

**“A ‘Celtic Spring’:  
Building a Sustainable Economic Future for Ireland in  
Europe”**

**Address by the Tánaiste (Deputy Prime Minister) and Minister for Enterprise,  
Trade and Employment, Ms. Mary Coughlan, T.D.  
Commerzbank, Berlin, Germany**

**Monday, 15 March 2010**

**Check against delivery**

Ladies and gentlemen, *meine Damen und Herren*, it is a pleasure for me to be here in heart of Berlin this morning at such a prestigious location overlooking the Brandenburg Gate. I want to thank the Commerzbank for the invitation and for presenting me with the opportunity to deliver this address.

Commerzbank has had a presence in Ireland for more than twenty years now. It was one of the first major European banks to commit to joining Dublin’s International Financial Services Centre in 1989. This was a significant show of confidence in Ireland’s potential as we took the first steps in growing our, now vibrant, financial services industry. I am therefore particularly glad to have this opportunity to visit the home of Commerzbank in Berlin and, over twenty years later, acknowledge that contribution. I also want to acknowledge Commerzbank’s continued commitment to Dublin and to Ireland, and, in that regard; I look forward to meeting with Chief Executive, Martin Blessing, later today. I also want to thank Herr Herkenhoff for his kind words of welcome this morning and to thank Frau Ilka Hartmann, who I know has worked closely with our Embassy here to make today’s event possible.

**Berlin and Unity**

At this vantage point over the city, one can appreciate the eighteenth century writer Jean Paul saying of Berlin that it “*is rather a part of the world than a city*”. The city is truly a melting pot of different cultures and peoples, and a point of convergence for old and new – rich in history and replete in modern constructs.

The Brandenburg Gate is, however, far more than an imposing piece of architecture. In the minds of people across this continent and across the globe, it is a truly iconic construct. It was once a symbol of Europe’s tribulations and of division. Today it is an icon of freedom and symbolises unity. As a young member of the Irish Parliament at the time, I remember well the dramatic events of two decades ago. It was here in Berlin that the shackles of the Cold War were thrown off and, against the backdrop of the Brandenburg Gate, a new era was born – not just for a united Germany, but for European unity.

There were many other peoples and important moments in that struggle for freedom across our then divided continent, but the symbolism of that which occurred on a

November night in Berlin remains unique. These are sentiments that I am certain that you have heard expressed in this room on many occasions, but as a visitor to your city representing the Irish people – your fellow Europeans – I cannot but emphasise the important place that Berlin holds in all our minds.

The story of Berlin and the story of Germany are central to our understanding of the importance of the European project – that great coming together of peoples from across a continent to increase understanding, to overcome division and to combine respective talents and energies within a cooperative European framework. There is an Irish language proverb, '*ní neart go cur le céile*', which translates as 'there is no strength without unity'. It is a proverb that I believe the German people can appreciate, but it is also one that could serve well as a motto for today's European Union.

### **Ireland and Germany**

Understanding of cultures and exchange of peoples is pivotal to building this strength of purpose and unity across Europe. In Ireland, we have a long established tradition of our people travelling to foreign lands. In Munich yesterday, I had the pleasure of attending the annual Saint Patrick's Day parade. Our national festival celebrates the coming of Christianity to Ireland in the fifth century. The fact that Saint Patrick's Day parades are now held all over the world speaks of a history of emigration, much of it out of necessity, in years gone by and is a reflection of the many communities of Irish birth and descent across the globe.

In fact, within a few hundred years of Saint Patrick's arrival in Ireland, Irish monks are recorded as being active in Germany, bringing with them a tradition of Christian learning that had taken root in Ireland during the preceding centuries – Saint Killian of Würzburg probably among the best known. Another, more recent, example of an interesting connection between Ireland and Germany, and this time Berlin, is that of Humboldt University's Professor of Celtic Philology in the early 19<sup>th</sup> century, Kuno Meyer, who carried out his pioneering academic work here in the native Irish language.

