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From Baltimore Technologies to the FAI: a Metaphor for the Digital Isle

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From Baltimore Technologies to the FAI – a metaphor for the Digital Isle?

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At the height of the dot.com boom 12 IT multi-millionaires entered The Sunday Times Irish Rich List. These included Fran Rooney (€45m), and Cyril and John McGuire of Trintech. These two brothers were valued at close to €1b on the Nasdaq and challenged Tony O'Reilly to be amongst the richest people in Ireland. Today, all but one of these is out of the IT industry and their fortunes, on paper, have been diminished by over 98%.

Three themes

- Characteristics of Ireland ICT – IST strategy and growth
- Barriers to entry
- Political economy of knowledge production

Strategy emerges in mid/late 1980s in response to Telesis…

- Leapfrog historic and geographic limitations of industrial revolution to jump-start Irish economic growth.
- Take advantage of rapid social structural changes, relatively high public investment and endorsement of education and advanced skills, and a 'natural' reservoir of creativity
- Market Ireland as an 'information gateway', an English-speaking beachhead between the USA and Europe, with an emphasis on information distribution and cultural content products
- Focus: Electronics → software/computing → digital media

Arts and cultural industries drawn into heart of the global economic strategy

- Debate on the basis of their productive value not aesthetic pleasure – value underpinned by digital technology
- Beginning 1994, reports refer: content sector, creative industries, entertainment industry, digital media sector, cultural heritage industry
- Purpose of globalizing/integrating within the international ‘electronic entertainment industrial complex.’
- Arts and cultural activity also seen as having an ‘economic spillover’ capability (tourism, urban regeneration, attract businesses to area)
- Digital Hub w/ MLE seeks to tie all strands together, linking creativity to technology and trading on Irish cultural strengths → ‘localized cultural industrial district’ (cf Temple Bar which is consumer not production based)

Formalistic and Statist mechanisms

- But not about state-ownership or control of key manufacturing sectors as *the* mechanism for industrialization; preference to create a ‘competitive liberalized ... market’ with ‘low taxes on profit’
- Triangular strategy (1995):
  - provision of technological infrastructure,
  - alterations to the financial and regulatory/legislative environment, including fiscal policy, security and intellectual property rights, and
  - provision of content innovation and development
- Strategy more strident w/ deliberate strategic targeting/marketing of Ireland as global ‘information gateway’ (terms used: ‘info-cities,’ ‘virtual city,’ ‘innovative city, Silicon Valley, Digital Isle, e-city and e-nation)

Ireland and the EU

- EU has signalled critical nature of ICT – IST w/ link between creativity, science and technology: *Digicult Report – Technology landscapes for tomorrow's cultural economy. Unlocking the value of cultural heritage* (2002)
- These industries are among Europe's major wealth creators and sources of employment:
  - = 7.2m workers or 4.6% of total EU employment in the production of cultural products and services;
  - EU employment grew by 1.2% per annum 1995-2000 but by 3.8% per annum in cultural activities (Spain's cultural sector grew by 24% between 1987-1994, France by 37% between 1982-1990, and UK by 34% between 1981-1991)
  - link between 'enhancement of cultural and natural resources' and tourism – expert group predicts an additional 3.3m jobs and over 2m SMEs by 2010.
- FP6: IST programme has largest funding €3.6b within EU priority areas cf. life sciences, genomics/biotech = €2.2b; sustainable development = €2.1b.

Summary of growth

- Strengths: software, education, and pro-business attitude of government
- Niche areas showing growth in 2002:
  - web services (primarily Dublin); e-learning (mainly Dublin); e-government (largely Belfast); compliance software (Cork, wire and telecommunications software (across the island)
  - ≈ 282 'significant' digital content companies w/ 4,000-4,5000 employed nationally
  - 84% of companies indigeneous; 87% in Dublin (south city centre & south coast areas) w/ minor clusters in Limerick (primarily e learning) Galway and Cork
  - 2003 e learning and e government should experience growth
- Ireland – both indigeneous and MNCs – have fared well compared w/ other global locations
  - Ireland tops the list of countries which are perceived to have the most potential to be the Silicon Valley/Tech capital of Europe according to survey by Eurocom PR Network

Barriers to entry

- Chilly similarity to Telesis 20 yrs ago (Forfas 2002):
  - enterprise development (industry fragmentation, critical mass, market access and development and skills)
  - environment developments (finance/funding availability, fiscal, legal and reg environment, telecommunications infrastructure, R & D, education and skills, govt digital content strategy, structure and supports)
- Cf. 14 other e-cities = Dublin was second last using series of qualitative metrics: leadership, infrastructure quality, e-infrastructure competitiveness, labour competitiveness, entreprenurial, legal/regulatory, capital availability, taxation/incentives, digital divide
- Barriers getting higher:
  - Forfas and IDA targeting games/animation but these are v. difficult due to distribution control; they appear to have identified potential ‘sectors’ by looking at what are the most valuable sectors internationally
  - Diminution of graduates/science students $\rightarrow$ significant inflation
- Only area where Ireland has been able to globalise content is music

Another ‘window of opportunity’?

- Forfas (2002): ‘Ireland now has a ‘window of opportunity’ during which it can catch-up in areas in which it lags the global market’
- Forfas’ optimism based on continued level of high investment and resolution of outstanding barriers.
- Digital Hub timescale not late if seen in context of similar scale projects (IFSC/Docklands and Temple Bar)
- MLE’s role is an MNC
  - not a software developer per se,
  - does not see itself as engineering the Irish economy
  - Media Lab Europe not Ireland

Political economy of knowledge production

- Success of strategy is nevertheless critical for Ireland Inc.
- Govt/EU reports note ‘a fundamental recognition [globally] that digital content will fuel the knowledge-based and information society’
- Must underpin with significant R&D in S&T. Yet again, Ireland is weak. Forfas/SFI Evaluation of Research repeats same difficulties: fragmentation; lack of critical mass; lack core funding; inexperienced research managers/management; teaching requirements diminishing research time/opportunity; weak pg system & insufficient numbers; poor research career structure
- Because research/knowledge production is now a key factor underpinning the geo-political positioning of nations, issues surrounding Ireland’s ICT – IST strategy are critical to its future. Hence the Irish govt. is not alone in purposively attaching great strategic importance to capacity-building decisions and investment.