



# Ireland:

## *Learning from the Celtic Tiger*

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# Topics

- Ireland
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  - Key to Success
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    - Workforce
    - Tax Schemes
    - Government Participation
- Following Ireland's Path
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# Ireland: Background

- Ireland has been one of the poorest nations in the EU between the 1960s and the 1980s
  - High rates of unemployment, emigration, and inflation and economic mismanagement
- Today Ireland is one the wealthiest nations in the EU
  - Low rates of unemployment and inflation, high income and steady growth rates
  - Shift from Agricultural sector to Industrial sector
    - IT, Biotech, and Financial Services

# Ireland: Background

- Economic movements
  - 1960s
    - Revert to free trade policy
    - Focus on high technology and foreign direct investment
    - Educational reform
  - 1970s
    - Entry into the European Economic Community (now the European Union)
  - 1980s
    - “Tallaght Strategy” of 1987
      - Economic reform, tax cuts, welfare reform, increased competition, reduction in borrowing
  - 1990s “Celtic Tiger”
    - Implementation of national economic programs to:
      - Curb inflation
      - Ease individual tax burdens
      - Reduce government spending
      - Increase labor force skills
      - Reward foreign investment through favorable tax treatment
    - Joined the Euro currency in 1999

# Ireland: Path to Success

## Vision

- *Attract*
  - Encourage foreign investment
- *Retain*
  - Develop “clustering policy” around key industry sectors
- *Grow*
  - Develop infrastructure for industry growth

## Factors for Success

- Workforce
- Tax Schemes
- Government Participation
  - Programs & Initiatives
  - Agency Involvement

# Ireland: Workforce

## ■ Characteristics

### ■ Young and Educated

- 35% under 25yr for next 15 years (*Source- UN*)

- Ranked first in Educational Achievement and Education System\*

### ■ Skilled and Motivated

- Ranked first in Science and Technology Graduates and Worker Motivation\*

### ■ Flexible and Adaptable

- Ranked first in Flexibility and Adaptability when faced with new challenges\*

### ■ Proximity to large market (EU)

\* *Source – IMD World Competitiveness Yearbook 2007*

# Ireland: Tax Schemes

## *Attract*

- Lowest corporation tax rate in Europe at 12.5%
  - High ROI (return on investment) provides incentives for FDI (foreign direct investment)

## *Retain*

- Favorable holding company rule
  - Exemption from Capital Gains Tax on Share Disposals
  - Tax reduction on Foreign Dividends
- Double taxation agreements with 44 countries

## *Grow*

- Favorable tax treatment for IP
- R&D Tax credit
  - Provides incentive to increase local R&D expenditure

# Ireland: Government Participation

- Programs & Initiatives
  - National Development Plan 2000-2006
  - National Development Plan 2007-2013
  - Building Ireland's Knowledge Economy to 2010
  - Strategy for Science, Technology and Innovation 2006-2013 (SSTI)



# Ireland: Programs & Initiatives

- National Development Plan (NDP) 2000-2006
  - Objectives
    - Create sustainable national economic and employment growth
    - Strengthen international competitiveness
    - Foster balanced regional development
    - Promote social inclusion (e.g. childcare, disabled)
  - €52 billion investment

# Ireland: Programs & Initiatives

- National Development Plan (NDP) 2007-2013
  - Continuation of previous plan
  - €184 billion investment to develop
    - €54.6b for Economic Infrastructure
    - €49.6b for Social Inclusion
    - €33.6b for Social Infrastructure
    - €25.8b for Education and Training
    - €20.0b for Enterprise, Science, and Innovation

# Ireland: Programs & Initiatives

- Building Ireland's Knowledge Economy to 2010
  - Promotion of R&D investment to achieve target of 3% of GDP by 2010
    - 2004 R&D investment was 1.4% of GDP
  - Ireland's response to "Investing in Research: An Action Plan for Europe"

# Ireland: Programs & Initiatives

- Building Ireland's Knowledge Economy to 2010 (cont'd)
  - Objectives
    - Develop Pro-Innovation Culture
      - Support invention, risk-taking, and entrepreneurship
    - Develop R&D in the Enterprise Sector
      - Encourage systematic and continuous approach to R&D
      - Develop strategic research competencies
    - Develop R&D in the Public Sector
      - Increase performance, productivity and efficiency of research in the higher education and the public sectors
    - Develop an Attractive Research Environment
    - Develop IP into Products and Services
      - Develop resources necessary to ensure effective and rapid exploitation of research

# Ireland: Programs & Initiatives

- Strategy for Science, Technology and Innovation (SSTI) 2006-2013
  - €3.8 billion investment
    - Develop a world class research infrastructure
    - Protect and commercialize ideas and know-how
    - R&D for enterprise, innovation, and growth
    - Education

