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I. INTRODUCTION

A. THE PROCESS OF GLOBALIZATION

The global economy continues to be characterized by major change and modification. The breakup of the Warsaw Pact and the conclusion of the cold war have led to significant alterations of the borders of Europe. As a result, the word "globalization" has come to illustrate the manner in which an occurrence of a global nature has surpassed the ability of the conventional nation state to command.[1] The process of globalization possesses great challenges to a country such as Ireland that has an open economy and a strategic dependence on international trade.[2]

As a result of Ireland's small size, the economy is reliant on foreign trade.[3] With the population at 3.7 million there is restricted prospects for industrial development in the home marketplace.[4] Furthermore, Ireland lacks natural resources and this requires "the importation of large quantities of fuels, raw materials, and other basic requirements."[5] Notwithstanding this, since the mid nineteen eighties, "the value of exports [in Ireland] has exceeded imports and exports now account for three-quarters of national output, which is a level unique in Europe."[6]

Ireland's industrial revolution started in the mid-1950s when decisions were made to attain economic development by energizing export-based manufacturing companies.[7] Succeeding administrations have furthered this strategy and "have placed significant emphasis on encouraging inward investment."[8] As a result of this strategy Ireland has undergone a recent change from a rural based economy to a highly industrialized modern economy and "the World Competitiveness Yearbook, 2000 published by International Institute for Management Development (IMD), [has ranked] Ireland the 7th most competitive economy of the 47 states surveyed, ahead of the UK and Japan."[9] It is not surprising then that Ireland's average growth in gross domestic product (GDP) for the years 1990-1998 was 7.3%[10]. Compare this rate to the European Union (EU) average of 2.4%. While the inflation rate from 1992 to the end of 1999 was below 3%.[11] This note will examine the growth and modernization of the Irish Republic.

B. IRELAND—CHARACTERISTICS AND HISTORY

Ireland is an island state that is located off the northwest coast of Europe and lies 60 miles west of Great Britain. On the isle exist two separate political entities, the Republic of Ireland—and Northern Ireland, which is part of the United Kingdom. Ireland's original inhabitants were Middle Stone Age hunter-gatherers who used stone tools.[12] Later, they evolved into people who cultivated crops, raised domestic animals and made weapons, tools and jewelry.[13] Sometime before the birth of Jesus Christ, the Celts came to Ireland and ruled until the English conquest. The scholarly evidence is comparatively consistent with Irish folklore, which holds that the three sons of King Mileadh of northern Spain, Heremon, Heber and Ir, jointly known as the "the Milesians" after their father King Mileadh, overran Ireland about the time of Alexander the Great and defeated the Tuatha De Danan the rulers of Ireland at that time. Practically all of the later rulers of Ireland up until the English Conquest, claimed to be descendants of Heremon or Heber.[14]

1. English Conquest Of Ireland

The monarchs of the Tudor Dynasty in England (1486-1603) had an enormous influence on Ireland and its people. The Tudors expelled the Catholic Church, and replaced it with a Protestant Church, in so doing the Tudors sowed the seeds of religious conflict in Ireland that still exist day.[15] The Tudors also established the custom that the King of England automatically became King of Ireland; they attempted to destroy the Irish culture through an "anglicization" program that imposed England's language, laws, culture and religion on Ireland. The people of Ireland remained under English control until World War I when the birth of Irish Nationalism would lead to the establishment of the Irish Republic.

2. Establishment Of The Irish Republic

World War I broke out in August 1914, setting Germany & the AustroHungarian Empire against Great Britain, France, & Russia.[16] Britain had made promises to the Irish about home rule but soon realized that Irish Home Rule was not one of its more urgent issues.[17] Even though Home Rule legislation was enacted, and placed on the statute books, there were stipulations that the effective date was to be postponed (1) until after the war, and (2) until after a vote on some form of resolution for the Northern, mostly Protestant counties, that was to be drafted later.[18]

Postponement of Home Rule hardened the Irish spirit, and Home Rule supporters began to demand full or nearly full independence, rather than the limited autonomy provided in the 1914 legislation.[19] Irish leadership, decided to mount an armed insurrection. Irish leaders met in Dublin in January 1919 and followed an agenda borrowed from the American and French Revolutions.[20] They passed a Declaration of Independence and "ratified" the Republic that had originally been proclaimed at the Easter Rising of 1916.[21] They declared themselves to be the Dail Eireann, and passed resolutions declaring that the Dail Eireann had the exclusive power to make laws binding on the Irish people, and that the British Parliament had no jurisdiction over Ireland.[22] They demanded that England evacuate all of Ireland.

The British tried to suppress Irish Nationalism and guerilla warfare erupted between the Irish Republican Army and the British occupation force. The British forces were brutal in their suppression of the Irish and following Bloody Sunday and other British butchery, resulted in worldwide criticism of the British government and its policies in Ireland. Several months later, Ireland was granted limited freedom with the passage of the 1920 Government of Ireland Act, which established separate parliaments for "Northern Ireland" and "Southern Ireland", each with extensive home rule powers. [23]

The Irish refused to accept the new legislation, but did agree to a cease fire in 1921, after which British Prime Minister David Lloyd George invited Irish leadership to participate in negotiations for a treaty. Those negotiations resulted in a treaty that partitioned Ireland into two entities: (1) A 26 county self-governing dominion, called the Irish Free State, which had nearly full independence from England, and (2) An entity consisting of 6 counties carved out of Ulster, formally named Northern Ireland, which remained a part of Great Britain, but which was given its separate parliament.[24] Today Ireland is a sovereign and independent state. It is a republic and while it claims de jure jurisdiction over the whole of the island, the government acknowledges de facto it’s jurisdiction does not extend to the six north-eastern counties of Ulster (Northern Ireland). [25]

C. MODERNIZATION OF IRELAND

In the year 1841, shortly before the Great Irish Famine, the land area that comprises the current Irish State had a population of about 6.5 million.[26] The next census in 1851, showed a decline in the population to 5.1 million for the same area, due to deaths from starvation and disease and large-scale emigration from the famine.[27] This pattern of emigration became a dominant feature of the population pattern. By the year 1961 the population of the Irish State stood at 2.8 million, which is the lowest census figure on record. [28] As a result of the recent economic success of Ireland there has been an increase in net migration and the population of Ireland is expected to reach 4.2 million by 2011.[29]

