, marketing, agricultural development, and fisheries (HRB National Drugs Library, 1999).

The European cohesion policy resulted in a successful and progressive. Through the structural funds, policies contributed a lot, which can be seen in the recovery of the economy and also in high growth levels and employment. It is also important to understand why these structural funds have been so positive for this country particularly. A couple of reasons for that are the correct timing and the structure of this invested structural funds. Ireland is very different in this case in comparison to other cohesion countries. Figure 29 shows that Ireland invested much more in human resources (35%) than the other cohesion countries did on average (25%). This was very important for Ireland to attract FDI (Irish Regions Office, 2003).

Figure 29: Structural funds 1994-1999 allocated by sector (in %)



Source: Irish Regions Office (2003).

The next NDP was planned from 2007 to 2011. At the end of this plan, the state declared an additional Capital Investment Plan (hereafter: CIP) that was in action from 2012 to 2015. The year 2016 marked the beginning of a current CIP that is supposed to terminate at the end of the next year.

Based on the mentioned plans, it is safe to say that the country is trying to battle the poor infrastructure the most. They are aware of the fact that infrastructure is important and insufficient in their case. All of the above NDPs' dedicate a part of the budget to improving the infrastructure, such as the bettering of national roads and public transport. Furthermore, each NDP included human resource development. This could already be seen as a result of having a very high educational level and, consequently, very high skilled labor. Besides, the majority of NDP also encompassed the productive sector which creates jobs. This could successfully be seen in a business-friendly environment that Ireland offers today and explains why a country is so attractive for the FDIs. Lastly, NDP's focus on agricultural and rural development could be understood as an effort to preserve the island's tradition of their main industry from the past.

3.2 Development strategy today and Ireland in the future

Although the general economic position of the observed country is quite optimistic, the economy surfaces noteworthy obstacle pressures, such as the Brexit, a hypothetical swing in trade and the unpredictable path of universal growth. The competitive tax, the favorable business environment in which it is easy to start and run a business, highly skilled talent and technological readiness provide the capability for the island to outlive the external economic surprises (NCC, 2017b).

Ireland's Competitiveness Scorecard 2017 argues that Ireland's strengths are evaluated as reasonably competitive. Thus, they pointed out the highly skilled labor force and the business-friendly environment (NCC, 2017b).

It is clear that the Brexit positioned Ireland's economy in a very challenging state. The Council believes that it is now time, more than ever, to evaluate the areas of critical challenges and tackle them comprehensively. The mentioned areas are summarized below (NCC, 2017b).

The goals for the following period could be combined into two main objectives:

- Ensuring the growth is sustainable and
- Creating advancement in enterprise competitiveness.

Each of these two objectives can be broken down into several more detailed objectives. Table 5 and Table 6 represent the main challenges or, with other words, objectives and policy responses required to meet the objectives of Ireland's competitiveness.

Table 5: The main challenges and policy responses required to meet the objectives of Ireland's competitiveness

Ensuring growth is sustainable	
Macroeconomic stability	• Reaching sound budgetary positions • Minimizing the repeated nature of fiscal policymaking • Expanding the effectiveness of public expenditure
Supplying productivity developing infrastructure	• Implementation of the National Planning Framework (Ireland 2040); • Recognizing and focusing on capital investment (National Investment Plan); • Investments' continuance in an efficient and integrated national transport system • Boosting international and national connectivity • Considering and tackling the strategic development necessities and capacity essentials
Environmental sustainability and transitioning to a low carbon economy	• Meeting climate change obligations • Create a way to implement the carbon neutrality to empower the agriculture sector
Creating and nourishing talent	• Investing in the education and training sector • Meeting labor market needs, realizing the potential of those that are currently not a part of the labor market, and attracting talents from abroad

Source: Government of Ireland (2017) & NCC (2017a).

Growth is crucial to any business. Even more important, however, is to sustain that growth. A healthy business sector is an essential part of a prosperous economy. A couple of steps Ireland would need to take in the future are macroeconomic stability, supplying productivity developing infrastructure, environmental sustainability, and transitioning to a low carbon economy and, finally, creating and nourishing talent (Government of Ireland, 2017).

To gain macroeconomic stability, attaining sound budgetary positions would be important. This means that one of the first steps is to create a maintainable fiscal policy in such a way that high deficits and increased debt ratios are prevented. Furthermore, minimizing the repeated nature of fiscal policymaking could be done by conducting an examination of the Irish taxation system, reforming and simplifying the current regime of taxes and charges on employment, maintaining the 12.5% of corporation tax and reducing tax for startups to 10%. Besides, maximizing the effectiveness of public expenditure is needed. This investment is desirable to be directed in those areas that can promote future competitiveness, such as expanding the innovation facilities, infrastructure, and boosting the country's efficiency (NCC, 2017a).

