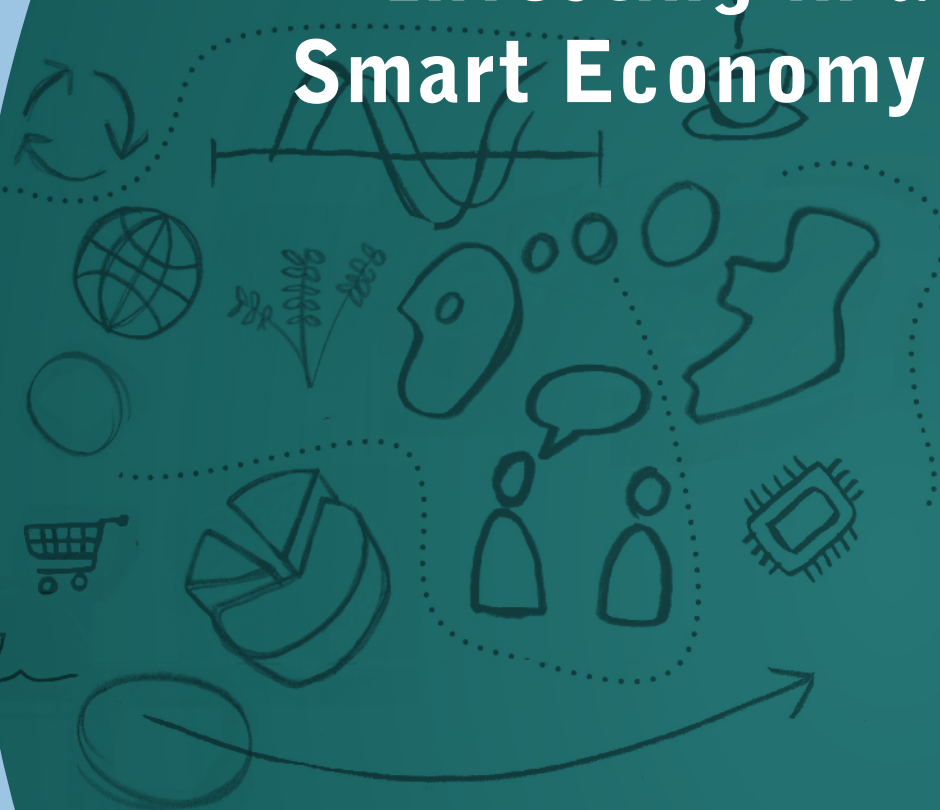




An Roinn Fiontar, Trádála agus Nuálaíochta
Department of Enterprise, Trade and Innovation

Trading and Investing in a Smart Economy



A Strategy and Action Plan
for Irish Trade, Tourism and
Investment to 2015

Trading and Investing in a Smart Economy: A Strategy and Action Plan for Irish Trade, Tourism and Investment to 2015

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Published by the Department of Enterprise, Trade & Innovation, Kildare Street, Dublin 2, Ireland.

Printed in Ireland.



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to 2015**

Preface

Background to this document

In *Building Ireland's Smart Economy*, the Government set out the overarching framework for rebuilding and repositioning Ireland as a 'Smart Economy', with a thriving innovation-driven enterprise sector and high-quality employment.

In the context of this framework, Forfas, in their recently published review of Ireland's enterprise policy, *Making it Happen- Enterprise Growth in Ireland*, identifies further actions needed to ensure a competitive, sustainable enterprise base that will deliver both economic growth and increased employment as we move out of the most challenging economic crisis the State has ever faced. *Making It Happen* sets out a vision for Ireland's enterprise sector over the medium term, based on sound analysis, with recommendations for Government, across the breadth of the enterprise ecosystem, that must be implemented if we are to capitalise on the opportunities presented by the already visible global upturn, and create the new jobs Ireland needs.

The Strategy and Action Plan described in this document builds on that review to detail *how* Government and its agencies will contribute to the achievement of priorities and targets set out in *Making It Happen*. This will require a concerted focus on driving new exports and new inward investment. It will also bring further focus and coherence to Ireland's single-minded pursuit of our international economic and commercial interests.

As a small, open economy with relatively modest levels of domestic demand, Ireland is reliant on trade. Both *Building Ireland's Smart Economy* and *Making It Happen* echo the emerging consensus amongst policy-makers that Ireland's recovery will necessarily be export-led, and that employment will be created through direct jobs and substantial secondary employment.

In *Building Ireland's Smart Economy*, the Government committed to developing an action plan for improving trade, tourism and investment links with new and fast-developing markets. In response, the Department of Enterprise, Trade & Innovation, working with the Departments of Agriculture, Fisheries & Food; Tourism, Culture & Sport; Education & Skills; Foreign Affairs; and Justice & Law Reform and the relevant State agencies – Enterprise Ireland, IDA Ireland, Tourism Ireland, Bord Bia, Forfás, and Culture Ireland – has drawn up this document, *Trading and Investing in a Smart Economy*, which will guide the development of those links and inform their structure. The strategy draws on the substantial body of dedicated research carried out by Forfás, including research on potential future partnerships. It also draws on the views of representatives of the business community and business associations.

With this new strategy for trade, tourism and investment, the Government aims to position Ireland for strong export-led growth to 2015, resulting in high levels of job creation and national prosperity.

In this document

This document sets out the background and thinking behind the Government's strategy and includes an action plan for trade, tourism and investment up to 2015.

- Chapter 1 sets out the global environment for Irish exporters and identifies the key trends that are relevant to Ireland's future export performance.
- Chapter 2 sets out a comprehensive, robust and critical review of recent performance trends in Ireland's overseas trade, tourism and investment.
- Chapter 3 outlines the international economic outlook, global trends, and emerging opportunities – both geographic and sectoral – for Irish exports, investments and tourism.
- Chapter 4 explores in some detail the strengths in the enabling environment, as well as the challenges to be overcome by Irish exporters in order to realise the opportunities.
- Chapter 5 sets out the Government's strategic priorities and high-level targets to 2015 for exports, tourism and investment.
- Chapter 6 – the Action Plan – provides the framework for deploying State resources in support of the Irish export sector, both in existing markets and in new and emerging markets.

Foreword

In the *Smart Economy Framework*, the Government has already published its broad blueprint for addressing the challenges currently facing the Irish economy. In response, Forfás, in *Making It Happen- Enterprise growth for Ireland*, has clearly identified what we need to do to ensure a competitive, sustainable enterprise base that will deliver growth and jobs as our economy moves to recovery. This Strategy and Action Plan, *Trading and Investing in a Smart Economy*, builds on the conclusions of the review and provides the practical detail that is needed to implement and deliver on its key recommendations and targets, particularly those aimed at enhancing the performance of our export sector.

In *Trading for Economic and Social Development*, published in 2005, the Government set out the principles that have since underpinned our trade strategy: maintaining an open economy, supporting new markets and opportunities, supporting our indigenous export base, developing trade in services, maintaining an attractive environment for FDI, supporting ODI, and promoting policy coherence to support exports.

Since that document was launched, major changes have taken place in the global economy that have affected every part of the Irish business sector, multinational and indigenous. But the strength and resilience of our exports throughout the global downturn provide evidence that the principles set out at that time were correct.

In recent years, however, important new developments have emerged in the global marketplace that open up exciting new opportunities and additional scope for Irish exporters, in sectors such as clean technology, green enterprise and Next Generation Network-enabled business, and in particular geographic markets, both established and new.

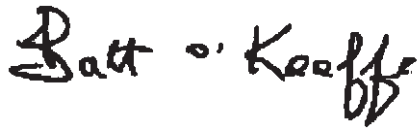
This document sets out the agreed cross-sectoral priorities and targets, and a series of recommended actions that will enable the export sector to realise its potential for growth in the years ahead. The intention is that joined-up thinking will lead up to joined-up action, and that all of the available resources are used to ensure that our trade, tourism and investment sectors are well-positioned to respond smartly and effectively to emerging opportunities as the global economy returns to growth.

This Strategy and Action Plan was drawn up by a High-Level Group representing the key Government departments and agencies with responsibilities for trade, tourism and investment. I would like to take this opportunity to express my sincere appreciation for the support, cooperation and effort of all the participants. I would like to also acknowledge the valuable contribution of the *Report on Ireland's Foreign Trade*, recently published by the Joint Committee on Foreign Affairs under the chairmanship of Dr Michael Woods TD.

The actions set out in *Trading and Investing in a Smart Economy* will require the concentrated and coordinated efforts of all of the key Government departments and agencies, including our embassies and consulates abroad, as they focus on helping Irish businesses to maintain and expand existing markets and to gain a foothold in the fast-growing new markets. I am very pleased that my colleague, Mr Billy Kelleher TD, has agreed to lead the new Foreign Trade Council, which will drive the implementation of the Strategy and Action Plan.

Between now and 2015, the ESRI expects GDP to grow at around 3% a year. The aim of our strategy is to see the creation of 150,000 new jobs directly associated with exporting enterprises over that time, with a similar number of indirect jobs. The strategy further envisages IDA Ireland securing an additional 780 investment projects, of which, 20% of Greenfield projects will come from the new and emerging economies. The strategy also envisages tourist numbers growing by one million.

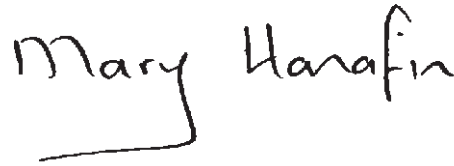
I am very pleased to be joined by my colleagues – Ms Mary Coughlan TD, Tánaiste and Minister for Education and Skills, Ms Mary Hanafin TD, Minister for Tourism, Culture & Sport, Mr Micheál Martin TD, Minister for Foreign Affairs, and Mr Brendan Smith TD, Minister for Agriculture, Fisheries & Food – in launching this Strategy and Action Plan. We are confident that the implementation of the plan will optimise the use of State resources in helping Irish exporting businesses, tourism interests and overseas investors to play their part in economic recovery and renewed growth.



Batt O'Keeffe TD
Minister for Enterprise, Trade & Innovation
28 September 2010



Mary Coughlan TD
Tánaiste and Minister for Education & Skills



Mary Hanafin TD
Minister for Tourism , Culture & Sport



Micheál Martin TD
Minister for Foreign Affairs



Brendan Smith TD
Minister for Agriculture, Fisheries & Food

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Executive summary

Our export performance in recent years has shown considerable resilience, with services exports performing particularly well. However, our share of world trade is declining. Irish trade is geographically concentrated, and is also concentrated in particular sectors, most notably the chemicals sector, a sector that has shown marked resilience in the recent downturn. At least 85% of the value of total exports is from foreign owned companies. Some 70% of all exports by value are from IDA assisted companies. Tourism has been affected by the pace, scale and nature of adverse changes in the global and domestic economies.

Ireland's relative position as a leading international location for value-intensive foreign direct investment (FDI) has remained strong. Irish outward direct investment (ODI) stock and flow have consistently increased over the past decade, mostly to the UK and the wider EU.

As the world economy positions itself for recovery, a number of trends are emerging that are expected to have a significant impact on the patterns of trade, investment and tourism in the years ahead. These include new forms of FDI, convergence technologies, an increasing focus on services, and changing demographics and consumer demands. We have the potential to further grow our existing key markets – UK, US and the eurozone – and to increase or gain a foothold in high-growth and high-potential markets, such as Brazil, Russia, India and China (the BRIC countries), the Gulf States, Middle East and Japan. Sectors to be targeted include services, tourism, food, education, life sciences, software, Next Generation Network-enabled sectors, green technology, construction and the built environment, creativity and design, and technologies for an ageing population ('silver technologies').

Key strengths in the domestic enabling environment include our strong entrepreneurial culture, an educated and highly skilled workforce, the significant power of the Irish diaspora, a favourable taxation regime, a strong and transparent regulatory framework, EU membership, our track record in attracting FDI, our strong indigenous sector, and our reputation as a premium tourist destination. Key challenges are in the areas of cost competitiveness, access, transport links, telecommunications infrastructure and banking links.

Given the open nature of the Irish economy, with the associated exposure to international markets, Ireland's international reputation is a critical element in our export-led economic recovery and growth. Ireland's international reputation has been under pressure arising from the national economic downturn. Positioning Ireland's brand and reputation in new growth markets and reinforcing positive messages about our brand and reputation in key existing markets will support export-led economic recovery and will drive the delivery of key objectives across a range of areas – jobs, indigenous exports, tourism and FDI.

The Government's high-level key objectives, to be achieved by 2015, are:

- To increase the number of *new jobs* directly associated with exporting enterprises by over 150,000, in manufacturing, tourism and internationally trading services, with the creation of a similar number of new indirect jobs;
- To increase the value of indigenous exports by 33%;
- To diversify the destination of indigenous exports;
- To increase overseas visitor numbers to 8 million; and
- To secure an additional 780 inward investment projects through IDA Ireland.

Key actions to support the implementation of the Strategy include:

- Developing a strong international reputation for Ireland in high-growth markets and repositioning our reputation in existing markets through a joined-up approach;
- Developing cohesive marketing messages for distinct markets combining economic, tourism and cultural identities;
- Developing and internationalising our enterprise base;
- Developing Ireland as a hub for global high-technology enterprises and clusters;
- Maximising the effectiveness of our overseas diplomatic and agency representatives in key markets; making effective use of EU diplomatic resources, the Irish diaspora and country/state specific collaborative agreements and fora;
- Improving the environment for trade, tourism and investment by expanding our international access and air connectivity, and driving the deployment of next generation broadband nationally;
- Internationalising our banking links; further developing our international network of tax treaties;
- Aligning visa entry requirements with our trade, tourism and investment priorities;
- Developing joint actions and partnerships with other countries to promote trade, investment, and market access.
- Exploiting the potential of EU Free Trade Agreements and WTO trade agreements, while advancing the strategic interests of key indigenous sectors.

Driving and monitoring implementation of the Strategy will be a new Foreign Trade Council, chaired by the Minister for Trade & Commerce to strengthen cooperation and coordination across all the key State agencies, including providing strategic guidance and direction to Trade, Tourism & Investment committees in each of the key markets. It will also link effectively with the private sector. The Minister for Trade & Commerce will report the Council's conclusions on progress and recommendations to Government every twelve months.

The global environment for exports

1

1.1 The changing global economy

Since Ireland's last published statement of trade policy in 2005, *Trading for Economic and Social Development*, the global economy has evolved, and changes in economic conditions are rapidly transmitted across the world. The financial crisis of 2008 led to a rapid and dramatic slump across almost all major economies. However, this interdependence has its limits, and certain economies, such as Australia and Canada, were relatively unaffected. Some of the new global trade and investment players, such as China and India, continued growing, albeit at a slower pace than previously.

World trade is not homogenous: different countries impose different rules and regulations, particularly for trade in services. Similarly, investment across country boundaries is restricted, often constrained by government preference for producers from their own country. Skills movement across countries, while less restricted at the highest levels is still limited in comparison with the requirements of the enterprise sector.

Meanwhile, technological change – particularly in ICT – enables production to be broken down across different countries, and enables companies to adapt quickly to changing market requirements and to develop new products and processes. This has greatly facilitated globalisation.

Four other key uncertainties are expected to have major influence on the world economy over the next fifteen years¹. These are:

- The extent and speed of climate change;
- The availability of energy supplies;
- The pace and reach of globalisation itself; and
- The influence of changing (and perhaps competing) social values and systems.

These are the forces that are expected to have the biggest impact, and over which we have least control.

It is in this challenging and rapidly-moving environment that Ireland will have to find its economic place in the world.

1.2 Our trade, tourism and investment partners

In the past, much of the emphasis of trade, tourism and investment strategies has been on developing existing linkages, especially with the US, UK and other European countries. Ireland's membership of the single market remains the cornerstone of our economic relationship with our European partners. Investment relations with the US have changed our sectoral emphases and increased the sophistication of our enterprise base. Trade with the UK and the eurozone has grown steadily over the years, and has led to Ireland acting as an economic bridge between the US and Europe. An important milestone in our recent trading history was the adoption in 1999 of the Asia Strategy, in recognition of the growing importance of that region for the world economy and the opportunities it presents for Ireland.

The BRIC group of countries (Brazil, Russia, India and China), as well as other parts of Asia, Africa and the Gulf States, will play an important role in Ireland's trade, investment and tourism strategy for the years ahead, reflecting changes in the global economy.

Trade, tourism and investment are no longer discrete policy areas. Ireland's role as an international economic bridge will continue, but will embrace new as well as established markets. The links will be more complex, involving different combinations of actors and containing a combination of trade, investment and tourism activities, associated with specific cooperation in the fields of education, research and technology development.

