IRELAND
A LAND OF OPPORTUNITY
A stable base in a changing world
Phenomenal success in attracting FDIs

Multinational companies in key Irish sectors helped mitigate the impact of the pandemic, says Martin Shanahan, CEO of IDA Ireland

How important is foreign direct investment (FDI) to Ireland and how much did it contribute to the economy’s 5.4 percent growth in 2020?

The evolution of the Irish economy is largely connected to FDI. Having started as an inward-looking protectionist economy, Ireland began to look outward for trade and investment in the 1950s, with its investment promotion agency IDA Ireland being established 72 years ago. In recent times, Ireland has seen substantial growth in FDI, with largely positive knock-on effects for the economy. Indeed, sectors dominated by FDI—like financial services, technology, pharmaceuticals and life sciences—really drove Ireland’s recovery from 2008’s financial crisis.

Between 2015 and 2019, Ireland had its strongest-ever run of FDI wins and investment proved to be very resilient through 2020, both in terms of existing investors and new ones. Over the year, IDA won 246 investments, which was only marginally down from the previous year where we had 250. That strong performance is reflected in our national accounts, with our corporation tax take holding up during this crisis, largely driven by multinationals that contribute over two-thirds of it. Employment in the FDI sector also grew in 2020. For the most part, existing investors continued to operate during the pandemic as many are involved in manufacturing industries such as pharma, medtech and microelectronics that were designated as essential services. Obviously, there are sectors that have been severely impacted, including tourism, hospitality, retail and construction. However, the presence of multinationals in key industries has certainly enabled us to mitigate the impact of the crisis.

“The availability of talent is the number one criterion for investors, as Ireland’s highly skilled and talented workforce is widely recognized.”

Martin Shanahan, CEO, IDA Ireland

Why are so many investors attracted to Ireland?

Our extraordinarily stable pro-enterprise and pro-business policies are important as well, and we have one of the most consistent, competitive and transparent taxation regimes in the world. The fact that we are an extremely open, outward-looking and engaging economy is also key, as is our membership of the European Union (EU).

Being English-speaking is an additional advantage, particularly in attracting investment from North America. We have diversified our source markets in recent years, but the U.S. still represents more than 60 percent of our FDI and will remain a key focus for us. As U.S. companies think about internationalizing, which is what successful businesses do, we want Ireland to be their number one choice.

What is IDA’s approach to promoting FDI, particularly when it comes to attracting multinationals?

We have 24 offices across the globe, but our approach is that we don’t stop at the point where we have attracted investment in, we work with those investors to make sure they are successful here. We have companies that have established facilities in Ireland that have become critical to their global corporate entity and which drive forward innovation within their enterprises.

Looking at the businesses that have evolved here over long periods—such as Apple, which has been here since 1980—we’ve worked and continue to work with them, both in Ireland and at their corporate headquarters, to support their ongoing development. IDA is very good at understanding the companies, their needs and priorities, and ensuring that our offering is aligned. It’s not a light-touch sales or marketing approach, it’s really deep analysis.

Global leaders in a lot of industries are now based here. In the tech sector, we have Google, Facebook, Apple, Intel, IBM and so on; in pharma, we have every leading worldwide brand, including Pfizer and Johnson & Johnson, and we have many global enterprises in medtech and international financial services. We are leveraging that multinational presence to help grow indigenous businesses and make sure that the benefits of FDI are felt in all parts of the economy. That approach toward FDI has proved to be very positive for Ireland.
FDI is a mutually beneficial partnership
Ireland’s development of a strong and innovative base of multinationals has made the country resilient, prosperous and ready for the future

Ireland’s embrace of foreign direct investment (FDI) has transformed the country into a dynamic, open and outward-focused economy. International investors have returned Ireland’s embrace with equal enthusiasm. Although its population of around 5 million represents just 1 percent of the people who live in the European Union (EU), in 2019 the country welcomed 3 percent of all FDI projects coming into the bloc and 6 percent of those in areas that are known to be Irish specialties. These high-value sectors include technology, content, consumer and business services, financial services, pharmaceuticals, biotech and medtech, food, engineering and industrial technologies. Ireland’s track record in attracting the world’s top performers in those sectors is unrivalled,” says Martin Shanahan, CEO of IDA Ireland, the investment promotion agency that has been encouraging FDI into the nation for 72 years and which is currently supporting and nurturing the activities of over 1,600 multinationals in the country.

“FDI was central to Ireland’s recovery during the 2008 financial crisis and it will be crucial again as we rebuild after the pandemic.”

Just a few of those committing to new investments are Amazon, which invested €1.1 billion in its high-tech fulfilment centre in Galway; semiconductor maker Intel, which invested €5.3 billion in the country over three decades to create one of the largest and most advanced semiconductor manufacturing operations in Europe. In March this year, it announced a further major expansion of its Irish facilities, notes Shanahan.