Today, of course, these earlier connections between our two countries have grown much stronger and deeper. We now have numerous German-Irish associations, such as the Irish Business Network, the German-Irish Chamber of Industry and Commerce and the German-Irish Lawyers and Business Association. We estimate some 11,000 Irish people are now living permanently in Germany. Germany is now Ireland's fourth largest merchandise and services trading partner. The presence of some 230 German companies in Ireland provides employment for 15,000 people. And investment is now a two-way street, with approximately 60 Irish firms investing here in Germany and employing an estimated 14,000 people. In addition, we have strong and growing educational, tourism and cultural links.

As fellow members of the Eurozone, there is ample scope for Irish and German companies to expand their businesses in our respective countries. I very much hope that this trend of healthy, two-way flows of trade and investment, people and culture, will continue in the years ahead as the partnership between Germany and Ireland expands and matures.

## **The European Union**

This flourishing of the German-Irish relationship is, of course, no accident. It is very much the consequence of Ireland's joining of the then European Economic Community in 1973, a momentous step in our independent history, just as it was for each individual Member State. It created for Ireland a new set of relationships with all of our European neighbours, including Germany.

James Joyce, one of Ireland's most famous literary giants, once wrote that, "*If Ireland is to become a new Ireland, she must first become European*". What foresight Joyce had. European Union membership has helped to transform Ireland's national circumstances, especially during the past fifteen years of rapid economic expansion.

From the very start of our journey as an EU Member State, Ireland has sought to play a positive and constructive role in European affairs. This year, we look back with pride on the twentieth anniversary of our 1990 EU Presidency, when Ireland made an important contribution by helping to secure full European backing for German reunification.

In the immediate aftermath of the fall of the Berlin Wall, you will recall that there was much uncertainty about the future. There were those in Europe who worried that a rapid onset of German unity might obstruct the path towards greater unity at European level. In a recent book, the former German Permanent Representative to the European Union, Dieter von Kyaw, has written that, in December 1989, the then Irish Prime Minister, Charles Haughey, was one of only two European leaders who was supportive of German unity.

There was in Ireland, I believe, an instinctive understanding of the importance of national unity. This was based on our own national experience which gave us an innate sympathy for German aspirations. The historic changes that occurred in Germany in 1990 provided an incentive for renewed efforts to overcome age-old divisions in Northern Ireland. Ireland's peace process was born in the early 1990s in the aftermath of German unity and has, with consistent support from Germany and our other European partners, delivered peace and genuine political advancement in Northern Ireland during the intervening years.

More recently, the ratification of the Lisbon Treaty should be seen as a decisive reaffirmation on the part of the Irish people of their commitment to making common cause with our European neighbours in building a Union that will serve future generations of Europeans by securing for them the advantages of peace and prosperity that recent generations have come to enjoy. We know that we are better placed to face up to regional and global challenges, by using the collective weight of the 27 Member States to achieve positive outcomes, for example in relation to climate change and the security of Europe's energy supplies.

Germany has been both supportive and respectful of Ireland throughout our membership of the Union. In today's complex, challenging global environment, it is clear that we share the deep conviction that it is only by working together with mutual respect within a European framework that we can meet the demands of the twenty-first century, and underpin the security and prosperity of our peoples.

Germany's own example has helped us to understand the value of European integration and to appreciate the Union's unique character in which countries with diverse experience and traditions work closely together in pursuit of shared goals. As the Union's largest Member State, the vital role that Germany plays has been undertaken with considerable distinction.

As a Member State with a much smaller population, Ireland has appreciated Germany's consistent openness to taking on board the concerns of the Union's diverse membership. Diversity is part of the Union's strength. Germany, like Ireland, understands this perspective. As a result, over the years, our two nations have shown a formidable capacity to find common ground on a wide range of issues. We know that by standing together as Europeans, we have been able to achieve goals that would have seemed utopian before the Union's creation. We know that, as a result of our efforts, we can draw some satisfaction from the fact that today's Europe is peaceful, united and, current difficulties notwithstanding, prosperous. This has been achieved through hard work and continued dialogue. We must ensure that we never allow ourselves take these accomplishments for granted.