Until recently, Ireland has had an agricultural economy.[30] Farming exports still form a substantial portion of total exports, however, "there has been rapid industrial expansion over the last twenty years."[31] The fast rate of growth and industrialization in the last several years has been due to policies intended to make Ireland a profitable place for overseas investment. Roughly, 1,500 overseas firms do business profitably from Ireland, both throughout Europe and with the rest of the world. The Irish republic has had a secure economy that has enjoyed "high growth allied with low inflation."[32] The Irish governments economic policies are aimed at the creation of a secure economic state that encourages both business and labor. [33] As a result, Ireland's development rates in the past five years have steadily "been among the highest of the [Organization For Economic Co-Operation And Development] (OECD) countries."[34]

With the industrial expansion "[t]here have been significant changes in the occupational structure of the labor force in line with growth of the service sector and the increased level of education attainment in Ireland." [35] The result is that the number of jobs available, especially in the managerial and professional sector has grown significantly in the last several years. [36] Additionally, the population of Ireland is on the average younger than the rest of Europe.[37] At present, the Irish Republic has the youngest population in Europe with 40% of its people under the age of twenty-five. [38] The amount of people aged "fifteen years and under constitute a larger portion of the population in Ireland than either the European Union (EU) average or that in any other EU member state."[39]

Specifically, 23% of Ireland's population is in the 15 and under age group contrasted with an of average 17% in the EU. [40] Still, the current population is estimated at 3.79 Million, which is the highest population since the census of 1881, and "of the 42,300 immigrants who arrived in Ireland in the year 2000 over 43% were returning nationals."[41] In the past, "Ireland has had a surplus of workers but lacked a demand for their services."[42] For over 150 years the Irish had gone abroad in order to seek employment, now the Irish are coming home to a changed, modern Ireland. [43] The returning Irish are finding that while employment is now easy to find, other problems are arisen that comes with the industrialization of a country. [44] Still, many have commented on the causes of Irelands recent prosperity and most point to the Republic's membership in the European Union as the primarily cause for the current economic success.[45]

D. EUROPEAN UNION MEMBERSHIP

The Republic of Ireland is a member of the United Nations as well as the EU. Ireland joined the European Economic Community on January 1st 1973 with the United Kingdom and Denmark. For Ireland the "access to EU markets has facilitated the free movements of goods, labor, and capital between Ireland and other EU member states, resulting in a significant increase in Irish trade with the EU continental countries…."[46] Ireland's membership in the EU has made many important contributions to the development of the republic. Most important of the contributions has been the allocation of structural funds by the EU for the Irish economy. Ireland is the first EU member country to change "from a net beneficiary of federal funds to net benefactor, [today the people of Ireland enjoy a] GDP per head at 115% of the EU average."[47] At the start of 1990, the Irish Republic's "GDP per capita was 60% less than Italy's" which had basically been unchanged since the 1950's.[48]

1. *Ireland Target's Manufacturing To Increase Exports Within The EU And The Global Marketplace*

In the late nineteen eighties and at the start of the nineteen nineties, Ireland's local industry and manufacturing had virtually no domestic software or electronic industries, and as a result Ireland lost it's youngest and brightest generation who traveled abroad to find employment. Consequently, Irish governmental promotional organizations have targeted sections of manufacturing that can generate advanced high price goods "and services offering the best growth potential and the best prospects of generating long term sustainable employment in Ireland."[49] The sections that have been targeted for growth are, pharmaceuticals; e-commerce; electronics and software; internationally traded services sector, including financial services, call centers, and shared services centres; and medical devices.[50]

Ireland's goal of targeting the pharmaceutical market has paid off as nine out of the world's top ten ranked companies are now manufacturing in Ireland. Consequently, the Irish have turned into the 15th largest exporter of pharmaceuticals products, "which comprise approximately 25% of Ireland's total exports."[51]

Also, the Irish government has committed itself to e-commerce development and as a result children are introduced to information technology at an early age. [52] Investments have been made in the Irish schools to make sure that there are personal computers at every school and that the internet is available to all the children.[53] At the college level, there is a broad range of courses available in e-commerce.[54] Also, Ireland has taken an encouraging approach "to e-commerce legislation and is committed to a light, flexible, user and enterprise-friendly regime.[55] The government has also adopted a policy aimed at ensuring confidence in the legal validity of e-commerce transactions and electronic signatures."[56]

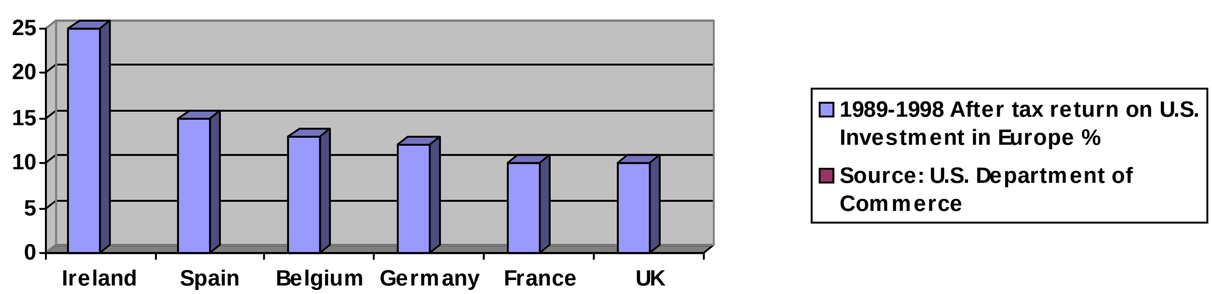
Still, the electronics field has also shown notable development with over 300 electronic companies being based on the island.[57] As a result, "Ireland is the number one exporter of software [in the world], with software exports totaling approximately €3.5 billion."[58] This had led to an increase in demand for highly skilled workers and thus resulted in younger Irish being able to obtain increased educational opportunities as the government has increased spending on technology at the primary and secondary level.[59] Additionally, the colleges are offering more courses to include software development so that the Irish workforce has the skills necessary to meet the current demand.[60]