Ireland will have to respond to this changing world, particularly in the area of economic cooperation. Ireland is a small country with limited resources, and cannot follow simplistic strategies of 'winning' at the expense of competitors. Instead, we will move to a broader view of economic activity shared with other countries, from which both will benefit. In order to create jobs in Ireland, it may be necessary to engage in ventures with, and in, other countries. As long as the net benefits to Ireland are positive, we should welcome this as an enlargement of our choices for the future. By building on complementarities, we can extend the range of options available to us to meet the challenges of the changing world economy.

¹ Forfás *Sharing Our Future*, 2009

Ireland's recent performance in trade, tourism and investment

2

For the past two years, global demand has been weak and world trade sluggish. The economies of our main trading partners have declined sharply: in 2009, GDP fell by 4.1% in the eurozone, by 4.9% in the UK, by 2.4% in the US and by 0.9% in the global economy².

In the medium term, Ireland can return to strong export-led growth³, building on its trade, tourism and investment performance to date. This chapter highlights some of the key trends in Ireland's recent performance in these areas.

2.1 Trade

Ireland's export performance

Over the past ten years, Ireland has increased its overall share of world exports. The growth in our share of world trade has been driven by a huge increase in our market share of services exports. While the *value* of our merchandise exports has increased, our *share* of the global market for merchandise has slipped.

Between 2000 and 2009, the total value of Irish exports increased by a 4% a year. The value of services exports increased by 13.3% a year, while the value of goods exports fell by 0.03% a year. In that time, Ireland slipped nine places to 31st in world ranking for goods exports, but maintained a strong 9th position for services exports.⁴

² European Commission, *Spring 2010 European Economic Forecast*

³ In *Recovery Scenarios for Ireland* (2010), the ESRI outlines the medium-term potential for growth in the Irish economy. Provided the world economy recovers significant momentum by 2011 and Ireland regains competitiveness, the Irish economy can be expected to grow quite rapidly in the 2011-2015 period, recovering some of the ground lost in the current recession.

⁴ CSO data, services exports from Balance of Payments and goods from external trade bulletin, growth rate is CAGR 2000-2009, external trade bulletin, WTO, Forfás calculations

The value of exports from Irish-owned companies grew at 4.9% a year from 2000 to 2008, with services exports growing more than twice as fast, at 10.4% a year.⁵

The value of exports from foreign-owned agency-assisted firms grew at 5.3% a year over the same period, with services exports growing at 6.9% a year.⁶

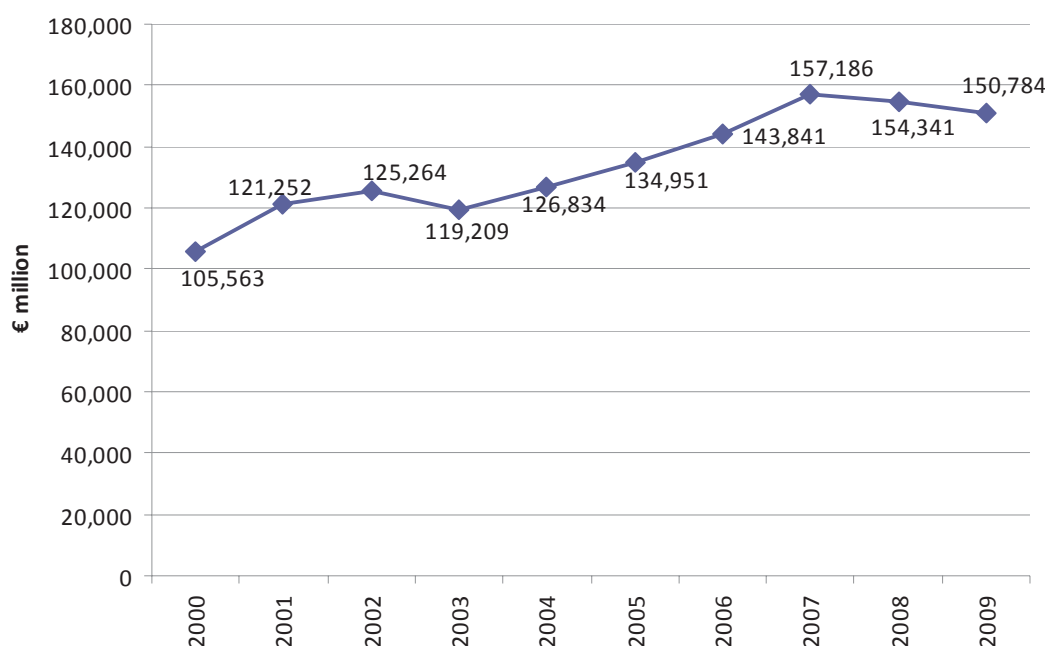


Figure 1: Ireland's total goods and services exports, current prices, 2000–2009

Source: CSO database direct.

Ireland is one of the most open economies in the world. However, the contribution of total net exports to GDP declined from 19% in 2001 to 11% in 2006⁷. While it has shown an increase since then, this is largely due to the significant decline in other components of GDP. The reduction in net exports from 2001 through 2006 can largely be attributed to the increase in imports needed to fuel the construction boom.

Resilience during the global downturn

Even in 2008 and 2009, during the global downturn, Ireland's exports showed remarkable resilience. The total value of exports in 2009 – merchandise and services combined – came to €151 billion, representing a fall of 2.3% on 2008⁸. This was considerably less dramatic than the decline experienced elsewhere. Ireland's performance was driven by increases in sectors such as pharmaceuticals, computer services and medical devices.

Exports by foreign-owned enterprise

At present, at least 85% of total exports are from foreign owned companies.⁹ Some 70% of all exports by value are from IDA assisted companies.

⁵ Forfás, ABSEI 2008, Irish-owned exports, using CAGR

⁶ Forfás, ABSEI 2008, Foreign-owned exports, using CAGR. Published figures.

⁷ CSO, National Accounts

⁸ CSO. Merchandise: August 2010 release; Services: Balance of Payments, June 2010

⁹ Forfás ABSEI 2008, CSO Balance of Payments, June 2010

Foreign-owned multinational companies located in Ireland are an important feature of the economy, particularly during the current downturn. It is clearly a top strategic priority to maintain the existing investments and to continually work to attract new industries and companies.

Exports from indigenous companies

In 2008, the total value of exports from agency-assisted Irish-owned companies reached €13.4 billion¹⁰. Between 2003 and 2008, the average annual growth in the value of exports from these companies was 8.8%¹¹.

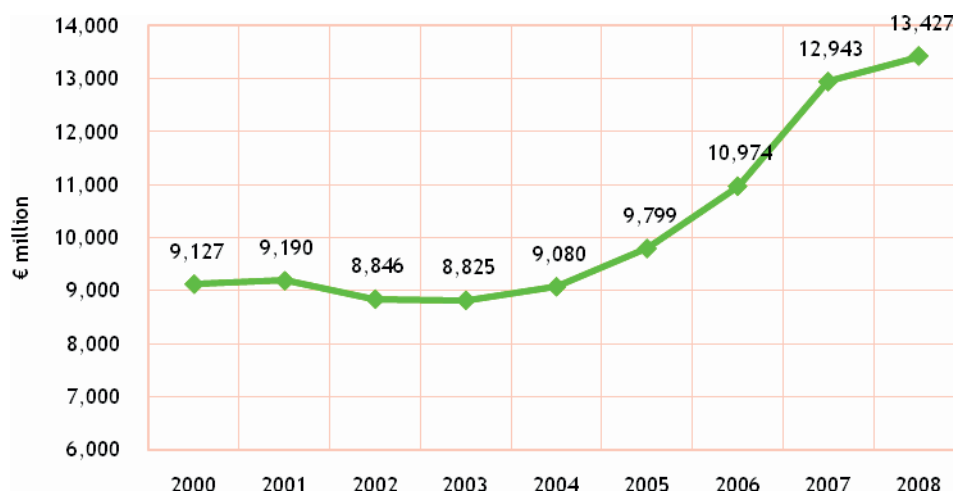


Figure 2: Exports by indigenous agency-assisted firms, at current prices, 2000–2008

Source: Forfás, ABSEI 2008.

In terms of exports, food and drink is Ireland's largest indigenous sector. The sector exports 85% of its output, largely in processed form, to over 160 countries. It accounts for one-third of net foreign earnings from the primary and manufacturing sectors. Between 2002 and 2007, the value of exports from the sector grew by more than 40%. While the value of exports fell by 13% in 2009, due to sterling and dollar weakness, the economic downturn and loss of competitiveness, the volume fall was limited to 3%. Cost competitiveness issues may continue to place the industry under some pressure, but the industry is generally well positioned to capitalise on the growing global demand for food.

Market diversification

Irish trade is perhaps not as diversified, in terms of either geographical markets or sectors, as it should be for such an open trading economy. For example, in 2009 three countries – the UK, Germany and the US – accounted for 40% of our services exports¹². Being concentrated in such a small number of markets and sectors¹³ increases our vulnerability to external shocks and currency fluctuations.

¹⁰ Forfás, ABSEI 2008, Irish-owned exports

¹¹ Forfás, ABSEI 2008, Irish-owned exports, CAGR between 2003–2008

¹² CSO data, Forfás calculations

¹³ In 2008, three sectors – Chemicals, ICT Services, and Business Services – accounted for approximately 60% of Ireland's total exports of €156 billion.

The UK is the top destination for the export of goods in every sector except chemicals¹⁴, and for the export of services in every sector except royalties/licenses, R&D, and architectural and engineering services¹⁵. For cultural and geographic reasons, the UK will always be an important market, but exporters to the UK are exposed to exchange rate fluctuations.

From 1999 to 2008, the value of goods exported from Ireland to the eurozone countries increased by just 2% a year, to €34.3 billion¹⁶. The performance of services was better: from 2003 to 2009, the value of services exported from Ireland to eurozone countries more than doubled, from €12.4 billion to €25.4 billion¹⁷.

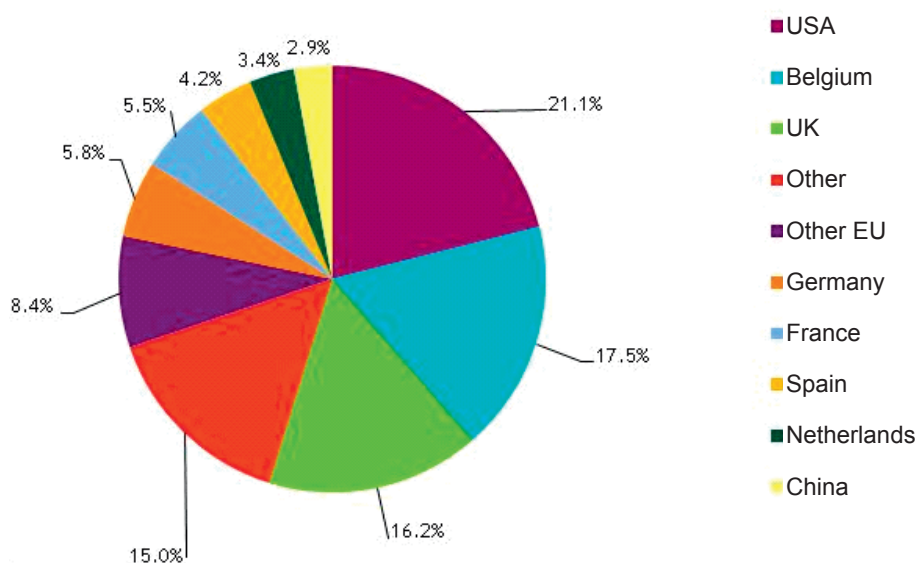


Figure 3: **Destination of Ireland's Goods Exports, 2009**

Source: CSO External Trade Bulletin.

¹⁴ Forfás, Patterns in Global Trade – using CSO data

¹⁵ CSO, Services export and Imports bulletin.

¹⁶ CSO External trade bulletin, Forfás calculations

¹⁷ CSO External trade bulletin, Forfás calculations. Includes the Eurozone 12 members in 2003 (Greece joined in 2001)

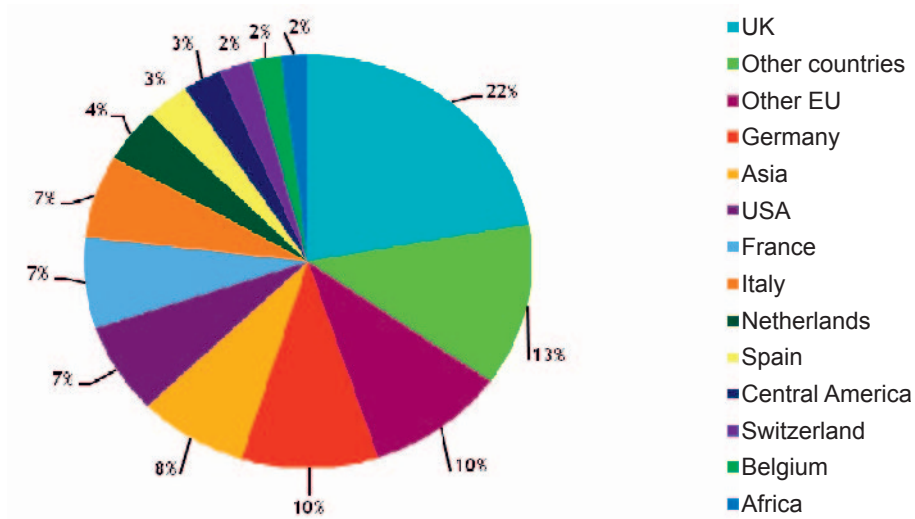


Figure 3.1: *Destination of Ireland's Services Exports 2008*

Source: CSO, *Services Imports and Exports*.

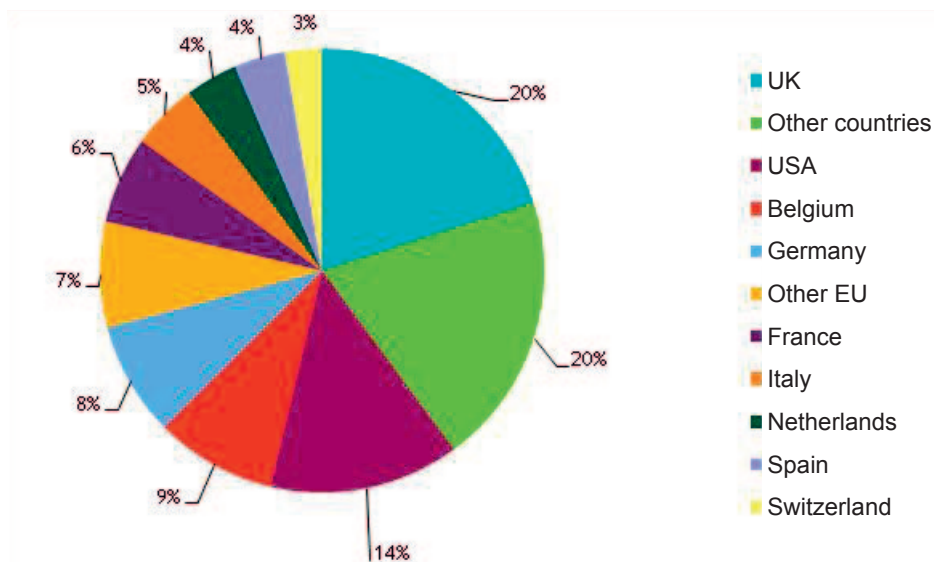


Figure 4: *Destination of Ireland's Exports of Goods and Services, 2008*¹⁸

Source: CSO *External Trade Bulletin and Services Imports and Exports*

Exports from agency-assisted indigenous companies performed well, rising at 5% a year since 2000 to reach €13.4 billion in 2008¹⁹. As can be seen from Figure 5, the UK is by far the most important export market for such companies, followed by the rest of Western Europe.

¹⁸ 2008 is the most recent year available for the breakdown of services exports by destination, therefore when showing services and goods together 2008 has been used for goods also.

