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POSITIONING IRELAND
IN THE
GLOBAL CONTEXT

Private Sector Potential
for
Economic Regeneration

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Positioning Ireland in the Global Context.

Introduction

At a time when there is a lot of uncertainty as to the position and reputation of Ireland in the global economy, it is useful to reflect on where we are, how we got here and how we move on from here in a relatively short time, but with an eye to a long term sustainable economic model. This paper presents a personal view based on research and experience as a strategic planner practicing in Ireland for almost 40 years, as to the positive state of development of the country, the assets available and the markets and potential areas of investment into the Irish economy in the future.

It is important to realise that in the overall timescale of economic development, a time of recession is a relatively short feature in an overall positive progression. The Chinese Prime Minister on his June 2011 visit to Europe indicated the current turmoil is a temporary phenomenon. Even after the US downgrade and subsequent turmoil in international markets in August 2011, China has confirmed it is backing the EU and Euro.

Ireland is currently in a bad place being considered as a peripheral player in a bigger global currency drama and not performing well – needing a bailout. However, sentiment is changing with the realisation that there is a global situation that is unstable and even major economies are under funded. The U.S and Japan, the first and third largest economies in the world have been downgraded by at least one rating agency. Ireland came out of recession in the first half of 2011, in to the face of a deteriorating global economic scene.

There is a recent realisation, finally, that the Euro requires European resolution and political will, not isolating the economies that showed symptoms of weakness first. Penal elements of the ‘bailout’ have been removed. Ireland’s position is strengthening because of early resolute action and public support for the corrections required that is not evident in other countries.

What occurred in 2008 was a global economic phenomenon, the first recession of the truly globalised economy. After almost two decades of continuous strong economic growth, progressive infrastructural development and economic reform, Ireland was caught in a very bad place when the global and domestic bubbles burst.

The financial economy imploded, destroying banks and bringing very many individuals down with debt exposure. In a position like that it is very hard to be positive. However, it must be realised that while we in Ireland were caught out, being in the wrong phase of development at the worst time in six decades, the situation is temporary and resolvable. To begin to see a path we must evaluate the assets we possess and have developed in recent decades, to discover how to move on from here and to make Ireland an attractive place to invest in to construct an economic model that is viable and sustainable in the long term.

In the boom of the last two decades, Ireland became rich, but not wealthy. To become wealthy, riches must be bedded down and developed over decades and generations. The world's wealthy elite are now powering away on the value to be achieved from damaged economies. There are shifts of resources and cash reserves from consumer countries to producers of commodities and goods. With a crippled banking system it is necessary to tap these sources of reserves to bypass a dysfunctional banking system that is not providing business credit.

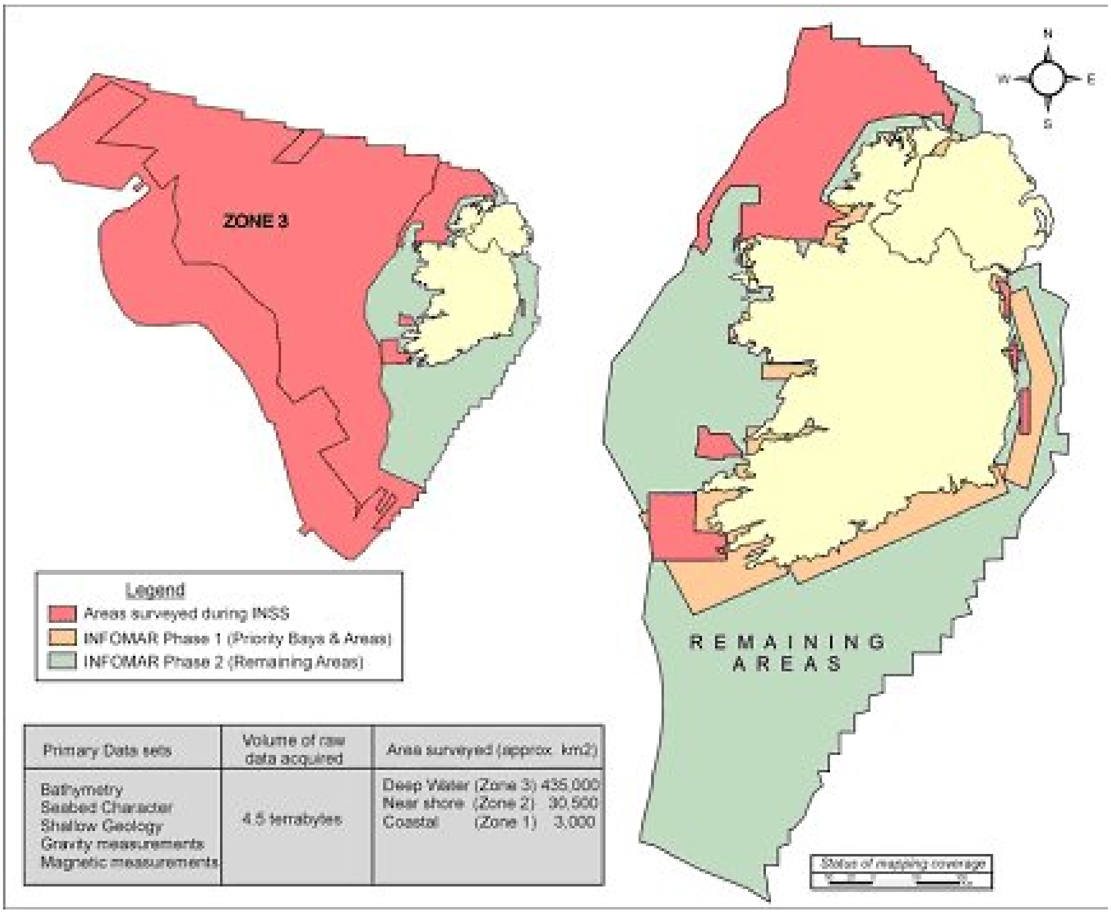
This can be achieved by way of direct foreign investment (as opposed to foreign direct investment that came through agencies/banks), by private entrepreneurs identifying fund providers from cash rich sources in the global economy and matching them with 'ready to go' projects in Ireland and elsewhere that would have geo-political economic importance when delivered.

This paper is about assessing what areas Ireland can demonstrate excellence in so as to encourage mobile investment funds to be landed in Ireland as opposed to elsewhere.

Global Geographic Context

Ireland is in fact far larger in territory than most people are aware of. Sitting on the eastern edge of the Atlantic Ocean with territorial rights over the continental shelf, Ireland is an island nation with a sea territory that is 10-times that of our land area (Ireland's national territory is similar to the area of France). In the last decade Ireland has undertaken the Irish National Seabed Survey, which was amongst the largest marine mapping programmes ever undertaken anywhere in the world[1]. Ireland has developed a world-leading reputation for seabed mapping and the information gained will provide a basis for offshore resource exploitation.

The image below shows the coverage achieved to date and areas that remain unmapped after the INSS programme. Perhaps the most crucially important body of work now looms - the mapping of the commercially valuable inshore areas. We are only now beginning to realise the value of our marine territory and offshore assets.



[1] Geological Survey of Ireland web page GSI.ie.

Inshore mapping continues, to provide detailed information on nearshore resources, which is on-target for completion in 2013.

Ireland has a global pivotal location, on the western periphery of Europe within the EU and mid way between the two largest economies in the world, The US and China. Ireland has many attractions for business people from these two economic powerhouses. The top priority considerations of the business people relating to the decisions to locate in Ireland are: -

1) Priority A - Site within European Union;
2) Priority A - English Speaking – the language of International Business;
3) Priority A - Stable Government and friendly relationships;
4) Priority A - No historical baggage;
5) Priority A - Good labour relations and regulation;
6) Priority A - Consistency with Planning Hierarchy.