Another area that the government has targeted for growth is the internationally traded services area, the growth in this area has mainly come "from telemarketing and teleservices, back office processing and a range of international financial services operating out of the International Financial Services Centre in Dublin and in the area covered by Shannon Free Airport Development Company Limited."[61] Specifically, Ireland's call centres have proved to be very profitable for investors as Ireland has many well educated people who are fluent in more than one language. American companies who are not multi-lingual and wish to do business with the EU have found a haven in English speaking Ireland. As a result, in the past five years Ireland has had over sixty companies set up their base in Ireland, resulting in Ireland's current position as the leader in the field of Pan-European call centres. [62]

There are several reasons for the island being selected as the primary location for companies wanting to do business with the EU. One of which is that Ireland has low communication tariffs. At the same time, the companies will enjoy low employment costs after setting up their base in Ireland. [63] Additionally, Ireland has invested several billion dollars in the last couple of years to upgrade its network resulting in Ireland possessing one of the most advanced networks in Europe. [64]

Still, the government has also targeted medical devices for accelerated development and over "eighty companies, including ten of the[world's] top fifteen medical device companies have located in Ireland. [65] This sector employs over 16,000 workers and accounts for over €2.5 billion in exports every year."[66]

Accordingly, Ireland as a member of the EU, offers to investors access to a market of over 375 million people. Additionally, Ireland has made great steps to assure that the island's economic "infrastructure, combined with competitive operating costs, low corporate taxes and financial incentives will make Ireland one of the most profitable locations in Europe for overseas investors," [67]

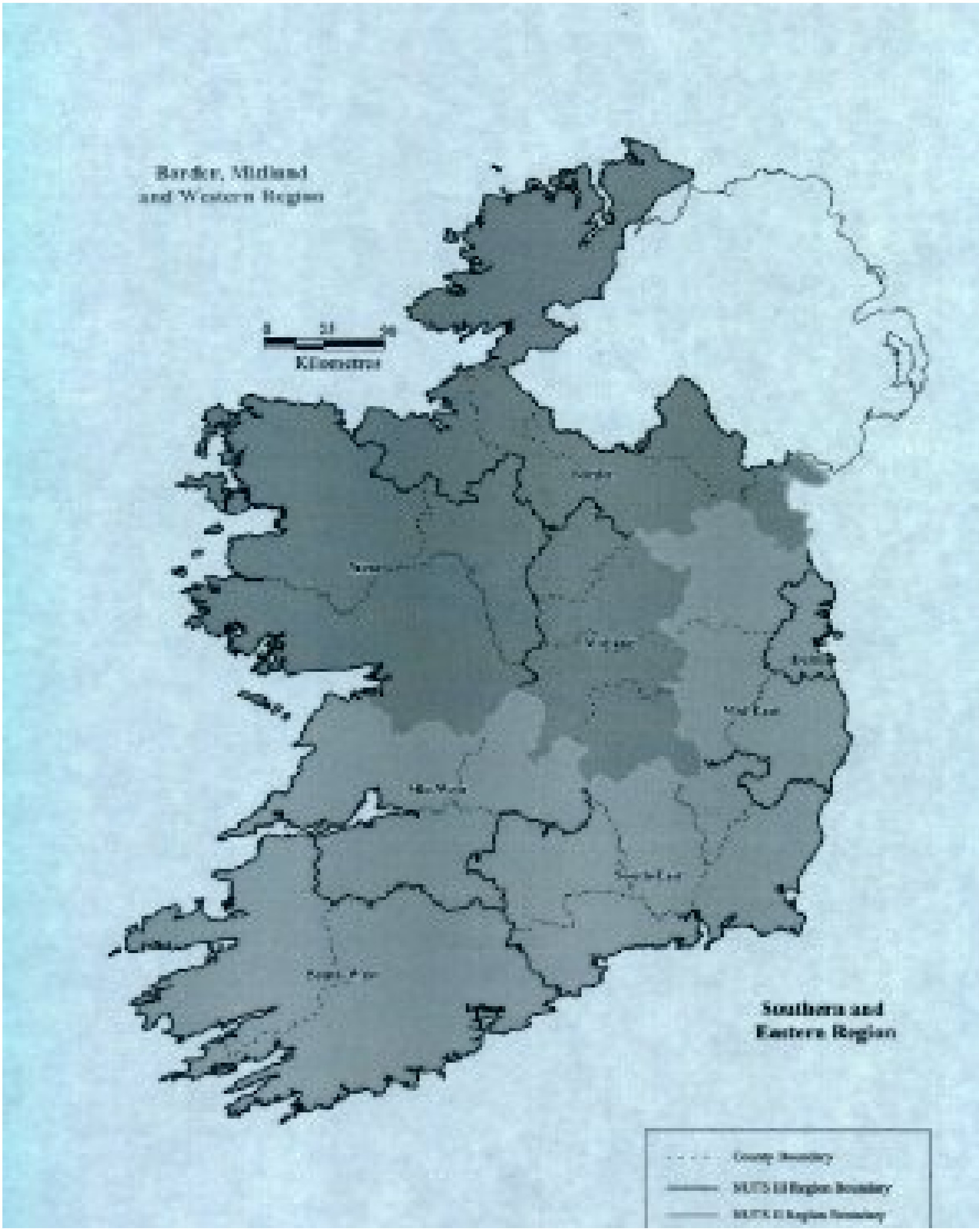


As a result, one need only look to data created by the US Department of Commerce, which shows that in the last 10 years American industrial businesses located in Ireland have averaged returns on investment of more or less 25%.[68]

2. European Structural Funds Contribute To Ireland's Success

Ireland has been in receipt of structural funds since the reform of the funds in 1988 under Objective One of the allocation of the structural funds. Ireland was targeted under objective one as a country whose development lagged behind the rest of the Union. "From 1989-1993 4.2 billion (European Currency Union) ECU of European Union funding co-financed a total expenditure of 9.2 billion ECU," in Ireland.[69] This figure amounts to 2% to 4% of Ireland's GDP for that period.[70] Irelands National Development Plan (NDP) affords the basis for the support of a Community Support Framework (CSF). [71] The result of CSF funding program was to prevent "the under-funding of infrastructure and higher education that may have occurred in an attempt to cut public spending. [72] Furthermore, it encouraged the government to improve the quality of public investment outlays by forcing them to plan long term projects." [73] The NDP allows for an outlay of public and private funds of almost £41 billion (1999 prices) for the period 2000-2006. Most of the investment will be provided by the Irish exchequer while EU Structural Funds will account for a little over £3billion.[74]