“The scale of the investment and the number and types of jobs being created is a huge vote of confidence,” Shanahan says.

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The River Liffey flows through the center of Dublin

The European destination of choice for multinationals

Ireland talent is carefully cultivated. The country has an extremely good education system across all ages and levels, and one of the highest global participation rates in tertiary education. The workforce is not only well educated, it is ambitious, productive, creative and adaptable, a characteristic fostered by a government that promotes lifelong learning to upgrade skills in line with changing employer needs and new business opportunities. Ireland’s enabling quality of life has also drawn in additional talent from across the world.

“Too much emphasis is placed on the only factor influencing its high FDI inflows has been its competitive tax regime that includes a corporation tax rate that is currently only 12.5 percent. This is far from the case, asserts Shanahan. “Too much emphasis is placed on the tax regime that includes a corporation tax rate that is currently only 12.5 percent. "FDI was central to Ireland’s recovery during the 2008 financial crisis and it will be crucial again as we rebuild after the pandemic.”

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The strongest possible value proposition

Ireland is adapting its approach to attracting and developing international businesses in light of global trends accelerated by COVID-19.

In the five years leading up to 2020, Ireland won record-breaking levels of foreign direct investment (FDI). Since then, the number of international investors arriving or expanding operations on its shores has continued to grow, despite the unprecedented uncertainty introduced by COVID-19 that saw other countries’ inward inflows dry up.

But the pandemic has done more than just create temporary uncertainty among investors—it has accelerated worldwide trends that are transforming business models and the global investment landscape. For example, the increasingly rapid adoption of new technologies has highlighted the growth potential of high-value, skilled and innovative industries of the type Ireland excels in. The characteristics multinationals look for when choosing an investment destination are also changing. The resilience of a host country’s institutions and infrastructure in the face of crises is gaining in importance, as is the priority a country gives to environmental issues and quality of life. Again, these are all areas where Ireland ranks highly. However, points out CEO of investment promotion agency IDA Ireland Martin Shanahan, “Competition for global investment is growing and has never been as intense. To compete for win investments, countries must have the strongest possible value proposition.”

Failed to win Ireland’s place at the top table of investment destinati- on, IDA’s mission is to partner with multinational companies to win and develop FDI, providing jobs, economic impact and opportunity for the people of Ireland. In response to the changing environment, the agency launched an ambitious new strategy in January to build on the positive impact FDI already has in Ireland: Delivering Sustainable Growth and Recovery 2021-2024. According to Minister of State for Trade Promotion, Digital and Company Regulation Robert Troy, “IDA’s new strategy will drive a recovery that is trans- formational, sustainable, inclusive and achieves red economic impact.”

The strategy is focused on five interlinked pillars—growth, transforma- tion, regions, sustainability and impact—which are all aligned with the Irish government’s Economic Recovery Plan that was published on 1 June. It has also been guided by the United Nations Sustainable Development Goals and has the approval of multinationals based in the country. Overall, IDA will continue to work with and support its existing 1,600 partner clients to safe- guard and enhance their Irish operations, while helping them to identify and capitalize on emerging pathways for sustainable growth that meet the needs of today and future generations. As part of this, the agency will carry on making transformative investments throughout the country to assist its clients to in- crease employee numbers, productivity, innovation and links within the Irish business ecosystem through research and development, digitalization, training, upskilling and actions on sustainability. Investments of an estimated €344 million in IDA’s property portfolio is another key plank of the strategy.

Includes the delivery of advanced building solutions across Ireland’s regions, upgrades to business and technology parks, a new advanced manufacturing center and infrastructure for cell, gene and vaccine research and training.

IDA will also maintain its focus on incentivizing the next generation of leading multinationals into Ireland and intends to seize on opportunities pre-sented by the global transition to green and digital economies, as well as those arising from other new business models. Green Ireland’s current areas of ex- pertise, that means it is likely to become a destination of choice for companies in areas like cloud computing, AI, 5G, big data, disruptive service platforms, advanced manufacturing, autonomous cells and gene therapy, con- nected health, industrial automation and renewable energy.

To effectively support its clients’ decision making when it comes to train- ing, sustainability and digitalization, IDA is investing in its own internal capabilities around the world. It is also implementing a €8.6-million digital transformation program to boost its already excellent client services and will continue to engage with government and other bodies to ensure Ireland upholds its competitive position for investors. Partnerships between Ireland’s public and private sectors have proved crucial to the development of FDI in the country to date and this team effort will be called upon when implement- ing the new strategy, says Shanahan. “Regional and national stakeholders will work in collaboration to create the conditions that meet and exceed the needs of international investors.”

Given the level of uncertainty in the world at present, IDA will review its Delivering Sustainable Growth and Recovery strategy’s progress toward the end of next year, he states. “While IDA Ireland believes the strategy is direc- tionally correct, we will be as pragmatic and flexible as required in adapting to circumstances as they unfold.”

