

The Irish Transformation

When Ireland joined the European Economic Community (now the EU) in 1973, its living standards were only 65 percent of the rest of Europe. Now it ranks among the richest countries.

Ireland's performance over the past decade has been described as stunning, amazing and "a miracle." The question is often put to us of how this came about.

A few factors have been critical to success:

- Investment in education.
- Consistent and business-friendly public policies, including low taxes.
- Winning inward investments in high-growth, knowledge intensive businesses.
- A shared national vision and a will to succeed.
- Some softer aspects, such as creativity and being open and outward looking.

Ireland has a young population -- 40 percent are 25 or younger, compared with 30 percent in the rest of Europe. Nearly half of 25- to 34-year-olds have a third-level (post-high school) education, and most are in science, engineering or business disciplines.

The proportion of science and engineering graduates in the 20- to 34-year-old population is more than twice that in the EU. This has been achieved by predicting and providing flexibly for future skill needs. The numbers of students in higher education continues at a high level, supported by government investment in these areas and the good prospects that graduates see.

Ireland has consistently had the lowest rate of tax on profits of all countries, currently 12.5 percent. This low rate contributes about one-seventh of all tax revenue, a much higher yield than in the high-tax countries. As we are all aware, what is friendly for business is good for development.

Sound economic conditions also matter. Government finances have been in balance (or in surplus) and public debt, at less than 30 percent of gross domestic product, is among the lowest internationally. As part of the euro zone (unlike the United Kingdom), interest rates are low.

Since the 1960s, Ireland has sought out and attracted inward investment. Foreign direct investment (FDI) runs at 17 percent of GDP, or ten times the European average.

Inward investment in the past 10 years has been mostly in pharmaceuticals, medical technology, information technology and software, financial services and the integration and management of international business functions.

Nine of the top 10 pharmaceutical companies in the world have substantial operations in Ireland, as do 12 of the top 15 medical device businesses. About half of the world's top-selling blockbuster drugs are produced there.

Intel alone has invested more than \$5 billion in chip production near Dublin, and Dell, HP and IBM are also big investors. Ireland is the largest exporter of software in the world, because of companies such as Microsoft, Oracle and many others.

This type of success has been possible because there has been a shared national vision and a will to succeed, driven in part by previous failures. Whereas the Irish in the past had to emigrate for opportunities, now they are returning home in great numbers.

National cohesion is helped by cultural factors -- the Irish ability to connect and build relationships -- and by being few in number, just 4 million. But the Irish are a global race now, with a creative impact far beyond our numbers.

Think of James Joyce and George Bernard Shaw, U2 and Riverdance, Liam Neeson, Colin Farrell, and many others, and you see that we Irish like being international players. Culture and business success grow together, as Ontario, too, has shown.