

Changing drivers of Global FDI

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Agenda

1. **Global Policy Shifts**
2. **Global FDI Picture in 2022**
3. **Focus on the FDI Sectors that Ireland Targets**
4. **IDA Market Share of these Sectors**
5. **Our Key Competitors in Europe**
6. **Future Drivers of FDI**
7. **Ireland's Response to these Challenges**

Global environment has shifted

Politics, investment, climate, technology & innovation increasingly intertwined



Rise of
geopolitics



Strategic
autonomy



Industrial
policy



Sustainability
imperative



Technological
advances



Global tax
changes

Major economies providing subsidies in areas of strategic importance



EU institutions reach agreement on European Chips Act

Governments are continuing to push investment into clean energy amid the global energy crisis



News
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Global competition for climate investment heats up



Von der Leyen announces Net-Zero Industry Act to compete with US subsidy spree



How US Industrial Policy Is Changing the World Economy



Increasing barriers to trade and FDI

**US finalising imminent
outbound FDI screening rules**

OECD Report: surge in FI
regulation and enforcement is
“historically unprecedented”

**The EU Foreign Subsidies Regulation: A new set of wide-reaching powers
for the European Commission**

**A New National Security
Instrument: The Executive Order
on Outbound Investment**

**EU collaborating with the US on
investment screening framework**

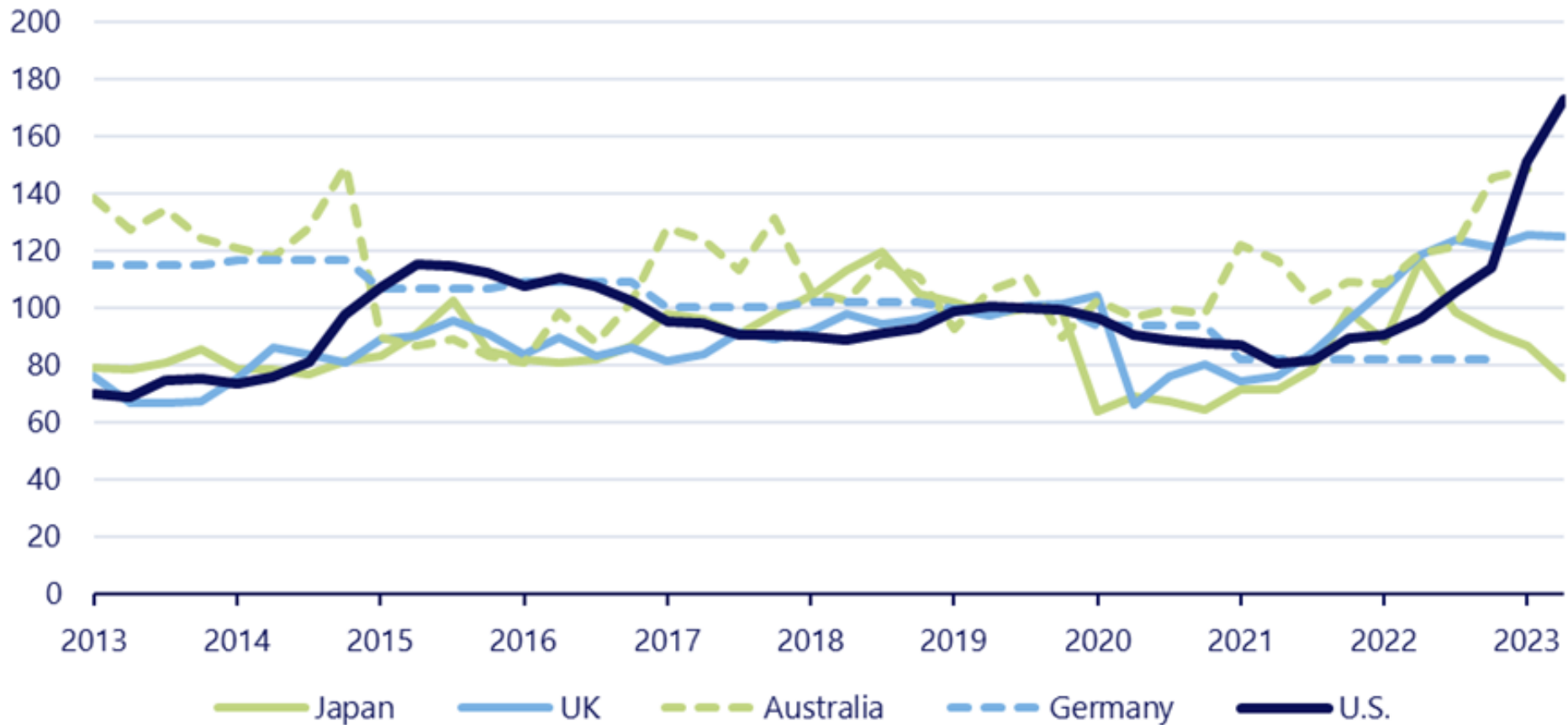
**UK considers tighter rules on
investment in China after US
clampdown**