In terms of market reach, Ireland also has significant geographical advantages. It has very good intercontinental access and reach into the USA and North American countries, all of Europe and into the Middle East and Russia, giving access to all of the major trading nations of importance. If required, Ireland is also within reach of Brazil for direct transatlantic flights and shipping.

Ireland's membership of the EU 27 is a huge advantage, as this economic union accounts for roughly 20% of world GDP, 26% of world personal consumption, 7% of world population and 33% of world exports and imports.[2] Membership provides global access to a significant economic bloc for investors.

Ireland's Asset Value

In this context, asset value will not be confined to capital assets, as these have been substantially wasted in Ireland, at least in monetary terms. As it can be seen, Ireland has territory, geo-location and business access assets that are well recognised.

Through missionary, emigration, business, cultural and diplomatic travel, Ireland has an historic beneficial connection and official and unofficial ambassadors in all of the globally important countries - the diaspora asset base.

It is widely acknowledged that we have a very good, modern and outlooking economic structure that can be reignited. Garret Fitzgerald in one of his articles on the

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[2] Joseph P Quinlan author of Built to Last: The Irish-US Economic Relationship. American Chamber of Commerce Ireland report 2011.

recession in Ireland pointed out that when we revive, we would not be starting from where we started before but from a higher platform. More moderate growth will produce similar real effects to those experienced during Celtic Tiger times.

The higher platform is provided by the better economic and regulatory structure (when it is made to work) and the infrastructure that has been put in place during the boom decades. That infrastructure has not gone away and is there to be exploited positively. Effectively, now Ireland is a small place that is very well connected, internally and externally. The main areas of infrastructural development have been in transportation and linkages - motorways, rail, airports, broadband and associated technology.

The Ryanair model is a world-class idea that has been very well rolled out by private entrepreneurs and embraced by the Irish traveller in particular. This makes Ireland very accessible from Europe. Full service airlines have direct inter-continental services to European hubs, to the USA and Middle East. Ireland is regarded as very accessible as an international location for business and all international airports have been improved. Dublin and Shannon Airports have passenger customs pre-clearance arrangements with the US, giving direct access to a large number of destination airports as ports of entry in the USA. Shannon hopes to add freight pre-clearance in the near future.

The towns in Ireland are small by international comparison. However, in my experience as a planner, they have been very dramatically improved over 20 years to become very vibrant places to compare with any of their type in Europe. There have been errors but the towns are far better than they were and no potential scheme has to be avoided for reasons of location in or near any particular town.

There has been very substantial investment in 3rd Level campus development, with institutions now having better facilities, often funded by commerce and philanthropy. The colleges are more open to international students and most have English language institutes under the parent college. All are capable of accommodating many foreign students into a high range of high-level courses in many disciplines.

Financial, supporting legal, accounting and services industries, digital hubs and social networking, operate at a very high level from Ireland. Industry has been transformed from a low-grade production base to a high-tech, science and technology level, including pharmaceuticals and medical with R&D, producing and competing globally. Exports are sustaining economic performance.

Agri-business is thriving and gearing for more liberalisation with significant expansion forecast. Ireland's agri-food industry remains a key component of her modern economy. It accounts for some eight per cent (8%) of GDP and a similar proportion of total employment, amounting to almost 160,000 jobs. It accounts for a major proportion of exports of Irish-owned enterprises, worth €9bn in 2011, and its products are sold in over 170 markets around the world[3].

Ireland has an open economy and a positive trade balance of many billions per annum, even if influenced by repatriated profits causing a difference between GDP and GNP.

Ireland has been purposefully moving up the value chain in the delivery of goods and services to the global economy. With a very good economic model that was copied by other developing countries, Ireland was advised to ensure that by the time other copying countries caught up to where Ireland was 10 years ago, Ireland must already have achieved a higher and more sophisticated level of performance. This has been substantially achieved, although the loss of some manufacturing jobs caused localised problems for a time. IDA has set out a programme Horizon 2020 to move Ireland up to the next level. There is a process of constant enhancement of performance.

The stable, modernised electricity supply grid, with international interconnecters and the deregulated supply market facilitates high-technology industry. An extensive natural gas network, interconnected to the pan-European network, serves the majority of the territory, with offshore sources being further developed.

[3] Bord Bia, Irish Food Board. 2011

Ireland has a unique cultural heritage that is renowned globally for extending back almost continuously for five millennia, with a written and oral historic tradition extending beyond literature and music, dance, art and drama that has kept pace and outdistanced all other cultures to modern times. The Irish language (Gaeilge, Gaelic) is also unique to the country, which is a fascination to many worldwide as a 'living fossil' language that is studied at 3rd level in many countries other than Ireland.

At present many artists in all spheres are at the top of the international echelons in performing and creative art. Ireland has a significant positive trade balance through the arts economy, in composition, performance, management, promotion etc. In September 2011 the first institute for modern music, offering degrees in a wide range of modern music industry commercial skills, opened to students in Dublin.

The climate is moderate and sometimes challenging. This is very beneficial to natural farming methods, producing food products now gaining a premium on international markets. The rural areas are famed for the quality of animals they sustain, for food and recreation purposes. Bloodstock is an industry in which industry Ireland is a world leader in breeding, training and racing with leading personnel in all aspects of this industry.

The cool climate is actually a benefit to cloud computing centres located in Ireland, which is now a major global location for this new technology, due to the savings in cooling computer banks located in these centres[4].

It is possible to participate in all outdoors activities at all times of the year and there is no particular off-season for particular outdoor activities. There is an increasing economy in exploiting challenging outdoor activities over a very wide range of pursuits on land and water, now including world-renowned surf breaks along the Atlantic shores. Some field sports are unique to Ireland, Gaelic football and Hurling and other sports were originated here e.g. handball, which is now a new-world sport.

[4] Affirmed by Microsoft and Google.

The oceanic climate sustains a green landscape that is very beautiful for its richness and visual appeal. Ireland is regarded as pristine and lush. The Atlantic sourced air is very clean and free of pollutants, giving very healthy living conditions for humans and animals.

English, the global language of commerce is the spoken language and, by reputation, well spoken and written in Ireland. This is a huge advantage globally. There is a cottage industry' scale English Foreign Language (EFL) business operation in Ireland, which has not been properly exploited as a major industry of global dimensions. There is a major opportunity for Ireland to educate the world in English in full-board institutions of very large scale, earning major foreign income.

Those educated in Ireland, or introduced into the Irish way of life, become ambassadors for Ireland when they return home. Ireland has had a tradition of benevolent education and healthcare in developing countries and in what are now developed countries. Ireland has never invaded or interfered with the land or people of any foreign country. It has a record on human rights and nuclear disarmament but, being neutral, is not a hectoring member of any politico-military block.

With a welcoming nature and curiosity, Ireland has a reputation in distant lands for having no record of harm or discrimination in respect of persons, particularly students or young workers, or xenophobia. Ireland has an open and modern society that accommodates change without ghettoisation. Within 10 years the country accommodated 10% of the entire population as new immigrants with no significant discrimination as to race, colour or religion. Facilities for many religions, mosques, churches, schools etc have been constructed without objections based on prejudice.

