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### Ireland

on 31 July 1999, 22:00  
by Niall McKay



Ireland is booming. In the last 20 years the country has attracted roughly 500 multinational companies to its shores. Now, encouraged by a new entrepreneurial spirit and financed by an aggressive new breed of venture capitalist, Ireland is ready for phase two of its growth: creating a homegrown high-tech industry. It's an ambitious goal, but so far Ireland has been successful. For the first time in its history, more people are immigrating to Ireland than leaving. Its economy has enjoyed an annual growth rate of 8.9 percent for the last five years, and unemployment is at an all-time low of 6.7 percent. Its per-capita exports, at a record high of \$17,000, are the third highest among non-oil-producing economies worldwide, according to Ireland's Central Statistics Office. There are now more than 1,000 Irish-owned high-tech firms, and that number is growing at a rate of 2 per week, according to Marina Donohue, vice president of Enterprise Ireland, the Irish trade council. And where there are tech startups, VCs are not far behind. In the last three years, 12 Irish, British, and U.S. venture firms have set up shop in Ireland. "It's easier to raise the first or second round of financing in Dublin than in Silicon Valley," says Paul Costigan, CEO of **Massana**, a startup that develops technology for digital signal processors.

Ireland's current high-tech boom started in the '80s, when the country's highly educated workforce, low wages, and favorable tax rates attracted American multinationals. **Microsoft** (Nasdaq: **MSFT**), **Intel** (Nasdaq: **INTC**), **Oracle** (Nasdaq: **ORCL**), and **Sun Microsystems** (Nasdaq: **SUNW**) were some of the first U.S. companies to set up manufacturing plants there, with technical support centers and R&D operations soon following. Many of Ireland's current high-tech entrepreneurs got their start at companies that provided services to the multinationals, and they have adopted business practices common in U.S. technology companies, including flat management structures and employee stock options.

Ireland's high-tech companies also are targeting U.S. markets, often setting up sales, marketing, and financial operations near the action in Silicon Valley or Boston. Why? With a population of just 3.5 million, Ireland has no choice but to sell internationally. More than 80 Irish high-tech companies now have U.S. offices, and Ireland's 1998 exports to the United States, at \$6.1 billion, were more than 50 percent higher than the previous year's. **LORDS OF THE FINANCE** Like their U.S. counterparts, Irish startups have their sights set on going public. **Telecom Eireann**, a state-owned communications service provider, planned to float an initial public offering on the Dublin, London, and New York exchanges in July. **Trintech**, a developer of electronic-payment software, will attempt an IPO on the Nasdaq exchange. And within the next 12 months, the chip developer **Integrated Silicon Systems** and the Dublin-based encryption software company **Baltimore Technologies** (already traded on the London Stock Exchange) will go public on the Nasdaq.

"The only viable option for us is to look to the Nasdaq for fame and fortune and to the London or Dublin exchange for stability," says Paddy Holahan, Baltimore's vice president of marketing. About 20 companies plan to follow suit if the IPOs of Baltimore and the rest go well.

These companies are understandably a bit nervous about the Nasdaq. Last year Wall Street trashed the two darlings of the Irish software industry, **Iona Technologies** (Nasdaq: **IONA**) and **CBT Systems** (Nasdaq: **CBTSY**), for failing to meet earnings expectations. "If Iona demonstrates anything, it's that Irish companies lack experience on the Nasdaq," says Paul Kane, founder of Agincourt, a U.S.-owned venture capital firm in Dublin. What Ireland's high-tech industry needs, according to Mr. Kane, are managers with big-company and Nasdaq experience -- and the skills to cope with fast growth.

**LOWERING THE BOOM** The infrastructure of Ireland is suffering the effects of this rapid economic growth. Although wages in the high-tech industry have soared, property costs have also doubled in the last five years. Roads are now at maximum capacity, telecommunications services are straining to meet current broadband needs, and there's a shortage of engineers.

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The Irish government has responded quickly, relaxing immigration laws, plowing around \$2 billion into much-needed housing, and investing more than a third of its annual budget in education. "There are advantages to being such a small country," says Mary O'Rourke, Ireland's minister for public enterprise. "Once we decide that something is good for the economy, we can move very swiftly to turn the decision into legislation."

All in all, such problems seem far removed from those of the '80s, when unemployment was the norm and Ireland's biggest export -- apart from Guinness -- was its people.

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