

# Fdi's contribution to ireland's economic development assignment

[Sociology](#)



How has FED in Ireland contributed to our economic development and what are the prospects of attracting FED capable of a making a similar contribution to sustainable economic growth in the future. Ireland is one of Rupee's leading locations for FED. " Multinational enterprises are a very significant component of the Irish enterprise sector and will continue to play an important role in our economy' (Houses of the Reciprocates, 2012).

Abstract This piece examines the critical importance of FED in the growth of Ireland. It explains the reasons for Ireland's success.

The analysis is carried out in terms of employment, exports, outputs, Government assistance and advantages and disadvantages of Fid's investing in Ireland. Without the influence of FED inflows, the economy would not have grown to the extent it has. This piece will discuss the growing FED levels and the prospects of attracting FED into Ireland, promoting sustainable growth, the Irish economy and employment & export levels. Len order to speak about Foreign Direct Investment, one must look at its statistics and the developments for which it is responsible for.

As a result of multinational companies basing operations within Ireland, the country has improved its infrastructure, transport networks, technology, education and retained a low corporate tax rate. Introduction George Bernard Shaw quipped in the sass's, that he hoped to be in Ireland on the day the world ended, because the Irish were always 50 years behind the times. Over 70 years later, the same cannot be said. With an economy growing at a rate consistently above the EX. average, Ireland is one of the most favored locations for FED in Europe by multinational corporations. In 2011, Ireland ranked second most attractive country globally for Foreign <https://assignbuster.com/fdis-contribution-to-irelands-economic-development-assignment/>

Direct Investment revealed by The National Irish Bank/Fed intelligence Investment Performance Monitor. "(lad, 2011). This report shows the attractiveness Ireland is for FED in terms of our low corporate tax of 12. 5%, our competitiveness and our track records of successful global business investments. The number of projects into Ireland had increased by 15% in 2010 with an increase in Job creation. " The level of total foreign direct investment into Ireland also increased between the end of 2011 and the end of 2012 - from ???? Bonn to ???? Bonn.

Fid's Contribution to Ireland's Economic Development and Success By landscaping from Asia. " (CSS, 2012). " The Irish economy is small and highly open. The value of internationally traded goods and services in 2012 was equivalent to 191%of GAP, which amounted to ???? 164 billion for the year. Compared to 2000, this represents an increase in the size of internationally traded goods of 5. 3%" (SERIES, 2013). An average age of 36. 1 years makes Ireland a relatively young country compared to the rest of the ELI.

Employment Ireland's unemployment rate stands at 12. 3%.

Unemployment is still a growing once for Irish citizens. This continued growing problem is forging a generation of emigrants as Ireland's youth are more and more turning to foreign countries in search of prosperity which is unattainable here. This mass exodus will no doubt have a lasting effect on the economy as revenue from this generation moves abroad, such as income tax. In analyzing who Ireland's workforces are, three categories emerge: Private-sector employees (1 , 1 12, 000) There have been some changes

within the private sector employee levels. " In the third quarter of 2012 there were 50, 800 employees.

However in the same quarter n 2013 this figure increased by 25, 800 to (CSS, 2013). Self-employed (290, 000) There have been some changes in the level of self-employed people in Ireland. " Self- employed people with no paid employees accounted for 204, 200 in the second quarter of 2012, whereas in the second quarter of 2013 it had increased to 217, 000. This was an annual change of 12, 800 in the amount of self-employed people that year" (CSS, 2013). Public-sector (including semi-states- 381, 000) In the third quarter of 2012 there were 378, 900 public sector Irish workers. In the same quarter in 2013 there were 375, 000 employees. This was a year on year change of (3, 900)" (CSS, 2013). With such a high rate of unemployment on-going, a small reduction has emerged in the amount of people signing onto the live register. This could be due to the increasing levels of FED and increasing Job creation amidst many Job losses. " The number of people on the Live Register fell by 3, 300 last month, bringing the figure to the lowest it's been since May 2009. The total number of people signing on in the last month of the year was 402, 800, representing an annual decrease of 28, 322/ 6. %" (Business-ETC, 2014). Exports The number of investments was strong in 2013 with 164 projects won for Ireland, of these 78 came from companies investing in Ireland for the first time, a rise of 18% on the previous year" (IDA, 2014). Among the leading investments secured during the year were Deutsche Bank, Twitter, EMCEE and eBay. " In December of 2007, exports were at a level of 6, 360 million comparing this to December 2012 when it was at a level of the years between. Ireland's net FED had fallen by 19. 2

billion since 2010, leaving a net inflow of 194. Billion. There was a sharp contrast between September 2013 and September 2012 as the value of “ exports decreased by 118 million (-2%) to 7, 346 million. The main drivers were a decrease of 332 million (-17%) in the exports of Medical and pharmaceutical products and 70 million (-69%) in the exports of Petroleum and related products. The exports of Organic chemicals increased by 327 million (+25%)” (CSS, 2013). Ireland's first major FED success came from Ford Motor Company. They began their tractor production for export in Cork in 1919.