Thus, Ireland will obtain about £3.4 billion in structural and cohesion funds during the period 2000-2006. [75] For the period 2000-2006 period "Ireland will divided into two regions for receipt of structural funds, separating the Border, Midland and Western region from the East and South of the country."[76] This division is to reflect the need for further structural funding, but at the same time, recognizing the growth on the eastern seaboard notably in Dublin and the surrounding areas. Future allocation of funds are to go to specific areas within Ireland as on a whole the nation as experienced unprecedented growth, yet the growth is disproportionate as certain rural areas of the Island are still considered impoverished and lagging behind the rest of the union.



Source: Ireland, National Development Plan, 2000-2006

Consequently, Ireland has greatly benefited from the EU structural fund plan.[77] But unfortunately this success has led to a decrease in funding as the EU goal of increasing development in Ireland has been achieved and this has resulted in a reduction in funding from the previous period. [78] Also, the partition of Ireland into regions signals the economic growth in the previous decade, “a growth rate four times the European average since 1994.”[79]

With the allowance of structural funds allocated to Ireland, the Irish have had the ability to invest in education and local industry while at the same time “EU law permits Ireland to give more generous grant aid to corporations for area development than it permits other member countries because of Ireland's classification as a ‘periphery’ or ‘cohesion’ country.”[80] Additionally, most other EU countries may offer up to 20% of the total capital investment to a company interested in moving to the member state, while Ireland may offer up to 75%.[81] This ability has greatly encouraged foreign sponsors to consider Ireland as a practical setting for a manufacturing base.[82]

E. GRANT AID INCENTIVES FOR INVESTMENT IN IRELAND

The Irish government offers many benefits to a company wishing to locate in Ireland. An important part of the benefits package is the availability of numerous grants to offset start up costs. The four grants that a company can apply for are: Capital grants, Employment grants, Training grants, and Research and Development Capability grants. [83]

Capital grants, are cash grants that help new companies defray the costs of setting up an operation and are allocated to the cost of fixed assets.[84] The fixed assets that are eligible include, site purchase and development, buildings, and new plants and equipment.[85] Also, available are employment grants which are to help companies create employment but do not need to invest heavy in fixed assets.[86] These grants are particularly favorable as they are non-taxable. While training grants are available to defray the cost of large training initiatives.[87] For example, the cost of a trainee's wages, travel, and subsistence expense both within Ireland or abroad are eligible for the award of a grant. Still, Research and Development Capability grants are availability to organizations that wish to build a research and development facility within Ireland.[88] Each one of these grants are non-repayable and are allocated by the Investment and Devolvement Agency of Ireland.[89] The grants are determined through the process of negotiation with payments structured to meet the needs of the company being financed.[90]

F. TAX INCENTIVES FOR INVESTMENT IN IRELAND

Early in the 1950's, the Irish opened up its economy by placing a zero rate of taxation on conglomerates in the export industry. The zero rate of corporate taxation gave way to the need for the government to raise additional revenue, "but since 1976, Ireland's rate of taxation on corporate profits has generally decreased from a high of fifty percent." [91]

1. Corporate Tax On Manufacturing and Manufacturing Activities

Today, Ireland has a low rate corporate tax of 10% that has traditionally been applied to manufacturing and certain manufacturing activities. Also, specific international financing services, activities that are operated out of the International Financial Services Centre in Dublin and many business activities conducted in the Shannon Airport Zone also are taxed at 10%. Starting January 1st 2003 a new "12.5% corporate tax rate will apply to corporate trading profits, with a higher rate of 25% applying to income from certain activities (non-trading income, dealing in land, petroleum and mineral extraction."[92]

Ireland offers several other eye-catching tax rates. “Its capital gains tax is 20%; its value added tax (VAT) is 21%; its standard income tax is 46%. However, at 24%, it is the corporate income tax of Ireland and the 10% tax rate on companies' profits from the sale of goods manufactured in Ireland that have received the most attention.”[93] While a new corporate tax plan has recently been adopted, replacing this one, even with this change, “it is important to understand the tax environment that the original corporate tax rate created because this was the key to Ireland's present-day prosperity.”[94] What's more, conglomerates that were under the old tax policy in December 1999 are able to use that rate until 2010.[95]

Ireland’s 10% tax rate is presently codified in Section 448 of the Taxes Consolidation Act of 1997. The Act provides the 10% rate of corporation tax is to be allowed for manufacturing of certain products and “may be claimed for a company's income for the accounting period from the sale of goods ‘in the course of a trade which consists of or includes the manufacture of goods.’”[96] As a result, a selling company may be entitled to the low rate “but the selling company must sell goods manufactured within Ireland by another company that is either a parent company or a sibling company.” [97]

However, the term “manufacture" has never been defined by the legislature and as a result, the courts have been forced to render decisions that defined manufacture and the courts have chosen to give the term a broad interpretation.[98] The courts subsequently issued a method to assist industry in determining what processes were to be defined as “manufacturing.” [99] Whether or not a process is “manufacturing” for favorable tax treatment can be determined by looking at: (1) the production of a commodity, the company should attempt a modification that causes an alteration in the raw material; (2) this procedure must bring about a noticeable change to the physical characteristics of the product, and the completed product should charge a higher price; (3) the court will look at the location where the procedure transpired; (4) the alteration that brings about a change on the raw materials, must be the result of the procedure embarked on; and (5) the court will give consideration to the intent of the legislature.[100] These judicial guidelines are considered to be very broad and investors have been given preferential treatment when in court seeking tax relief when the term "manufacturing" has been in issue.[101]