**How The UK Investment Screening
Regime Is Taking Shape**

Policy shifts are translating into investment

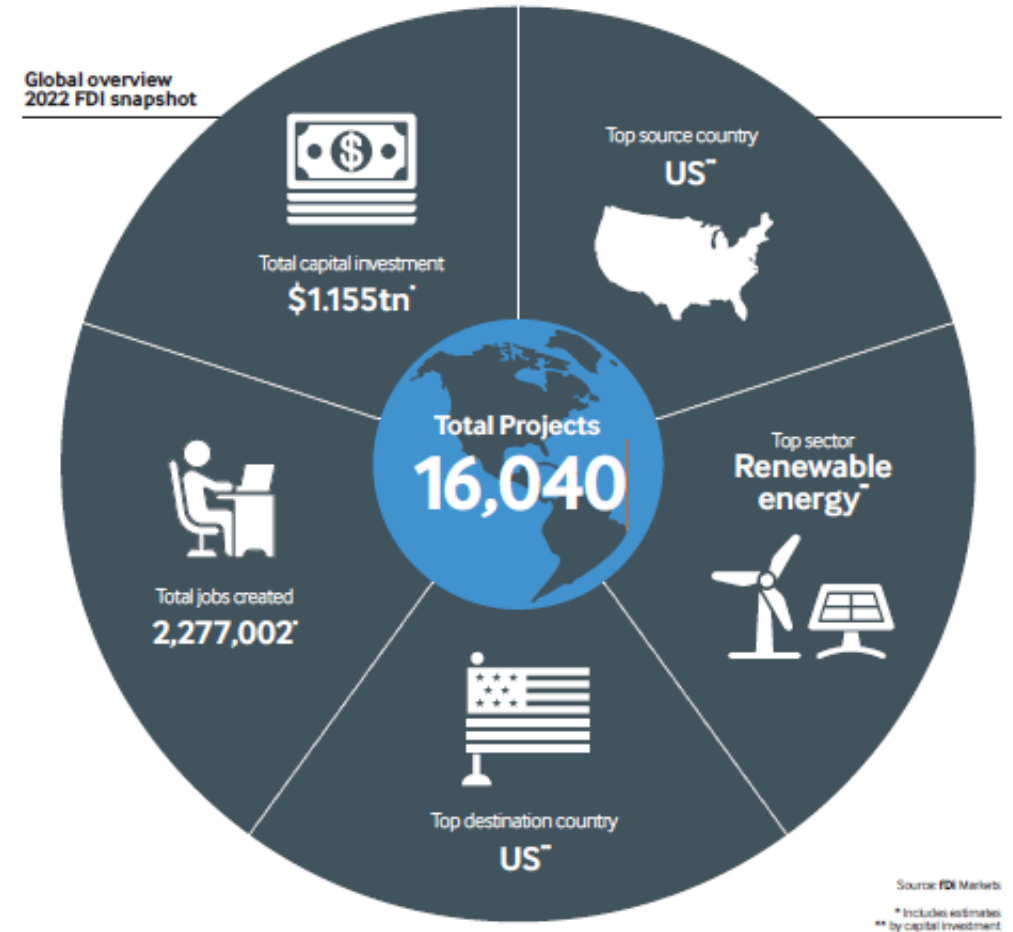
Figure 1. International Context for U.S. Real Manufacturing Construction Spending