¹⁹ Forfás, ABSEI 2008, Irish-owned exports, using CAGR

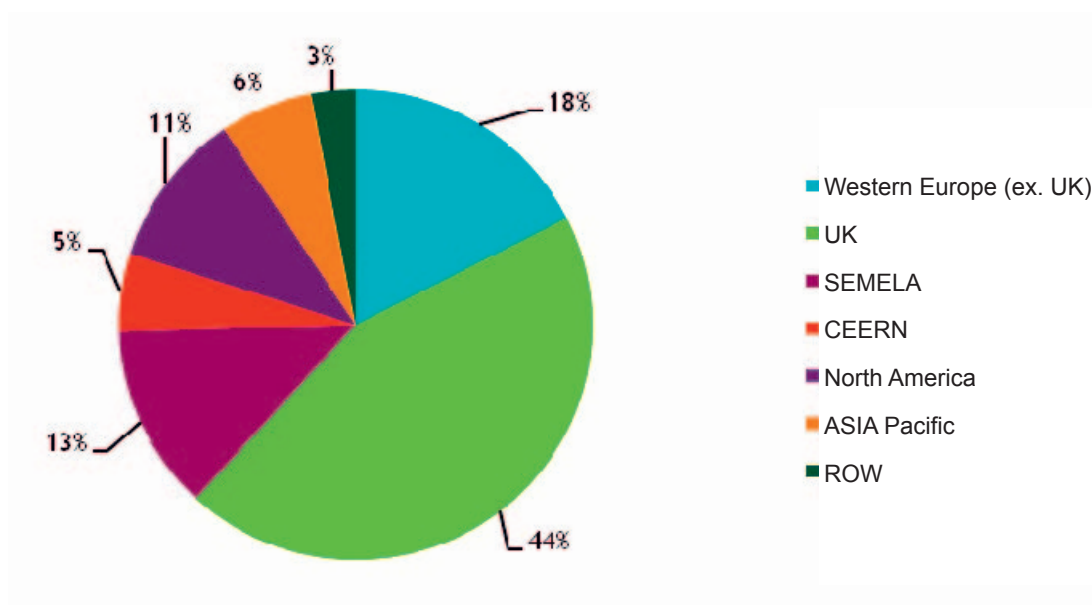


Figure 5: **Destination of Irish indigenous agency-assisted company goods and services exports, 2009**

CEERN: Central and Eastern Europe, Russia and Nordics

SEMELA: Southern Europe, Middle East, Africa and Latin America

ROW: Rest of world

Source: Forfás, ABSEI 2009, unpublished data.

Sectoral performance

The chemicals sector accounts for 57% of the value of Irish goods exports, and that sector itself is heavily concentrated in two subsectors: organic chemicals, and medical and pharmaceutical products, which together account for 80% of chemicals exports²⁰.

In 1999, the machinery sector (which includes computers and telecommunications) accounted for over 39% of goods exports; by 2009 it accounted for only 17%²¹.

Services exports are more diverse than goods exports and are also growing at a faster rate. By 2008, Ireland was placed ninth in terms of the global market share for exported services²². However, four sectors – insurance, financial, computer, and other business services – together account for almost 87% of the value of exported services²³. In 2009, the largest category of exported services was ‘other business services’, which includes merchanting, operational leasing, advertising and market research, and research and development²⁴. This category accounted for 34.4% of the value of exported services, having grown at 31% a year over the past decade. Computer services, the second largest category, accounted for 34.1% of the value of exported services, having grown at 13% a year over the past decade. The other two major performers – insurance and financial services – respectively accounted for 10% and 9% of the value of services exports.²⁵

In terms of exports by indigenous companies, the Food sector accounts for approximately 52% of total indigenous exports, and almost half of this is to the UK²⁶. See Table 1

²⁰ CSO External Trade data, Forfás calculations

²¹ CSO External Trade data.

²² WTO, Forfás calculations

²³ CSO Service Imports and Exports bulletin

²⁴ CSO Service Imports and Exports bulletin

²⁵ CSO Service Imports and Exports bulletin. Forfás calculations, CAGR between 2000-2009

²⁶ ABSEI unpublished 2009

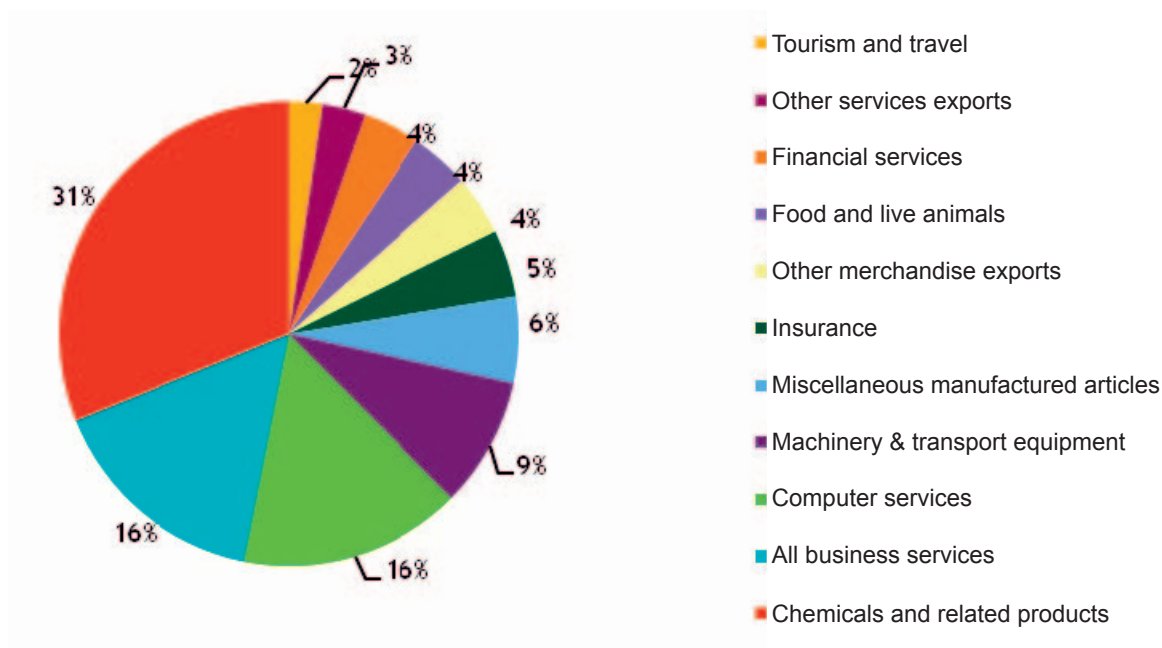


Figure 6: *Composition of Ireland's goods and services exports, 2009*

Source: CSO External Trade Bulletin and Services Imports and Exports

Table 1. *Destination of exports of goods and services by indigenous agency-assisted companies, 2009*

	Food	CleanTech, Electronics & Life Sciences	Construction, Engineering & Consumer	Services	Software & Retail Consumer
	Value in €000s				
Western Europe (ex. UK)	1,196,205	336,295	341,601	175,809	116,784
UK	2,957,178	447,820	1,179,301	690,699	205,310
Southern Europe, Middle East, Africa and Latin America	989,425	96,751	271,251	139,907	80,625
Central and Eastern Europe, Russia and Nordics	296,413	55,833	186,713	96,693	32,065
North America	431,527	239,095	89,862	260,887	306,023
Asia Pacific	280,089	83,305	89,490	245,358	88,633
Rest of world	315,089	11,322	20,266	8,871	17,164
TOTAL	6,465,926	1,270,421	2,178,484	1,618,224	846,604

Source: ABSEI, 2009 – unpublished.

Import performance

Imports are also of strategic importance to Ireland, as essential inputs into production and domestic consumption. They have a significant influence on overall prices and competitiveness in the economy. They also help drive domestic competition, with resulting increases in productivity and consumer choice.

The value of goods imported into Ireland in 2008 was €45 billion; almost half of this paid for materials for further production (non-agriculture), and 14% was for producer capital goods, ready for use²⁷.

Ireland lacks local supplies of raw materials, and imports – both of raw materials for production and of consumer goods – can be expensive. Transporting goods into the country accounts for some extra costs, and transporting them within the country – with a relatively dispersed population and manufacturing base – accounts for some more. This has an impact on the overall cost of doing business.

Apart from price, the efficiency of importing into Ireland, as an island, is affected in a number of other ways, such as:

- Longer delivery times;
- More limited range of goods available;
- More distant relationship between supplier and customer;
- Smaller quantities of stock held in the country;
- Less availability of technical support; and
- More limited ability to eliminate intermediaries.

Imports by SMEs

Small and medium-sized manufacturing businesses import proportionally less than larger foreign-owned businesses. Because of their lack of scale, they suffer more from the difficulties outlined above, and in particular have trouble dealing with suppliers outside northern Europe. Despite the barriers and risks, however, there has been a major movement in recent years by Irish manufacturing SMEs towards sourcing raw materials, as well as intermediate and finished products, from low-cost locations, most notably China.

Membership of the EU

Our membership of the EU has significantly reduced the barriers to trade with many of our major markets, and has enhanced the attractiveness of Ireland for foreign direct investment. The Single Market enables us both to grow our established markets and to diversify into new markets. There remain some obstacles to trade, however, and efforts will continue to ensure that these are removed or their effects mitigated.

Global trade agreements

As the level of imports from countries outside the EU rises, reaching agreement at World Trade Organisation level regarding the further lowering of trade barriers is becoming more and more important. In the absence of short-term progress on the Doha Development Agenda, bilateral agreements setting the legal framework for trade between the EU and third countries and regions

²⁷ CSO database direct, Forfás calculations

are being pursued. These present considerable opportunities for opening up export markets, help reduce the cost of imports, and increase the range of products and services available to businesses and consumers, with resulting improvements in competitiveness.

2.2 Tourism

In 2009, tourism and travel accounted for 5% of services exports and 8% of services imports²⁸. The sector's share of service exports is down from 8% in 2004²⁹, mainly due to the very strong growth in exports of other services highlighted above; over the same period, the sector's share of service imports remained relatively static.

Effect of global economic conditions

Worldwide, tourism has suffered from the recent economic downturn. In Ireland, this was exacerbated in 2008 and 2009 by the fall in the value of sterling, which made Ireland more expensive for visitors from the UK – our largest overseas tourism market – and made the UK more attractive for visitors from elsewhere.

In 2009, total tourism revenue was €5.3 billion. Of this, 74% came from international earnings (including carrier receipts and Northern Ireland), and the remaining 26% from domestic tourism revenue. In 2007 tourism revenue had reached a peak of €6.45 billion. The bulk of the decrease was on the more cyclical international earnings side.

Tourism's role in employment creation

Tourism has a strong role to play as a source of employment, providing opportunities across a range of skill levels. It also has a powerful influence on international perceptions and the image of the country abroad.

Tourism-related jobs are more important in Ireland than in most of Europe, with Irish hotels and restaurants accounting for 6.1% of employment in 2008. Only Spain, Greece, Cyprus, Portugal and Austria have a higher share of employment in the sector. Employment in the accommodation and food sector alone accounted for 123,600 jobs on a seasonally adjusted basis in the first quarter of 2010 – showing a return to growth from a low of 117,900 at the end of 2008.

Internationalisation of the industry

The niche nature and small size of the Irish market has limited the extent of internationalisation of the Irish tourism industry. Despite the increasing representation of international chains here (particularly in premium and business-class hotels, largely through franchising) and the increasing diversity of the workforce, the sector remains more indigenous in management and ownership than other sectors of the economy.

Recent performance

Tourism figures have fallen over the past couple of years. There were just over 6.9 million trips to Ireland in 2009, a fall of 11.6% compared with 2008 and the lowest number since 2005. The numbers travelling from Britain fell by 15.9%; the rest of Europe by 8.7%; North America by 2.4%, and those from other long-haul destinations by 12.5%.

²⁸ CSO, Balance of Payments

²⁹ CSO, Balance of Payments

Despite this recent decline, the sector has the capacity to recover from the economic downturn

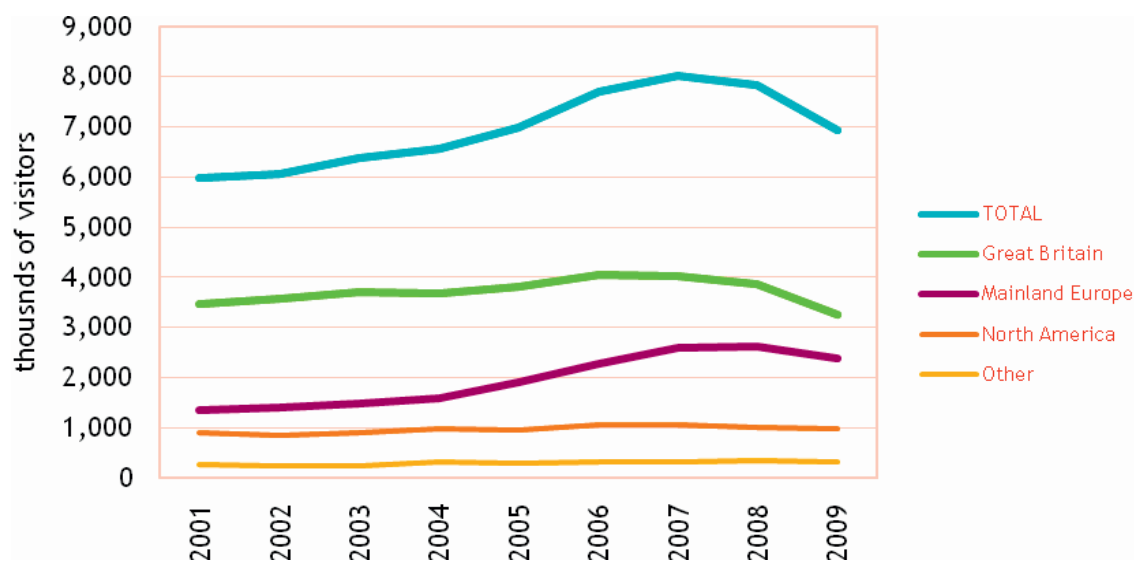


Figure 7: **Number of visitors to Ireland, 2001–2009**

Source: Tourism Ireland

Revenue from overseas visitors came to €3.878 billion in 2009, a decrease of 18.9% from 2008.

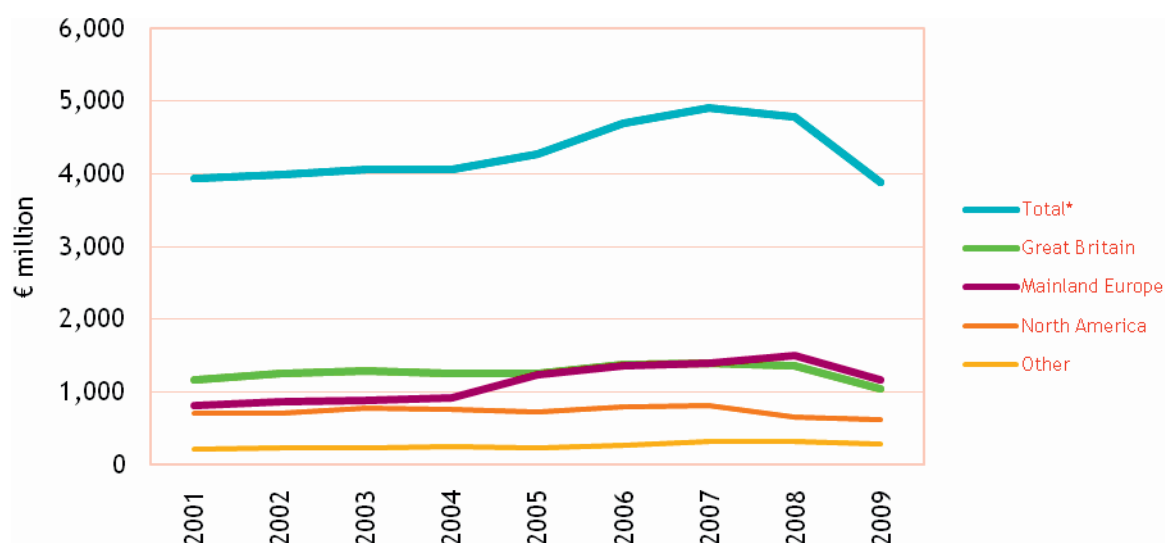


Figure 8: **Expenditure of Overseas Visitors, 2001–2009**

* Total includes carrier receipts and cross-border expenditure. Main markets exclude carrier receipts.

Source: Tourism Ireland.

Key drivers of tourism growth

The factors that had driven tourism growth in the 1990s weakened in the period 2002 to 2007. These included the growth in short-haul air access (driven by industry trends and domestic outbound demand) and the growth in the availability of accommodation. The expansion of hotel stock, initially driven by the strong growth in tourism in the 1990s, was prolonged by other factors, including the scale and extended duration of tax incentives. Strong headline growth in visitor numbers up to 2007 and exceptional growth in domestic demand partially concealed potential

weaknesses – including the loss of price competitiveness, the weaker growth from traditional (higher-spending) markets, and the relatively smaller number of visitors travelling for leisure only.

2.3 Investment

Foreign Direct Investment (FDI)

The world economy has been in a period of rapidly increasing globalisation for over 20 years. The global stock of FDI increased from 7% of world GDP in 1982 to almost 31% by 2009³⁰.

The global economic downturn led to a significant fall-off in FDI in 2008 and 2009. Recovery is currently underway, and multinational corporations are confident that FDI will rebound from 2010 onwards. Investment in new activities, such as energy and environment-related industries, is expanding, and the resilient trend in the internationalisation of companies is expected to continue. The OECD has already seen a doubling in FDI inflows in the first quarter of 2010 compared with the same period in 2009³¹.

Ireland's relative position as a leading international location for value-intensive FDI remained strong in 2008 and 2009 despite these challenging economic circumstances. Ireland attracted 4.2% of the total number of greenfield projects entering the EU in 2009, up from 2.5% in 2007. While the number of projects entering the EU fell by 24% in 2009, the number of projects coming into Ireland in the same period fell by just 4%³².