The population is expanding from a low base after the recovery from endemic emigration. Ireland is unique in the developed world for having less population today than it accommodated 160 years ago. The 2011 Census recorded a population of 4,581,269 in the Republic of Ireland. The figure is an increase of 341,421 (+8.1%) in 5 years, indicating a growing population even in a time of severe economic recession.

The population has a very young profile for Europe with a birth rate of 15.4 per 1,000 and about 75,000 births per annum on average, compares to a death rate of around 30,000. Natural increase is about 45,000 on average. The rate of natural change per 1,000 in EU27 was 1.0 in 2007 and 1.2 in 2008. The corresponding rates for Ireland were 9.8 and 10.4 respectively.[5]

This gives Ireland a very young population profile. By 2020, 16% of Americans and 19% of Europeans will be over-65, with only 14% of the Irish population in this bracket. If you want to meet young people with contact with a wide variety of nationalities, come to Ireland.

The average annual growth during 2006 – 2011, at 68,284, indicates that in-migration in excess of out-migration continued to be a feature of population growth.

Ireland ranks: -

- 1st in the world for corporate taxes;
- 1st for business legislation for foreign investors;
- 1st for availability of skilled labour;[6]
- 2nd most globalised economy in the world;
- 2nd for consumer Price Inflation;
- 3rd for Direct Investment Flows inwards;
- 3rd for Availability of Finance Skills;
- 4th in the world for a culture that is open to new ideas;
- 4th for Labour Productivity;
- 4th for Exports of Commercial Services;
- 6th most attractive place in the world for researchers and scientists.
- 6th in the average years of schooling completed, which is a significant indicator of productivity and flexibility in workers and ability to innovate and drive technological progress.[7]
- 7th in the world for flexibility and adaptability of people;
- 8th in the world for percentage of population with 3rd level qualifications;

[5] CSO Ireland Census 2011 commentary.
[6] IMD World Competitiveness Yearbook 2011.
[7] HSBC The World in 2050 Karen Ward. Jan. 2011

- 1st in Eurozone for Ease of Doing Business[8]
- 1st in Europe for most competitive location for R&D Investment;
- 3rd in Eurozone for favourable entrepreneurial climate;
- Old-age dependency ratio 16.7%; the lowest in the EU15. [9]

[8] World Bank Doing Business Report 2011.
[9] Enterprise Ireland, Innovation Ireland The Export Challenge; Tom Hayes - RSAI conference Paper Sept. 2011. Source: World Competitiveness Yearbook 2011

International Trading Economic Overview

Global Context

In his book Beyond the Crash[10], Gordon Brown states that '*In 1990, the United States and the European countries that now form the EU (27 countries) were responsible for 55% of all manufacturing, 57% of all exports, and 59% of all world economic activity'*. 52% of investment was made in Europe and America.

These nations that today represent little more than 10% of the world's population accounted for more than 50% of the world's production, manufacturing, output, exports, investment and consumption.

By 2010, America and Europe accounted for only 45% of manufacturing output, and for just 47% of exports. America and Europe still consume more than 60% of the world's goods and services, making them net importers.

This is seen as a tipping point from the old world to the new, indicating America and Europe will be investing less in their future than the other world economies.

The primary shift has been from the western economy into the Asian economy.

Rapidly rising production in Asia has not been complemented by a similar rise in consumption in Asia. Asian countries continue to export aggressively and the flow of spending is from West to East. *Globalisation has generated opposite gravitational poles of production and consumption.* Gordon Brown considers the world arrangements look unbalanced and unsustainable.

There has also been a significant shift in the global flows of capital. In the late 1990s Asian economies suffered a crash and the IMF became involved, prescribing the usual medicine of higher interest rates together with spending cuts that were excessive. Thousands of jobs were lost unnecessarily. The outcome of that crash was a fear of inadequate capital in banks in Asia. As a result Asian central banks have built up massive reserves.

[10] Brown, Gordon Beyond the Crash overcoming the first crisis of globalisation, 2010

Because there was no global coordination to support Asia through the adjustment, Asia's response was to protect itself. Asian countries have now accumulated around $8trillion of reserves, with $2.4trillion in China alone. China is the holder of the world's biggest reserves, which in the last 2 years have risen by almost $1trillion. China and Hong Kong now hold 27% ($3trillion) of the world's capital reserves, compared with 19% in 2009.

Many developing countries are sitting on substantial unused reserves due to the experience with IMF and the lack of global safety net policies. *The reserves China has built up are essentially a response to the mistakes made by the IMF during the Asian crisis.*

As long as that money is saved in Asia and not spent in other countries, Asia will contribute to the long-term imbalances and lack of aggregate demand.

Ireland should attract benevolent investment from new sources.

American FDI in Ireland

Ireland is among the most globalised economies in the world, largely because of the unusually high levels of American investment in the country and the extraordinary export propensity of such firms located in Ireland, with more than 90% of output of foreign affiliates in Ireland going for export[11].

American nonblank companies account directly for around 5% of jobs in the Irish economy and a further 5% of jobs generated indirectly, as a result of spending on supplies and services and commercial activity generated by wages paid to employees which are spent in the local economy. This represents in excess of 200,000 jobs[12].

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[11] Joseph P Quinlan author of Built to Last: The Irish-US Economic Relationship. American Chamber of Commerce Ireland report 2011.

[12] Joseph P Quinlan; Built to Last The Irish-US economic Relationship; American Chamber of Commerce Ireland 2011 – US affiliate employment figures do not include US affiliate bank employees.

According to the US Department of Commerce[13], direct US investment in Ireland in 2010 stood at €131 billion. Global inward FDI stock in Ireland multiplied nearly seven-fold between 1985 ($36bn) and 2010 ($247bn), with the value of US assets in Ireland standing at an estimated €700 billion in 2010.[14] On this basis, the US accounts for approximately 50% of all global FDI in Ireland.

There are currently more than 600 US companies operating in the Republic of Ireland including: -

- 9 of the top 10 ICT firms as ranked by Forbes;
- 16 of the world's top 20 pharmaceutical companies;
- A US stock of investment of €130 billion;
- 5% of US worldwide investment and 9% of US EU investment;
- €3 billion in taxes to the Irish exchequer annually;
- €16 billion spent in the Irish economy in terms of payroll, supplies and support services;
- Representing over one-quarter of national GDP.

The trend is to high value-added service functions and activities away from basic manufacturing. A specific feature of US investment in Ireland has been its broad geographic reach. US companies have tended to settle outside Dublin. A regional focus has been a key characteristic of US investment policy in Ireland supported by development agencies.

Research carried out by Amarach Research on behalf of Matheson Ormsby Prentice (MOP), compiled in May 2011,[15] indicated that US sentiment towards Ireland as a place to do business remains strong: -

- 58% of Irish-American business leaders surveyed rate Ireland as a good place to do business;
- 32% said they would be likely to set up operations in Ireland;

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[13] American Business 2011, Irish Times July 1 2011, Dan O'Brien

[14] Joseph P Quinlan author of Built to Last: The Irish-US Economic Relationship. American Chamber of Commerce Ireland report 2011.

[15] American Business 2011 IT July 1 2011

- 37% indicated their attitude towards setting up operations in Ireland had become more positive in the last 5 years.

Positive attributes identified by US Corporations considering Ireland as a location for FDI include: -

- Competitive tax regime (29%);
- English speaking (21%);
- Ease of access from North America (18%);
- Government incentives (17%);
- Skilled workforce (17%).

When compared with other European, Asian, Middle Eastern and African countries, Ireland scored the best when it came to corporate tax regime, interest rates, Government incentives, physical infrastructure and IT environment and access to a pool of skilled labour at appropriate levels.

