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Executive Summary: Asia Matters Member Briefing

Martin Shanahan, Chief Executive IDA Ireland

Asia Matters held an exclusive Private Briefing for members with Martin Shanahan, Chief Executive IDA Ireland. The briefing brought together 50+ business and government leaders to discuss IDA Ireland's strategic engagement with Asia and the key drivers for future growth in Asian FDI. In addition to Martin Shanahan's key address an interactive Q&A heard comment from leaders from some of Asia's largest investors in Ireland including Bank of China, Toyota Financial Services, WuXi and Tata.



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Martin Murray, Executive Director, Asia Matters opened the briefing commending the exemplary leadership of Martin Shanahan in ensuring the continued success of Ireland's global best in class FDI agency.

Martin Shanahan acknowledged the value of the event and the substantial work undertaken by Asia Matters in building networks for Irish firms across Asia, developing relationships, and fostering stronger ties between Ireland and Asia

"This is the future as we see it: we will continue to foster our relations with the US but IDA's new 5 year strategy for attracting FDI will place significant focus on Asia"

Global Challenges facing FDI investment.

Given both the challenges and opportunities in the changing global geopolitical landscape including Brexit and US trade wars, allied to the increasing expansion of Asian companies in global FDI, the economic giants of China, Japan and India along with leading global Korean and ASEAN companies, are vital for the future development of Ireland's FDI.

The Impact of Brexit on FDI

Ireland did not wish for Brexit and the unfolding of it has created huge uncertainty given investors need to mitigate risk & relocate. Ireland has benefitted from this (70 + investments with 5000 people recorded as a result of Brexit). EU membership remains central to the success of Ireland's open, competitive economy and has been the foundation for much of the economic and social progress we have made over the last four decades. As an EU Member State, we have unfettered access to the EU's Single Market of more than 500 million consumers.

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Factors that erode Ireland's competitiveness need to be addressed

Many issues we can't control but we can control competitiveness – issues that could affect this, such as domestic housing constraints, must continue to be addressed in a timely fashion.

Ireland at the Heart of Europe

The advantages of Ireland as a destination for FDI include:

- + Access to over 500m EU consumers.
- + Access to a European labour force of 250m+ people.
- + Ireland an ideal destination from which to access the EU market.
- + Fully committed EU member since 1973.
- + Wide network of existing EU trade agreements.
- + English Speaking.
- + Participation in EU research programmes (e.g. Horizon 2020).
- + Political and economic stability.

Ireland's performance in attracting FDI

The IDA celebrates its 70th Anniversary this year. Ireland attracts 2 to 3 times more FDI than you would expect given our size:

- 2018 was one of the strongest years on record for Foreign Direct Investment in Ireland, with the number of people employed in the multinational sector today hitting an all-time high of just under 230,000.
- IDA secured 265 new investments in 2018, including 134 companies investing in Ireland for the very first time.
- IDA Clients now account for over 10% of total employment in Ireland.
- 58% of this employment is outside of Dublin.
- IDA clients account for two thirds of national exports and two thirds of Irish corporation tax receipts.

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Critical Success Factors for Global Asian Investors: a world class value proposition

- Track record – using current Asian investors in Ireland as a reference
- Talent Pool – it is vital that Ireland continues to attract globally best in class talent as well as future proofing the education system here
- Consistency in the tax regime – for Asian investors, certainty and the mitigation of risk are key
- Ease of doing business here - Ireland is viewed as friendly, with hardworking people willing to help
- Ireland’s membership of the EU gives access to the single European market of 500 million people, more important than ever before in the context of Brexit.
- English speaking and common law system have become more important factors in the context of Brexit

How IDA has adapted to strategically engage and win new Asian investment

Traditionally the US was the mainstay of FDI investment - in 2016, 72% of investment in Ireland was from the US - in 2018 that figure was 65%. Asian FDI into Ireland is up 25% since 2016 – future strategy will focus on increasing FDI from growth markets & Europe faster than the US, rebalancing the investment portfolio.

Growth markets are becoming central sources for global FDI flows, with Asia a key player. IDA’s Growth Markets division focuses on attracting investment from emerging economies where IDA had not traditionally generated significant business.

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This is a long-term strategic investment by IDA to diversify into new markets and capture the increasing flow of investments from Asia.

A critical success factor has been adapting marketing approach and style to the individual cultures and countries given outward FDI from Asia varies greatly depending on geography and sector.

Foreign Direct Investment Continues to Grow

- + IDA clients account for **10.2%** of total employment in Ireland with **58%** of this employment outside of Dublin.
- + **229,057** people directly employed by FDI Companies.
- + Multinationals make a significant contribution to the Irish Economy;

€19.2bn

.....
spend on payroll
and Irish sourced materials
and services.

€5.7bn

.....
investment in capital
expenditure.

€1.8bn

.....
investment in-house R&D.

IDA - Current Sectors of Focus

Success depends on concentrating on the sectors that constitute the modern economy and where Ireland has strengths:

- Financial Services
- Technology
- Biopharmaceuticals

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- Medical Technology
- Manufacturing & Engineering

New Forms of FDI next 5 years: Global Trends

- The main stay sectors tech, pharma/bio pharma, international financial services will remain key
- Tech, & data cuts through all industries
- AI, Robotics and Manufacturing 4.0 will all see growth.
- The IDA now has a unit that deals with new forms of FDI, sectors that have become mobile through technology and sectors undergoing radical change. For example, the car industry was never an area of strength for Ireland but where the car industry is going is driven by the tech underpinning driverless cars where Ireland has core value.