In 2009 IDA Ireland secured 125 investments – almost 70% of which were from existing clients making additional investments in Ireland. These expressions of confidence and satisfaction reinforce Ireland's reputation as a key strategic global business hub. In 2009, 64% of FDI in Ireland was sourced from the US and 28% from Europe.

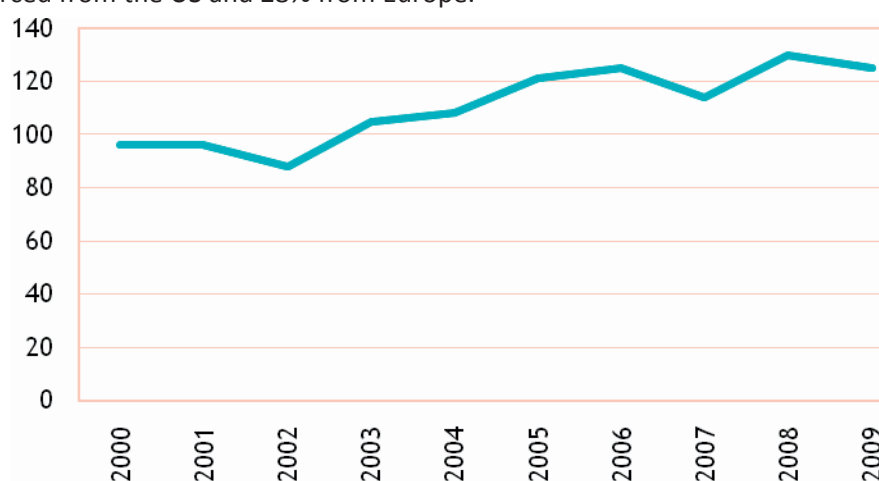


Figure 9: **Number of IDA Investments 2000—2009**

Source: IDA Ireland

³⁰ UNCTAD World Investment Report 2010

³¹ OECD Investment News, June 2010

³² UNCTAD World Investment Report 2010, F

Irish outward direct investment (ODI)

Companies can access foreign markets in two ways: they can export from Ireland or they can set up operations abroad. Outward direct investment (ODI) is thus a key corporate strategy, with a net positive impact on the economy as a whole.

There are many reasons why a company may choose to invest and set up operations in another country; for example:

- To better serve the local market;
- To access lower-cost inputs;
- To undertake R&D activities using local strengths;
- To access particular skills or technologies;
- To serve as a hub to produce an additional component; or
- To undertake marketing and production of goods which are for trade with other affiliates (intra-firm trade).

Indigenous firms are increasingly establishing a physical presence in overseas markets, either through green-field investment or through mergers or acquisitions. Irish ODI stock and flow have consistently increased between 2001 and 2008, mostly to the UK and the wider EU.

ODI delivers benefits both to the individual firm and to the economy as a whole, in terms of increased innovation, productivity growth, repatriated profits, highly skilled and highly paid employment in headquarters operations, specialist subsupply opportunities, and management development through exposure to international trading best practice.

Ireland has very few large indigenous companies operating transnationally. In 2008, only one Irish company was in the world's top 100 ranked by foreign assets (CRH plc, in 83rd place). In the same year, Bank of Ireland was ranked 49th in the top 50 transnational financial services companies. And in 2007, Kerry Group and Greencore Group plc were among the world's top 50 largest food and drink companies. However, ODI by Irish companies is increasing rapidly: between 2000 and 2009, ODI stock increased by 590% – far faster than in the EU as a whole, where growth over the same period was a more modest 158%. In 2009, Ireland ranked 13th in the world for ODI flows³³. Between 2003 and 2009, two Irish companies were in the world's top 20 investors in greenfield projects in alternative and renewable electricity generation – National Toll Roads and Mainstream Renewable Power³⁴.

The largest destinations for Irish ODI are the UK, at €37 billion and the rest of the EU, at €47 billion. The US accounts for €17.5 billion, but this figure is growing fast, with a 50% increase between 2006 and 2008³⁵. ODI flows in 2008 were heavily concentrated in the services sector: the manufacturing sector accounted for only 10% of the total ODI flows from Ireland³⁶. In 2008, Ireland had a net foreign direct asset position, with ODI stock exceeding FDI stock for the first time ever (€123.3 billion and €120.9 billion respectively)³⁷.

The increase in the level of ODI stock and flow with Ireland's key trading partners greatly assists in further developing trade links with these countries.

³³ UNCTAD World Investment Report 2010, Forfás calculations

³⁴ UNCTAD World Investment Report 2010,

³⁵ CSO, Foreign Direct Investment Bulletin 2008 – released November 2009

³⁶ CSO, Foreign Direct Investment Bulletin 2008 – released November 2009

³⁷ CSO, Foreign Direct Investment Bulletin 2008 – released November 2009. Included in ODI stock is an element of investment by the FDI sector where companies grow their Irish capability and the Irish subsidiary is then involved in M&A activities on behalf of the parent company. These investments may be included in the ODI figure and could form a significant part of the ODI stock.

International outlook and opportunities for Ireland

3

3.1 International economic outlook to 2015

Global economy stabilising

In its most recent forecast, the IMF is predicting that world GDP will grow by 4.6% in 2010 – the highest annual growth rate since 2007, and far higher than the 3.2% average growth since 1980. This reflects a growing optimism that the global economy has stabilised and is starting to recover. The growth in real output is expected to be led by China (10.5% growth), India (9.4%) and Brazil (7.1%). Growth of GDP in the US is forecast to reach 3.3% in 2010, and 2.9% in 2011.

Expected return to growth in Ireland

The Irish economy is expected to return to positive growth in the second half of 2010, although initially at a modest rate. Between 2010 and 2015, the IMF expects GDP in Ireland to grow by €194 billion³⁸. The European Commission predicts that the Irish economy will return to positive growth in 2011, and that Ireland's growth rate will be the second fastest in the eurozone, at 3%. It also predicts a modest fall in unemployment from 13.8% in 2010 to 13.4% in 2011.

The ESRI's *Recovery Scenarios* document described two macroeconomic scenarios for Ireland: a *high-growth* scenario, predicated on the Irish economy responding to world economic growth and changes in competitiveness in the same way as it has done over the past 20 years, and a *low-growth* scenario, in which the Irish economy, for a number of reasons, records lower rates of growth over the medium term. Key metrics from these scenarios are shown in the following table.

³⁸ IMF, *World Economic Outlook*, April 2010.

Table 2. *ESRI Recovery Scenarios for Ireland – Key Metrics 2011-2015*

	Low-growth scenario	High-growth scenario
GDP growth (average annual)	3.2%	4.6%
Export growth (average annual)	5.0%	8.4%
Unemployment rate (average annual)	7.1%	4.8%

The ESRI concludes that, even in the low-growth scenario, the economy has the potential to grow at over 3% a year over the coming decade, despite significant short-term problems. The exporting sector will continue to be an important driver of GDP growth in 2010 and beyond. Net exports of goods and services will not be the sole contributors to economic growth, but they will be central to it, as they support the other elements of the economy – investment and consumption.

3.2 Emerging trends

As the world economy positions itself for recovery, as globalisation continues and as technology advances, a number of trends are emerging that will have a significant impact on the patterns of trade, investment and tourism in the years to come.

New forms of FDI

In the past, multinational investments tended to be characterised by clearly-specified parameters and well-defined benefits. Today – and increasingly into the future – FDI comes in a variety of forms where the boundaries and business requirements are less clear. This is particularly the case in many of the new sectors and areas of opportunity.

Increasingly, collaboration between firms in different sectors allows the development of entirely new projects. Multinational firms assemble networks of people in their own organisations as well as meshing with other multinational firms and indigenous companies to create new products and services.

As in the past, companies still seek locations for investment that are cost-competitive, that offer attractive incentives, and that are in proximity to their markets. The new kinds of business activity that are emerging also seek to locate in places where there is an existing base of similar or complementary industries – small and large, indigenous and MNCs – and an enabling pro-business environment. The ICT sector in Ireland is an example of this newer model, and now other sectors – from medical devices to the emerging clean tech sector – are seeking ways of collaborating with others – including indigenous firms – to create new value. As Ireland's indigenous technology sector continues to mature, FDI may also take the form of acquisitions.

Convergence technologies

Changes in technology have made possible whole new categories of products and services. Companies such as IBM, that once thought of themselves as exclusively ICT businesses, now develop solutions in applying that technology to promote better healthcare and environmental management. Companies working at the forefront of nanotechnology and microelectronics are developing applications for the life sciences. Even traditional businesses are being transformed: for

example, building materials are being embedded with sensors and connected to wireless networks to create smart buildings.

These innovations require an approach to project and product development that requires collaboration between firms in previously unrelated sectors, and between businesses and universities. Ireland – being the host to so many world-leading firms in high-tech sectors, and with a university research base that is rapidly acquiring a global reputation for excellence – is in an excellent position to promote such collaboration and ensure that convergent projects are based here, with consequent gains in high-value employment.

Focus on services

In all developed economies, services, such as finance, insurance, computer-related activities, engineering, design, R&D, advertising, marketing, accounting and consultancy, are driving economic growth, and are increasingly traded internationally. Ireland is currently ranked 9th globally in terms of exporters of commercial services.³⁹

Between 1980 and 2006, the global value of this international trade in services increased by a factor of seven, spurred on by changes in technology on the one hand and by regulatory reform on the other.

Recent technological developments, particularly in information and communications technologies, greatly facilitated this internationalisation, and also made possible a whole range of new services, particularly in media-related activities.

Regulatory reform and trade liberalisation enabled international trade in services to increase, and further reforms expected in the next few years will increase it further, with the implementation of the EU Services Directive and parallel developments in the World Trade Organisation.

These changes present Irish service providers with significant opportunities. Irish services exports are expected to account for almost two-thirds of total exports by 2015.

3.3 The opportunities for Ireland

The Government is determined to ensure that Ireland's economic recovery is built on the type of innovative export-led growth that drove our earlier economic expansion.

There are important new opportunities and additional scope for Irish exporters in sectors such as Next Generation Network-enabled enterprise and environmental products and services.

There is also additional scope for Irish exporters in new and emerging high-growth markets, as well as in established markets.

The strategy will thus have a two-pronged approach – it will focus on specific *markets* and on specific *sectors* where there are identified opportunities.

³⁹ World Trade report 2010

Markets	<ul style="list-style-type: none"> ■ UK ■ US ■ Eurozone ■ High-growth and emerging markets
Sectors	<ul style="list-style-type: none"> ■ Tourism ■ Food ■ Education ■ Life sciences ■ Software, content and gaming ■ NGN-enabled sectors ■ Green enterprise ■ Construction / built environment ■ Creativity and design ■ 'Silver technologies'

Figure 10. *Two-pronged approach – markets and sectors*

3.4 Markets

The markets for goods and services exported from Ireland that have shown the strongest growth in recent years are not those that have traditionally been our biggest trading partners – see tables 3 and 4.

In many cases these high-growth rates are based on very low bases -- high growth rates are more difficult to achieve if the level is already high – but they are indicative of considerable potential.

Table 3: *Fastest-growing markets for goods exported from Ireland*

Country	Compound annual growth rate, 2003–2008	Value, 2008
Romania	37.8%	€257m
Bulgaria	33.4%	€65m
Poland	23.5%	€746m
Vietnam	34.6%	€47m
China	22.4%	€1,609m
Gulf Cooperation Council States (GCC)	23.6%	€815m
India	11.1%	€161m

Source: based on CSO data,

Table 4: *Fastest-growing markets for services exported from Ireland*

Country	Compound annual growth rate, 2003–2008	Value, 2008
China	86.5%	€1,423m
Indonesia	75.4%	€83m
Egypt	68.2%	€485m
India	53.9%	€398m
Brazil	34.0%	€199m
Australia	33.0%	€630m
Japan	22.7%	€1,066m

Source: based on CSO data,

For the purpose of this strategy, target markets can be divided into:

- Established markets where companies in Ireland have an existing trading relationship and where there is potential to grow, and
- High-growth markets, especially the emerging economies.

Established markets – consolidating and building on success

Ireland has made progress in recent years in terms of market diversification and will continue to diversify, taking full advantage of the opportunities in Europe as well as further afield. However, over half of Irish goods exports go to the US, the UK and Belgium⁴⁰ and consolidating and building on success in these much more established markets is critical to the survival of exporters from Ireland, and especially our indigenous firms.

The UK and the US remain important markets, despite the volatility of exchange rates.

In the US, Irish companies have made significant progress across a number of key sectors, including financial software, financial services, green-build and life sciences.

In the UK, the main sectoral focus is on food and drink, life sciences, cleantech, public sector software, financial services, telecommunications and information technology. Despite construction products and services exports to the UK falling significantly, there may still be opportunities here in the coming years, as the UK economy emerges from recession.

Elsewhere in Europe, there is considerable potential: in 2009 approximately 50% of exports from Irish high-potential start-ups were to mainland Europe, and we know that there is further potential to increase our exports to the eurozone⁴¹.

Exports to the newer Member States of the EU have shown significant growth over the past six years, albeit from a low base; these can be expected to grow further in the coming years.

For tourism, the best prospects in the short to medium term are in the US, the UK and Germany, where Ireland is already well established as a tourist destination, and where interest can be

⁴⁰ CSO publish data in relation to the country of destination of commodities exported from Ireland. In this understanding the country of destination is the end point for the transaction. This would not necessarily be the final destination or point of eventual consumption.

⁴¹ *Review of the European Single Market*, Forfás, 2008. www.forfas.ie/publication/search.jsp?ft=/publications/2008/Title,675,en.php

converted into sales reasonably easily. Efforts in those countries should be supplemented by efforts in the other major European markets (France, Italy and Spain).

High-growth and emerging markets

The balance in the global economy is shifting, and emerging economies are assuming ever-greater importance. While the emerging economies currently account for a relatively small proportion of Ireland's exports, their share is increasing rapidly. More importantly, these countries are participating more and more in international trade – both exporting and importing – greatly increasing the scope for Irish exports and import sourcing.

For example, Brazil, Russia, India and China ('the BRIC countries') are fast increasing their imports of both goods and services, as are South Africa, the Gulf states and the newer EU member states.

The Government's Asia Strategy, which concluded last year, was remarkably successful – it facilitated Irish companies in gaining a foothold in the eight priority Asian countries – Japan, China, India, the Republic of Korea, Malaysia, Singapore, Indonesia and Vietnam. Exports to these eight countries rose from €4 billion in 1999 to €9.6 billion in 2009. Over the same period, the number of Irish companies with a presence in these countries rose from 54 to 267. The success of the Asia Strategy has provided a strong basis on which to build our new strategy for trade, tourism and investment.

FDI from high-growth markets

Between 2006 and 2008, the number of BRIC companies on the Global 500 more than quadrupled, from 15 to 62. This illustrates the growing importance of the emerging economies, and the trend is likely to continue with population increases and corresponding increases in market size. These relatively new corporations are and will be seeking a location for foreign investment in order to establish their presence in Europe.

Ireland's proven track record for inward FDI gives it an edge in competing for dynamic multinational investment, and the country can be marketed as a tried and tested base for FDI from Asia and the other BRIC countries.

Tourism

The World Tourism Organisation forecasts that the Asia-Pacific region will be one of the fastest growing outbound tourism markets over the next 15 years, expanding by 6.5% a year. Visitors from this region are particularly attractive for Ireland: on average, they stay twice as long, spend more, and travel more within the country than visitors from our nearer markets.

Tourism Ireland undertook a comprehensive review of new and developing markets in 2007, and concluded that China and India should be the highest priority markets in the medium term. Trade media activity in these markets aimed at increasing awareness of Ireland as a holiday destination should produce positive results. The review also identifies opportunities in South Africa and Japan, and in the Gulf States.

Potential for new partnerships

There are opportunities for building on existing relationships, not just in trade and investment but also in education, S&T and tourism. There are also opportunities for building new relationships, specifically with emerging economies and other high-growth markets, such as the BRIC countries,

South Africa, the Gulf states, Libya, Turkey, Mexico, Singapore, Thailand, Indonesia, Malaysia and Vietnam, and for economic partnering with other economies such as Australia, Canada, Japan and the Republic of Korea, where there is the potential to improve our export performance. Ireland currently has partnerships with a number of countries in Africa that are focused on development issues, but that in the long term could provide the basis for trade links.

While emerging economies are assuming ever-greater importance in world trade, this represents only one aspect of international connectivity. Trade is supported by, and supportive of, a number of other linkages, and particularly by investment flows between countries. Outward direct investment by companies based in Ireland and foreign direct investment in Ireland can create and solidify trading relationships. This is especially important for us, as over 70% of goods exports from Ireland are from foreign-owned enterprises. As the attention of these multinationals shifts to new markets, so too must policy shift to ensure Ireland remains well integrated into global supply chains, capable of attracting new sources of FDI and maintaining our existing stock of investment.