Irish Export Performance 2011

At midyear 2011 the report of the Irish Exporters Association (IEA)[16] on exporting performance indicated exporters in Ireland have been able to capitalise on the continued rapid global growth in demand for pharmaceuticals, agri-foods and information community technology related products. Exports from Ireland in the first six months of 2011 grew by approximately 8%, a rate of growth substantially higher than the global average.

Full year exports of goods and services increased by just under 5% to €171 billion in 2011[17]. The annual result shows a reduced performance in the second half of 2011 and some stark results in relation to economic engagement with the most dynamic economies.

- Exports to Germany grew by 9% in the first half and later on collapsed. 2011 saw an 11% loss of exports by value to Germany.

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16 IDA Ireland 280711 at midyear export growth targets for 2011 are bang on target.
17 Irish Exporters Association End of Year Report, January 9th 2012.

- Exports to Japan fell by 4% in the aftermath of the earthquake, tsunami and nuclear disaster but recovered later to be up 1% in the year.
- Exports to China fell by almost 3.8% in 2011, the first fall in over a decade.

Merchandise exports increased by 3.5%, substantially influenced by the pharmaceutical / chemical sector, which represents 61% of total merchandise exports and the agri-business sector, with agri-food exports growing by more than 10%.

Services account for 46% of total exports from Ireland, with computer services growing by 12% in the year. Services grew overall by 6.6%, compared to 3.5% for merchandise.

The fall in Ireland's exports to China in 2011 is a major concern, as China's global trade has expanded during this period, with its imports growing by 19.2% in the year ending June 2011.[18] In the overall export value of €171 billion from Ireland in 2011, China (Euro €2.4bn) represented 1.4% of Irish exports in 2011, which exposes the poor performance to China as exceptional.

Just 2% of Ireland's exports went to the BRIC countries in 2011. There was strong growth in exports to Russia (+41%); to India (+39%); and to Brazil (+13%). Trade with Brazil, Russia and India is minimal with cumulative exports of approximately €1 billion in 2011(0.6% of total exports).

In comparison EU 27 countries: -

- Sent 20.8% of their exports went to BRIC countries compared to 2% of total exports from Ireland;
- Increased their exports to BRIC markets by 22.5% on average in the first 9 months of 2011 whereas Ireland's exports increase by less than 4% in the year;

Overall, Ireland performed moderately in export growth in 2011, compared to EU countries. It lost very significant ground in trade with the most dynamic economies in

[18] Chinese exports expanded by 16.4% June 2010 – 2011 and imports expanded 19.2% in the same period. NYT July 10 2011.

the global market, Germany and China. A serious review is required in relation to Irish trade with China.

The visit of the next Chinese premier, Mr. Xi Jinping, to Ireland in February 2012 is a huge opportunity to showcase Ireland and to make strong connections. It is interesting that there is 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.

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.

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

China

Even before the earthquake and tsunami in Japan, China had already surpassed it to become the second largest economy in the world. It is now anticipated to surpass the US by 2021.

China has a population of 1.34billion[19], up 5.84% in the last decade and in 2008 had a per capita income about €2,250. This indicates that Chinese domestic consumption is relatively underpowered compared to its production capacity. Therefore, there is a need to export production to the global market.

China's domestic consumption is expanding rapidly, along with increased per capita income, which has risen to €3,050 (+35% from 2008) in 2011. Annual growth in China for 2011 was 9.2%, down from 10.4% in 2010. GDP grew at 8.9% in the fourth quarter, representing a continuing modest quarterly reduction in the pace of growth throughout 2011.[20]

The majority of Economists are predicting GDP growth of 8 – 8.5% this year. Year on year growth in China has slowed for 4 straight quarters as the Government – concerned about soaring costs – had cut lending and pushed up interest rates, while US and European demand had weakened. Government eased the capital reserve ratio for banks for the first time in three years. The stronger than expected growth in the fourth quarter is likely to delay further easing by Chinese authorities.

China's trade surplus shrank in 2011 to €155 billion.

If the present level of c.8% growth in average national income is continued, the per capita income could increase to €6,000 by 2020.

A recent profound change in China has been the emergence of a sizable and educated middle class with increasingly expensive tastes. This indicates that there is a significant expanding market within China for foreign goods.

[19] China published Census results on 28th April 2011, financial Times 30th April 2011.
[20] Telegraph.co.uk/Finance/ChinaBusiness, 17 January 2012

China's consumer growth is surpassing expectations, adding $300billion of extra consumption a year, increasing to $500billion in 2010. This is increasingly significant for the international economy as China develops a significant focus on other world products.

Total consumer spending by more than a billion Chinese is still less than 20% of the spending of just 300 million US citizens.

By 2014 China's share of world exports will rise to 12%, overtaking USA whose share will fall back to 8%.

Inflation in China reached 5.4% in April 2011. While there is an elite section buying foreign goods, middle-income earners in China are starting from a very low base. Rising wages will give Chinese more spending power, domestically, on foreign goods and as tourists outside China. By 2050, ddespite a seven-fold increase, income per capita in China will still be only 32% of that in the US and scope for further growth will be substantial[21].

The Chinese Government's "Go Out" policy is encouraging companies to expand overseas to reach international markets. Beijing is encouraging all domestic companies to compete in overseas markets and acquire skill and technology, in a manner that is positively in line with prevailing industrial, political and macroeconomic policy.

Chinese investors are buying up land and resources around the world. Outbound direct investment has jumped from about $15bn in 2004 to more than $220bn in 2010. Even so China still accounts for only 1.2% of total world FDI.[22] Until recently, most overseas Chinese investments have been in Asia, Latin America and Africa.

China is at the start of a global buying spree that will reshape the global economic landscape. This phenomenon could have benefits such as easing imbalances in global capital flows identified above and encouraging internationalisation of the renmimbi.

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[21] HSBC The World in 2050 Karen Ward. Jan. 2011
[22] China and the World, Analysis and Comment. FT September 3 2011

China brief facts: -

- Has seen the fastest expansion of any major economy in recent times with gross domestic product increasing at an average of about 10% annually over the past 2 decades.
- Commands about 17% of world manufacturing;
- Has an annual overseas investment rate of $50billion, twice the level of 2008/2009;
- Is a big owner of manufacturing plants outside the country;
- Is a leading investor in Africa, Latin America and the industrialised world;
- Is the biggest buyer of the world's commodities, responsible for around 40% of all copper, nickel and aluminium purchases;
- Is stepping beyond basic manufacturing with a young better-educated workforce, better infrastructure, science education, and research;
- Is increasingly influential in the global supply chain;
- Has 40% of its labour force in agriculture, which operates with low productivity levels. These are being absorbed into industry to supply new entrants to the workforce;
- Urban population now over 50%. There is a trend to establishing new cities and industries outside the country's established hubs, bringing jobs to the people rather than people to congested expensive cities;
- Is investing heavily in infrastructure, with domestic infrastructure projects representing 15% of China's GDP;
- Is building 1,000 towns and 100 airports for the new industrialised population and will build 10 new cities the size of New York over the next 10 years. By 2030 China will add 350million more new city dwellers (more than the population of the United States today);
- The population is aging rapidly and in future a demand for immigrant labour may arise. 13.3% of the population is over 60, an increase of 48m. in the last 10 years. The richest people in China are the elderly.[23]
- Is producing >10,000 PhDs[24] and 6.5m graduates annually[25].

[23] FT 30th April 2011.
[24] McKinsey Quarterly Bulletin, February 2012, A CEO's Guide to Innovation in China.
[25] Graham O'Neill Now is the time to look to China; Sunday Business Post, 5th February 2012.

