

# Irish Academy of Engineering

## The Case for an All-Island Innovation Council

### Introduction

The economies on both parts of the island of Ireland are small and open with relatively high cost bases. As a consequence, our ability to provide well-paid jobs and good-quality public services in the longer term relies on our ability to sell our goods and services at a premium abroad.

Today both economies rely heavily on external supports: foreign direct investment in the Republic of Ireland (ROI) and UK transfers in Northern Ireland (NI). It is considered unwise to be overly reliant on these external supports in the future. In the face of global competition success will demand that we are highly productive in developing, manufacturing and selling innovative differentiated products and services.

The Irish Academy of Engineering (IAE) in its report **Innovating for Growth**<sup>1</sup> (July 2019) argues that to achieve this we now need to improve Ireland's innovation ecosystem and to position the island of Ireland as an innovation leader.

**The keen awareness of the challenges now facing the island's economies provides a basis for consensus on the need for change.**

**IAE would now like to explore how an Innovation Council might accelerate the move to Ireland becoming an 'innovation leader'.**

### The Challenge

The opportunities and the challenges facing the economies on both parts of the island of Ireland are complex, urgent and require a commitment to developing and implementing long-term strategies.

Brexit, potential trade wars, the policies of the US Administration and the OECD's focus on BEPS (base erosion and profit shifting) all create uncertainty and challenge our ability to create and sustain enterprises that can support strong, high employment economies offering a good quality of life.

The enterprise base in the ROI is overly concentrated. There is an excessive reliance on a relatively small number of FDI companies to deliver performance on productivity, exports and tax. To minimise vulnerability we must increase the contribution from the indigenous sector of the economy while increasing the resilience and sustainability of the FDI sector.

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<sup>1</sup><http://iae.ie/publications/innovating-for-growth-improving-irelands-innovation-ecosystem/>

Industry in NI, like much of the indigenous industry in ROI, suffers from relatively low levels of productivity. With a relatively high cost base, these companies, North and South, cannot compete on the basis of cost alone. They must compete on the basis of value and differentiation. They must provide innovative products and services that meet the needs of customers/markets in a superior way.

In recent years there are encouraging signs that we are developing vibrant knowledge economies. Exciting start ups and rapidly scaling companies are increasingly part of the landscape. Many of these companies are part of clusters like medtech in Galway and cybersecurity based around ECIT/CSIT in Belfast. These clusters are also providing linkage and acquisition opportunities with leading world players leading to additional foreign direct investment activity like Citi in Belfast and Facebook Reality Labs in Cork.

We should now improve the innovation ecosystem on both parts of the island to build on these positive trends.

## The Role of Innovation

Innovation is widely acknowledged as a key driver of competitiveness, economic growth and export performance. The European Commission reports that two-thirds of economic growth from 1995 to 2007 derived from research and innovation.

Innovation, defined as "*the development and application of ideas, technologies and business models that improve goods or services*" essential to Ireland's ability to compete as a relatively high wage economy in a competitive globalised world. To secure our future we must now raise the internationalisation of indigenous firms, increase the rate and innovation intensity of startups and raise the skills levels of the workforce.

In the December 2018 report **Ireland's Competitive Challenge 2018** the National Competitiveness Council (NCC) states "*Economy-wide productivity gains are generated when innovations are diffused and widely adopted, making the strengthening of investment in R&D, innovation and technology-diffusion mechanisms a fundamental policy priority*".

Over the past decade much progress has been made in improving the island of Ireland as a location for innovative businesses. However Ireland is still ranked as an 'Innovation Follower'. We must now chart a course to becoming an 'Innovation Leader'.

We believe that the creation of Innovation Council(s) can keep a focus on the urgent need to improve productivity and innovation performance on the Island.

## Moving forward

As part of the renewed focus on all-island collaboration reflected in Ireland's Programme for Government of 2020 and the Stormont Agreement 'New Decade, New Approach' a higher

education and research working group has been established supported by the British Irish Chamber of Commerce.

In the Northern Ireland Executive's **Innovation Strategy for Northern Ireland 2014-2025** it was agreed to '*examine the feasibility of establishing an Innovation Council*'.

The now lapsed Irish Council for Science Technology and Innovation (ICTSI) played a major role in establishing a technology foresight exercise that accelerated the development of the innovation economy in ROI.

The IAE would now like to examine the case for **establishing an all-Island Innovation Council** supported by a full-time secretariat to help accelerate Ireland's move to the status of an innovation leader.

It is proposed to **establish a small working group** to first examine the benefits of establishing an Innovation Council for the island (or possibly two such Councils working closely together).

**If this proposition is endorsed the working group will proceed to examine the practical challenges in realising the goal and, in broad outline, the means of realising it in a timely manner.**

**Eoin O'Driscoll FIAE**

**Sir John McCanny FIAE FRAEng FRS**

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