Index, 2019 = 100

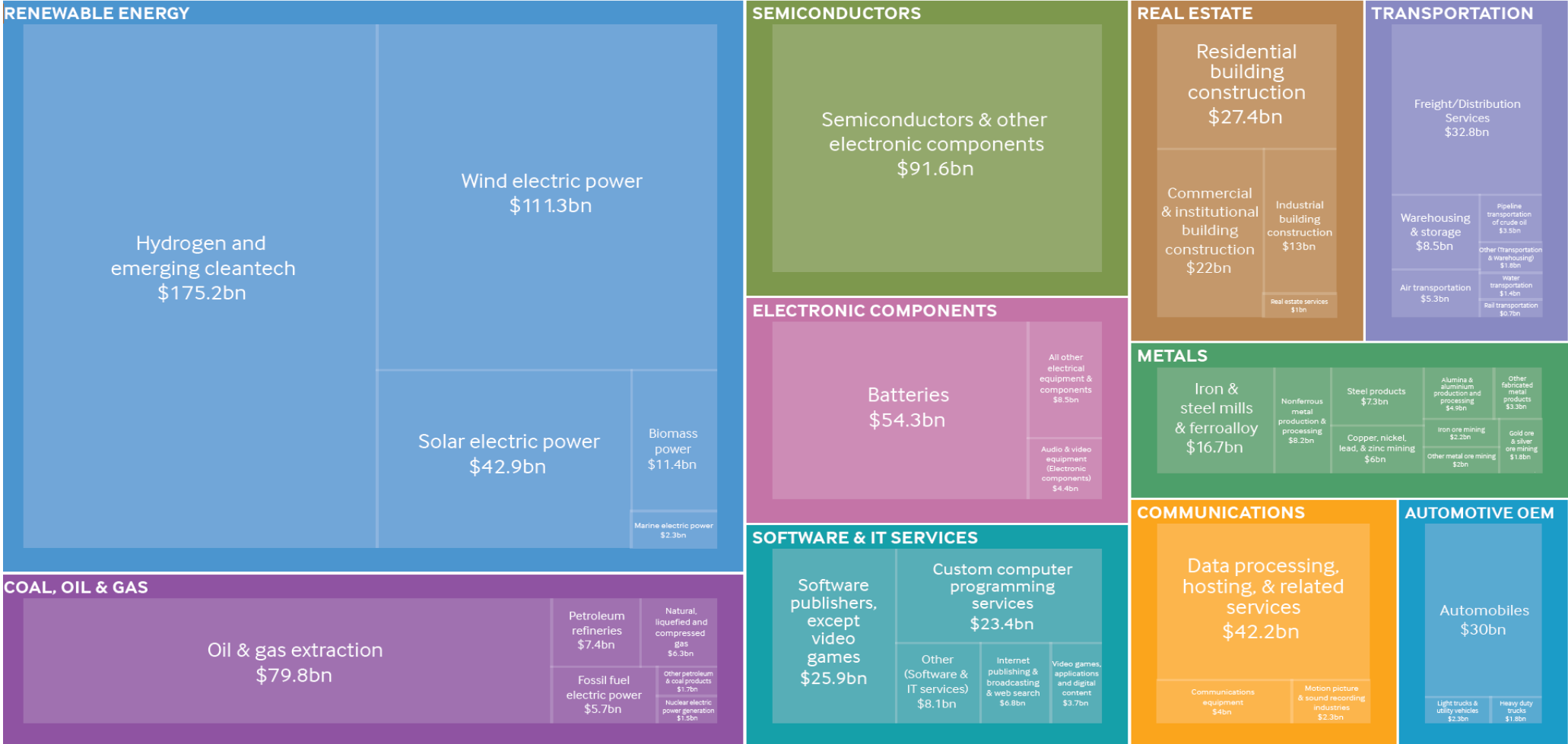


Global FDI in 2022

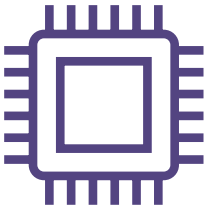
- The number of global greenfield FDI projects grew 16% in 2022, to 16,040
- Impact of geopolitics being seen in project numbers
 - Western Europe & North America doing very well in terms of projects, jobs and capex
 - FDI to China declined in 2022,
 - Investment into Russia post-Ukraine plummeted
- Renewable Energy attracted the highest capital investment for the 4th year
 - Impact of the energy crisis saw Coal, Oil & Gas re-enter the Top 10 sectors
- 2022 was a year of mega projects (i.e. projects worth at least \$1bn in capex)
 - 159 mega projects contained almost 50% of total pledged capex
 - Top sectors were (1) Renewables; (2) Semiconductors, Metals, Electronic Components, Automotive OEM; (3) Coal, Oil & Gas