The next challenge would be environmental sustainability and transitioning to a low carbon economy. This is recognized as the hardest objective to achieve for the island. One of the goals is to meet climate change obligations by reducing the country's emissions level by 20% by the end of the current year in comparison to 2005. However, the projections show that Ireland would be able to reduce them only by 6% at best. Besides, Ireland needs to create a way to implement the carbon neutrality to empower the agriculture sector to be able to add to the 2030 and 2050 national mitigation objectives (NCC, 2017a).

The following challenge is to deliver productivity-enhancing infrastructure. Infrastructure in Ireland is an ongoing work in progress that has been a part of NDPs from the very beginning. It is considered as evolving. However, it still lacks a desirable level. It would be essential to adopt the National Planning Framework (Ireland 2040) and to identify and prioritize capital investment (National Investment Plan). The Council argues the following factors as the most important to invest in because they convey the supreme economic and social returns and are future-proofed. They are, firstly, the quality public transport system with a sufficient level of capacity, secondly, improving network deficits to boost the national and international connectivity, and lastly, housing which is considered as facing a significant deficit (NCC, 2017a).

Having a highly educated, skilled, and talented labor force signals the competitiveness of the country. One of the primary goals of Ireland is to have the best performing education system in Europe. Since their base currently is very solid and promising, with the constant investments in the education and training sector, the realization of such a courageous goal is achievable. However, their main challenge lies in reducing involuntary unemployment. Therefore, the country needs to realize and evaluate the potential and prospect of those that are currently not included in the labor market. Furthermore, Ireland is interested in gaining talent from abroad as well. To attract them, they need to find a way to offer them a value-added of higher and better educational and training systems. Thus, Ireland would be ensuring a constant supply and examining the abilities in the main employment sectors of the elevated demand. It would endure the level of proficiency at all levels and increase the supply of analytical abilities, engaging enterprises in creating the provision of education and training abilities and ensuring the ongoing specialized improvement of teaching workforce in schools to guarantee that the teaching is up-to-date and stays relevant (NCC, 2017a).

Table 6: The main challenges and policy responses required to meet the objectives of Ireland's competitiveness

Creating advancement in enterprise competitiveness	
Sustaining cost competitiveness	• Ensuring the availability and affordability of residential property and rental costs level • Providing business with the access to and affordability of financing • Ensuring an adequate revenue stream • Implementation of measures to reduce legal costs • Ensuring an adequately reserved, cost-competitive insurance • Reduction of high costs of childcare
Promoting productivity growth	• Investment in knowledge-based capital • Support for entrepreneurship and start-ups • Linking the gap between productive industries and underutilized ones
Constructing innovation capacity	• Support for innovation through continuous investment in R&D • The promotion of high-quality scientific research institutions • The extensive collaboration in research between universities and industry
Boosting and differentiating Ireland's export base	• Generating an uplift in exporting companies • Supporting the internationalization and market diversification of Irish enterprise • Providing enterprise agencies with appropriate resources to raise awareness • Expand the reach (portfolio) • Diversifying Ireland's FDI portfolio • Ireland Connected Strategy • Development of a new National Digital Strategy

Source: Government of Ireland (2017); NCC (2017a) & NCC (2018).

A couple of additional steps, Ireland would need to take in the maintaining cost competitiveness fostering productivity growth, building innovation capacity, and enhancing and diversifying Ireland's export base (Government of Ireland, 2017).

Having in mind that Ireland is a very open economy, the cost competitiveness of a country is very delicate to shocks. The Council claims that even though Ireland has many advantages in the eyes of the low inflation rate and competitive taxation, it is still labeled as a high-cost place to do business in. Here comes, again, the deficit of housing. However, the council is aware of the fact that this policy cannot be rushed and short-term oriented, as it has to serve to numerous household sizes, needs, desires, and to be distinguished between urban and rural existences. Besides, the constructs need to be in line with the highest standards. Increased residential density is desirable in Irish cities with a thoughtful location with educational and recreational facilities, and transportation connections in mind. However, only a sufficient availability of residential property is not enough. The country has to ensure the affordability of those as well. Consequently, these would apply the impression of Ireland as an attractive location for investment. Besides, ensuring a sufficiently cost-competitive insurance sector would result in a vital component of economic activity and financial stability. Furthermore, the country is in need to reduce the costs of childcare. It might seem unimportant at first. However, it is proven that these costs being high greatly reduces the female workforce involvement (NCC, 2017).