### **Irish Economic Growth**

In the early years of our membership of the Union during in the 1970s, Ireland faced an uncertain economic future. In contrast to our continental neighbours, we had low growth rates and relatively low incomes. Irish income per head in the late 1970s was just 64% of the Union average, while our annual growth rates remained stubbornly low.

The economic success Ireland has enjoyed in recent decades came about as a direct result of the opportunities available to us within the European Union, coupled with the implementation of major policy changes by the Irish Government. It is no coincidence that Ireland's rapid economic advancement can be dated from the emergence of the Single European Market in 1993, for the single market proved to be an ideal environment for the open, trade-oriented, business-friendly country that Ireland had become.

The events of the last eighteen months have deeply shaken the world economy. While no country has escaped its effects, as a small, open economy, Ireland has been affected more than most, as we are particularly dependent on global developments. This is because our total trade amounts to 150% of our GDP, which makes us one of the most globally-integrated economies in the world. As a consequence, the unprecedented international financial crisis, combined with a dramatic correction in our domestic property market, has confronted Ireland with considerable challenges.

Ireland's economic growth rate in the 1990s averaged 4.5% but surged to 9.5% during the 'Celtic Tiger' period of the second half of that decade. Much of this growth was export-led and by 2000 economic output was double that of 1990. It was a significant achievement that resulted in a rise in incomes from that 64% of the Union average in the 1970s to above average levels. While growth fell to an average of approximately 5.5% from 2000 to 2007, Ireland's current domestic property market challenges started to take root, as growth became increasingly driven by domestic consumption, particularly in the new house building sector. This was further compounded by low interest rates in the euro area, which spurred on house building and house prices. The

combined impact of this is that, in addition to addressing the challenges of the global downturn, in Ireland we have also had to meet significant challenges in addressing a domestic property ‘bubble’ that has also impacted on the lending capacity of our domestic banking sector.

### **Difficult Decisions**

Since the start of the global economic and financial crisis therefore, my Government has had to take a series of hard decisions. We have done so because we believe these decisions are necessary if we are to deal effectively with the challenges facing Ireland and put our economy back onto a track of sustainable growth. Before going on to talk about the renewal of our economy – the ‘Celtic Spring’ in the title of this talk – I would like to outline for you some of the steps we have undertaken since the onset of the crisis.

### **Public Finances**

First, we have made very determined efforts to stabilise our public finances. These have been affected by the rapid decline of our construction sector which had in recent years been generating very significant taxation revenues. Last year, we established a firm framework to reduce our General Government Deficit to less than 3% of GDP by 2014.

Between July 2008 and April 2009, we implemented extensive expenditure reductions and raised significant additional revenue. In all, these adjustments amounted to €8 billion, or approximately 5% of our Gross Domestic Product. This involved broadening the tax base, reducing the public sector pay bill by means of a significant pension levy and strictly containing expenditure across all areas of Government.

In December 2009 we introduced a budget for this fiscal year that is acknowledged as being the most demanding in the history of our independent State. It contained a further €4 billion in expenditure adjustments, including further reductions in the pay of public sector workers of between 5% and 15%. The budget also provided for 4% reductions in most social welfare payments and a 10% reduction in children’s payments. As a politician, I can assure you that these were neither easy nor popular decisions to take. They were however necessary actions to stabilise our fiscal and budgetary position.

As with all euro area countries, Ireland’s debt-to-GDP ratio is set to rise in the coming years. We are fortunate that, before the onset of the crises, we had succeeded in reducing our national debt to a modest level. This means that we are in a position to undertake the current borrowing needed to underpin our economy and facilitate our recovery in the coming years. EU Commission forecasts show that Ireland’s debt to GDP ratio is expected to remain close to the euro-area average for the period 2009-2011.