2. *Ireland's Low Corporate Taxes Lead To Disputes Within The European Union*

Ireland's goal of low corporation tax rates was to decrease inflation and unemployment, and the statistical data shows that the goal has proven profitable for the people and corporations of Ireland.[102] The growth of the Irish Economy surged after the corporate tax reforms. Beginning in 1993, gross nationally product has averaged about 8% in growth annually and the unemployment rate has shifted from a high of 16% to a low 7.8%.[103]

As mentioned earlier, the corporate tax in Ireland is one of the lowest in the E.U. "The 10% rate on profits generated by the categories of corporations previously mentioned contrasts starkly when compared to a rate of 45% in Germany and 33.33% in France."[104] One would not then be surprised to find that the Germans and the French have been the most vocal advocators for tax reform within the Union. The French and Germans have objected that the corporate tax rates in Ireland "distort competition between EU member states, they have advocated the need to 'harmonize' tax rates, as theirs are among the highest in Europe."[105] While the Germans have been the most vocal and have " pointed out that their 11.46

billion ecu annual contribution constitutes 60% of the EU's budget, at the same time Ireland is a net beneficiary, receiving 2.8 billion ecu of aid annually." [106]

Still, Ireland's initiation of sound social policies several decades ago, are also a factor to be considered in determining what were the major contributors to the current socio-economic success.

II. IRELAND'S SOCIO-ECONOMIC POLICIES, WHICH SPARKED THE REVOLUTION

A. EARLY ATTEMPTS AT MODERNIZATION

Early in the 1960's succeeding Irish governments started to cultivate the manufacturing sector of Ireland through tax investment proposals with the goal of moving Ireland from an "agriculture based economy into an industrial based economy."[107] However, it was not until 1987, with the election Charles Haughey's Fianna Fail party, that the split "with the traditional socialist, big government, and high tax philosophy was finally achieved."[108] Before the Fianna Fail had taken power, "Ireland labored under 58% income tax, virulent industrial disputes, a national debt requiring a third of tax receipts to service, and 17.1% unemployment."[109] The party's solution to the isle's economic woes was to tighten the fiscal budget, slash taxes, interest rates, and increases foreign investment by the formation of the Industrial Development Body (IDA) that aggressively lobbied foreign companies to invest in Ireland. [110]

Due to IDA's efforts at promoting investment, the Irish have had the benefit of economic success throughout the closing years of the twentieth century.[111] Still, the roots of prosperity lie many years before as a consequence of the Irish State's commitment to high standards of education that produced a young skilled workforce. Additionally the government has had “a commitment to open markets … while [encouraging] co-operation between Government, Industry, and Trade Unions with regard to economic policy. [While] the return of skilled emigrants to Ireland [has also been a contributing factor].”[112] However, when looking at the various factors contributing to the recent industrial expansion, it is the industrial promotional agencies, who have worked hard at promoting Ireland through the many incentives offered to overseas investors, that is determinative in the analysis.[113]

B. FORMATION AND DEVELOPMENT OF THE IDA

The IDA, previously a member of the Department of Industry and Commerce, which became an independent agency after a restructuring in 1969, is an illustration of the government’s promise to domestic change. The mission of the IDA is to provide assistance to foreign industry locating their outfits in Ireland by locating “a center of operations, hiring employees, providing funding and government subsidies, and aiding them with compliance with government requirements.”[114] The Agency has been successful at attracting high-tech industry to Ireland. [115]

At the same time the IDA coordinates several programs in order to make Ireland more noticeable to foreign and domestic financiers. “One such incentive is ‘New Industry Grants.’”[116] The New Industry Grants “are available to domestic and foreign investors to supplement the costs of an ‘industrial undertaking.’”[117] Availability of the grants are to new industrial projects, additionally, expansions of existing firms involving “at least fifty jobs or a fixed asset investment of at least 800,000 pounds” also qualify.[118] At the same time the IDA has also established a subsidy program for investments of smaller economic worth using the "'Small Industry Programme.'"[119]

IDA provides "grant aid for new industry, including capital grants, employment grants, research and development grants and training grants. [120] IDA can use one type of grant or a combination of grants to offer a 'grants package' which will be calculated as an overall amount of grant [incentives] … based on the number of jobs to be created by the grant-aided project."[121]

The agency will look at the amount, quality and locality of jobs to be created to determine the grant amount awarded. [122] IDA is predominantly willing to support businesses that wish to locate outside of Dublin. [123] "For certain sectors it will not offer any grant assistance in the Dublin area and in all cases it will provide a higher level of grant aid to projects locating outside Dublin."[124]

In order to receive funds under the program one must meet the IDA's qualification requirements. The requirements are that the company must be "creating products for sale primarily in world markets, creating products of an advanced technological nature that will maintain employment, and yielding products for the areas of the Irish market that are involved in international competition."[125] Still, the IDA has listed "favored projects" as ones that need highly skilled workers, will ensure lasting stability, have a good chance of producing marketable by-products, "and a high level of technology specifically, international financial services, electronics, pharmaceuticals, and mechanical engineering."[126] The IDA's mandate for the use of these requirements indicates Ireland's increasing goal of pursuing international business investment in Ireland. [127]

Thus IDA has been a major contributor to the economic success of Ireland by promoting foreign investment and "when Intel decided to set up its European manufacturing plant in County Kildare in late 1989 a precedent had been set."[128] Ireland turned overnight into an industry leader and today "just under half of US investment in electronics into Europe has gone to Ireland."[129]

C. COOPERATION WITH NORTHERN IRELAND

Corporation with Northern Ireland has led to a significant reduction in many of the key indicators of social exclusion as the economies of both North Ireland and the South have changed dramatically in the last ten years.[130] The improved economic performance can be seen in improved labor market indicators.[131] For example, unemployment has dropped dramatically with both economies now recording unemployment rates below the EU average.[132] Although, the economic indicators for the two economies have shown improvement, "they mask sub-regional disparities within the two economies."[133] The counties adjacent to the border are some of the most disadvantaged areas of Ireland.[134] New programs to improve these regions have been initiated but the effect is yet to be seen in the local economy.[135]

Other areas targeted for mutual corporation include the communications and electronic commerce sector. This sector provides the basic infrastructure for the "new information, communication and digital industries. Increasingly, inter-action between businesses and between consumers and businesses are taking place on the Internet."[136] Thus, it is essential for the networking of key development and marketing agencies, to have cooperation between the North and South and further the devolvement of these industries.