Ireland has been showing great development in recent years. But, this cannot blindside us. If looked more closely, Ireland's economy can be very black and white. On one side, there are highly developed pharmaceuticals and ICT industries that are greatly powered by FDI. On the other hand, there are highly underutilized industries. And here is the main concern that Ireland holds. Linking the efficiency gap between those industries that are most productive and those that lack productivity remains one of the greatest challenges facing their productivity growth. While promoting the productivity in locally trading sectors that need a productivity boost because they are underperforming, Ireland still has to make sure to invest enough in technology and innovation sectors to keep the frontline they gained in those sectors. Besides, business start-ups are the ones that the state has to support from the beginning by investing in them to ease their way onto the market, establish them as a brand, and help them survive and prosper in the market. Thus, this would strengthen their productivity base (NCC, 2017a).

Since Ireland is an innovation-driven economy, the building of innovation capacity is vital. The main component needed for innovation is the constant investment in R&D. By investing in R&D, the state can provide a high-quality scientific research institution which can further enable the much-needed cooperation between universities and industries (NCC, 2017a).

Finally, spreading Ireland's exports is the last crucial step towards generating uplift in enterprise competitiveness. This challenge was particularly brought to the attention because of the Brexit. Since the UK is third-largest Ireland's trading partner according to the number of exports, their exiting the EU rose some serious concerns on dependability on not diversified exports. Having diversified exports greatly decreases the risk of changes in external demand and changed the business environment in general. It can prevent the country from losing too much of export earnings and can smooth the exchange rate variations.

Consequently, it proves competitiveness. That does not mean that UK exports are to be forgotten. It is important to maintain them and even further develop. However, the state's additional goal is to make sure that at least 50% growth in exports will be outside the UK. Furthermore, spreading the country's FDI portfolio by engaging in new opportunities, i.e. new sectors and new markets, is something to think about. Lastly, Ireland Connected Strategy, a cross-government approach, led to the market expansion for the sake of maximizing Ireland's trade potential is needed (NCC, 2017a).

3.3 Discussion

The future steps in Ireland's development are closely connected to past researches and analysis. The policies mentioned are a product of thoughtful studies with Ireland's best interests in mind. They were prepared to battle the current challenges of the country and to even further strengthen the existing advantages. Every one of them has its point and goal in mind and, in my opinion, it is appropriate.

Macroeconomic stability is the first and ultimate condition to ensure sustainable growth in the country. As a consequence, this would enable Ireland to minimize external shocks, especially driven by outside changes and changes in the global business climate. Sound budgetary positions avoid high deficits and increasing debts. They also avoid harmful cyclicity of the economy and enable a safe economic environment for current and future economic growth. Fiscal policy is already advantageous. It needs not to loosen and is to remain internationally competitive and ensuring the certainty for domestic and foreign investors. There is still room for improvement, especially in public expenditure effectiveness.

It is visible that the country still lacks an appropriate and highly developed infrastructure, as recognized in the SWOT analysis and competitiveness reports. Thus it remains one of the top priorities in Ireland's future.

Environmental sustainability and transitioning to a low carbon economy are one of the latest policies listed in the NCC as a response to overall world trend fighting against pollution, environmental deterioration, especially in climate changes. These policies are especially addressed to Irish agriculture and transport sectors.

As researched, Ireland is well-known for its noteworthy educational level and skilled labor and, to sustain this stage, the country is engaging additional focus in that as well. Thus, it also promotes the country as a business-friendly environment, attracts the FDI and attracts talent from abroad.

Since the country is still recognized as a high-cost place to do business, Ireland needs to sustain the position of the business-friendly environment by keeping the quality of life and business environment at a reasonable price and with an adequate offer of services. The goals of the government are justifiable and properly addressed to keep and to further improve its strengths.

No doubt promoting productivity growth is one of the key objectives to assure the higher living standard of the Irish population, higher state and companies' income, and long-term success. Apart from already highly productive sectors, such as pharmaceuticals and IT, the contagion effect is desirable to spread also over the existing less productive sectors, such as agriculture.

Since Ireland is an innovation-based economy, investing in innovation capacity through R&D will need to remain as a priority for the country, as they cannot sleep on their technological readiness and framework. Constant development is needed as a support to its key industries which assure the primary sources of competitiveness of the country.