The figures in China are astonishing due to its vast geographic, population and commercial scale. Exponential growth inevitably has to slow down. However, scale of critical mass will take over, with lower growth actually sustaining a continuously high level of goods and capital transfers. In 2011 the population of China moved from majority rural to majority urban.

China is rapidly developing its technological base in sustainable transport, developing the largest network of high-speed trains, developing electric car technology and designing new generation passenger aircraft. Ryanair has signed a design co-operation agreement with the Commercial Aircraft Corporation of China (Comac) to design and put into service a 190-seater passenger aircraft.[26]

R&D spending is soaring in China, which is the third largest R&D investor in the world, growing its investment by 20% on an annual average basis in the last decade. China surpassed the US as the world's largest exporter of IT goods in 2004[27]

Innovation in China

China has moved from being an imitator to an innovator in many areas of technology, particularly in wind and solar power industries, consumer electronics, electric vehicles, pharmaceuticals and high-speed rail.[28]

The Chinese Government promotes indigenous innovation through the latest 5-year plan, seeing it as critical to the domestic economy's long-term health and to global competitiveness of Chinese companies.

Many product innovations in China have not reached the western market yet. Particularly in consumer electronics, some developments have progressed beyond western market expectations, particularly in messaging and streaming services.

The China domestic market is now so large that many Chinese companies have little incentive to adapt successful products for sale abroad into the global market. Others

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[26] Irish Times 18th June 2011

[27] Joseph P Quinlan author of Built to Last: The Irish-US Economic Relationship. American Chamber of Commerce Ireland report 2011.

[28] McKinsey Quarterly Bulletin, February 2012, A CEO's Guide to Innovation in China

encounter hurdles in reaching the global market, with, for example, executives uncomfortable doing business outside their geography and language, localisation and licensing fees not encountered within China.

In pharmaceuticals China's sophistication has grown dramatically. In renewable energy they are using new manufacturing techniques to improve efficiency of solar panels and are engaged in wind power equipment development.

The Chinese Government wishes to have more than 5 million plug-in hybrid and battery electric vehicles on the road by 2020 and is heavily supporting this goal with extensive subsidies and tax incentives.

China and Ireland[29]

Enterprise Ireland has indicated that Irish companies engaging with China have increased from 40 in 2005 to 124 companies in 2011. There are acknowledged difficulties such as distance, language and culture in trading between the two countries but these are not insurmountable.

Showcase centres provide an opportunity to centralise activities, inwards and outwards, at one location with support services. There is an opportunity for Irish based firms to get product into the growing Chinese consumer market.

China offers opportunities for inward investment into Ireland. Chinese banks have established themselves as the leading financial institutions in the world, with the 3 largest financial institutions by market capitalisation, Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB) and Bank of China (BOC). Chinese asset managers are already active in the financial services sector in Ireland.

China is a leading player in aircraft leasing, within which industry Ireland has a considerable reputation.[30] Most aircraft leasing activity in Ireland operates through Shannon.

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[29] Irish Times supplement China Business 1.4.2011 www.irishtimes.com
[30] ICBC has an expanding aircraft leasing operation in the IFSC. SBP 25 9 2011.

Multi-nationals account for 90% of Irish exports to China. In 2009 exports from SME and indigenous companies amounted to €222million, a 35% increase year on year.

Education services is the single biggest export sector accounting for 22% of the €222million figure. There are more than 4,000 Chinese students at third level colleges in Ireland and a similar number attending at English language teaching institutes. Seven Irish Universities, seven Institutes of Technology and independent colleges have offices in China.

The main areas of activity for Irish companies in China are: - Education, Life Sciences, Medical Devices, Aviation, Food and Drink, Agricultural Machinery, Aviation and Pharmaceutical Engineering, Financial Services, Software and Information Technology.

Engagement is currently on several fronts, encouraging Chinese FDI, enhancing well established education relationships and goodwill and getting Irish product into the rapidly growing Chinese consumer market. However, IDA Ireland and the Government have to redress the fact that Ireland appears to be missing the boat, with exports to China falling and competitor projects in other countries being facilitated with Government support and fast-track planning.

This engagement needs to be brought to into effect at a high-technology level, promoting Chinese product development, testing, marketing through collaboration with Irish businesses, institutions and agencies and expertise in the financial services sector, research and development and digital economy developments.

IDA engagement is essential, to exploit not only manufacturing but also Financial Services, Digital Economy and R&D. The product development and test-bedding programme should be highlighted, as this is precisely where China wants to go with its industrial development. Information on all the attractions for FDI and R&D in Ireland must be presented to the Chinese Government. The Chinese are well engaged in R&D and Irish indigenous firms are well versed because of their extraordinary engagement over five decades with US/World FDI company culture, management, flair for development and design of products that have been successfully brought to market.

The Chinese Government is encouraging technology transfer from multi-nationals in return for market access and co-ordinated R & D investment. There is an opportunity for MNC/SMEs to leverage their abilities in collaboration with Chinese manufacturers and product developers. Multi-nationals bring superior product quality into play and can lead product development for consumer markets in collaboration with Chinese producers.

Shifting from production-based imitation to innovation requires R & D, knowledge of customer preferences and delivery of reliable product. Many multi-nationals have these capabilities. The marriage between the two is achieved through location either in China or in a Chinese hub. One method is to transfer top executives from the west to China to run global R & D organisations, to be closer to Chinese customers and the network of institutions and universities from which multi-nationals source talent. Another is to train Chinese innovators in western companies engaged in R & D.

One key is to develop products that will serve the global market rather than the domestic China Asian market.

Collaboration and hot housing in the development of ideas is a western as opposed to an eastern phenomenon. Chinese innovators can benefit from an interactive open process of innovation, when located in an open environment[31].

China will take time to evolve and achieve a true innovation revolution, moving from incremental innovation to one where breakthrough innovation is common.

Ireland and China have common interest in renewable energy technology. Ireland has some of the best global resources and China is developing some of the best renewable technology. Marry the two in Ireland and there is an economic and environmental "win-win" situation, with Ireland as a global environmental first mover.

[31] McKinsey Quarterly Bulletin, February 2012, A CEO's Guide to Innovation in China

China and EU

The Chinese Prime Minister visited Germany and the UK at the end of June 2011 and signed substantial trade deals with both countries. China signed a €10.5bn trade deal with Germany and declared that country a strategic partner, as a 'motor for closer trade between EU and China'[32]. The aim is to boost trade with Germany to €200bn annually.

China signed a £1.4bn trade deal with the UK government, with a view to boost bilateral trade to £70bn by 2015. The Chinese Ambassador to Britain stated during the visit that China wanted to be a 'long-term, responsible and active investor' in the European Union.[33]

Britain is the most popular European destination for Chinese inward investment by value and Germany is the most popular destination by number of projects in the last decade.[34] City of London will become a clearing-house for Yuan currency transactions.

The Chinese rate the UK for having: -

- One of the most open economies in the world;
- A welcoming attitude to investment;
- A stable regulatory and legal environment;
- Bridgehead to the US;
- State planning via the National Infrastructure Plan.

The UK Chancellor of the Exchequer has visited China in January 2012 to highlight the range of infrastructure projects into which the Chinese could invest via the China Investment Corporation (CIC) and the Industrial and Commercial Bank of China (ICBC).

[32] Irish Times report 29.6.2011
[33] Telegraph 22 June 2011
[34] Financial Times Open Approach attracting Chinese Investment January 21, 2012

The UK is ahead of France and Germany in securing direct inward investment, compared to commercial transactions. The UK sees direct investment as a launching pad for commercial engagement.

