TROUBLING IRELAND

Multinational corporations and Ireland

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After the establishment of the Irish Free State in 1921, the Irish economy was an essentially based on agricultural exports, in particular the export of live cattle to the British market. There was little development of local industry, and emigration of young people from the country was rampant.

In the late 1950's a new strategy emerged, which involved opening up of Irish economy to the world market, and the encouragement of outside investment to take advantage of the post World War 2 boom.

This was followed by the emergence of multinational companies setting up a base in the country, beginning with the traditional industries. This development gathered pace with the entry of Ireland into the European Economic Community.

In the late 1960's the pharmaceutical industry established a major manufacturing base here, in particular in the Cork region, where Pfizer's, Schering Plough were among the major employers.

In the 1970/80's the electronics companies set up a base in Ireland. The big names at the time were Digital Equipment who set up a base in Galway and later Apple computers launched a major manufacturing base in Cork.

The new companies were able to use their influence on the syllabus provided at the countries technical colleges, and absorbed many of the graduates from these colleges, resulting in reversal of the usual trend of emigration among young Irish people.

The resulting increased tax take from PAYE workers allowed for some scope for increase in government spending, however the taxes on profits of the multinationals remained very low.

The decision by computer chip giants Intel to setup their European manufacturing base in Ireland was a major landmark as it brought in an undisputed world leader and set the tone for much of the Celtic Tiger investment strategy.

The project generated huge excitement, and provided 4500 jobs at its peak. It says a lot of how important the operation was to Intel profits, that they sent over 300 people on training excursions in the US for over a year, creating small Irish villages in places as far afield as New Mexico and Oregon, a training project which cost millions of dollars.

However, the resulting profits which accrued once the Leixlip operation got into full swing were absolutely jaw dropping, with the Irish factory generating over 1 billion dollars annually in profits.

Intel became the template for how multinationals would operate in the country, with work practices that would eventually become the norm in private industry, and also seep into the public sector. The example of Intel's policy was typical of many multi nationals and are worth noting.

Like the majority of multinationals, Intel is strongly anti Union, and follows the so called open door policy. Pay increases are determined on the basis of a process known as "meritocracy". In this system, 15-20% of employees receive no pay increase, with anything higher than inflation being reserved for the 20% of those recognised as "high performers". The lack of a Trade Union made it much easier for Intel to impose 300 redundancies in 2009, with no regard to seniority as the business cycle for their first factories came to their end. It was a similar story for workers at Dell in Limerick a year earlier.

Most of the larger multi nationals are very skilful of the practice of community profiling. This includes sponsoring several local community and sporting organisations. At Christmas, Intel Managers, including Jim O'Hara operations manager would serve Christmas dinner to the local senior citizens. As they proudly assert during one of their employee updates, the primary reason for this initiative is to ensure that if controversial local issues come up, the company has a foothold on local public opinion, and are better placed to ride out controversy in the event of embarrassing news, or if there is for example a local conflict regarding planning permission for site expansion.

A major controversy in the area of corporate tax has emerged over the course of the last few years. Irelands official corporate tax rate of 12.5% is the lowest in the EU. The vulnerability of the Irish economy as a result of the massive debt burden, and the IMF bailout, has led to fears that the tax may be raised and may discourage multi-national investment.

However an investigation into corporate tax dodging by the US Government revealed the shocking fact that Apple paid a tax of just 0.05% on the $22 billion earned by its Irish subsidiary, Apples Sales International, between 2009 and 2012. In reality the full rate of tax paid on profits by multi national corporations is closer to 6%, about half the official rate. At a time when Government spending on vital public services is being severely curtailed, causing extreme hardship for the growing poor, the revelation that Ireland is effectively a tax haven for these corporations has caused considerable anger by some commentators.

UCD sociologist Kieran Allen commented that "The US Senators are using Apple as a test case and their agenda is far wider. Their aim is to close off the very loopholes that have become the cornerstone of Ireland's current development strategy. It shows that the state policy of creating tax subsidies for the wealthy is not only unjust – but dangerous for the future development of this country"

To date, the only political organization which has suggested a different policy towards multinational organisations is the People Before Profit Alliance which has promised Increase corporation tax to 15% and ensure effective rate is 12.5%. The 12.5% corporation tax rate is the sacred cow of the Irish political establishment. They will impose brutal cuts on the incomes and services of the poor, the disabled and the vulnerable but never contemplate asking profitable corporations to make an extra contribution to the state in a time of unprecedented economic emergency.