Current Asian Investors in Ireland by Country

China

- IDA Ireland has secured a number of strategic investments from China in Life Sciences, Technology and Financial Services.
- There are now 25 Chinese companies operating in Ireland employing over 900 people.
- Companies include Wuxi, Huawei, Bank of China, ICBC and Travel Sky
- IDA aims to deepen existing ties and expand sectors we attract investors from.

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India

- IDA currently has over 35 Indian client companies from a range of sectors located in Ireland.
- The top five Indian IT services companies have large operations in Ireland: TCS, Infosys, Tech Mahindra, Wipro, HCL.
- There are also multiple Centres of Excellence and R&D in Ireland: Tata Motors- Jaguar Land Rover opened a global software engineering and development centre in Shannon in 2018.
- The key drivers for Indian companies looking to invest in Europe are market access, being closer to their customers and increasingly, in the case of tech companies, access to talent

Japan

- There are currently 80 Japanese companies in Ireland comprising of 33 IDA Ireland client companies. Collectively these companies directly employ approximately 5,000 people. Japanese investors employ across a wide range of industrial sectors from Information & Communication Technologies (ICT) and Pharmaceuticals & Medical Technologies to Financial Services.
- In January 2019, Otsuka Medical Devices, acquired 100% of Veryan Medical Ltd which has R&D operations in Galway for innovative stents for use in the treatment of vascular disease.
- In February 2018, Takeda Pharmaceutical announced a new €25m standalone regenerative medicine facility dedicated to manufacturing a novel stem cell therapy at its GrangeCastle site.

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Korea

- The most recent investment from the Korean market is SK Biotek, the first South Korean pharma-company to invest in Ireland. It is a solely owned subsidiary of SK Group - a Top 100 Fortune 500 Global Company with annual revenues of \$€99.7 billion.
- The level of outward FDI from Korea has been increasing steadily and Korea is now the 13th largest provider of FDI in the world.

Cascading FDI Investment through the regions

Regional development is a major component of IDA Ireland's corporate strategy. For the current strategy, target was an uplift in investment of 30% to 40% in each region outside Dublin – that target is on schedule to be met with Growth Markets clients from Asia contributing significantly.

There is a good regional spread of Growth Markets companies throughout Ireland including: JLR in Shannon, Tech Mahindra in Waterford, SMT in Galway. (Indian) Wuxi Biologics in Dundalk (China), Astellas in Kerry, Nipro in Galway (Japan)

Telling the Irish Story in a way that resonates with Asian Investors

Ireland has a lot of work to do in Asia to ensure that people understand what Ireland is, what we are about. We are an extraordinarily small country in the scheme of things and our domestic market is tiny.

IDA works closely with EI, DFAT, Bord Bia and Tourism Ireland - and the importance of a clear, consistent and relevant message is critically important. Martin Shanahan stressed the importance of public and private

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sectors working together, highlighting the importance of this briefing, bringing key stakeholders together to distil a message that will cut through in a globally competitive FDI market. The Asia Matters Member Working Group on FDI & Location Competitiveness was also referenced for its work in Place Making and clear messaging.

Irish Economy the Top Performer in Europe

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| + Ireland is ranked amongst the top countries in the world to do business. | + GDP growth of 7.4% in the first three quarters of 2018. | + Maintaining and improving competitiveness as the economy grows is a key government priority. |
| + Year on year growth of 4.9% versus Eurozone average of 1.6%. | + Broad based growth across the economy. | + Strong growth forecast to continue in 2019. |

Ireland: Playing to our strengths for future success

- Ireland's advantages as a small country include agility & speed – we should be able to respond more quickly to market change.
- Stability is a key priority in decision making – Asian companies want to invest in a stable environment like Ireland - both politically and geographically.
- We also have significant consensus across all political parties around enterprise & tax policy – these things travel especially well.

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The key role of talent in FDI Decision making

Additionally, of increasing importance to investors is the fact that Ireland offers not only a highly skilled and well-educated labour market, underpinned by favourable demographics (youngest population in the EU with one third under 25 and almost half under 34); but it also offers access to an international workforce - today, 17% of Ireland's workforce is international; and this raises to 27% in the technology sector. If Ireland can be viewed by investors as home to a globally best workforce, this will have a positive impact on investment decisions.

Labour Market Continues to Strengthen

Over **2.28m** people are now at work in Ireland, the highest level since 2008. For every 10 jobs lost in recession 9 have been replaced.

Unemployment rate **5.7% in Q4 2018 – lowest level in 10 years.**
Ireland's unemployment rate below EU (6.6%) and Eurozone (7.9%) average.

Proportionally Ireland has the 3rd highest international workforce in Europe.
Today, 15% of Ireland's workforce is international.

IMD World Competitiveness Yearbook 2018 ranks **Ireland 1st for flexibility and adaptability of its workforce.**

Ireland has the **youngest population in the EU** and the lowest share of over 65 year olds in EU.