# Ireland: Government Participation

- Enterprise development agencies from the Department for Enterprise, Trade and Employment (DETE)
  - Forfás
  - Enterprise Ireland
  - IDA Ireland (Industrial Development Agency)
  - SFI (Science Foundation Ireland)

# Ireland: Government Participation



# Ireland: Agency Involvement

- Forfás
  - National policy and advisory board for enterprise, trade, science, technology and innovation.
    - Provides analysis, advice and support on issues related to enterprise, trade, science, technology and innovation; including the development and coordination of enterprise development agencies



# Ireland: Agency Involvement

- Enterprise Ireland
  - Irish state development agency focused on transforming Irish industry
    - Increase the sales, exports and employment of Irish-owned companies.
    - Administers national and EU support for building technological innovation capability and co-operation between industry and higher educational institutions

# Ireland: Agency Involvement

- IDA Ireland
  - Government agency responsible for:
    - Securing new investment from overseas
    - Encouraging existing foreign enterprises in Ireland to expand their businesses

# Ireland: Agency Involvement

- IDA Ireland Achievements
  - 71 new business projects were negotiated for a total investment of €2.6b
  - Increased investment in research & development
    - 2006: €470m (54 R&D investment projects)
    - 2005: €260m
    - 2004: €140m
  - Balanced regional development
    - 89 new investment projects (including 46 R&D investments) occurred outside of Dublin.

# Ireland: Agency Involvement

- IDA Ireland Achievements (cont'd)
  - IDA supported companies in 2006
    - €15b in spending in the Irish economy
    - €77b in annual sales
    - €2.8b in corporation tax
  - Employment in IDA supported projects in 2006
    - Over 50% of jobs have wages over €40,000 per year
    - Increase in total employment by 3,795, bringing total employment to 135,487

# Ireland: Agency Involvement

- SFI
  - Key organization for implementing NDP 2007-2013 and SSTI 2006-2013
  - €1.4b allocated to:
    - Invest in academic researchers in the fields of biotechnology and information and communications technology.
    - Advance co-operative efforts among education, government, and industry that support its fields of emphasis

# Ireland: Agency Involvement

- SFI Programs
  - SFI Fellows Awards
    - Support senior, distinguished researchers with grants ranging up to €1 million or more, per year.
  - SFI Research Professorships
    - Assist Ireland's research bodies in attracting outstanding scientists to their institutions
  - SFI Investigator Programme Grants
    - Four year awards between €100,000-250,000 per year
  - E.T.S. Walton Visitor Awards
    - Attract leading researchers to Ireland for a period of up to one academic year
    - €200,000 per year

# Ireland: Agency Involvement

- SFI Programs (cont'd)
  - SFI Research Centres for Science, Engineering and Technology, Campus-Industry Partnerships (CSET)
    - Support researchers who will build collaborative efforts linking academia and industry
    - €5 million per year initially, for up to five years.
  - SFI Workshop and Conference Grants
    - Support workshops and conferences sponsored by, or involving, Irish scientists and research bodies and aimed towards an international scientific audience.
  - Basic Research Grants Scheme
    - Supports high quality research in universities, with a special emphasis on support for young researchers seeking to establish a career in research.

# Following Ireland's Path: Puerto Rico & ASEAN



# Puerto Rico: Similarities

- Comparable economic history
  - 40-50 year transition from Agricultural to Industrial sector: “Operation Bootstrap”
  - Success in the Biotech Industry through FDI and government involvement in manufacturing
- Workforce
  - Experienced, Educated, and Bilingual
  - Proximity to large market (US)

# Puerto Rico: Similarities

- Incentives
  - Corporation tax rates at 2-7%
  - R&D tax deductions
  - Duty free access to US
- Government Participation
  - Development of Infrastructure
  - Investment in R&D and Education

# ASEAN: Potential

- Exposure to large (Asian) market
- Bilingual, multicultural, young workforce (limited to those who are educated)
- Emerging nations that need to cultivate specific industry skill sets for future growth

# ASEAN: Challenges

- Industry Sector Identification
  - Transition from low-tech field to high-tech field with high level of sustainability and growth, and ability to excel
- Foreign Investment Attractiveness
  - Monetary Incentives
    - E.g. Current Corporation Tax Rates at  $\approx 30\%$  need to be lowered
- Unified Government Directions and Goals
  - Long-term commitment and focus (30-50yrs)
- Infrastructure and Education
  - Need to develop and attract at world class levels
  - Need to foster balanced regional development to avoid income disparity

# Concluding Remarks

- *Attract*
  - Encourage foreign investment
- *Retain*
  - Develop “clustering policy” around key industry sectors
- *Grow*
  - Develop infrastructure for industry growth

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*\* All references available on CD upon request*