At the same time, agriculture and rural development also are very important to the economies of both parts of the island, and play a crucial role in maintaining the capabilities of both rural communities of the North and South. Both governments "remain committed to helping the sector adapt to the changes brought about by the further reform of the Common Agricultural Policy and changes in market conditions. [137] Close co-operation already exists in a wide range of agriculture, fisheries, forestry and related activities."[138]

Still tourism has fallen in recent years and "given the real social and economic benefits of tourism, particularly in terms of employment creation, foreign earnings and regional development, there are clear benefits to be derived from enhanced North-South co-operation in attracting visitors to the island of Ireland."[139] Recently the Departments of Economic Development in Belfast and the Tourism, Sport and Recreation Department in Dublin have reached an agreement where the agencies have agreed, "all-island overseas co-operative marketing activities are essential to the continued success of the tourism industry in an increasingly competitive global marketplace."[140] The two governments seem very receptive to each other and have worked hard to reach common ground in further the development of both countries by promoting the policy of social cohesion between the North and South. "[Thus] the benefits of Ireland's rapid economic progress over the past few years are evident in the significant reduction in many of the key indicators of social exclusion."[141]

D. FORECAST FOR FUTURE DEVELOPMENT

The growth that the island has experienced has led to dire predictions of doom and recession for the island. Most of the cynics doubt the Irish can effectively manage the side effects of a booming economy such an increased inflation, and the possibility of a global recession which would have devastating effects on the Irish economy. Once the Irish minister of finance, Charlie McCreevy, released his 2001 budget, the European Commission stated its displeasure and asked McCreevy to take measures to adjust the budget so that inflationary precautions be implemented to slow down the fast growing Irish Economy. [142] "McCreevy politely refused [and] for the first time the Irish had stood up to the EU."[143] McCreevy made the argument that you don't grow at 10% without having some inflation and that the most recent inflation was due to the increase in oil prices and not due to a link between demand and prices. [144] With inflation predicated to in 2001 to be at 6.2% and growing in 2002 to 7.5% but there after falling to 4-4.5% annually it seems that the Irish might be right. [145]

1. General Strategy Of The National Development Plan

The new National Development Plan for the period of 2000-2006 seeks to build on the success of the previous decade and strengthen the foundations that were laid ensuring continued economic success for Ireland.[146] The new plan differs from the previous plans as the plan for 2000-2006 does not stress the use of the EU Structural and Cohesion Funds.[147] The specific objectives of the plan are:

- Continuing sustainable nationally economic and employment growth;
- Consolidating and improving Ireland's internal competitiveness;
- Fostering balanced Regional Development;
- Promoting social inclusion.

The key elements of the strategy to meet these objectives are:

- Continuation of the stability orientated macroeconomic policies of recent years;

- A major investment programme in Economic and Social Infrastructure;
- A commitment to a better regional distribution of public and private investment;
- The promotion of education and employment training polices attuned to the needs of the labor market and a special focus on those most at risk of unemployment;
- A multi-faceted approach to the promotion of Social Inclusion, including targeted interventions aimed at areas and groups affected by poverty and social exclusion throughout the community.[148]

2. *Ireland's Attempt To Stay Competitive In The Global Marketplace*

Still, dealing with a practical set of assumptions, it is probable that the Irish economy can carry on annual average growth rates of about 5% in the mid term. [149] Importantly, this view makes the assumption that present "infra-structural bottlenecks and labor market tensions are tackled."[150] If Ireland fails to tackle these issues it will ultimately undermine competitiveness of the Irish economy. [151] As a result, there will be below-potential growth and a lack of employment growth, which is necessary to equal the anticipated increase in labor supply. [152]

Thus, the Irish have established under their current National Development Plan that annual GNP growth will average about 5%.[153] This makes the assumption that favorable mid-term economic outlook will continue as long as the continuation of a sensible budgetary policy and the maintenance of low and constant inflation can be achieved. [154] At the same time the NDP also makes the assumption that there will be an optimistic continuation for the growth of the world economy.[155]

While societal unity has played a major role in Ireland's economic accomplishments so far, "the social partnership process [and] the fruits of economic growth have been distributed through higher profits and wages, tax reform, higher public investment in physical and human capital, and in the development of comprehensive strategies for the reintegration of the socially excluded, in particular the long-term unemployed, into the wider economy."[156] Thus, approaching partnership negotiations will play a major part in shaping the Republic's ability to continue its existing economic performance. [157]

Still the investment in education and training that the Irish have made for the past 30 years is now paying off. Previously there had been a "heavy drain of educated Irish workers to the US, Britain and elsewhere in Europe during the 1980's and early 1990's," however, today the Irish are returning home and this "reservoir of skilled English speaking labor has been a key asset in attracting high-technology investment to Ireland."[158] At the same time the changeover in the Irish labor market from comparatively poorly educated to well educated is also a playing a part in the increasing the productivity of the labor force. It is likely that this process will continue well into the new millennium. [159] Also, the government is aware that with the boom certain growing pains are a nasty side effect of the growth of the Irish Republic and they have taken steps to curtail potential pitfalls in the recent prosperity.

3. Ireland Addresses Present And Future Weaknesses

Also, Ireland has several weaknesses, which need to be dealt with, and challenges, which it needs to be, get through, if the island is to sustain economic and social progress. [160] The most important are: infra-structural deficits, particularly in transport and environmental services; congestion in major urban areas and on main road arteries; a growth imbalance between and within regions; housing shortages principally in urban areas; human resource skills and training needs; an underdeveloped indigenous industrial sector concentrations of deprivation and lack of opportunities in certain areas, both urban and rural.[161]

The infra-structural deficits are a result of Ireland's income per capita converging quickly towards the EU average, and the recent disposition of the convergence signals that the accumulated wealth of Ireland, in the nature "of physical infrastructure and accumulated human capital, is considerably lower than that for countries at or above the EU average income levels."[162] The intensity of the pressure differs but it is particularly a characteristic of the more densely settled urban areas. Ireland has addressed this issue by giving larger grants to companies who are willing to locate in the underdeveloped regions.[163] The new companies will bring an increased chance of opportunity into the rural farming areas. Additionally, the Irish have allocated funds for the development of the Western region to reduce the growth imbalance and increase the likelihood for prosperity in the regions that have not experienced Ireland's recent economic success.[164]