The challenge for Ireland will be to find new ways of projecting ourselves in these emerging economies where we do not have the historical links, shared language, similar economic structures and favourable geographic positioning that have served us so well in the past in markets such as the US.

Deepening globalisation and the rise of new economic powers have led to ever more complex international relationships between countries and companies. In the future, Ireland may not be able to act alone, and may need to partner with other countries, formally or informally, to offer a combined investment package, based on pooled capacities and complementary strengths.

Softer linkages, created by the movement of people such as international students, researchers, businesspeople and tourists, can open opportunities for trade and investment, as personal relationships and tacit knowledge can be used to develop business success.

If we succeed in creating and sustaining broad linkages, Ireland will position itself as a hub where trade and investment between countries, regions and continents is facilitated – financially, linguistically and culturally.

3.5 Sectoral opportunities

To take advantage of new and emerging opportunities, we should build on our existing strengths. We already have a large number of dynamic multinational and indigenous companies operating successfully in a range of sectors and in a variety of business activities. Many of these companies have strong capabilities and expertise, and are already operating in global markets.

There are new FDI opportunities for Ireland in sectors and activities such as clean tech, services innovation, and convergence technologies. These will provide the basis for sustaining existing FDI and winning new FDI, and will complement existing investments in high-end manufacturing, global services and Research, Development and Innovation (RD&I) across the existing sectors of ICT, life sciences, financial services, content creation, consumer and business services, engineering, and other diversified industries,

Opportunities in services

The services sector in Ireland has the potential to become a substantial player in the development and innovation of the sector internationally. At present in Ireland, the sector accounts for around

€69.3 billion in exports and 107,000 jobs in agency-assisted companies. One-third of the services exports are accounted for by computer services, and a further 9% by financial services.

The potential is significant. Global trade in services grew from €1.4 trillion in 2000 to €3.31 trillion in 2009⁴², and there are further significant opportunities for growth in sectors such as business process outsourcing, international education, healthcare and financial services.

Financial services is a particularly important subsector in Ireland, covering areas such as funds management, payments, insurance, operational leasing and specialist finance, with IFSC exports to the value of €19.3 billion in 2009.⁴³ The sector employs approximately 21,000 people in agency-assisted companies.

Overall, the services sector in Ireland continues to perform strongly. It includes a broad base of global multinational leaders, a dynamic cluster of innovative Irish companies and a large pool of people with specific domain skills and international expertise.

In the years immediately ahead, there will be particular opportunities for creating employment in services. Ireland is already an attractive headquarters location for multinational companies providing shared services for their EMEA or international operations, such as technical support, supply chain management, HR, finance, purchasing and logistics.

There will also be significant growth in new services resulting from convergence between different sectors, such as health informatics, financial analytics and digital lifestyle management. These emerging sectors will be a source of new employment over the coming decade and beyond.

The EU Services Directive is intended to enhance the competitiveness of the services sector by creating the economies of scale necessary for European service providers to challenge service providers on world markets.

The Directive will shortly be transposed into Irish law. This will open up opportunities for Irish service providers in European markets – gross value added to the Irish economy in services is expected to increase by €816 million a year, and net employment by over 5,300. It will also result in greater consumer choice on the home market, with the entry of low-cost competition.

Opportunities in tourism

Tourism is one of the world's fastest growing industries, and its potential for the Irish economy is very significant. As a labour-intensive sector, it has a strong role to play in employment creation across a range of skill levels in every part of the country.

The Tourism Renewal Group⁴⁴ identified potential for additional growth in both leisure tourism and business tourism, including:

- **Leisure tourism:** Investment in recent years has generated a critical mass of attractions and activities in particular segments. The returns on this investment can be enhanced by 'packaging' and joint marketing, and by making access easier (times/passes/tickets, transport, signage, websites etc.).
- **Business tourism:** This includes packages that can be specifically promoted, such as meetings, incentive travel, conferences and events, and trips that result from more generic promotion,

⁴² WTO data

⁴³ CSO

⁴⁴ The Tourism Renewal Group was established in 2008 to renew the strategic framework for Irish tourism. The Group's report was published in October 2009 and contains various recommendations in the form of a Framework for Action.

where the trip includes both leisure time and business time. The recent opening of the Convention Centre Dublin presents new opportunities to capture conference and convention business. It greatly enhances Ireland's ability to compete for global conferences and events.

The Tourism Renewal Group stressed the need for the tourism agencies to identify, appraise and pursue new areas of potential in which Ireland may have a particular competitive advantage, including:

- Food tourism/gastronomy;
- Eco-tourism (including outdoor activities, such as surfing and walking);
- Film and TV production;
- Cruise tourism (including gateways as well as rural ports);
- The wider Irish diaspora;
- Music, literature and the arts; and
- Niche markets (for example, retired travellers, activity tourism, and health and wellness tourism).

Opportunities in food

Environmental sustainability is becoming a core strategic theme for leading global retailers and food manufacturers, as well as for wider society. We have a good opportunity to take a lead and build the image of Ireland as *the sustainable food island*.

By 2030, the planet will need to produce 50% more food with less land, water and energy as inputs. In this respect, Ireland is particularly well positioned: for example, we produce eight times more beef and seven times more dairy products than we consume. Our significant natural advantages can be translated into greatly increased export revenue. Some Irish exporters have already seized this opportunity, and in 2009, exports by food and drink companies were valued at €7.12 billion. Ireland has an established presence on some world food markets; for example:

- Irish beef is sold in more supermarkets in more countries than beef of any other origin;
- The Irish dairy industry is responsible for more than 10% of global infant formula production, with the three largest global producers operating Irish bases.

The food sector will play a prominent role in the recovery of the Irish economy. Important subsectors include dairy and functional foods, prepared consumer food, beverages, primary meats, and seafood. The industry operates in a highly competitive market, driven by trends in health and well-being, convenience and quality. To compete successfully, Irish companies must offer new, innovative, added-value products, in line with consumer and market trends.

Due to its low import content, growth in the industry makes a disproportionately positive impact on job creation and domestic consumption. The strongest growth potential exists in dairy, prepared foods, beef and alcoholic beverages.

The potential for seafood rests on its positive image and association with a healthy lifestyle. The Irish seafood sector currently has an annual estimated sales value of €700 million and employs 11,000 people. While the sector faces major immediate challenges, there is continuing strong consumer demand, and this offers the potential to increase revenue to €1 billion and employment to 14,000 by 2020. The principal potential for growth lies in increasing unit value through improved quality, marketing and additional processing, additional non-Irish landings in Ireland, and limited

development of non-traditional species. Export growth will be achieved mainly on high-value EU markets and niche international markets.

Opportunities in education

International education is an important part of global trade in services; worldwide, the number of international students enrolled outside their country of origin increased from 1.9 million in 2000 to over 3 million in 2007.

If the right structures and resources are put in place, Ireland can become a leading centre for international education. Ireland has unique strengths in this regard, including:

- Our reputation as a small, safe and friendly country;
- Our membership of the European Union;
- Our extensive global links through our diaspora;
- Our use of English language;
- Our cultural heritage; and
- The global reputation of our education system, which has a long history of international engagement.

Ireland is already pursuing a policy of increasing the internationalisation of its education services. Enterprise Ireland estimates that international students are contributing direct income of €428 million to the Irish economy in 2009–2010. Fáilte Ireland reports that a further €255 million was directly generated in the economy by the English-language education sector in 2009.

The next phase in the internationalisation of education worldwide, however, will involve a much greater emphasis on international partnerships than on mass inward recruitment of students. Ireland needs to be positioned to take advantage of this development, and the Government has established a High-Level Group on International Education to coordinate Ireland's approach. This group has developed a plan for long-term and sustainable performance, based on high-quality, holistic and balanced engagement with international partners. Among its targets are by 2015:

- To increase the number of international students in higher education in Ireland by 50% to 38,000, and in English language schools by 25% to 120,000;-
- To enhance the economic impact of international education to approximately €1.2 billion in total.

While this will yield direct economic benefits, the most significant long-term benefits will come from Ireland's increased exposure to and cooperation with governments, institutions, businesses and individuals in other countries. This will:

- Improve our international trade performance;
- Increase our sensitivity to other cultures;
- Attract new talent to our educational institutions;
- Lead to new research and development partnerships; and
- Help to develop networks of influence overseas, particularly among Irish-educated graduates – the 'reverse diaspora'.

Opportunities in life sciences

Ireland is now recognised as a global centre of excellence in the life sciences, and has developed world-class capabilities across the whole value chain – including basic and applied research, an enterprise base that includes both a rapidly increasing indigenous element and significant multinational FDI, and an established clinical community.

The pharmaceutical sector has been at the heart of Irish economic growth since the late 1960s, when Pfizer located its first plant in Cork. Ireland is host to eight of the world's top ten pharmaceutical companies. In 2009, the sector employed almost 25,000 people here.

Irish-owned companies are active in a range of subsectors, including medical devices, medical subsupply, diagnostics, biotechnology, chemicals, human/veterinary pharmaceutical manufacturing and in marine sciences.

Growth in the years ahead will be driven by global healthcare reforms, especially in the US market, which will create opportunities for companies offering cost-competitive products and services (generics, diagnostics, 'smart devices', connected health, etc.). Technological differentiation and convergence with other sectors will also drive growth.

Opportunities in software

The software sector is in constant evolution. New business models, new technologies and new standards are generating a wave of new opportunities, particularly for businesses operating in the internet space. Web 2.0 has considerable potential for applications such as social networking, e-learning and cloud computing, and Ireland's established strengths in financial software, telecommunications software, and digital media and entertainment also provide a base for further growth.

The software sector exemplifies the dramatic evolution of the Irish-owned enterprise base over the past 20 years. The value of exports from indigenous agency-assisted software companies has reached nearly €1 billion, and the sector employs around 13,500 people in computer programming, consultancy and related activities.

Ireland also plays host to the world's top ICT companies, who are technology leaders. Many of them have established research centres here that have gained world renown. Employment in foreign-owned agency-assisted ICT companies is approximately 37,000.

Specific opportunities have been identified for Ireland:

- Niche equipment manufacturing for low and medium volumes, particularly for Intellectual Property (IP) sensitive products;
- Further development of Ireland as a centre of excellence for software solutions in high-growth areas, such as telecommunications (including mobile), e-learning, and financial services; and
- Taking advantage of the shift toward software-as-a-service and increased demand for hosted/managed services, such as electronic records and information management services (RIMS) and supporting data centre infrastructures (including 'green' data centres).

Opportunities in the creative industries

Throughout the developed world, creative industries have become increasingly important components of national economies and global trade. In the UK and India, for example, the creative industries are the fastest growing sectors in the economy. These industries share a number of characteristics. In general, they are:

- Knowledge-intensive, involving highly skilled workers;
- Labour intensive and creating more than the average number of jobs; and
- Comprised of small and medium-sized enterprises.

Ireland has a strong tradition in the arts and culture fields, and a vibrant software development base that draws upon our expertise in the visual arts, film, music and other multidisciplinary arts media. Our recent Oscar successes in film and animation clearly demonstrate our abilities and our potential in these sectors.

The Irish crafts sector is another area with potential. It can build on the skills and talents of craftspeople and their positive market reputation to expand exports, output and employment. The crafts sector also adds to the distinctiveness of the Irish tourism offering.

Design is also a critical element in manufacturing innovation. In Finland, for example, design was central to the rapid growth of technology exports, drawing on a longstanding base of craft skills.

Next generation access will be important for the further development of this sector in Ireland, in terms of both download speed and upload speed,

Opportunities in Next Generation Network-enabled sectors

Next Generation Networks (NGN) will facilitate the development of a new range of information-intensive service industries. They will also provide a test-bed for new technological developments in software and hardware.

There are business opportunities that can be realised only with far greater bandwidth than that currently available. Services that will require NGN include:

- High-quality video streaming which will enable visual networking for more effective remote working;
- Sharing of large files across different locations;
- Advanced e-commerce applications;
- Remote access to powerful computing resources (cloud computing);
- Remote diagnostics and healthcare;
- Education services; and
- Various forms of entertainment, including the creative industries.

The development of this technology has the potential to deliver employment-intensive investment, led by high growth in demand for services.

Ireland is already an attractive headquarters location for multinational companies providing shared services for their EMEA or international operations, and would have even greater success in this regard if the telecommunications infrastructure were improved.

Significant growth is expected in new services resulting from convergence between different sectors, such as health informatics, financial analytics and digital lifestyle management. Again, many of these sectors will prosper only with the availability of NGNs.

Similarly, the availability of high-speed networks would enable Ireland to develop as an international hub for facilitating electronic trade, which could precipitate the creation of significant new economic activity and employment here.

Opportunities in clean technology and green enterprise

Ireland can compete to attract innovators in the clean technology ('cleantech') and green enterprise sectors, as new firms or new divisions of established multinationals seek to set up operations for research, development and innovation (RD&I), high-value manufacturing, and testing of new products and services.

Companies and countries throughout the developed world are making efforts to mitigate the effects of climate change, to reduce greenhouse emissions, and to establish less carbon-intensive ways of doing business. By 2012, the global market for cleantech is expected to grow by 35%, to €1,500 billion. Growth in the sector is driven by new regulations and standards around sustainability, depleting natural resources, and issues of national security.

Irish-based companies in this sector currently export goods and services to the value of €120 million, and employ approximately 3,800 people. They are active in a variety of subsectors, including:

- Energy efficiency;
- Waste water treatment solutions;
- Waste material handling equipment;
- Biomass/Bioenergy;
- Marine renewables;
- Environmental monitoring and instrumental services; and
- Consultancy services.

The High-Level Group on Green Enterprises estimates that a further 80,000 jobs could be created in the area in the coming years. To realise this potential, technical, regulatory and planning barriers need to be overcome, green firms need access to finance, and public procurement must be used to provide reference sites, proofs of concept, and highly visible examples of the new technologies in practice. Ireland can also take advantage of its existing clean image abroad by branding and promoting Ireland as a 'Green Island'.

Green technologies, products and services can make a significant contribution to Ireland's economy by creating employment and exports in areas such as:

- Renewable energy;
- Energy efficiency and consultancy;
- Waste management, recovery and recycling; and
- Water and wastewater treatment.

Ireland has abundant renewable resources. With appropriate and timely advances in electricity and internet infrastructures and the right regulatory environment, we have the potential to lead the world in the development, testing, and commercialisation of new clean technologies, products and services.

Opportunities in construction and the built environment

The experience and expertise developed domestically in construction and the built environment can be exploited internationally. The challenge is to reorient the sector to focus on international markets and to exploit opportunities in a manner that offers sustained returns to Ireland.

At the moment, the sector in Ireland exports goods and services to the value of around €1 billion and employs over 20,000 people. The sector will be transformed by better access to overseas markets, productivity improvement, management and leadership development, and above all by innovation and R&D.

In all major economies, the sustainability and energy efficiency agendas are driving changes in the building regulations for both new builds and retrofits. Many markets are adopting carbon-neutral policies and strategies. Energy conservation within new and existing buildings, driven by EU and national legislation, will present ongoing opportunities, as will the increasing convergence of the construction and built environment sector with the cleantech, IT, engineering and electronics industries.

Opportunities in ‘silver’ technologies

Ireland has an opportunity to become a global centre for the development and commercialisation of technologies, services and products that improve the well being of older people across the world.

Ageing populations, particularly in the developed world, are creating many social challenges, in areas such as healthcare, long-term care, and pension arrangements. There are thus opportunities for enterprises to address these challenges by using technology and other sources of innovation.

In the near future, these opportunities and challenges are likely to join environmental and food security challenges as world priorities. Ireland has many of the essential building blocks for the development of a ‘silver technology’ sector, including high-quality, world-class research of relevance, a strong industry base that includes key players, both foreign-owned and indigenous, and a positive policy environment. In the Technology Research for Independent Living (TRIL) Centre, GE Healthcare and Intel’s Digital Health Group are working with researchers from Trinity College Dublin, University College Dublin and National University of Ireland, Galway, to develop innovative technologies that will help people live more independently as they age. This centre is one of the largest projects of its kind in the world.

The enabling framework – strengths and challenges

4

Government policies over the past decades have made Ireland into an attractive place to do business. In its *Business Environment Ranking 2008–2012*, the Economist Intelligence Unit placed Ireland 11th out of 82 countries, naming it as one of the most attractive business locations in the world.

Pro-enterprise policies, including a favourable taxation regime and concurrent favourable exchange rate movements, helped to ensure that exports were the main source of economic growth, particularly in the period from 1994 to 2001.

From 2001, a number of factors, including low interest rates set by EU monetary policy and a number of long-standing tax-incentives designed to boost the domestic construction sector, led to the domestic economy becoming the main driver of GDP.

The challenge now is to build on our strengths and create the conditions that will enable us to return to sustainable economic growth with exports as the main driver.