Differentiating Ireland's export base is an important policy taken to battle the threat of changes in external demand and vulnerability to outside changes. Being able not to be dependable mostly on only a few trading partners is vital. The general economic rule says that the risks need to be split or, better said, not to have all the eggs in the same basket. In the case of Ireland, this means that they need to expand the list of primary export partners from different countries. Besides, it would be advisable to also differentiate the product portfolio available for exports rather than being focused primarily on pharmaceuticals and IT areas.

As already stated, all the measures taken by the state are needed in my opinion. However, in my analysis, I identified some challenges that were not explicitely addressed. Despite the Ireland government listing its financial market as poor, they have not addressed any action plan to improve it. As already mentioned, in the last crisis, the financial sector was one of the major vulnerable economic areas which needed the state and ECB help. To prevent another crisis similar threat, I believe the government should focus on the structure (financial sector participants and their size and share), ownership and quality of the equity, and balance sheet of top players. Only the strong financial sector can offer sustainable liquidity and satisfy the needs of the economy in the case of crisis.

Besides, taking into account the small size of their marketplace and to some extend growing population, the Ireland government did not directly address how to increase the size of the market. Indirectly, in connection with the education system and technological development with a high innovative pulse, however, Ireland has an opportunity to attract additional and young working labor force from abroad. Consequently, this would represent the organic growth of their domestic market. Other than that, I believe this issue cannot be tackled further.

Lastly, Ireland's rapid development is owed to its participation in the EU. Therefore, it would be unimaginable for Ireland to exit the EU. In my opinion, its geographical position and the UK exiting the EU allows Ireland to become an intermediary between the EU and the USA.

This is the third item which, in my opinion, remains listed among the unaddressed challenges of the Irish government.

CONCLUSION

The first part encompasses the historical development of Ireland until today. The major keystone in Ireland's economic development was joining the EU in 1973. Thus, the first chapter opens up with approximately half of a century before that milestone with 1922 when the then Irish Free State won independence from the United Kingdom and leads it to today. Before joining the EU, Ireland was economically over-dependent on Britain with a very low GDP per capita and recognizable as a population of 3 million people, mainly poor farmers. During the early EU era, Ireland was the poorest and the least developed country among the member states. The characteristics were the lowest GDP per capita, the highest inflation rate, and a very high unemployment rate compared to other initial 9 member states. However, the country's quick development soon caught the others. It is safe to say that Ireland's EU membership had greatly impacted Ireland in numerous ways. The major benefits of free trade access and competition in Europe reduced economic dependence on the UK and Ireland's FDI. Nowadays, Ireland is one of the top-performing economies in the world with the second highest GDP per capita among EU28, the highest GDP growth, very low unemployment rate, extremely low inflation rate and the very high trading percentage which makes it a very open economy. The chapter ends with the key Irish industries nowadays and their competitiveness.

The second part focuses on the competitiveness of the country. It studies two different analyses, i.e. WEF and IMD analysis. At the beginning of each analysis, the methodology and theoretical background are presented. Furthermore, each of them evaluates how Ireland is competitive in an international framework and what its main strengths and challenges are. According to WEF, it was observed that for the last decade, Irish competitiveness is pretty much on the same level. The pillars in which Ireland is the most competitive are goods market efficiency, higher education and training, health and primary education, technological readiness, business sophistication, innovation, and institutions. However, pillars with much-needed improvement are financial market, market size, and infrastructure. On the other hand, according to IMD, Irish competitiveness improved quite a lot in the last decade. The major improvements are seen in economic performance, business efficiency, and government efficiency. On the other hand, infrastructure remains ranked low and needs improvement. To sum this chapter up, based on the competitiveness analysis gained by WEF and IMD, a SWOT analysis was prepared. As of today, the major strengths of Ireland are an open economy, attractive for FDI, business-friendly environment, competitive tax regime, high educational level and skilled labor, strong pharmaceutical sector, investments in R&D, high GDP per capita, low unemployment rate, low inflation rate, and high average net salary.

Ireland presents its weaknesses in poor infrastructure, small market size, poor financial market and high dependability on the EU. Geographic position can be seen as an opportunity for the island while battling vulnerability to outside changes, changes in external demand and changes in the value of the euro against the dollar as their threats. Brexit can be a double-edged sword: it is an opportunity and a threat at the same time.