Quantitative targets set within the strategy include IDA winning 800 investments between now and 2024 that create 50,000 new jobs, with half of those projects being in regions outside Dublin and 60 of them being in sustainability sectors. The agency also wants to boost multinationals’ expenditure in Ireland by 20 percent and it intends to partner with clients on 130 training and 170 research, development and innovation projects. However, Shanahan stresses, “The most important factor in deliv- ering on our ambition will be the continued success of IDA client companies.”

A strategy for sustainable growth and recovery

Ireland has put the development of new and existing foreign investment at the center of its plans to rebo-ad the country’s economy.
Top 5 reasons to invest in Ireland

1. Its highly educated and talented population
2. Its welcoming, stable and open pro-business attitude
3. Its competitive tax regime and incentives
4. Its resilience in the face of crises
5. A center of excellence for technology; content; consumer, business and financial services; pharma; food; medtech; and engineering

Regions: Investment to advance regional development

At the center of IDA’s strategy is balanced regional development. As a highly attractive global city, Dublin will continue to be a major engine for the nation’s economic growth, but the agency believes half of all new investments coming into Ireland over the next four years could go to one of the country’s other seven regions. Each contains at least one dynamic city or regional growth center and each has strengths for different industrial sectors—in fact, one of IDA’s tasks when engaging with a first-time investor is to work with it to calculate which region is best for the future prosperity of its business.

Now, IDA intends to build on those specific strengths and competencies to drive economic recovery and sustainable development in every region. To meet this goal, its first priority is to partner with clients to facilitate investments in REMED, training and upskilling in regional locations. It is also collaborating with Ireland’s Department of Enterprise, Trade and Employment plus other stakeholders to develop innovative industrial clusters that will support transformation, spillovers and linkages between multinationals, home-grown businesses, researchers, educators and the wider regional economies—links that can extend across the border into Northern Ireland.

A vital contributor to attracting investment is the availability of state-of-the-art, competitive land, facilities and infrastructure. Around the world, risk aversion among developers in light of the pandemic means that less top-quality property is available. But IDA is continuing to invest in its extensive portfolio of property solutions that meet the needs of multinationals. By 2024, IDA will deliver another 19 advanced building solutions to a wide spread of regional locations, invest in significant infrastructure projects across its business and technology parks and it will maintain its focus on land banks and utility-intensive strategic sites that can support large-scale projects. On the other hand, the pandemic has accelerated a trend toward remote, flexible and hybrid working practices. Ireland is positioned to become a global leader in remote working, with the rapid rollout of one of the world’s most expansive deployments of broadband infrastructure. As part of its efforts to promote home working, IDA’s targets for training and job creation in remote working will drive regional and national productivity spillovers, knowledge and technology transfer, innovation and the global presence of domestic businesses and households. Deepening links between multinationals and Irish companies through the development of at least five clusters, global sourcing and RD&E joint ventures will drive regional and national productivity spillovers, knowledge and technology transfer, innovation and the global presence of local businesses. In addition, IDA’s targets for training and upskilling of €100 million will safeguard jobs among the 257,000 people currently employed by IDA clients, while the country’s ongoing competitiveness will be bolstered by its goal of €3.8 billion in cumulative RD&E investments from multinationals.

In combination, the pillars that form IDA’s Driving Recovery and Sustainable Growth strategy are expected to both support its clients and propel an inclusive economic recovery for Ireland that embraces the digital future of work and the green transition.

Impact: A positive effect on local businesses and communities

The final pillar of IDA’s strategy combines elements of the other four that, together, will maximize the indispensable impact foreign investors make to Ireland’s economy and society through their contribution to employment, public finances, regional development, global value chain integration, innovation and the growth of domestic enterprises. For example, IDA’s investment and job creation targets set out to not just create 50,000 high-quality jobs in sustainable, future-focused industries, but to also bring about a 20 percent increase in IDA clients’ direct expenditure in Ireland that will benefit a huge variety of domestic businesses and households. Deepening links between multinationals and Irish companies through the development of at least five clusters, global sourcing and RD&E joint ventures will drive regional and national productivity spillovers, knowledge and technology transfer, innovation and the global presence of local businesses. In addition, IDA’s targets for training and upskilling of €100 million will safeguard jobs among the 257,000 people currently employed by IDA clients, while the country’s ongoing competitiveness will be bolstered by its goal of €3.8 billion in cumulative RD&E investments from multinationals.

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This is a land committed to new ideas and new ways of thinking. Where strong and productive links are forged between cutting-edge companies, state agencies and third-level institutions.

Here, like-minded enterprises flourish together in world-leading life sciences, technology, and financial services hubs. Supported by our highly educated English-speaking workforce and attracting talent and expertise from across the globe.

This is Ireland. This is where we make it happen.

See how we can help your business grow. Visit idaireland.com or email idaireland@ida.ie

Lower Lake in Glendalough, County Wicklow