China is likely to invest in low-risk physical assets that carry steady returns as opposed to purchasing sovereign bonds to bailout currently richer countries.

However, there is a symbiotic interest. China has been buying more EU government debt than US$ in Q1 and Q2 2011. 25% of Chinese reserves, which stood at $3,045bn in March 2011, are in EU assets. China has declared an intention to buy more EU bonds[35].

[35] Asian Times 30.06 2011

BRICs

The cluster of huge growth countries, the BRICs (Brazil, Russia, India and China) will be growing twice as fast as the rest of the world up to 2020 and three times as fast as America and Europe.

The focus is not only on China. India and China, with more than 33% of the world's total population, are growing their economies at between 8% and 10% a year.

India will add 100 million men and women to the workforce by 2020. India has trend growth at 8.5% a year, meaning the economy will double in size within the next 10 years. India's middle class could expand from 5% of the population today to 50% within 30 years.

India's per capita incomes are one third that of China, with 400 million people living on less than $2 a day. In India average income per capita is 2% of that in the USA - at $790 pa[36].

With 20% of the world's population, India accounts for only 1.5% of global trade in services, 1% of global trade in goods. More than 50% of India's workers are in agriculture.

The consumer spending of 1billion Indians is 1% of the world economy.

India's consumer growth will expand by 350% in the next 15 years, but from a low base. By 2050, it is expected that through high population growth, outstripping China in population, and income growth, India will be the world's Third largest economy.[37]

Latest reports at the end of 2011 suggest Indian development is stalling and is subject to internal anti-competitive tendencies.

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[36] HSBC The World in 2050 Karen Ward. Jan. 2011

[37] HSBC The World in 2050 Karen Ward. Jan. 2011

Locating Industry in Ireland

The IDA national goals are to create new employment, support regional economic development and build the Smart Economy, to transform Ireland into a global hub for innovation and commercialisation in a uniquely attractive environment in which multinational companies can grow.

IDA published an agenda[38] for transformation of Irish industry to reach the next plane of technological development as a support base for job and wealth creation through FDI.

As an attractor of FDI, Ireland is unsurpassed, working off assets that provide a world-class environment for business including: -

- Stable regulatory regime for internationally traded goods and services;
- Membership of the EU and €-zone;
- English language;
- Track record and embrace of technology;
- Tax regime, legal and banking services;
- Talent pool of young, educated people;
- Proximity of third level institutions;
- Collaborations between companies and academic institutions;
- Easy access to airports and other infrastructure to ensure ease of access for employees and to get product to market;
- Provision of a reliable energy supply at the right price;
- Suitable property solutions, either in terms of land or buildings;
- Flexibility to continuously adapt and renew to harness new opportunities and stay ahead of the competition - transformation.

IDA's strategy is to: -

- Focus on BRICs as sources of foreign direct investment in addition to the traditional sources, to make Ireland a global location of choice for companies

[38] IDA Horizon 2020.

headquartered in these dynamic growth markets as they grow their international presence.[39];

- Showcase Ireland as one of the world's best laboratories for companies to 'develop, test-bed and internationalise' – e.g. in new clean-tech, to test a new technology/product, service or business process and commercialise it before launching it to other markets;
- Support convergence between firms and different sectors, where co-operative solutions can progress technology applications over a range of sectors;
- Facilitate Advanced FDI projects that will require access to high speed broadband and cloud computing.

Ireland's proven track record allows it to compete with other Global destinations as a logical location for dynamic multinational companies from the BRICS and other future high-growth markets, such as the Gulf States, as they establish or expand an international presence to support world markets.[40]

Significant new opportunities come from: -

- Major companies already established;
- New breaking technologies;
- Spin-off companies;
- Global trends – global services;
- High-end manufacturing;
- R&D, through all sectors of manufacturing and product development.

Over 60% of investments in 2010 came from existing client companies already in Ireland.[41]

Foreign Direct Investment Performance 2011

Ireland has over 5 decades of significant engagement in FDI primarily sourced from the major economies of the world. IDA companies in Ireland employ about 146,000 people directly, most in high-end jobs, and 240,000 people indirectly.

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[39] IDA Horizon 2020 P.15
[40] IDA Horizon 2020 P.10
[41] John O'Brien, Director IDA. RSAI Paper Sept. 2011.

Performance in 2011, with over 13,000 new jobs created, topped the performance in 2010, when IDA-backed firms created 11,000 new jobs, well in excess of the 4,615 jobs generated in 2009[42].

There is a movement from low-end manufacturing and assembly jobs into high-end jobs. There is a very substantial increase in numbers of high-end, better paid, jobs that have replaced lower paid manufacturing/assembly jobs.

IDA, over the last number of years, has opened international offices in places like India, China and Moscow. Investment from these markets will be additional business. It will not replace investment from the US[43], which currently supports approximately c.95,000 of the 146,000 IDA company jobs in Ireland.

Currently, overall FDI accounts for: -

- A total of 250,000 jobs (IDA and non-IDA, such as IFSC and independent investors);
- That is 1 in every 7 jobs in Ireland;
- €19Bn spend on Irish sourced goods and services;
- €6.9Bn in payroll

In 2011 IDA secured[44]: -

- 148 new investments, with 61 new companies investing in Ireland for the first time;
- Exports from IDA supported companies, as €115Bn, represented 70% of Irish exports;
- There was c.€700million new spend on R&D;
- Of the existing client investments, 46 were expansion and diversification and 41 were in R&D. These types of investments tend to bind these companies within the Irish system and make them less footloose;
- 28% of investments were located outside the GDA and Cork;

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[42] IDA Ireland End of Year Statement 2011, issued 5th January 2012.
[43] IT, Business This Week, interview with Barry O'Leary CEO, IDA. 23rd December 2011.
[44] IDA Ireland End of Year Statement 2011, issued 5th January 2012.

- 26% of investments came from non-US corporations, underlining the continuing strength of US investments;

FDI firms have a very high spend on R&D in Ireland and have increasing catalytic effects for research and commercialisation in Irish universities.

National Irish Bank (NIB) Inward Investment Performance Monitor 2010[45] showed that the number of FDI projects arriving here during 2010 increased by 15%, with a corresponding increase in job creation – making Ireland the second most attractive country in the world, after Singapore for FDI.

Ireland did well in attracting high quality R & D and HQ development projects, with a steady flow of mid-sized projects, particularly in the services industries such as software and customer support, with some high-quality manufacturing projects.

The main attractions to multi national corporations (MNC) locating in Ireland are: -

- Access to a highly skilled workforce;
- Low corporation tax rate;
- Improved cost competitiveness;
- Critical mass of similar firms in pharmaceuticals, Internet services and financial services.

The strategic importance of Irish operations to their parent companies is very high. More strategically important operations tend to provide better quality, more highly paid employment, typically in the areas related to R&D and are more desirable to the local economy[46].

The presence of MNCs operating in a country is known to impact positively on the business processes and management practices of locally based organisations[47]. As people move between firms and better practices become disseminated.

[45] NIB/FDI Intelligence Inward Investment Monitor 2010. Press release 24th February 2011.
[46] IMI-NIB Multi National Corporation Survey 2011.
[47] Closing the Gap, IMI, 2010

A note of caution is warranted here. IDA indicates it is now making a concerted effort to bring Chinese companies to Ireland. IDA has established 2 offices in China to identify Ireland as a location for companies to go out to, which is insufficient to cover such a vast territory.