The third part describes the development strategy of Ireland in the past and how it progresses today. The state initiated the first National Development Plan in 1988 and due to its success, the launch of additional plans followed its footsteps. State tremendously contributed to the development and competitiveness of the country with its policy measures, especially with the huge amounts of budgets dedicated to infrastructure development, human resources development, productive sector, and agricultural development. Ireland’s main challenges today remain sustainable growth achieved with macroeconomic stability, infrastructure development, environmental sustainability, sustained talent, and advanced enterprise competitiveness achieved by sustained cost competitiveness, productivity growth, constructed innovation capacity, differentiated export base. Based on the historical analysis and the analysis of current policy, policy responses required to meet these challenges to Ireland's competitiveness were prepared. Presented discussion is where the theories and personal findings are connected.

In the master's thesis, I managed to achieve the goal which was to study the economic development of Ireland upon joining the EU and today more closely and to study to which extent the development of Ireland benefited also from its competitiveness. Furthermore, all the research questions were answered and policy suggestions were formulated based on Irish experience and highlight elements of success that could be used to improve the competitiveness even further and also transfer it to other countries.

With the master's thesis, I gained additional theoretical knowledge about the studied subject and analyzed the degree of Ireland's competitiveness and future challenges empirically. I learned that Ireland went from being one of the poorest and least developed countries to be the European success story as it is today. However, it still has room for improvement and it is believed that it will not stop here.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Irska je bila konec osemdesetih let poznana predvsem po svojih neuspehih, a že desetletje kasneje je bila poleg Luksemburga najbogatejša država v Evropski uniji. Njena gospodarska rast je bila posledica strokovne in inovativne vladne politike, dojemljivosti za mednarodno trgovino ter neposrednih tujih investicij. Danes je Irska postavljena na 24. mesto na svetovni lestvici konkurence, kar dokazuje, da je ena najbolj razvitih držav v EU.

Prvo poglavje temelji na gospodarskem razvoju Irske. Kot orientacijska točka je vzeto leto 1973, leto vstopa Irske v Evropsko unijo. Opis gospodarstva sega od polovice stoletja pred to točko in vse do danes. V sklopu gospodarskega razvoja danes so predstavljene tudi ključne industrije in njihova konkurenčnost.

Drugo poglavje vključuje konkurenčnost Irske, in sicer predstavljene skozi dve metodi, tako imenovani metoda po WEF analizi in metoda po IMD analizi. Pri obeh metodah je najprej predstavljena metodologija, nato pa konkretna konkurenčnost Irske skozi oči faktorjev konkurenčnosti posamezne metode. Kot zadnji del tega poglavja je sestavljena SWOT analiza, ki je bila pripravljena na podlagi pridobljenih informacij iz obeh omenjenih metod za merjenje konkurenčnosti. Konkurenčne prednosti Irske na osnovi omenjenih raziskav so predvsem visok BDP na prebivalca, nizka brezposelnost in inflacija, odprto gospodarstvo, kakovosten izobraževalni sistem in delovna sila, enostaven vstop podjetij na trg, delu prijazno okolje ter visok obseg neposrednih tujih investicij. Konkurenčne slabosti Irske so predvsem slaba infrastruktura, relativno majhen trg, slab finančni trg in visoka odvisnost od EU.

Tretje poglavje predstavlja razvojno strategijo Irske nekoč in danes skupaj z glavnimi izzivi in hkrati cilji za prihodnost Irske. Na podlagi le-teh so pripravljeni predlogi za uresničitev tistih, ki bi pripomogli k Irskemu nadaljnjemu razvoju in hkrati še višji mednarodni konkurenčnosti.

V magistrskem delu sem dosegla osnovni cilj, ki je bil podrobno preučiti gospodarski razvoj Irske ob vstopu v EU in danes ter predstaviti, v kolikšni meri je razvoj Irske pripomogel tudi k njeni konkurenčnosti. Odgovorjena so bila tudi vsa raziskovalna vprašanja in oblikovana priporočila za prihodnost, kjer bi Irska lahko še naprej rasla in tako še povišala svojo konkurenčnost. Z magistrskim delom sem pridobila dodatno teoretično znanje o preučevanih konceptih in praktično analizirala stopnjo konkurenčnosti Irske in izzive za prihodnost. Ugotovila sem, da je Irska od ene najrevnejših in najmanj razvitih držav prerasla v evropsko zgodbo o uspehu, kakršna je danes, vendar ima še vedno možnost za izboljšave. Zanesljivo lahko rečem, da se tukaj ne bo ustavila.