They employed over 6, 000 employees in 1929 and still employed 1, 000 employees by the sass's output By the end of 2011, Ireland's net FED had fallen by 19. 2 billion since 2010, leaving a net inflow of 194. 5 billion. The main source of investment in Ireland came from Europe at a figure of 20 billion followed by Asia who invested 3 billion. Decreased of foreign investment of 18 billion came from the USA, 10 billion from Central America. In analyzing sectarian breakdown of investment into Ireland from companies based abroad, the largest sector for inward investment is clearly financial intermediation.

At the end of 2011 the investment in this sector totaled 83 billion, or otherwise seen as 43% of the total inward investment. Other sectors which were invested in include: 27 billion in insurance and 20 billion in the pharmaceutical sector. As the proportion of the manufacturing sector owned by foreign companies is so large, it has economical wide implications. The overall health of the economy is affected by and dependent on the well-

being of the foreign owned portion of the manufacturing sector. Looking at FED earnings in 2011, an increase to €41 billion from €38 billion in 2010 was recorded.

European companies earned €25 billion in 2011, up €1 billion from the previous year. " Services are the largest component of Irish output: in 2012 they accounted for 67 per cent of gross value added at factor cost, while industry and agriculture represented 31 per cent and 2 per cent of gross value added, respectively. Pharmaceutical products, computer and electronic products, and food accounted for 34.5 per cent, 17.2 per cent and 16.5 per cent of total gross industrial output 2009" (SERIES, 2013).

How has FED contributed to Sustainable Economic Development in Ireland?

The impact of FED in promoting the growth of host country exports and linkages to the outside world cannot be understated. In Ireland's case FED has been responsible for transforming the economy from primarily an exporter of agricultural products to a worldwide leader in the exportation of high tech manufactures. Another of the early consequences of the influx in FED was that it assisted the decoupling of the Irish economy from almost total dependence on the UK as an export destination.

The arrival of FED in the late sass onwards played a key role in allowing Ireland to escape a Web of dependency caused by geographical factors, whereby small economies come locked into the growth performance of their surrounding region, which is often dominated by a single large economy, being the United Kingdom (UK) in Ireland's case. Improvements in competitiveness in areas such as office rents, construction costs, unit labor

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costs and business services in recent years have growth within Ireland. Simply attracting FED is not enough to generate economic growth in an environmentally sustainable matter.

FED needs to be a part of a comprehensive development strategy aimed at raising the standard of living of a nation's population with minimal damage to the environment. FED policy needs to be conducted in a parallel with significant and targeted domestic policies that upgrade the capabilities of national firms and provide a benchmark for environmental protection. Are there any prospects of attracting FED companies that are capable of making a similar contribution to sustainable economic growth in the future?

As Ireland's economy is a small open one, it is a given that foreign companies locate here for exporting. The size of the market here along with statistical data of export figures shows that foreign companies based here do so to take advantage of low tax rates ND for export of their goods and service, with a minimal percentage for sale on the domestic market. Irish plants on average export 35% of what they produce, while foreign plants on average export around 86%, with some U. S companies exporting up to 96% or produce.

Therefore, it is clear to see how the domestic market in Ireland is such a small proportion of foreign companies' customer base. This means Ireland is a production platform rather than a marketplace. Foreign companies within Ireland typically build larger plants, are more productive and are more profitable than their Irish counterparts. This has been measured by gross output, output per person and profit per person employed. On average, U. S

plants are over 12 times larger, 4 times as productive and over 6 times more profitable than their Irish competitors.

Foreign plants based in Ireland are predominantly owned by U. S, U. K and German companies. They tend to import their raw materials and export produce. Advantages for Global Investors Ireland is ranked as one of the most attractive business locations in the world due to the combined forces of a talented workforce, an outstanding track record in FED, a imitative clear and transparent tax regime, access to EX. markets and an international reputation for research, development, innovation and technology.

