



## **Attracting Chinese FDI to Ireland**

Recent Merkozy approaches to China to intervene to support the Euro nations have received a cool reception there. The EU leader's approach to China to buy bonds to support relatively rich economies in Europe is wrong.

A different approach is needed from Ireland, one based on our track record in hosting FDI and export performance. Our US FDI experience has shown that FDI is more important as a trade development vehicle than direct trade activity: -

- China is a trading nation;
- To attract its interest, there must be a good trading dividend associated with FDI from China.
- Ireland's trade / investment ties with the developing nations remain shallow and underdeveloped;
- Over the past decade, Ireland's share of EU-15 exports to the developing nations has been halved;
- Ireland's exports to China fell in throughout 2011;
- Ireland ranks among the least significant exporters to the developing nations relative to other European exporters;
- From a low starting point, Ireland can become the 'must be' location for Chinese investors seeking to engage in the €\$ economies.



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Entrepreneurs on the ground<sup>1</sup> have advised in respect of China that: -

- The ability to trade internationally is Ireland's biggest strength;
- Our strength has to be presented in an incredibly professional way;
- Ireland has strengths in technology and R&D;
- There is huge interest in why Ireland is good at R&D;
- Ireland Inc. has to engage quickly;
- The Chinese are crying out for research and intellectual property.

Thinking about the outcome from the new research on FDI in Ireland<sup>2</sup>: -

- This scene must be changed by direct action to develop and showcase Irish and Asian products in the same location at a bridging point between the east and west major economic units;
- Ireland is a must, not a choice, for serious Asian producers;
- The marketing message should be that the Asian nations have no choice but to locate in Ireland if they want to be at the location with the best established access to all markets;
- There are so many US and EU major companies in Ireland (>1,000) that for them to see Asian products/technology, most buyers would just have to drive down the motorway to the Asian trading hubs from their existing bases here;
- Ireland Plc. should be placed in the sights of many companies from the developing nations, who have the ambition to locate in a global premier division economy.

Ireland is: -

- An Export orientated open economy;
- A Bridgehead economy, already proven to be able to take another major economies companies into the EU market and also to establish major inroads into other economies through outward FDI;
- A Linked economy that has generated a large number of spin-off companies that serve foreign companies and engage in R&D and product development.

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<sup>1</sup> Bernard Hensey CEO Boeing Shanghai; I T 24<sup>th</sup> October 2011.

<sup>2</sup> Joseph P Quinlan; Built To Last The Irish-US Economic Relationship; American Chamber of Commerce Ireland 2011.

The key is to market Ireland as a place: -

- With a very sophisticated R&D, production and product development establishment;
- That is flexible as a partner to R&D enterprises from the emerging economies, who wish to place their product directly into the western markets.

For Ireland: -

- The rise of the developing economies represents a long-term competitive challenge in many industries the nation hopes to thrive in - alternative energy, green technologies, life sciences and high-end technologies;
- Ireland has some of the best natural resources in these areas – wind, wave, agriculture, nutrition advances etc. and is willing to collaborate to innovate in them;
- Ireland is currently at the forefront in developing cutting-edge technology, through its engagement with new-era technology companies in games, cloud and social networks;
- A high ratio of engagement in third level education is established in Ireland;
- Innovation has gone global and Ireland must strive to maintain an edge, by leveraging its current high-level involvement in R&D, by attracting product developers from developing economies.

Ireland should view the developing economies not as competitors but as potential partners, who can benefit from: -

- Ireland's established outstanding position in the globalised economy;
- Its established bridgehead location within the two largest global consumer markets – US and EU;
- Its geographical location between east and west.

Ireland should seek to leverage its established reputation over 5 decades of involvement with FDI as an open and welcoming economy, to attract the attention of corporations from the developing nations, particularly those involved in R & D, new technologies and developing alternative energies.

The visit of the next Chinese premier, Mr. Xi Jinping, to Ireland in February 2012 has presented a huge opportunity to showcase Ireland and to make strong connections. Mr. Xi indicated Ireland's reputation as a technology hub is a big draw for China, particularly in software, ICT, biotech medicines and high-tech, which will be the priority for future trade between the two countries<sup>3</sup>. The history, scenery and culture have impressed Chinese people.

It is interesting that there was a wish in the visit to showcase Irish attractions on the west coast to Chinese tourists and to learn more of Irish agri-business and FDI experience in transforming Ireland from an agrarian society 50 years ago, to a modern technology society today.

China is hungry for technologies due to increasing sophistication of its urbanised population. The US/Ireland experience of FDI indicates that direct investment in plant on the ground and operating enterprises in the reciprocal countries is a far quicker way of generating trade exchange than by trying to grow economic interaction remotely through import/export alone.

Many Chinese businesses including Bank of China, Industrial and Commercial Bank of China, China Development Bank and high-tech, communications companies have expanded in Ireland in recent years. China will encourage Chinese firms to invest in Ireland and Mr. Xi called for more cooperation in high-tech sectors such as software and bio-pharmaceuticals.<sup>4</sup>

The total value of Chinese investment in Ireland is now \$148 million. The total US investment in Ireland is now \$700 billion. China wishes to get to \$500 billion foreign investment in 2015. There is a lot to pitch for and a long way to go to catch up on US investment in Ireland

Responding, Taoiseach Enda Kenny said that Ireland's advantages represent 'an enormous opportunity for China'. This is the correct emphasis. China has a lot to gain from investing in and cooperating with Ireland.

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<sup>3</sup> Reuters report China impressed by Ireland's high-tech industries; 20-2-2012.

<sup>4</sup> China Daily, China-Ireland lock down deal; 21-02-2012.

Ireland needs to engage in accelerated FDI with China on a very substantial basis.

Ireland is a natural fit for modernising China and sees itself as pivotal as: -

- An ideal destination for Chinese investors seeking opportunities in Europe;
- The only English speaking country in the Euro-zone;
- A bridgehead into the US market;
- A location for R&D, customer support, branding and services;
- Home to high-tech companies, which give opportunities to partner;
- Hub for International brands, particularly in social communication networks;
- Strong in financial services, life sciences,
- ICT, social networks, wind and clean energy technology;
- Attractive for tourists;
- Established in higher-education for Chinese students (5,000+), with capacity for more.<sup>5</sup>

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<sup>5</sup> China Daily 21-02-2012 Ireland the Hong Kong of Europe.