Ireland's exports to China fell in the first half of 2011 at a time when Irish exports grew at more than 8% and China's imports grew by 19.2%. Ireland is not showing strongly on the radar for Chinese investments in infrastructure or FDI.

Financial Services

Ireland's international financial services sector comprises approximately 220 IDA supported companies, of which roughly half are US owned – employing more than 20,000 people in three main business lines: -

- Banking and payments;
- Insurance and re-insurance;
- Investment management including very large funds and aircraft leasing businesses.

The sector accounts for about 15% of the total employment in the IDA's portfolio, making an annual tax contribution of €2.1 billion and represents 7.4% of Irish GDP. This sector barely existed 25 years ago.

While many people associate financial services with the IFSC in Dublin Docklands, it is now very much a national industry with a significant regional presence. Companies are based in Dublin and across the country with a significant regional presence in counties such as Donegal, Sligo, Galway, Limerick, Dundalk, Kilkenny and Cork. Ireland has now a sound track record and people experienced in managing international financial services operations, which is very important in a service industry.

Digital Economy

The digital economy is booming worldwide and Ireland is attracting some of the biggest names in the business, giving it a solid foundation that will allow it to benefit from this surge. Between 7,000 and 9,000 people are employed in the digital media sector, which is set to become more important to the Irish economy as services exports expand. The video game sector is expanding rapidly.

Ireland is becoming a major centre for Cloud Computing with significant concentrations and new investment in west Dublin and the world industry acknowledging the natural climate energy saving benefits of locating in Ireland.

Research and Development

Tax advantages in Ireland from R & D tax credit arrangements make Ireland more attractive in future for R & D based industrial development.

R&D was not a major factor in Irish industry until recently. It is heavily influenced by activities of FDI industries. This reflects a move up the value chain and embedding former production companies into the Irish economy through product development in Ireland. Today Ireland ranks in the top 20 countries in the world in terms of scientific output and within the top 10 in specific fields. Our "citation impact" – an indication of the importance of the scientific work we do – puts us at 8th in the world[48]. There is an opportunity for indigenous companies to become more involved, to develop spin-off R&D and for campus based incubator firms.

Dealing with Competitiveness Issues

FD investors do not target Ireland to serve the domestic economy, as they do in other large countries. They locate in Ireland on the basis of a number of competitive advantages, which have been highlighted as[49]: -

- Access to EU markets;
- A competitive corporate tax infrastructure (corporate rate, incentives and treaties);
- A uniquely talented workforce - domestic and foreign;
- Stable regulatory framework for business.

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[48] American Business 2011 IT Dick Ahlstrom, Science Editor

[49] Economist Intelligence Unit; Investing in Ireland, A Survey of Foreign Direct Investors; MOP March 2012. The survey was strongly influenced by financial services respondents (c.50%), which is not reflective of the proportion of this industry in Irish FDI. IFS represents 20%–25% of FDI employment although a significantly higher percentage of FDI turnover.

The quality of the local labour force relates to more than formal qualifications. It reflects Irish people's innate abilities and approach to problem solving. In addition, the opening of the Irish labour market to accession state citizens after 2004 added a huge range to Ireland's multi-lingual capabilities, with many highly educated people attracted into Ireland from other EU states.

The corollary disadvantages include: -

- The country's small size;
- Instability in the Euro zone.

It has also been indicated, elsewhere, that the Euro zone problems are seen as temporary and resolvable.

Peripheral geographic location is the next most important disadvantage after temporary Euro considerations. Combined, Ireland's island location, small domestic market and peripheral geographic location in Europe, should be fundamental elements of an international argument with central EU states in protecting the corollary advantages that Ireland has established through Government initiatives over many decades.

Ireland is under-populated for the size of the territory and lacks critical mass. Accommodating accession states immigrants has been positive for Ireland and for business. Many have now returned home and a vacuum has been created.

Currently the processing of visas to non-EU personnel and their families is extremely difficult and time consuming. Irish Visa policies for economically productive and educated people from beyond the EU should be simplified and become pro-active, giving residency/citizenship to long-stay personnel. Some Government sectors seek to use Visas as a restriction on new enterprise and protecting vested interests e.g. English foreign language education proposals. The Government has introduced a passport for investment scheme. Investors draw personnel in with them and these need to be welcomed also.

Future issues relate significantly to Red Tape; Executive taxation; and Treatment of the IFS sector.

In terms of international time comparisons, three elements of construction-to-operation stand out as significantly worse than international best practice, relating to time in days to secure: -

Requirement	Best-Practice	Ireland
Construction Permits	26	141
Electricity Connection	36	205
Registering Property	1	38

These, along with cost of utilities, rents, living, raw materials, wages and salaries, are significant detractors from Irish competitiveness.

Most significantly the FD investors survey indicates[50]: -

- Regulators should discriminate between domestic and international financial services;
- Facilitate top executive packages;
- Expand IFS to absorb qualified bankers discharged from domestic banks and available to international banking services.

Any trend to heavy handedness by financial regulators towards internationally trading financial service firms should be eliminated.

Ireland has regained a significant amount of competitiveness lost and has a better base from which to launch from this decade benefiting from the clusters of industries in pharmaceuticals, IT and financial and skills that were not here in the 1990s. However, impediments to competitiveness that can be resolved by action in Ireland should be addressed urgently.

[50] Economist Intelligence Unit; Investing in Ireland, A Survey of Foreign Direct Investors; MOP March 2012.

How to Use Irish Assets

Ireland is not in a bad place structurally to sell its assets as a significant player at the upper levels in the global market. This is an economy short of cash reserves and with depleted capital and a dysfunctional banking system, but it is not a bad place to invest in and carry out a business from.

Ireland may join the band of cash rich commodity countries in the future if oil and gas resources are investigated and delivered to markets in a timely fashion. The extent of the country in the ocean has only recently been realised as a resource. The completed ocean survey is a significant research resource to aid discovery of offshore resources and to inform on their exploitation. It is reported that there are 10bn. barrels of recoverable oil offshore within Ireland's territory, made up of recoverable oil and significant gas reserves[51].

It would take several additions to the Corrib field, which is being exploited, to transform the global markets concept of Ireland's viability. Relatively small discoveries would transform the capital value of the Irish economy.

There are new and very significant and extensive zinc/lead discoveries extending from the Lisheen/Gortdrum/Silvermines direction towards (and possibly extending past) Limerick city (east side). These are, as of now, second only to Navan in scale (expressed as millions of tonnes - mt, whereby Navan is 100mt and discoveries are already beyond 25 mt). This information can be gleaned from industry publications on the web. These resources are of world importance in scale (Navan being the largest zinc mine in Europe and Ireland recognised as a very important zinc/lead etc. province).

The on-land licences are not confined to lead/zinc or other minerals. For instance there are on-land prospecting licences relating to gas, oil, gas shales etc. Gas shales potential in Leitrim/Fermanagh has recently been estimated @ $55 billion in value. [52] Gas shales have been an energy cost game changer in the USA. They should be considered as strategically important for Ireland and developed.

[51] Optimising Ireland's Oil and Gas Resources; SIPTU, June 2011.
[52] IT Leitrim Gas Reserves, report, 1st February 2012.

A growing proportion of FDI will come from high-growth markets new to Ireland, from outside EU. Developing economies will grow faster and take a larger share of global trade and become increasingly important sources and destinations of FDI. Ireland needs to compete harder in new high-growth zones of economic influence, delivering services high up the value chain. HSBC economists have advised investors to position now for when emerging markets surpass the developed world, as these will provide most net global growth in future decades. [53]

Similar to the realisation that stock markets are not as important in world monetary systems compared to bond markets that fund sovereign debt who must be respected, FDI is far more important than trade balance, or bi-lateral trade, in estimating the scale of trade activity between nation trading partners.