Talent The MID World Competitiveness Yearbook 2012 ranked Ireland first in the world for availability of skilled labor and for flexibility and adaptability of workforce. Ireland has a young, well-educated labor force and scores very highly on labor productivity. Track Record 93% of companies rate their investment in Ireland a success. Ireland is rated first in the Rezone for ease of doing business and first for inward investment by quality ND value. Tax Ireland has a transparent and simple 12. % corporate tax rate on trading income. We also have an extensive and expanding network of high quality tax treaties. Technology Ireland continues to attract the best in scientific and technology investments. To date, These attributes result in Ireland housing: 8 of the top 10 global CIT companies 9 of the top 10 global pharmaceutical companies 3 of the 5 top games companies 10 of the top ' born on the Internet' companies 50% of the world's leading financial services firms 17 out of 25 global medical device companies (Archive, 2013)



Disadvantages for Global Investors Ireland's four main disadvantages in the eyes of global investors lie largely outside the government's immediate control. Two relate to facts of geography. " The size of the domestic market was cited as a downside by one-half of all respondents (5%), and Ireland's peripheral location was mentioned by nearly one-third (3%). The other two relate to risks associated with the current national and international macroeconomic situation: the instability of the Euro zone (33%) and uncertainty about government finances (32%)" (The Economist, 2012) Poor Tax burden

Size of domestic market Red tape and bureaucracy High cost of doing business Peripheral geographic location Uncertainty about government finances Instability in the Euro zone GOVERNMENT ASSISTANCE The Irish Government, recognizing the benefit of investment, have funded under the national Development Plan (AND) a specifically designed organization in place to direct investment into Ireland.

The Industrial Development Agent (IDA) promotes investing in Ireland using initiatives such as funding and grants for foreign companies basing here, support for already established multinationals and encouragement and assistance in maintaining and developing new and existing investments. The IDA works at attracting investment from companies within the manufacturing and services industries, with a focus on " High End Manufacturing, Global Services (including Financial Services) and Research, Development and Innovation" (IDA, 2014) These can then be divided into smaller areas such as Pharmaceutical, Information Communications Technology (ACT),

Engineering, Professional Services, Digital Media, Consumer Brands and International Services.

Along with these, the Ida is placing specific emphasis on the future and looking for investment in sectors including Clean Technology and Convergence & Services Innovation. These are ideally suited to Ireland's skill-set, experience, geography and of course climate. For the purpose of research and specifically directed initiatives, the IDA has separated the sectors in which FED is directed towards into the following: Business services, Consumer services, clean technology, Entertainment and media, computing, International financial services, Life sciences - medical technologies, Life sciences - pharmaceuticals.

Initiatives used by the IDA to attract investment from overseas include: Focusing on sectors closely linked with the needs of the Irish economy which can operate competitively in the global marketplace from Ireland. Compiling up to date and relevant statistics and facts for companies doing research into investing in Ireland. Linking third level education with international businesses to get the most of investments made in education and to enable companies to avail of the highly skilled population, along with providing access to research centers.

Actively building world leading clusters of knowledge based activities by pursuing Ireland's policy of becoming knowledge based economy. Influencing the competitive needs of the economy by actively participating in the development and improvement of infrastructure and business support services, communications, education, regulatory and legal issues,

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particularly with regard to EX. policy. Introducing potential investors to local industry, government, service providers and research institutions. Provide advice and assistance on finding suitable properties for potential investors.

According to the IDA website, Ireland is 13th out of 125 countries on the global innovation index, in the top 10 of the world's freest economies, has replaced Singapore as the most globalized western economy and is in the top 10 countries for ease of doing business. Multinationals which originally located here to take advantage of low corporate tax and the pro-business environment have stayed and the majority of which have expanded their operations in Ireland due to the provision of a highly skilled workforce with excellent language, technical and customer services abilities, along with continued low tax incentives.

The securing of FED is not only beneficial to the foreign companies investing in Ireland but to Irish workers and the Government here. The injection of capital will not only benefit the economy but also the local area, along with rejuvenation of parts of local towns, creating local jobs both directly and indirectly. The IDA focuses on increasing local potential of areas in its effort to attract FED through a national program of strategic investment in infrastructure, properties and large sites.

National policy developed in the national patina strategy (INS) was set out in order to achieve a better balance of economic, social and physical development across Ireland. It is clear to see that with such an emphasis on FED and its importance, indigenous industry and firms can and are being overlooked and are often suffering, struggling to compete with the

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emergence of new larger competition. It could be stated that with the little growth potential of the indigenous industry that it is more important to promote foreign investment than to try promote indigenous industry towards the international marketplace.