At the same time, roads are the leading form of internal transportation in Ireland accounting for 90% of freight traffic and 96% of passenger traffic.[165] Despite recent attempts at improvement the road network is still not sufficient to Ireland's needs and EU standards. The swift economic growth in the past recent years has put a strain on the inadequate road infrastructure with serious congestion an everyday reality.[166]

Still, the cities and larger urban areas are the primary areas of growth in modern economies.[167] One likely remedy is for them to have efficient public transport systems. [168] Unfortunately in Ireland and especially in Dublin, and the surrounding areas, the public transportation is inadequate. Ireland's underdeveloped public transport system, which has an "over-reliance on private cars, is also contributing to increased pollution, which is an issue of concern."[169]

Ireland has had a recent shortage of affordable housing. "The shortage of housing has the potential to slow down economic growth through its effect on wage demands and labor supply."[170] This situation is especially difficult in the major urban areas. [171] The scarcity of housing is partly the result of a shortage of serviced building land and it is suggested that it can be dealt with by increasing investment in water and sewage services and a better public transport system.[172]

Still, the expansion in the Irish economy is predominantly reliant on high technology industries. [173] The availability of skilled labor, has been a played a key role in the government's capacity to attract high technology industries to locate and expand their operations in Ireland. [174] Unfortunately, the pool of skilled labor is now significantly diminished and shortages are starting to emerge in several fields. "A skills deficit is indirectly manifested in the high proportion of the population of working age which have a relatively low level of educational attainment." [175] The OECD has estimated "that 50% of the Irish population aged 25-64 years have less than upper secondary education compared to 19% in Germany and 26% in Sweden."[176] As a result Ireland is attempting to curb the shortages and increase the pool of skilled labor by attempting to attract Irish nationals who had previously traveled abroad to return to Ireland.

CONCLUSION

The Irish economy today is altogether different from the one that existed fifteen years ago. The growth of the Irish economy will eventually slow down as is inevitable in all economic cycles. At the same time the global economy will continue to affect the Irish Republic. As the breakup of the eastern block has led to significant alterations of the borders of Europe, the EU will continue to grow and its marketplace will continue to provide a vast market for the Irish. Ireland will continue to have an open economy with a strategic dependence on international cooperation. The Irish industrial revolution that started in the mid-1950s will eventually slow down and reach equilibrium. However, the change from rural backwater Europe to high tech innovator and world leader in industrial development has already taken place.

Ireland's present-day economic situation is the result of the republic's participation in the EU and the structural and community funds it received under objective one of the allocation of EU structural funds. The structural funds made it possible for Ireland to invest in domestic programs that were necessary for growth while at the same time allowing the Irish to offer tax incentives to business looking to locate in Ireland. Also, Ireland's EU membership allowed the Irish to establish themselves as trading partners with all of Europe, providing it a secure market. Still, by concentrating and investing in education and training, the Irish created a skilled workforce that was able to fill the many new jobs that have been created from the new investors.

Furthermore, the Irish enticed its foreign investors with government programs and tax plans, which made Ireland an attractive center of operations, especially for technologically advanced industries. The Irish have come a long way from high unemployment and stagnation to one of economic success. This is due in part to the corporate tax rate that Ireland has offered domestic and foreign investors particularity those within designated growth zones. This growth has led to some criticism from the continental powers, but the Irish, always stubborn and proud, have rebuffed the need for tax harmonization within the EU.

Currently, Ireland is ranked as the 7th most competitive economy in the world ahead of the UK and Japan. For one to comment on the luck of the Irish as being temporally is foolish. Although Ireland is involved in a tricky balancing act and the Irish economy needs international investment to retain prosperity, still, with the local economy growing and the education of the workforce already having taken place, the Irish have taken the necessary steps that would discourage the effects of a global recession.

As for Ireland housing, traffic problems, and environmental concerns what major city is not affected by housing shortages, commuting problems, and environmental concerns of some type. Every modern industrialized nation has had to deal with these issues and even they may curb future growth, Ireland will never be the Ireland of yesterday again.

ENDNOTES

[1] As the Irish economy is ever more dependant on the global market, the Irish have recognized that Ireland's current economic success is a result of its status as an import/export nation. Consequently, since Ireland has few natural resources, the Irish economy would be greatly affected if there were a downturn in the global economic cycle. Thus, there is a need for Ireland to maintain an active involvement in the European Union as well as other international bodies such as the UN. *Govt of Ireland—Dept of Foreign Affairs—Foreign Policy* (visited July 3, 2001) <http//:www.gov.ie/iveagh/policy/generalissues.htm>.
[2] *Id.*
[3] *Id*.
[4] *Id*.
[5] *See Price Waterhouse Coopers, June 2000 edition of Doing Business and Investing in Ireland* (visited July 10, 2001) <http://www.ida.ie/docs/ncpub.html>.
[6] Ireland's trade surplus for 1999 was €22.41 billion based on exports of €66.05 billion and imports of €43.64 billion. The island's primary export and import markets are:

	Exports	**Imports**
United Kingdom	22%	33%
Other EU countries	43%	22%
United States	15%	17%
Others	20%	28%