4.1 Ireland's key strengths

Ireland's key strengths fall into three broad categories:

- People;
- Business environment;
- Track record.

These are further developed on the following pages.

People

A strong entrepreneurial culture

In 2008, the rate at which individuals started businesses in Ireland was 4.3% of the population – close to the US average of 5%, and far ahead of both the European average of 2.7%, and the OECD average of 3.3%⁴⁵. A wide range of supports is provided by Enterprise Ireland, IDA Ireland, Shannon Development, the County and City Enterprise Boards, the Tourism agencies and Bord Bia. These offer a range of both financial and non-financial supports tailored to the individual needs of their client companies throughout all regions and across all critical business functions, including strategy, finance, research and development, marketing, human resources, and production.

An educated and highly skilled workforce

Through consistent investment in education, the Government has taken advantage of its demographic potential and ensured that Ireland's young labour force is a highly qualified and skilled labour force with excellent technical, language⁴⁶ and customer service capabilities, as well as a reputation for flexibility and innovation. This is recognised by global commentators, with the IMD *World Competitiveness Report 2010* ranking us fourth in the world for availability of skilled labour and third for productivity and efficiency.

The National Development Plan 2007-2013, *Transforming Ireland*, identifies investment in language learning as an important goal, and establishes as a priority the development and implementation of an integrated language policy. It also identifies the strengthening and diversifying of language learning as important national objectives. The main challenge for Ireland in this regard is to become a truly multilingual society, where the ability to learn and use two or more languages is taken for granted and fostered at every stage of the education system and through lifelong education.

The OECD ranks Ireland fifth globally in terms of the proportion of young people entering the Irish jobs market with a third-level qualification. Among OECD countries, Ireland's 25–34 year olds have an above average level of qualification⁴⁷.

Irish diaspora

The Irish community worldwide includes many extremely influential business leaders who are willing to help build a successful future for Ireland. The success of the Global Irish Economic Forum organised by the Government at Farmleigh in September 2009 is testament to this fact. In addition to the range of practical ideas and initiatives proposed at the Forum that are currently being implemented across Government Departments, the lasting legacy of the Forum will be the increased engagement of the diaspora and the heightened awareness of the benefits that can be derived from the relationship between Ireland and the global Irish.

⁴⁵ GEM, *Entrepreneurship in Ireland 2008*

⁴⁶ A Post Primary Languages Initiative is in place since 2000 with the objective of diversifying language provision in schools, focusing particularly on Spanish, Italian, Japanese and Russian. Currently school curriculum provides for language skills in, French, German, Spanish, Italian, Russian, Japanese and Arabic. In addition, the State Examinations Commission also provides examinations in a range of subjects in the language area referred to as the non-curricular EU languages; for 2010 these examinations were offered in the following subjects: Latvian, Lithuanian, Romanian, Modern Greek, Finnish, Polish, Estonian, Slovakian, Swedish, Czech, Bulgarian, Hungarian, Portuguese, Danish and Dutch.

⁴⁷ OECD, *Education at a Glance*, 2008

There is now widespread acceptance, at home and abroad, that a small country like Ireland must seek to realise the potential of all sources of 'soft power', of which our diaspora is an important example.

The Government has established the Global Irish Network as a mechanism for continued strategic engagement with the global Irish. Its members include those invited to Farmleigh and other business leaders of Irish origin abroad. A series of valuable regional meetings of the Global Irish Network have already been held in 2010, including in emerging markets in Asia and the Middle East. This Network can play an important role in opening access to and providing information on key markets.

As part of the Department of Foreign Affairs' follow-up to the Global Irish Economic Forum, each Embassy has prepared a local diaspora strategy. Besides engaging with influential people of Irish origin, a key element of these local strategies is developing and increasing engagement with members of the reverse or affinity diaspora – non-Irish people who have spent time in Ireland, but have now returned to their own countries.

In the same context every effort will be made to engage actively with people and communities who have come to live and work in Ireland in recent years, so that we can benefit from their language skills and links to their home countries to help develop bilateral trade, tourism and investment.

More generally, the connection that millions feel with Ireland, and their interest in asserting that connection and exploring ancestral roots, provides a valuable resource. There are considerable opportunities in catering for those interests. Ancestral connections to Ireland provide tourism in Ireland with a key point of differentiation from other destinations, and one which corresponds to those very aspects of Ireland that visitors find attractive – people, place and culture. There is significant scope to build further on these links to attract visitors, as well as strengthening other trade, education and investment links.

Business environment

A favourable taxation environment

The Irish tax system has been continually enhanced and refined to ensure that the country remains attractive to industry and R&D. It is essential that this favourable tax policy be maintained if Ireland is to remain an attractive location for overseas investment and business.

We have maintained a corporate tax rate of 12.5%, which applies to all corporate trading profits.

Double-taxation agreements with 59 countries (of which 48 are currently in force) ensure that businesses can operate here without suffering double taxation. A further eight new agreements are currently under negotiation, and more are planned as our global trade activities continue to expand. In addition, where there is no double taxation agreement with a particular country, unilateral provisions within the Irish Taxes Acts allow credit relief against Irish tax for foreign tax paid in respect of certain types of income.

Ireland also has a 25% R&D Tax Credit scheme, the purpose of which is to encourage both foreign-owned and indigenous companies to undertake new and/or additional R&D activity in Ireland.

A strong and transparent regulatory framework

Government policy seeks to implement a balanced, fair, flexible and transparent regulatory environment that promotes competition, consumer protection and the proper conduct of business, in the interests of enterprise and society as a whole.

This approach contributes to national competitiveness by providing a secure and stable environment for investment, trade and business, and for consumer transactions.

In the area of company law, our overall aim is to establish a legal framework that is among the world's best – an efficient and effective framework that ensures that Ireland is a less bureaucratic place to do business, for both indigenous and foreign-owned companies. This framework will be continually updated in line with European law and international best practice.

Intellectual property protection

Ireland has a strong legal framework covering the development, exploitation and protection of intellectual property (IP) rights, including patents, trademarks, copyrights and designs. This framework is considered to be one of the strongest in Europe. The recent *Review of Supports for Exploitation of Intellectual Property from Higher Education Research*⁴⁸ indicated that Ireland's national policies and guidelines for managing and commercialising IP arising from publicly funded research are performing above expectations, and are achieving good value for money.

Low trade-related administrative burden

In 2008, the Irish Government set a target of reducing the administrative burden on business by 25%, to be achieved by 2012. Achieving this target will reduce the trade- and investment-related regulatory requirements and costs on business. It will benefit both potential investors and businesses already operating here. Work is actively continuing in this area, and will be vigorously progressed in order to reach the target.

EU membership

The EU is one of Ireland's most important markets for both goods and services. Our membership of the EU provides businesses that are trading from and those that are investing in Ireland with access to the EU market of half a billion people.

Since the removal of trade barriers across the EU, Ireland has experienced a more positive trading relationship (for both exports and imports) with the other Member States.

While currency volatility is an issue in trade with the US and the UK, the single European currency has delivered real benefits for trade in the eurozone, through the reduction of exchange rate risk, costs and uncertainty. Ireland is currently the only English-speaking member of the eurozone.

The European Services Directive, which will shortly be transposed into Irish law, is expected to deliver real benefits for businesses based in Ireland that are trading in services with the EU.

External trade agreements

Ireland recognises that the progressive liberalisation of global trade in goods and services will foster economic and employment growth. Less restriction on the flow of goods and services also helps us meet other important economic objectives, such as driving innovation and productivity, encouraging competition, and improving our long-term competitiveness. Ultimately these contribute to building a stronger economy. Our goal is to create the best possible international trade and investment environment for business.

In negotiating access to international markets, the EU speaks with one voice. Our membership of the EU gives us considerable influence and leverage when seeking to open new markets and enhance

⁴⁸ Forfás May 2010.

the conditions in existing markets. EU trade agreements with other countries also add to our attractiveness for foreign direct investment.

Ireland is currently involved in the world trade talks under the WTO's Doha agenda. The Doha agreement is important because it has the potential to further open trade with over 130 countries, many of which will be new markets for companies based in Ireland. However, these multilateral negotiations can be extremely protracted.

In the meantime, extensive work is being undertaken to accelerate access to markets that are of strategic importance for exporters. This involves looking at specific restrictions to trade between the EU and about 40 important export destinations. Once the main restrictions are identified, their removal can be negotiated in bilateral talks between the EU and the countries concerned. Such bilateral trade agreements can go further and proceed at a faster pace than the WTO's multilateral route. They can provide exporters with confidence and certainty in important areas such as Intellectual Property Rights (IPR) enforcement, competition, government procurement and other regulatory matters. As they generally remove non-tariff barriers to trade in high-technology products and innovative services, they serve our broader enterprise policies for expanding these sectors. They can also be useful in helping to open fast-growing markets for the specialist sectors identified elsewhere in this report. The EU has a number of bilateral trade agreements already in place, and is actively negotiating more. Ireland actively participates in the development of the EU position in these negotiations, informed by the demands/needs of companies operating here.

Track record

Our success in attracting the world's top multinationals

In recent years, IDA Ireland has focused its efforts on high-growth sectors such as ICT, lifesciences, and financial services and within internationally traded services sectors, including digital content. As a result almost 1,000 companies – including many of the world's best-known brands – have located their European headquarters in Ireland. Eight of the top ten global pharmaceutical companies and eight of the top ten global ICT companies are located here.

Investment in R&D, through the enterprise support agencies, Science Foundation Ireland and our third- and fourth-level institutions, amounted to €2.6 billion in 2008 – two-thirds of which was spent in the private sector. The specific focus of this investment was on research that underpins key economic growth sectors, such as ICT, biotechnology and energy.

Our strong indigenous sector

Ireland has an indigenous enterprise base that is growing and becoming more successful in penetrating international markets, as well as playing a key role in serving local demand. Ireland has solid, advanced industries in a number of high-value sectors, including life sciences, medical devices, software, industrial products, consumer goods, and educational services.

In 2009, Enterprise Ireland supported 73 new high-potential start-up companies (HPSUs) in life sciences, biotechnology, medical technology, food, telecommunications, internet services and other niche areas. These companies have total projected sales of €600 million over the next three years, over 80% of which is destined for export.

Ireland's largest indigenous exporting industry, the food and drink sector, increased the value of its exports by more than 40% between 2002 and 2007. This sector exports 85% of its output to over 160 countries worldwide.

Ireland as a premium tourist destination

Ireland remains a leading tourism destination among small European countries, despite being an island at the edge of the continent. For example, out of 133 countries surveyed, the World Economic Forum's *Tourism and Travel Competitiveness Report 2009* places Ireland in:

- 18th place overall;
- 8th place for effectiveness of marketing and branding to attract tourists;
- 4th place for tourism infrastructure;
- 3rd place for policies, rules and regulations.

In our key markets, the level of interest in Ireland as a destination for tourists remains high. The challenge for the future is to continue to maximise earnings from the more mature markets, while building interest in Ireland as a tourist destination in high-growth and emerging markets. Efforts in this regard will use tools and techniques similar to those employed for raising Ireland's profile generally in such markets, such as arts and culture.

4.2 Challenges that need to be addressed

While trade, tourism and investment have shown marked resilience by holding up relatively well in the current downturn, a wide range of cross-cutting issues are affecting the ability of each sector to grow. These need to be addressed if the three sectors are to realise their full potential and make maximum contribution to our export-led recovery. These horizontal issues include:

- Cost competitiveness
- Access
- Transport links
- Telecommunications infrastructure
- Trade finance and banking links
- Ireland's international reputation

Cost competitiveness

Successive studies have highlighted economy-wide competitiveness issues and in particular the increase in our cost base during the boom years of 2002 to 2007. Key concerns include the cost of doing business, the availability of skills, the need for more competition in locally-traded sectors, the need to foster innovation, the lack of advanced broadband networks and services, and (particularly recently) the access to credit and working capital.

All of these issues have been addressed in considerable detail in *Making It Happen*, which has strongly emphasised that a return to competitiveness is one of the essential requirements if Irish exporters are to succeed in international markets.

The Government is already committed to the restoration of cost-competitiveness, and some easing of costs is already apparent. A number of areas require a constant focus : energy costs (electricity and gas), labour costs, Government-controlled prices and costs, and the costs of regulatory compliance. The Government is also taking action to increase competition and remove anti-competitive restrictions in the sheltered sectors of the economy, such as transport, energy, professional services, pharmacy services and the private rental sector.

Access

Inward access

To fully exploit the opportunities in trade, tourism, research, education and inward investment, Ireland needs to be competitive on all fronts – including the ease and affordability of immigration procedures. Visitors must find it comfortable, competitive and attractive to travel in and out of Ireland.

Immigration and border controls generally are broad and very complex issues, involving social policy, national sovereignty and security considerations that are outside of the remit of this report.

Nevertheless, it is apparent that the current Irish visa regime sometimes acts as a constraint on the expansion of all three sectors – trade, tourism and investment – particularly in relation to new and high-growth markets outside the EU and the US.

Despite the complexity of the issues, there is scope for tailoring the system to make it more responsive to the changing needs of the economy, and the Department of Justice & Law Reform is currently addressing the matter.

Ireland is not a party to the Schengen borders arrangements⁴⁹. While Ireland's decision in this regard was virtually inevitable, given that the UK, with whom we have a Common Travel Area, is not participating, it is a significant impediment to the further development of overseas trade, tourism and investment.

The current regime impacts particularly on efforts to expand and diversify our overseas trade, tourism and investment with non-traditional markets. For example, a visitor from India or China to Europe needs to get a visa for only one country covered by the Schengen agreement in order to visit all such countries, but they would need another visa in order to visit Ireland.

Clearly, the ability of potential visitors, both business people and tourists, to secure the necessary visas in an efficient and cost-effective manner is an important element of our competitiveness, as is the ease with which key employees or researchers from overseas can get access. The situation has improved for FDI clients of IDA Ireland with the introduction of the fast-track process operated by the Department of Enterprise, Trade & Innovation in conjunction with the immigration authorities.

Outward access

Cultural events are useful ways of raising the profile of Ireland abroad and promoting trade and tourism. However, outside the EU, artists and groups often find it difficult to obtain short-term work visas for such events, and are faced with expensive, complex procedures. Similarly, small companies often experience difficulties in setting up overseas operations because of restrictive visa regimes.

The Department of Tourism, Culture & Sport is involved at European level in monitoring visa policies and practices in the cultural field, and is looking at visa issues and the impact they have on the cultural dimension of the external relations of the European Union.

⁴⁹ The Schengen Convention is an agreement among some European states which allows for the abolition of systematic border controls between the participating countries. It also includes provisions on common policy with regard to visas for short stays, the harmonisation of external border controls, and cross-border police and judicial co-operation

The Department of Foreign Affairs, the Irish embassies and the State agencies overseas will continue to support efforts by Irish artists and business people to succeed in foreign markets.

Transport links

The disruption caused by the Icelandic volcanic ash crisis showed how critical access by air to and from Ireland is and the potentially devastating implications for our economy when access is restricted.

Approximately 20% of our total exports and 64% of our exports to non-EU destinations currently leave Ireland by air. Air links are essential, not only for freight purposes, but also for tourism, and for ease of contact between traders and investors.

The Government's plans for air transport are to facilitate the growth of competitive air links, in order to promote the development of Irish business and tourism, and to ensure the sustainable development of the national and regional airports. The Department of Transport's immediate objective is to help airports and airlines to respond to the downturn in the sector, while maintaining the highest possible levels of connectivity between Ireland and key markets. However, in a global industry that is fully liberalised within the EU, the scope for providing direct support to airports and carriers is extremely limited.

The establishment and maintenance of air links is demand-driven, and airlines are free to use their commercial judgement in allocating resources to new routes. Ireland could be at a disadvantage if air links with a key market are inefficient, and the Department of Transport maintains regular contact with the embassies and aviation authorities in such key markets to try to ensure that direct services between the countries are facilitated if and when the market deems such services to be commercially viable.

With the cost of air freight likely to rise in the years ahead because of increases in fuel prices and climate change issues, it will also be essential to maintain focus on marine linkages and the development of our ports infrastructure.

Telecommunications infrastructure

Making It Happen emphasises that a competitively-priced world-class telecommunications infrastructure and related services are essential to support the competitiveness of Irish exporters.

Many business and consumer services already available and others envisaged for the short- and medium-term future are dependent on high-bandwidth, symmetric telecommunications links with low latency. Next Generation Networks (NGN) have the required characteristics, but Ireland currently lacks an NGN infrastructure, and this poses a serious threat to our ability to secure market share in high-value, internationally traded activities.

It will also impact on our ability to achieve the productivity necessary to sustain high incomes and to improve access to healthcare, education, social networking and entertainment.