Interest rate spreads on Irish bonds have declined considerably from their peak of last year. Our most recent bond release, on 16 February, auctioned €1.5 billion of Irish Government bonds. Bids were received for 2.5 times the amount that was being offered. This demonstrates that demand for Irish bonds remains strong and so far this year, Ireland’s National Treasury Management Agency has raised some 40% of Ireland’s borrowing requirement for 2010.

## **Domestic Banking**

A second strand of our recovery strategy has been to address the problems in our domestic banking system resulting from their overexposure to our domestic property market ‘bubble’ through measures to:

- firstly, guarantee banks’ liabilities;
- secondly, recapitalise the banks; and,
- thirdly, establish our National Asset Management Agency (“NAMA”).

The new agency, NAMA, will acquire property-related loans from Irish banks at a discount of some 30%. The original value of the loans to be transferred from our banks was estimated at €77 billion late last year, for which the agency will pay €54 billion. These figures are, of course, estimates and the final figures will only be known after each loan is valued by the new agency.

It is important to note that these loans are backed by assets in the form of property and development projects. Because of the current downturn, the value of these assets has been reduced. The intention is that the agency will manage these loans and the assets attached to them for a number of years. The proceeds from their eventual disposal will be used to repay the debt incurred in acquiring these loans from the banks.

Ireland’s financial regulatory structures have also been considerably reformed through the establishment of a new fully integrated regulatory institution, the Central Bank Commission. It has responsibility for both the supervision of individual firms and for the overall stability of the financial system generally.

## **Competitiveness**

The third part of our national effort in coping with the economic crisis has been to cut our costs in order to improve our competitiveness. We are doing so because we see competitiveness as the key to a truly sustainable recovery for our economy.

On account of the adjustments that have been made, Irish labour costs improved significantly relative to the euro area as a whole. Energy costs, property prices and commercial rates have also fallen.

We remain an exporting nation and our exports have held up very well during this most severe global downturn. The future of the Irish economy clearly depends on our ability to export and ensuring we make Ireland most cost competitive in that regard is a key element of the work we are undertaking.

These steps have been difficult to take, but I believe that they have resulted in a renewed trust in Ireland on the part of the global financial community. Our efforts have also been recognised within the European Union as an example worth following by those facing particular economic and budgetary challenges.

## **Enterprise Policy**

As well as getting our economy back on the right track by tackling, in a vigorous and determined manner, the banking and budgetary challenges that confront us, we are also planning for the future. We know that it is not sufficient for us to simply weather the storm generated by the global downturn. We also need to prepare for the future.

There is already plenty of evidence of improvements in the world's economic outlook, even though it is clear that the recovery will be slower than we would all like and is likely to be extended over a longer period than we would ideally wish. Because we have taken the correct decisions during the past year, we approach the future with optimism, but without even a trace of complacency. Our 'Celtic Spring' is only the start of Ireland's recovery. We will not rest until our banking system has become a reliable engine for supporting Ireland's viable, internationally-competitive businesses; until Government income and expenditure are in a sustainable balance; and until new jobs emerge to replace those that have been lost.

Like many other countries, we see productivity as the key driver of economic performance and sustainability. In the 1990s Ireland demonstrated that a regional economy can enjoy levels of high growth over an extended period by finding niche advantages in key sectors. To remain at the forefront of exporting nations, we realise that we must provide goods and services higher up the value chain, in areas that are less cost-sensitive, but require ingenuity and creativity. Our approach brings to mind a very perceptive German proverb: *'To change and to change for the better are two different things.'* Therefore we will focus our enterprise policy on certain sectors where we believe we can gain a comparative advantage by 'changing' for the better.