Price Waterhouse Coopers, *June 2000 edition of Doing Business and Investing in Ireland* page 3 (visited July 10, 2001) <http://www.ida.ie/docs/ncpub.html>.
[7] *Id*
[8] *Id*.
[9] *Id*.
[10] *Id.*
[11] *Id.*
[12] See "Ireland." *Encyclopedia Britannica*. 1998 ed.
[13] *Id.*
[14] *Id.*
[15] *Id.*
[16] *Id.*
[17] *Id.*
[18] *Ireland –Dept of Foreign Affairs – Information*, 15-17(visited November 10, 2001) <http://www.gov.ie.iveagh/information/facts/factsaboutireland/landandpeople.htm>.
[19] *Id.*
[20] *Id.*
[21] *Id.*
[22] *Id.*
[23] *Id.*
[24] See "Ireland." *Encyclopedia Britannica*. 1998 ed.
[25] *Id.*
[26] *Ireland –Dept of Foreign Affairs – Information,* 4-5 (visited November 10, 2001) <http://www.gov.ie.iveagh/information/facts/factsaboutireland/landandpeople.htm>.
[27] *Id.*
[28] *Id.*
[29] *Id.*
[30] *Arthur Anderson, Doing Business in Ireland, Ireland Country Profile,* 2 (visited July 3, 2001) <http://www.arthuranderson.com/Website.nsf/content/EuropeIrelandResources?OpenDocument>.
[31] *Id.*
[32] Price Waterhouse Coopers, *supra* note 6.
[33] *Id.*
[34] *Id.*
[35] *Ireland Vital Statistics* (visited July 3, 2001) <http://www.ida.ie>.
[36] *Id.*
[37] *Id.*

[38] *Id.*
[39] *Id*.
[40] *Id.*
[41] *Id.*
[42] Meredith J. Coleman, *The Republic of Ireland’s Economic Boom: Can the Emerald Isle Sustain Its Exponential Growth*, 21 U. PA. J. INT’L ECON. L. 833, 842 (2000).
[43] *Id.*
[44] *Id.*
[45] *Id.* at 839.
[46] Anderson, *supra* note 30 at 1.
[47] *Ireland Business Report 2001: Tiger Burning Bright*, EuroBusiness, June 2001 at 133.
[48] *Id. See also* “Italy.” *Encyclopedia Americana*. 1995 ed. (In 1992 the gross domestic product of Italy was estimated at 1.2 trillion which is at or about $15,150 per capita).
[49] Price Waterhouse Coopers, *supra* note 6.
[50] *Id.*
[51] *Id.*
[52] *Id.*
[53] *Id.*
[54] *Id.*
[55] *Id.*
[56] *Id.*
[57] *Id.*
[58] *Id.*
[59] *Id.*
[60] *Id.*
[61] *Id.*
[62] *Id.*
[63] *Id.*
[64] *Id.*
[65] *Id.*
[66] *Id.*
[67] *Id.*
[68] *Id.*
[69]*Reform of the Structural Funds*, (visited June 28, 2001) <http://www. Csfinfo.com>.
[70] Coleman, *supra*, note 42 at 840.
[71] *Id.*
[72] *Id.*
[73] *Id*.
[74] Reform of the Structural Funds, *supra* note 69.
[75] *Id.*
[76] *Ireland: Information and the Irish State*, visited (July 10, 2001) <http://www.irlgov.ie/aboutireland/eng/economy.asp>.
[77] *Id.*
[78] *Id.*
[79] *Id.*
[80] Coleman, *supra*, note 42 at 840.
[81] *Id.*
[82] *Id.*
[83] *Industrial Development Agency Ireland*, *Achieve European Competitive Advantage Guide To Tax And Financial Incentives In Ireland* 4 (2001).
[84] *Id.*
[85] *Id.*
[86] *Id.*
[87] *Id.*
[88] *Id.*
[89] *Id.*
[90] *Id.*

[91] Julia R. Blue, *The Celtic Tiger Roars Defiantly: Corporation Tax in Ireland and Competition with the European Union,* 10 DUKE J. COMP. & INT'L L. 443, 455 (2000).
[92] Anderson, *supra* note 30.
[93] Coleman, *supra*, note 42 at 846.
[94] *Id.*
[95] *Id.*
[96] *Id*. at 847.
[97] *Id.*
[98] *Id.*
[99] *Id.*
[100] *Id.*
[101] *Id* at 848.
[102] Blue, *supra* note 91 at 457.
[103] *Id.*
[104] *Id.*
[105] *Id.*
[106] *Id.*
[107] Jessica J. Poyner, *Investing in Ireland: The Enticement Of The U.S. High-Tech Industry To The Emerald Isle,* 10 TRANSAT'L LAW. 195, 197 (1997).
[108] See *Ireland Business Report 2001: Tiger Burning Bright*, EuroBusiness, June 2001 at 134.
[109] *Id*.
[110] *Id.*
[111] *Ireland: Information on the Irish State* (visited July 10, 2001) <http://www.irlgov.ie/aboutireland/eng/economy.asp>.
[112] *Id.*
[113] *Id.*
[114] Coleman, *supra,* note 42 at 843
[115] *Id.*
[116] *Id.*
[117] *Id*. at 844.
[118] *Id*.
[119] *Id.*
[120] *Id.*
[121] Price Waterhouse Coopers, *supra* note 6.
[122] *Id.*
[123] *Id.*
[124] *Id*.
[125] *Id.*
[126] Coleman, *supra,* note 42 at 845.
[127] *Id.*
[128] *Ireland Business Report 2001: Tiger Burning Bright*, EuroBusiness, June 2001 at 134.
[129] *Id*.
[130] *Id.*
[131] *Id.*
[132] *Id.*
[133] *Id.*
[134] *Id.*
[135] *Id.*
[136] *Id.*
[137] *Id.*
[138] *Id.*
[139] *Id.*
[140] *Id.*
[141] *Id.*
[142] *Id.*
[143] *Id.* at 135.
[144] *Id.*

[145] *Id.*
[146] *Ireland, National Development Plan, 2000-2006,* 7 (visited July 10, 2001) <http://www.ida.ie/docs/ncpub.html>.
[147] *Id.* at 8
[148] *Id.*
[149] *Id.* at 30.
[150] *Id.*
[151] *Id.*
[152] *Id.*
[153] *Id.*
[154] *Id.*
[155] *Id.*
[156] *Id.*
[157] *Id.*
[158] *Id.* at 34.
[159] *Id.*
[160] *Id.* at 35.
[161] *Id.*
[162] *Id.*
[163] *Id.* at 36.
[164] *Id.* at 39-42
[165] *Id.* at 35.
[166] *Id.*
[167] *Id.*
[168] *Id.*
[169] *Id.*
[170] *Id.* at 36
[171] *Id.*
[172] *Id.*
[173] *Id.*
[174] *Id.*
[175] *Id.*
[176] *Id.*