The Department of Communications, Energy & Natural Resources has taken a number of initiatives to enhance the availability of broadband services, including:

- The National Broadband Scheme (NBS), which provides broadband access to customers in areas unserved by commercial broadband suppliers;
- The Metropolitan Area Networks Scheme (MAN), which provides high-speed fibre access to broadband service suppliers in regions outside Dublin;

- Project Kelvin, a north/south initiative, which provides high-speed international connectivity in the north-west region.

These schemes were subject to clearance by the EU Commission under EU state-aid rules, and required evidence-based submissions demonstrating that the market interventions were proportionate. In order to obtain EU clearance for any future market intervention of a financial nature, the Government would have to provide evidence to demonstrate that the proposed intervention represented a proportionate market response to a demonstrated market failure.

In June 2009, the Minister for Communications, Energy & Natural Resources published *Next Generation Broadband – Gateway to a Knowledge Ireland*, a policy paper that identifies the key role that NGN will play in enabling economic growth. The document sets out the Government's position that investment in broadband infrastructure is a matter for the private sector, to be facilitated, where appropriate and possible, by Government. It also recognises the contribution that the NBS, MAN and Kelvin schemes (see above) can deliver to an NGN. It proposes a 'one-stop shop' for telecommunications infrastructure providers seeking access to State infrastructure (such as ducting), a requirement for new premises to have open-access fibre connections installed, and a Broadband to Schools initiative. Implementation of these initiatives has commenced. *Making It Happen* makes a number of recommendations in relation to the telecommunications infrastructure.

Access to finance

Making It Happen identifies access to finance for cash flow as one of the single biggest challenges currently facing enterprise generally, and particularly SMEs. It describes a number of actions already taken by Government to address this issue, and sets out further actions that need to be considered, including a possible initiative to make finance more easily available to commercially viable SMEs. While not limited to internationally trading SMEs, any initiative in this area could also assist those exporting companies.

The Department of Enterprise Trade and Innovation has examined the potential for providing a medium-term⁵⁰ export credit insurance scheme, and has found that there is very little demand for such a scheme. Nevertheless, the situation will be kept under review. The Government has already ruled out, in October 2009, the introduction of a State supported short-term export credit insurance scheme, given the potential high cost to the State and the lack of evidence that such a scheme would be an effective support to jobs and exports.

Banking links

The main Irish banks have been limited in their international reach, which has implications in particular for Irish-based exporters who want to trade in emerging markets.

Likewise, the limited presence of foreign banks in Ireland providing general banking services for trade and investment purposes restricts the international view of Ireland and its economic possibilities, and makes access to information and services more difficult for Irish companies.

If Ireland's economic recovery is to be export-led and driven by export-focused, high value-added, knowledge-led companies, Irish banks will have to develop greater knowledge and understanding of these businesses, and of the high-growth markets on which they are focusing, such as the Middle

⁵⁰ Medium term export credit insurance covers exports where the risk period for the exporter is over two years. Short term cover relates to period up to two years.

East and the BRIC countries. They can then build on that understanding to create new revenue streams by providing services to these businesses.

Over the past 12 months, Enterprise Ireland has worked closely with the Irish banks to help them develop this understanding. This initiative has included a programme of staff exchange and secondment between the agency and the main banks, to share and transfer knowledge and skills.

Ireland's international reputation

Reputation in established markets

Given our dependence on overseas trade and investment, our reputation among our partner countries is critical. Over the past two years, during the economic and financial crisis, Ireland's reputation, like that of many of our trading partners, has faced challenges. Maintaining investor and trading partner confidence in the country, and building and promoting our international reputation are important elements in our economic renewal.

Ultimately, a country's reputation abroad depends on the credibility and effectiveness of its domestic policies. Nevertheless, there is much that can be done by our diplomatic and agency representatives overseas to defend our reputation against inaccurate reporting and to promote a positive understanding of the Government's economic policies.

In this context, the Department of Foreign Affairs has established a dedicated unit to monitor international media coverage of our economy and to assist diplomatic missions in disseminating accurate and coherent information on Ireland's economic strategy and performance. The Department of Foreign Affairs has also developed a Public Diplomacy Strategy to assist embassies and offices in raising the profile of Ireland abroad as an attractive location for business investment, tourism and education.

The Department of Enterprise, Trade & Innovation has also worked closely with other relevant departments and State agencies to develop a set of key messages for promoting Ireland during trade missions and Ministerial visits abroad.

These systems are working well and could be developed further.

Reputation in new markets

In communicating our messages, we must generate awareness of Ireland, at home and abroad, as a vibrant, innovation-led, modern enterprise economy, and should exploit the full potential of new communications systems and patterns in order to develop genuine engagement with target audiences.

The success of Irish entrepreneurs abroad and the assistance of influential business leaders can play an important role in raising the image of Ireland.

Cultural activities are vitally important in raising awareness of our country and establishing a national reputation for vibrancy and creativity in new emerging markets, where knowledge of Ireland is limited. The Government will continue to invest strongly in sustaining, promoting and presenting Irish artistic and cultural excellence.

Strategic priorities and targets

5

Following a thorough analysis of current strengths and new opportunities for Ireland in terms of markets and sectors, the Government is determined to build on our existing strengths and track record in trade, tourism and investment, and has set the following targets to be achieved by 2015:

- To increase the number of *new jobs* directly associated with exporting enterprises by over **150,000**, in manufacturing, tourism and internationally trading services, and with the creation of a similar number of new indirect jobs.
 - (IDA Ireland ~75,000, Enterprise Ireland ~60,000, tourism ~15,000)
- To increase the value of **exports** by agency assisted **indigenous** companies by **33%**
 - Increase the number of exporting firms.
 - Increase the value of exports from existing exporters, both to established markets and to markets offering new opportunities.
- To **diversify** the destination of indigenous exports.
 - Increase share of food and drink exports to countries outside the UK, from 56% to 62%.
 - Increase share of other exports to countries outside the UK, from 57% to 63%.
 - Increase the share of food and drink exports to Asia, from 4.3% to 7%.
- To increase **overseas visitor numbers** to **8 million**.
 - Increase visitors from Continental Europe to 3 million
 - Increase visitors from new and developing markets to 0.5 million.
 - Increase visitors from the UK to 3.3 million
 - Increase visitors from North America to 1.2 million.
- To secure an additional **780 inward investment projects** through IDA Ireland.
 - 20% of new greenfield investment projects to come from high-growth and emerging economies.
 - IDA Ireland also to deepen the domestic value added of overseas firms in Ireland and to strengthen linkages and collaboration between foreign-owned and indigenous firms.

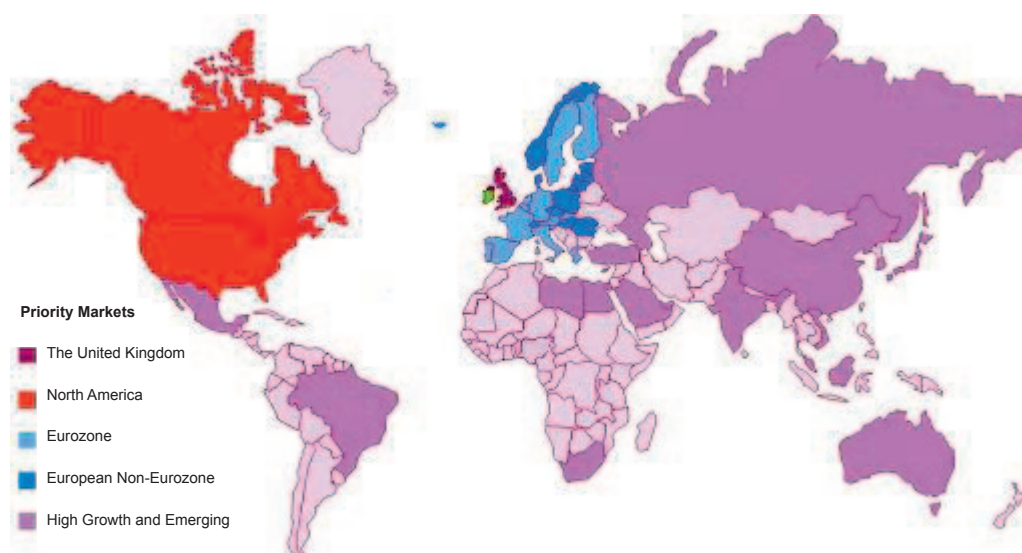


Figure 11: Priority markets for Trade, Tourism and Investment

Action plan – How to achieve our strategic priorities and targets

6

The sustainable recovery of the Irish economy depends on the recovery of the global economy and equally on a return to fiscal stability, an easing of credit restrictions, and a return to competitiveness in the domestic economy.

Even in the low-growth scenario described by the ESRI in their *Recovery Scenarios* document, the Irish economy, despite significant short-term problems, has the potential to grow at over 3% a year over the coming decade, and could return to a sustainable annual growth rate of 5.6% by 2015.⁵¹

In order to achieve this growth action needs to be taken to facilitate the emergence and growth of the necessary competitive, sustainable enterprise base, as identified in *Making It Happen*.

In the context of promoting trade, tourism and investment, Government will continue to apply the following principles, as set out in *Trading for Economic and Social Development* (2005):

- Maintaining an open economy;
- Supporting access to new markets and opportunities;
- Supporting our indigenous export base;
- Developing trade in services (including tourism);
- Maintaining an attractive environment for FDI;
- Supporting ODI; and
- Promoting policy coherence to support exports.

We will also continue to promote pro-enterprise policies in education and R&D, and maintain an enterprise-friendly taxation regime.

Making It Happen recommends a number of actions to support internationalisation at firm level, and the development of Ireland as a hub for global enterprises and clusters. Actions need to be taken to enhance business innovation, productivity and cost-competitiveness, and to build a strong

⁵¹ see footnote 3(pg 5) and table 2 (pg 18)

enterprise mix. Innovation, productivity and cost-competitiveness are intimately linked: innovation enables firms to differentiate their product and service offerings, improve their competitiveness and drive their productivity. A strong enterprise mix is necessary to ensure that Ireland is not over-reliant on a limited number of sectors, nor on a limited number of countries for trade or intra-firm relationships. It will help ensure that all sectors realise their potential for growth and employment.

This chapter focuses on actions that are practical, that clearly add value, and that will contribute to the implementation of this integrated strategy.

The targets set out in chapter 5 are ambitious and challenging for a small open economy operating in a global environment that has changed radically in recent years. Achieving these targets will require a coherent and coordinated approach by all Government and State agencies, both at home and abroad. Actions need to be planned and implemented to ensure that we:

- Build Ireland's image and reputation in high-growth global markets, and enhance them in existing markets;
- Consolidate and continue to build our presence in markets where Ireland has existing trading and investment relationships, particularly North America, the UK, the EU, Australasia and Japan;
- Diversify our markets for exports and our sources of inward investment into high-growth and emerging economies in Asia, the Americas and Africa, with particular focus on China, India, Russia, Brazil, the Middle East, the Republic of Korea and Turkey;
- Help firms to deal with issues of geographical distance, culture, language and communications, in order to reduce the costs and difficulty of trading internationally; and
- Maximise the effectiveness of State agencies and diplomatic resources in providing in-market support to exporting firms and in securing inward investment. This will involve a new integrated approach to policies and initiatives in support of trade, tourism and investment.

6.1 Strengthen our international profile

Three lines of action are proposed to strengthen Ireland's profile and reputation in international markets:

- Building Ireland's profile abroad;
- Maximising impact of integrated trade missions; and
- Promoting Ireland through St Patrick's Day.

Building Ireland's profile abroad

Building and maintaining a strong profile in markets across the world will require a joined-up approach from all the agencies involved in promoting and representing Ireland abroad. This is particularly the case in countries where Ireland is less well known to potential investors, buyers of goods and services, and tourists.

As the officially accredited representative of Ireland abroad, Embassies and Consulates will continue to work actively to promote an awareness of Ireland and its business potential; develop a network of influential Government and business contacts among key decision makers and provide assistance and support to the agencies operating abroad.

Agencies will work together, both at headquarters in Ireland and abroad, to ensure that all sector-specific marketing campaigns are coherent, mutually reinforcing and mutually supportive. They will also promote Ireland in distinct geographic markets using positive, unified messages that combine economic, tourism and cultural elements.

The corporate identity schemes of the different agencies promoting and representing Ireland will, where possible, be integrated to a greater extent, to create and strengthen brand recognition.

The high-tech and high-skills image that Ireland has promoted in the past may need to be complemented with other messages as new opportunities emerge and as international perceptions of Ireland's economy, environment and culture change.

The promotion of Irish trade, tourism and investment can build on our reputation for excellence in arts and culture, across literature, the performing arts, film, the visual arts (including architecture), the multidisciplinary arts, and sport. The achievements of Irish people in reaching the highest international level in these fields can be used to illustrate our vibrancy, capacity for innovation, and creativity.

Responsible: Enterprise Ireland, IDA Ireland, Tourism Ireland, Bord Bia, Culture Ireland, Department of Foreign Affairs.

Maximising impact of integrated trade missions

The purpose of trade missions is to bring Irish businesses – from trade, investment and tourism sectors – into direct contact with business opportunities abroad. Such missions – led by the Taoiseach and/or one or more Ministers – have proven to be valuable supports to Irish businesses, in terms of establishing their credibility with and gaining access to the business community in the target market at the appropriate level. This is particularly the case in countries where government-to-government contacts are a prerequisite for doing business.

Over the coming years, the potential of trade missions will be maximised by integrating trade, tourism and investment promotion activities, and by targeting sectors and countries where there is significant potential.

Given our strong international reputation in the visual and performing arts, literature and music, trade missions will also link with Culture Ireland's programme of initiatives and events where possible.

Responsible: Department of Enterprise, Trade & Innovation, Department of Foreign Affairs (Taoiseach led missions); Enterprise Ireland, IDA Ireland

Promoting Ireland through St Patrick's Day

Each year, St Patrick's Day offers a unique opportunity to raise Ireland's profile abroad, deliver marketing messages, and strengthen relations with other countries. Government Ministers regularly travel abroad to take part in St Patrick's Day events in other countries and to promote inter-governmental relations, trade and tourism. The decisions on where the Ministers go for St Patrick's Day will be based on strategic considerations, and these decisions will be taken as early as possible, so that embassies and State agencies can take maximum advantage of the opportunities presented by the visit.

Trade, tourism and investment promotion events will feature prominently in all ministerial programmes. The agencies may also use the opportunity to promote specific sectors – for example, the award of the proposed Greentech prize for environment-friendly enterprise could be linked to St Patrick’s Day.

Departments and agencies will continue to work together to enhance the media impact of St Patrick’s Day, and to ensure that media coverage of the day relates the local events in each country to a positive image of modern Ireland. They will support cultural events that have the potential to enhance the promotional activities of the relevant agencies.

Responsible: Department of Foreign Affairs

6.2 Support internationalisation at company level

Three lines of action are proposed to support the internationalisation of Irish companies:

- Developing toolkits for Irish businesses trying to enter new markets;
- Establishing an outreach programme for the wider Irish business community; and
- Promoting outward direct investment and mergers and acquisitions

Developing toolkits for Irish businesses trying to enter new markets

Many small companies that are trying to gain a foothold in new markets quite simply do not have the resources to identify new markets and become established overseas.

To meet the needs of new exporters, departments and agencies will work together to provide country-specific intelligence on the identified priority markets, along with a simple tool for evaluating ‘export preparedness’. Where appropriate, they will provide the potential exporters with further support to facilitate market access, such as advice on legal representation, financial and accountancy advice, real estate agents. Exporter toolkits – consisting of printed materials, supplemented by online resources and personal contact – will be available from the agencies at both headquarters and local level, and from our embassies and consulates abroad.

Responsible: Enterprise Ireland, IDA Ireland, Bord Bia, Tourism Ireland, Department of Enterprise, Trade & Innovation, Department of Agriculture, Fisheries and Food, Department of Tourism, Culture & Sport, Department of Foreign Affairs:

Establishing an outreach programme for wider Irish business community

Many Irish businesses do not engage directly with any of the State enterprise agencies, and a significant number of these could benefit from the initiatives and actions set out in this document.

An Export Outreach Programme will be established to identify and assist these companies. The programme will include a series of Minister-led events to introduce the new strategy, and to showcase the range of services and incentives available to first-time exporters who are trying to enter particular markets.

These events will also provide the opportunity to inform small businesses of the opportunities arising from the implementation of the EU Services Directive, and any other relevant recent initiatives.

Responsible: Department of Enterprise, Trade & Innovation

Promoting outward direct investment and mergers and acquisitions

Outward direct investment (ODI) is enabling Irish companies to extend their market reach and acquire new skills, new technologies, new distribution channels and new supply chains, thereby reducing costs and providing better customer service. It is also enabling them to extend their customer base and improve their sales prospects. A corporate strategy of mergers and acquisitions (M&A) can help to ensure the continued success of a company in difficult economic times.