Getting foreign businesses on the ground in Ireland from these markets is far more effective than progressively developing trade links that are currently weak[54]. This is why the Visa issue is so important. Getting business on the ground in Ireland means getting personnel on to the ground as well.

FDI would be a rapid way to develop Irish-Chinese trading partnership, over and above developing direct trade of products. A Chinese initiated, private investor FDI, project planned for Athlone sees Ireland as a well-placed bridgehead between the eastern and western global economic regions for globalising China and Ireland's indigenous trade in products.

Ireland has all the attractions that the UK has in respect of being a target for Chinese infrastructure and FDI investments. Ireland should exploit its unique record over five decades of involvement with the US - the first major FDI powerhouse. Ireland should use the business skills learnt by indigenous firms and academic incubators to develop R&D products as partners for new global players in product development.

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[53] HSBC: The World in 2050, Jan. 2011.

[54] Joseph P Quinlan author of Built to Last: The Irish-US Economic Relationship. American Chamber of Commerce Ireland report 2011, identifies mutual FDI engagement as of a far greater than import-export activity in strongly engaged economies.

Investors should be offered opportunities for development of multi-functional global headquarter campuses located in Ireland, which will become more significant in the future as part of the technology convergence concept.

There is information that cash rich eastern entrepreneurs are willing to collaborate and to invest in opportunities in the West and to discover firms with applications that can have continental application in South East Asia, where the market potential (3bn persons) is vast compared to domestic exposure to the Irish or British Isles markets. The investment may be primarily industry/technology based and could have a significant service contract element associated, which would be the long-term revenue generator for the Irish partners.

Business will not continue to be transacted as it always was. Technologies in their infancy or previously unknown have to be monitored for exponential growth. Services innovation will represent a significant area of growth and will be an increasing source of new employment.

Games technology is a new area with vast potential and of great interest to Asian economies where technology developments are shooting ahead of the west.

Theme/event parks based on Irish areas of excellence should be promoted to put Ireland on the world events circuits. This was the philosophy behind the Tipperary Venue, deriving from Ireland's pre-eminence in the global bloodstock industry, sport and associated gambling spend. The Venue could have hosted the World Equestrian games that were passed up for the lack of a suitable venue in Ireland in recent years. The Government explanation for withholding licensing does not bear scrutiny.

Whether it is on-track, in-casino, or on-line, gambling is a global industry to be tapped, with substantial gains for the host economy through services, taxes and employment. Policing numerous small gambling venues will be far more demanding than policing a few larger venues. Gambling addiction occurs in all types of operations.

The industry side of the economy is well supported when sourced by IDA, Enterprise Ireland and sister agencies. It is also necessary to identify economic enterprises that lie outside the industrial economic area, which can feed into or serve critical mass associated with FDI activities and economic globalisation.

This may be in the provision of education on a major institutional scale, providing fully integrated boarding colleges for English, business and political/social development, as opposed to the home based-industry scale EFL business that currently exists in Ireland. There is a vast multi-billion market to be tapped into, for which Ireland has very good resources and potential as service providers. Once established, this is an ongoing service income generator.

The Gulf States that are interested in developing the education/cultural/institutional development part of their systems, as part of a 'democratisation process', should be invited to invest in Ireland in top-class land portfolios that are well placed in respect of their areas of business, education, leisure and sports activities and that preferably have the benefit of planning permission and 'ready to go'.

One or several of these countries could also consider full-scale university campus accommodation. These would be based in demesne type locations with very high-spec buildings and landscaping, reflecting the status of the sponsor state.

With the collapse in land asset values in Ireland, as noted by Bill Clinton, there is great value for investors who wish to purchase lands with project permission in good locations. These lands are effectively ready-to-go, with services commitments. Planning permissions can be changed in many cases to suit the needs of new investors.

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.

Summary

There is a profound shift in the global economy, from west to east.

The US is still phenomenally important in Ireland and is expanding its presence from its existing base, changing focus, and through new entrants. Its future development will be incremental and proportional but not exponential. The same can be said for British and European investment.

China must be the main target for industry/technology based FDI: -

- It is fundamentally a new source for investment in Ireland, which could be exponential;
- Ireland needs to catch the wave and engage with China, as other EU countries have done;
- China will be the leading world economy within one decade and is the most relevant economy to be involved with at the moment;
- China must continue to export its products and to develop its indigenous products for the global market;
- China, while exposed to the global recession, internal regional competition (potential banking and property bubbles) and falling western consumption, continues to be the best bet for FDI trading investment.

The ASEAN market economies, which are growing rapidly, also offer potential on their own. Countries such as Indonesia have huge potential due to earnings from commodities and population.

While the BRIC countries have large economies, huge domestic markets and large numbers of poor people, they are far behind China/Asia in importance. However, many economies engaged in commodities trading have become very cash rich due to market control over supply of products and high demand driving prices, new discoveries and improved resource exploitation technologies. This includes countries like Russia and Brazil and a large number of Middle East countries.

There are cash-rich economies such as Saudi Arabia with large populations, who need to develop their education and business systems and that could be invited to invest directly in Ireland for higher education campuses that would benefit from advanced systems, international trading techniques, R&D to reincorporate this expertise into their own countries at a later stage.

There is significant potential for entrepreneurs to engage directly, through proper channels, with these countries, to develop programmes and academies located in Ireland to deliver well-educated persons to run the systems and businesses of these countries in the future. Such investments may not be profit motivated.

Ireland also needs to engage with the cash-rich nations that do not rely on current norms of funding through ‘western’ banking, on bond markets and stock/commodity exchanges, or solely on profit target motives. There are two main sources of investment revenue from these economies - state backed and entrepreneur driven.

Mega-rich persons are not always convinced of the security and longevity of their cash resources derived in developing economies, which may not yet be politically stabilised. They are often prepared to invest heavily elsewhere to offset potentially calamitous risk exposure. Such persons may accept a moderate loss on investments. This area is a potential source for Irish entrepreneurs to engage directly in DFI, in sourcing and properties for activities of interest in enterprises, sport and leisure.

Entrepreneurs from product trading nations, such as China, will want to see a significant rate of return on investment money. They may be prepared to collaborate in development so as to exploit the returns available from trading new products into the SE Asia market. High value/iconic brand products are being sought in those markets and Irish style agri, style, culture type products have potential in this area.

Ireland needs to publicise the potential scale of, and accelerate exploitation of, its own natural resources to transform the global markets views of Ireland’s viability. If it is seen as one of the asset rich nations the sovereign debt and bond issues will be resolved. That along with stability, good governance and friendly disposition in a major trading bloc, will be attractive to direct investors into a wide range of projects.

Conclusion

Ireland should view the developing economies not as competitors but as potential partners, who can benefit from engagement with Ireland. The mindset on visas must be changed, not only for investors but also for personnel and students.

FDI from developing economies should be promoted strongly by identifying Ireland: -

- To developing economies as the world's best example of a host nation;
- As a very successful trading nation;
- Its established outstanding position in the globalised economy;
- Its bridgehead location within the two largest global consumer markets – US and EU;
- Its geographical location between east and west
- Its lack of historical baggage.

Private entrepreneurs should look outside agency based FDI and look to other sources for engagement.

DFI can be attracted to ready to go lands at very low market valuations, which can pump prime the moribund commercial property market.

Simon Clear

15th March 2012©