### **Smart Economy**

Ireland's enterprise focus is on building what we term a 'Smart Economy'. We are pursuing a strategy that we believe will secure our economic recovery and place our economy on a long-term footing. What we want is an economy that is closely connected with those of our European neighbours and that can deliver high levels of employment and prosperity on a sustainable basis in the years and decades ahead. Education and innovation have been shown to be key drivers of enterprise and job creation. The creation of employment through the commercialisation of research, development and innovation in a pro-business environment is central to Ireland's future. Our strategy, therefore, is to build a 'Smart Economy' that will serve Ireland's needs in the years ahead. As we pursue this strategy, Ireland possesses a number of important strengths.

### **Strengths**

First, we have a young, highly-educated workforce. Ireland has one of the youngest workforces in Europe, with 36% under 25 years of age. Demographic forecasts predict population growth of 30% by 2020. Among OECD countries, Ireland's 25-34 year olds have an above-average level of educational qualification with 40% of this group having third level education. Six out of every ten students in Ireland graduate with a degree in engineering, science or business, and a significant number are proficient in more than one language. We believe that this will confer economic advantages on Ireland in the decades ahead.

Second, we maintain a business-friendly taxation regime. Our system of corporate taxation is fair and transparent. It has proven its worth over a long number of years. We also recently increased the Research and Development tax credit to 25 per cent.

Third, we have a very open and highly competitive economy, which we expect will be to our considerable advantage as the global economic recovery gathers pace. The

2010 Index of Economic Freedom rated Ireland as number five in the world and number one in the European region. Having an open economy means that Ireland benefits when world trade booms, but equally this requires us to adapt quickly to changing market conditions.

Fourth, despite our budgetary challenges, we are investing heavily in research and development and in our infrastructure. Our capital programme, at 5% of Gross National Product, is proportionately the highest in Europe. As an example of the results being achieved, the number of subscribers to broadband internet connections has doubled since 2007. Spending on research and development has trebled in the last decade. This is part of the explanation of our resilient export performance and one of the reasons why, for example, eight of the top ten Information and Communications Technology companies in the world, including the German giants SAP and Siemens, have chosen to locate in Ireland.

### **Sectors**

In ICT, these operations cover the full spectrum of ICT related activities and Ireland has one of the highest concentrations of ICT activity in OECD countries.

In Financial Services, we have approximately 450 stand alone international financial services companies based in Ireland. The sector has been a key engine for our national growth over the past two decades and continues to be critical to our economy. Ireland is now a world class centre for shared services, structured finance, variable annuities for Europe, treasury activities and aircraft financing and leasing.

Life-sciences, healthcare services and food are another key focus for Ireland. Some 47,000 people are employed in the life sciences sector in our small country. Eight of the top ten pharmaceutical companies and fifteen of the top twenty medical technology companies are located in Ireland with global supply plants and multiple sites. Six of the top ten leading pharmaceutical 'blockbuster' drugs are produced in Ireland.

In the area of content industries, consumer and business services, we have seen continued significant investment in Ireland, despite the global downturn. Ireland is home to Facebook, Google, Bertelsmann and Lufthansa, to name just some.

We will also attracting emerging industries, in particular those with a green or environmental image. Like other countries we have targeted the green economy as a priority for the future. Our climate and geography mean that we have considerable potential in the field of renewable energy. We have already met our target for 2010 when it comes to power generation from local, renewable sources and we are set to overshoot our target for generating 40 per cent of our electricity needs from renewable energy by 2020.

### **Infrastructure**

We plan to invest in critical infrastructure in order to enhance our productivity. For example, we are planning to build up to three new electricity inter-connectors linking Ireland to the UK and France which will help secure our future energy needs. In addition, we have recently approved a study on an undersea high voltage cable, which would link offshore-wind farms to electricity grids on both sides of the Irish Sea.

Ireland is, we believe, an excellent location from which to exploit the convergence of engineering and clean technologies with ICT. This convergence is creating new opportunities in smart metering, smart grids and smart buildings. We want to create the conditions in which Ireland can become a world leader in this exciting new business sector.