Development agencies will ensure that ambitious management will be helped to pursue an ODI or M&A strategy for international expansion, by supporting:

- Development of management capability, specifically management of growth-oriented businesses;
- Access to professional mentors with sectoral knowledge in domestic and international markets;
- Access to the overseas networks of embassies and enterprise support agencies (Enterprise Ireland, IDA Ireland, and Bord Bia); and
- Introduction to private and public venture capital funds.

Responsible: Enterprise Ireland

6.3 Develop Ireland as a hub for global enterprises and clusters

Two lines of action are proposed in support of the proposals to develop Ireland as a hub for global enterprises and clusters:

- Increasing the level of high-value inward investment; and
- Ensuring an open and competitive environment for enterprise.

Increasing the level of high-value inward investment

We will grow our share of inward investment in R&D, global services and high-end manufacturing, particularly in the following sectors:

- Life sciences;
- ICT;
- Financial services;
- Content⁵²;
- Consumer and business services;
- Engineering and diversified industries;
- Services Innovation;
- Clean tech;
- Convergence.

The objective is to develop Ireland as a key trading hub for high-value manufacturing and services sectors supported by a strong R D & I capability.

We will also seek to attract overseas emerging technology companies to locate in Ireland in line with the vision of making Ireland a Global Innovation Hub

⁵² Content sector includes Google, Yahoo, Ebay, Facebook, LinkedIn

Through to 2015, there will be a particular focus on delivering employment-intensive investment, led by the growth in demand for services. IDA Ireland's target is to attract investment that will directly result in the creation of 75,000 new jobs.

Responsible: IDA Ireland

Ensuring an open and competitive environment for enterprise

The Department of Enterprise, Trade & Innovation, in consultation with Forfás, Enterprise Ireland, IDA Ireland and the Central Statistics Office, will study the information available on imports, and assess the degree to which imports impact on the competitiveness of Irish firms. Then, if necessary, the structure of the wholesale and distribution sector will be reviewed in light of international norms, to see if it inhibits competition.

If key issues are identified in relation to particular imports that are significant for the enterprise sector, the selective promotion of imports and/or appropriate inward investment will be considered, for follow-up by the appropriate agency.

The Government will also seek to maintain Ireland as an open environment for investment through FDI, franchising, etc.

Responsible: Department of Enterprise, Trade & Innovation

6.4 Strengthen in-country presence and support

Four lines of action are proposed to strengthen the in-country presence of Irish agencies and the support they provide to investors, exporters, buyers and tourists:

- Using diplomatic and State agency resources to support the strategy;
- Increasing coordination in the field;
- Maximising the contribution of the diaspora; and
- Optimising use of EU diplomatic resources.

Using diplomatic and State agency resources to support the strategy

The Minister for Foreign Affairs is reviewing our diplomatic network to enable it to play its vital role in support of this Strategy, in terms of seeking and promoting opportunities for trade, tourism and investment. This is particularly relevant in countries that currently lack adequate representation by the enterprise development agencies. All the State agencies with responsibilities in the areas of economic growth, trade and investment, including agriculture, fisheries, education and tourism, will keep their existing resource allocations under review, as well as the balance between headquarters and field staff. These may need to be adjusted to ensure that the global, sectoral and regional targets contained in this Strategy are met.

Responsible: Department of Foreign Affairs, IDA Ireland, Enterprise Ireland, Bord Bia, Tourism Ireland,

Increasing coordination in the field

As a small country, Ireland cannot maintain large representations across the globe. It is essential, therefore, that the limited resources available for the promotion of trade and investment, and for more general economic cooperation with other countries, are utilised to maximum effect. In line

with the Smart Economy Framework, embassies in the major markets are more actively pursuing trade and economic promotional activities, and convene regular meetings with State agencies in order to coordinate activities and report on promotional efforts.

The embassies in the priority markets identified in this Strategy will make a key contribution to its implementation by promoting and facilitating the joined-up approach that is essential for the achievement of the priorities and targets in the new Strategy. They will establish local coordination teams with the agencies to develop and implement an annual coherent local market plan.

Responsible: Department of Foreign Affairs, IDA Ireland, Enterprise Ireland, Bord Bia, Tourism Ireland

Maximising the contribution of the diaspora

The potential of local community and business networks to support the priorities and targets of the Strategy will be realised by ensuring clear lines of contact with the local networks and by keeping network members updated on relevant local and national developments.

The Department of Foreign Affairs and the overseas representatives of the State agencies will continue to foster links and synergies between existing sectoral and geographical networks and the Global Irish Network established following the Global Irish Economic Forum in Farmleigh.

In this context, each embassy has formulated a local diaspora strategy in response to the recommendations of the Global Irish Economic Forum. These strategies emphasise the importance of developing and increasing engagement with members of the reverse, or affinity, diaspora – people who may have spent time working or learning in Ireland but have now returned to their own countries.

The new Certificate of Heritage scheme, together with genealogical resources being made available online (e.g. Census 1901, Census 1911, church records) will also provide opportunities for outreach and engagement with the wider Irish diaspora, beyond those who are entitled to Irish citizenship, increasing further the potential for growth in Irish-linked networks abroad.

Responsible: Department of Foreign Affairs, Department of Tourism , Culture and Sport, IDA Ireland, Enterprise Ireland, Bord Bia, Tourism Ireland,

Optimising use of EU diplomatic resources

The framework for much of Ireland's economic and commercial relations with third countries is set in the European Union context. The Lisbon Treaty aimed to streamline the EU's international actions and ensure consistency between the different areas of its external actions.

The High Representative for Common Foreign and Security Policy is responsible for ensuring the consistency of the Union's external actions, and will be assisted by the establishment later this year of the European External Action Service (EEAS)- the new EU diplomatic service. European Commission Delegations abroad will be part of the EEAS and have been renamed as EU Delegations. They will continue to have staff dealing with trade and economic matters, but since EU Delegations will be under the authority of the High Representative, EU interests can be pursued abroad in an integrated way.

It will be open to Ireland to avail of these resources, mainly through input to the Brussels-based preparation for meetings between the EU and third countries, but also by availing of the close cooperation, provided for in the EEAS decision, with member states missions. An example would be enhancing Ireland's ability to resolve practical trade issues in individual markets, through the mobilisation of EU resources in support of our position.

The EEAS is not intended to replace national embassies, which will still be required for the promotion of bilateral relations, including bilateral economic interests.

Responsible: Department of Foreign Affairs; Department of Enterprise, Trade & Innovation

6.5 Delivering the necessary skills

The education system will continue to be responsive to knowledge and skills needs in the internationally-oriented economy. The Government will continue to prioritise the development of enhanced maths, science and technology skills through an agenda of curriculum reform and by improving innovation capacity in second level schools. A range of languages, including French, German, Spanish, Italian, Russian, Japanese and Arabic, will continue to be provided on the curriculum in schools.

It is recommended that opportunities for better engagement and more structured dialogue between the enterprise and the higher education sectors should be further developed to ensure the provision of graduate and workforce skills necessary to maximise Ireland's potential in the areas of trade, investment and tourism.

Responsible: Department of Education and Skills

6.6 Expand our international linkages

To support the expansion of our international linkages, it is proposed to develop direct air links to key markets.

The Government will continue to support the development of an innovation-friendly, pro-competition regulatory framework for aviation. Through its residual role as a minority shareholder in Aer Lingus, it will continue to support strong competition between airlines, and through its ownership of the airports, it will encourage new entrants, more frequent flights, and a greater range of long-haul flights to and from Ireland.

The introduction of US pre-clearance facilities at Dublin Airport with the opening of T2 later this year will greatly enhance the experience of customers travelling to the States, and will provide airlines with opportunities to develop and grow new services.

The Department of Transport is currently engaged in measures to enhance our bilateral aviation relations with emerging markets, such as India and China.

Responsible: Department of Transport

6.7 Establish banking links

In support of a more enterprise-friendly banking culture, the following line of action is proposed:

- Developing expertise and knowledge in Irish banks in relation to the requirements of Irish exporters in high value-added, knowledge-led companies.

Collaboration that was recently initiated between Enterprise Ireland and Ireland's main banks will continue, with the object of sharing and transferring knowledge and skills between the organisations, particularly in relation to the new areas in which export-focused, high value-added, knowledge-led companies are doing business, and their associated financing requirements.

Responsible: Enterprise Ireland

6.8 Modify the visa regime to align with the strategy

In support of a visa regime that is more in keeping with the needs of enterprise, the following line of action is proposed:

- A mechanism will be established to ensure that the visa regime supports the priorities set out in this Strategy. The Department of Justice and Law Reform will establish a Consultative Group of the relevant Departments (including Enterprise, Trade and Innovation, Education and Skills, Tourism Culture and Sport, Foreign Affairs, Transport) to progress this issue in the coming weeks.

This new mechanism will ensure that entrepreneurial, business and tourist travellers to Ireland who can be identified as such are facilitated, and that businesses promoting trade, tourism and investment are not placed at a competitive disadvantage. If there are structural disadvantages that cannot be overcome, steps will be taken to ensure that their effects are mitigated.

The immigration authorities will work in partnership with trade, investment and tourism agencies to identify creative and imaginative approaches to these issues, which would be consistent with both competitiveness and the orderly management of immigration generally. Ireland can thus ensure that the visitor experiences of Ireland compare well with any of our competitors.

The Department of Justice & Law Reform is already examining ways to facilitate foreign entrepreneurs and their families who want to establish businesses in Ireland.

Responsible: Department of Justice & Law Reform

6.9 Develop joint actions and partnerships with other countries

Four lines of action are proposed in support of developing cooperation with other countries:

- Maximising opportunities presented by Joint Economic Commissions;
- Developing new partnerships with other countries;
- Exploiting the benefits of the European Single Market; and
- Ensuring strategic alignment of Double Taxation Agreements (DTAs).

Maximising opportunities presented by Joint Economic Commissions

A Joint Economic Commission (JEC) is a formal bilateral intergovernmental body, usually chaired at senior official level, dealing with all aspects of trade development between two countries, and with the development of economic and business cooperation, and scientific and technological cooperation.

Ireland already has Joint Economic Commissions with four countries – Russia, the Republic of Korea, Saudi Arabia and China – and these will provide a basis for ongoing, detailed and focused interactions with those countries. The approach will focus on trade and investment performance as well as the softer supporting linkages – international science and technology cooperation and culture, tourism and educational exchange.

Responsible: Department of Enterprise, Trade & Innovation

Developing new partnerships with other countries

The JEC model offers a useful vehicle through which partnerships can be prioritised with emerging and high-potential economies as part of a long-term strategy for trade diversification. Further agreements along the lines of the JECs will be considered with other emerging markets with a view to formalising new partnerships over time. Forfás has completed a number of specific country partnership studies that will inform decisions in this regard.

These new partnerships will also build on any possible linkages with representatives of relevant non national communities who have come to live and work in Ireland in recent years, that can help to develop bilateral trade, tourism and investment.

Responsible: Department of Enterprise, Trade & Innovation

Exploiting the benefits of the European Single Market

Although great progress has been made, there remain a number of barriers to trade that are impeding the ability of some companies – and particularly SMEs – to trade, even within the European Single Market. While there are some factors that cannot be influenced by policy (for example, differences in language, distance, culture), some can.

Following the publication of the Monti Report in mid-2010, a debate has begun about realising the full potential of the European Single Market. Efforts will be made to remove, or to influence the removal of, remaining barriers to the effective operation of the Single Market, by adopting new policies in areas of finance, information and awareness, non-tariff barriers, and trade facilitation.

Responsible: Department of Enterprise, Trade & Innovation

Ensuring strategic alignment of Double Taxation Agreements

The potential of double taxation agreements to support this trade, tourism and investment strategy will be taken into account when prioritising countries with which to negotiate such agreements.

Responsible: Department of Finance

6.10 Progress our interests through international trade agreements

Two lines of action are proposed to progress Irish interests through trade agreements:

- Negotiating EU Trade and Investment Agreements; and
- Ensuring availability of timely and comprehensive statistics.

Negotiating EU Trade and Investment Agreements

In the negotiation of EU Free Trade Agreements, we will continue to actively pursue all our trade interests, advance the strategic interests of important indigenous sectors and exporting companies, and encourage an outcome from the WTO's world trade talks that will deliver tangible benefits for our economy.

As investment increasingly becomes an important aspect of economic growth and often follows the path of exporters, we will also encourage the development and progressive expansion of investment agreements between the EU and economies that are important to Irish investors.

Following the adoption of *Europe 2020*, the EU Commission has launched a strategic review of trade policy. This review builds on its existing trade policy, *Global Europe*. The Department of Enterprise, Trade & Innovation has consulted widely with all stakeholders involved, and will engage with as many export interests as possible before sending the Commission its perspective on how future EU trade policy can best serve the interests of Irish exporters and meet the expectations of those with whom we trade.

Where it is unlikely that EU free trade agreements will be put in place with key export markets, we will continue to promote all our trade and investment interests through existing discussions such as the Transatlantic Economic Council (involving the EU and the US), the EU's High-Level Dialogue with China, and EU trade and economic discussions with Russia.

Responsible: Department of Enterprise, Trade & Innovation

Ensuring availability of timely and comprehensive statistics

For Ireland to successfully engage in any trade negotiations or tourism development, it is essential that negotiators and policymakers are equipped with accurate and up-to-date trade and tourism statistics. Additionally, economic recovery and future growth in Ireland's small open economy is very much dependent on the success of Irish exports. The availability of up-to-date and timely trade and tourism statistics to inform policy is essential in this regard.

To this end the Department of Enterprise, Trade & Innovation and the Department of Tourism, Culture and Sport are engaging with the Central Statistics Office to ensure availability of more timely and more comprehensive trade data, especially in relation to services, including tourism.

Responsible: Department of Enterprise, Trade & Innovation, Department of Tourism, Culture and Sport, Central Statistics Office

6.11 Drive the strategy – implementation mechanism and supports

Three lines of action are proposed to ensure that the Strategy is successfully implemented:

- Establishing a Foreign Trade Council;
- Engaging with the Irish business community; and
- Strengthening Government advocacy efforts.

Establishing a Foreign Trade Council

The Government will establish a new Foreign Trade Council, chaired by the Minister for Trade & Commerce, to strengthen cooperation and coordination across all of the key departments and State agencies involved in the promotion and development of trade, tourism and investment. Joined-up thinking will lead to joined-up action and will help boost our exports and investment performance. The new Council will bring the relevant Government departments and agencies together for the purpose of monitoring, reviewing, and promoting implementation of the agreed priorities and targets, as set out in this Strategy. The Council will meet at least twice annually; all members of the Council will be at senior level.

In each priority market identified in this strategy, a local trade, tourism and investment team will be established and chaired by the local Irish Ambassador or Head of Mission. It will be required to prepare an integrated and cohesive local market plan by the end of December each year. The team will convene regular meetings with the local representatives of the State agencies and provide

regular reports to the Minister and Council on the activities of the local team, and how it is making progress towards the agreed priorities and targets.

The Minister for Trade & Commerce will report to the Government every 12 months, setting out the Council's conclusions and recommendations.

Responsible: Department of Enterprise, Trade & Innovation, Department of Foreign Affairs

Engaging with the Irish business community

Regular feedback from the Irish business community operating in the field is critical to the success of the new Strategy. Any issues highlighted by the business community can then be raised at local or headquarters level with the relevant State agency or department. Thematic panels, at sector, country or regional level, will be set up as required by the Council, with the participation of relevant companies and sectoral experts, to discuss these issues and identify possible solutions. There may be a useful role in this regard for individuals who are members of the Global Irish Network with experience or expertise in particular markets or sectors

Responsible: Department of Enterprise, Trade & Innovation, Department of Foreign Affairs

Strengthening Government advocacy efforts

Government advocacy efforts will be strengthened so that trade, tourism and investment promotion is mainstreamed across the Government. Government members regularly engage with their international counterparts on a wide range of issues. In order to ensure that every opportunity is taken to promote our economic interests, Government-wide advocacy instructions and guidelines will be drawn up and disseminated. This will help to ensure that the priorities and targets agreed in the new Strategy will be supported in any dialogue between the Irish Government and governments of key existing and potential markets and partner countries.

Responsible: Department of Enterprise, Trade & Innovation

Appendix 1

Members of the High Level Group

Clare Dunne	Chairman
Brian Whitney	Department of Enterprise, Trade & Innovation
Gerard Monks	Department of Enterprise, Trade & Innovation
Dympna Hayes	Secretary to the Group
Declan Hughes	Forfás
Michael Murphy	An Bord Bia
Shane Clarke	Tourism Ireland
Rosemary Sexton	Enterprise Ireland
Brendan McDonagh	IDA Ireland
Eugene Downes	Culture Ireland
Marian Byrne	Department of Agriculture, Fisheries & Food
John Neary	Department of Foreign Affairs
Paul Bates	Department of Tourism, Culture & Sport
Kevin O'Sullivan	Department of Justice & Law Reform
Keith Moynes	Department of Education & Skills

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