Attracting foreign direct investment has been a major part of Ireland’s industrial policy since the late 1950s, and today foreign firms account for half of Ireland’s industrial output and three-quarters of its manufactured exports. There are no general restrictions on FDI, no limits on the percentage of foreign ownership permitted, and no requirements that shares in Irish companies must be held by Irish citizens. Most manufacturing investments are taxed at a 10 per cent corporate tax rate in Ireland, as are a wide range of non-manufacturing activities. Cash grants may be given for project start-ups and expansions, and for training, research and development costs, and feasibility studies, and almost all foreign firms in Ireland have received grant assistance. Non-EC firms, however, may face restrictions in banking, financial services, insurance and air transport, which seems anomalous given Ireland’s long-standing policy of promoting inward investment from all countries.

Ireland’s grants to foreign enterprises have come under greater scrutiny recently, in part because foreign firms have not been able to blunt the rising unemployment rate that is well above the OECD and European average, and also because Irish enterprises have not developed as quickly as foreign firms. In response to these problems, the government has reorganised the agencies responsible for industrial development, and is helping Irish-owned firms develop closer links with the foreign companies. The government is also considering helping firms in "industrial clusters," where the authorities are collaborating with the private sector to identify promising niches where Ireland seems to enjoy a comparative advantage.

The Ireland study is the fourth in a new series of examinations of OECD countries’ foreign direct investment policies. The examinations scrutinise OECD members’ FDI policies on a country-by-country basis, analysing the country’s laws, regulations, and policies, as well as corporate rules and other practices that affect foreign investment. Foreign direct investment’s role in the economy is examined by identifying its contribution to employment, output and domestic capital formation, and also by analysing FDI outflows and inflows and its geographic
and sectoral characteristics. The FDI examinations are carried out by an OECD working group made up of financial and investment policy officials from Member countries.

FDI studies already published are Portugal (1994), New Zealand (1993) and Sweden (1993). Greece and Italy will be available shortly, and the United States, Denmark and Norway will be published later this year.

Journalists may obtain a copy of the reports from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89 - fax 45 24 80 03)). Inquiries should be made to Mr. Cory Highland (45 24 89 78) or Ms. Marie-France Houde (45 24 91 26).

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"OECD Reviews on Foreign Direct Investment: Ireland"
74 pages, OECD, Paris 1994
France only: FF90  All other countries: FF115; US$20; DM37
ISBN 92-64-14149-9 (21 93 54 1)
Available from the OECD Publications Distributors - see attached list.