### **The Upturn**

Recent economic data indicates that the global economy is now slowly recovering. What we need is a determined effort to create the conditions in which the real economy starts to show a real recovery, reflected in more investment, increased exports, greater innovation and, most important of all, more job creation.

As noted in a recent Commerzbank report, which compared the prospects of five euro zone countries, Ireland is well placed to benefit from an international economic upturn. Our economy is flexible and has demonstrated a capacity for rapid adjustment to new circumstances. Our own projections are that growth in Ireland will resume in the second half of this year and that the Irish economy will grow by an average of 4% per annum between 2011 and 2013.

### **Germany's Impact**

The creation of a dynamic, knowledge-intensive Irish economy will entail a renewed push to foster increased levels of trade and investment between Ireland and Germany. I see our ties with Germany, our most important partner in the euro area, as having particular potential for further development to the benefit of both our countries.

We are acutely aware of Germany's enduring importance to Ireland. It accounts for almost one third of the euro area's GDP. And, as I outlined earlier, Germany is our fourth largest trading partner in both services and merchandise trade. German companies present in Ireland include corporate giants such as Lufthansa; Bertelsmann, Allianz, Siemens, Liebherr and, of course, Commerzbank. We welcome their presence and hope that they will be joined by many more of their compatriots in the future. Ireland has significant expertise, an innovative outlook and a flexible highly educated workforce to offer them.

Within the European Union our priority needs to be to secure a sustainable economic future for Europe. We have all suffered these past two years and, through its Europe 2020 strategy, the Union needs to focus on helping deliver a sustainable recovery. This means that we need to put competitiveness at the heart of Europe's policy framework. Together, we must deliver continued investment in enterprise and innovation. Ultimately, we will all be judged by our capacity to deliver employment opportunities to Europe's citizens.

### **Tourism**

On a final note, I would like to remind you that we Irish have always been known for the friendliness of our people as well as the attractions of our countryside and our traditional culture. Generations of German tourists have come to our island to experience these features. During our boom years our tourism sector lost much of its competitive advantage. A recent report revealed that Irish hotel prices have declined by 21% and are currently some of the least expensive in Western Europe. As our

economy recovers and the tourism value on offer increases, I therefore extend an invitation to all of you here in the audience to come and visit us. There has never been a better time to visit Ireland – for business or for pleasure!

### **Conclusion**

This winter has been unusually long and cold all over Europe. This will, however, make the coming of spring all the more welcome. So it is with our economic situation also.

We have all experienced unprecedented difficulties, but we are beginning to see signs of spring ahead. In Ireland, we believe that our economy has turned a corner. We do not underestimate the difficulties of the period ahead, but, as a nation, we have taken the hard decisions and we are determined to stay the course.

When the current recession ends, we will expect to benefit from having an open, an export-oriented, high technology ‘smart’ economy. We are steadily overcoming the challenges that confront us. In the coming years, I expect our economy will emerge from its difficulties, more robust than before, having learned important lessons from our recent experience.

We want to avail fully of the advantages we possess as a country. Our strengths will help us create the sustainable economic future we want for Ireland, one that is firmly anchored within the European Union and strengthened by our close, cooperative ties with friends like Germany. Remember, ‘*ní neart go cur le céile*’ – ‘there is no strength without unity’.

Thank you very much for your presence here this morning and for your kind attention.  
*Danke.*

Further information:

Ms Margaret Stanley  
Economic Section  
Embassy of Ireland, Berlin  
[www.embassyofireland.de](http://www.embassyofireland.de)  
T: 030 2207 20

Ms Deirdre McPartlin  
Director – Germany, Switzerland, Austria  
Enterprise Ireland, Düsseldorf  
[www.enterprise-ireland.de](http://www.enterprise-ireland.de)  
T: 0211 470 590

Mr Ralph Biedinger  
Director  
IDA, Frankfurt  
[www.idaireland.com](http://www.idaireland.com)  
T: 069 70 60 99 0