Announced Capital Expenditure 2022 in Top 10 Sectors



Core IDA Sectors



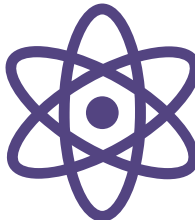
Technology



Content, Consumer & Business Services (CCBS)



International Financial Services



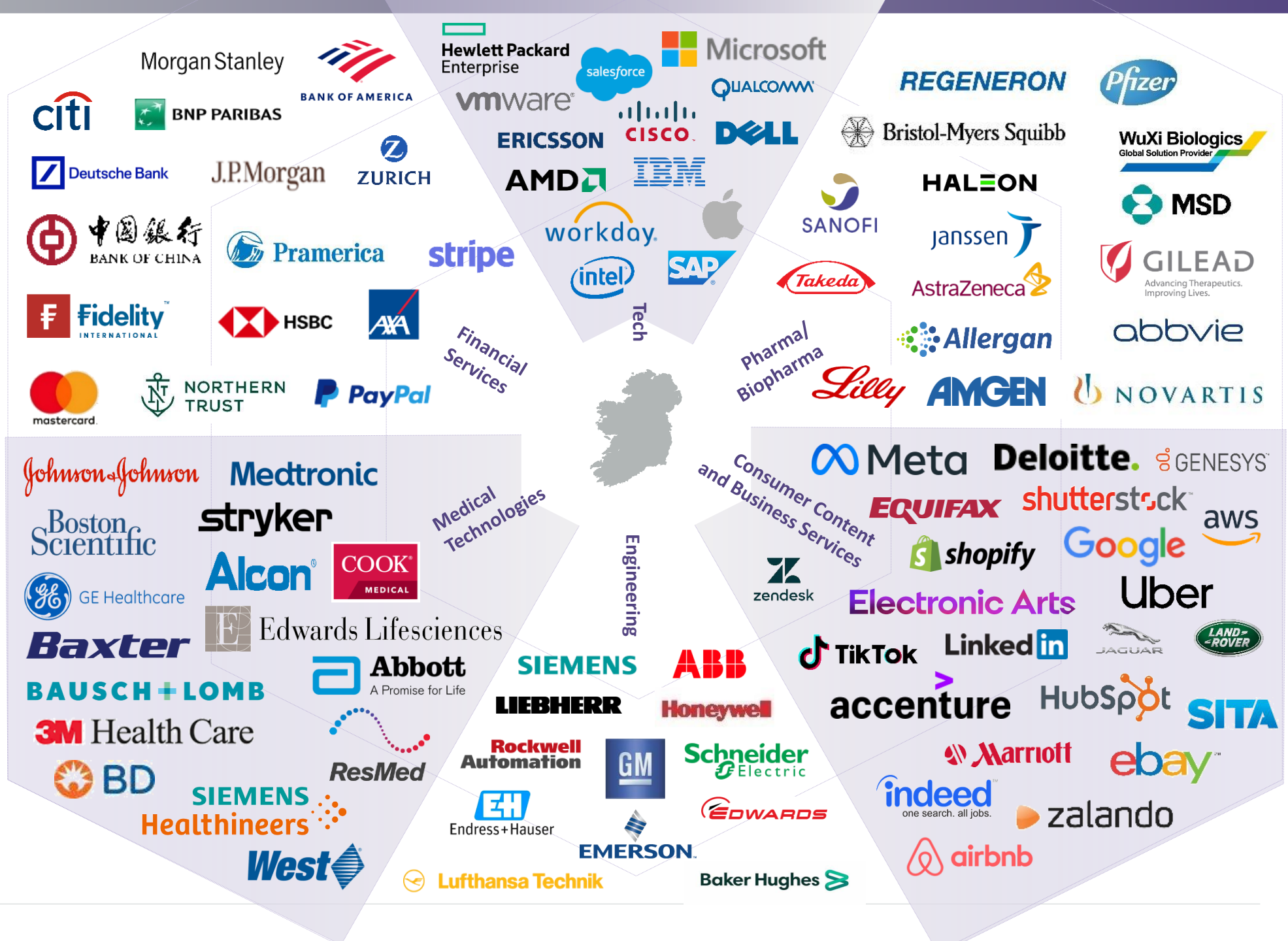
Biopharmaceuticals & Food



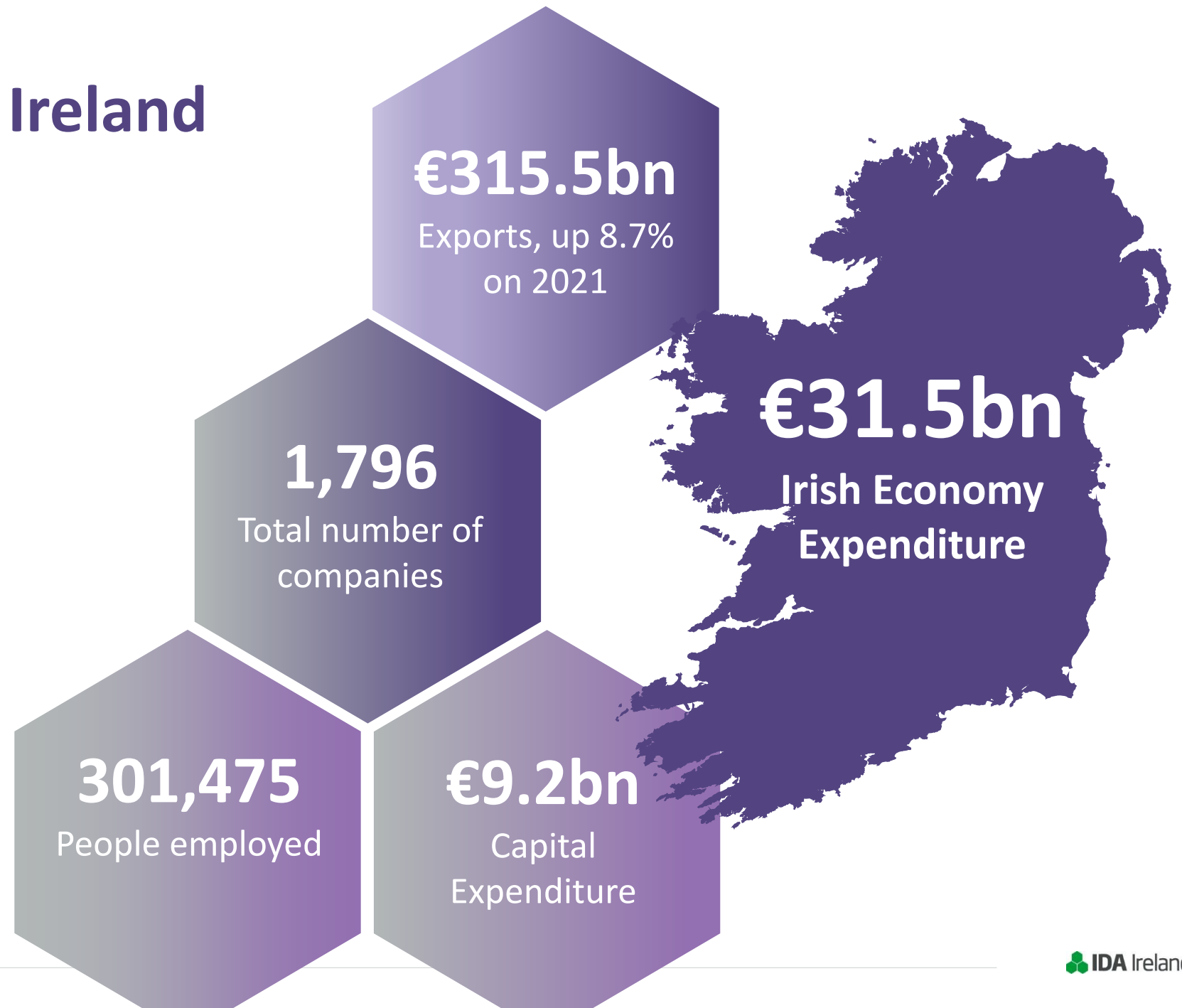
Medical Technologies



Engineering & Green Economy



FDI Impact in Ireland



Top Destination Countries in IDA sectors

Country	2016	2017	2018	2019	2020	2021	2022
UK	21.6%	18.5%	21.2%	19.7%	18.3%	17.4%	16.8%
Spain	6.5%	7.5%	8.7%	12.1%	9.8%	10.9%	11.7%
Poland	8.7%	7.5%	6.4%	5.7%	6%	7.8%	9.2%
France	7.8%	11%	7.4%	6.4%	9.7%	6.8%	8.1%
Ireland	7.5%	7%	7.4%	6.4%	8.5%	8.2%	6.6%

Top 6 FDI European Destination Countries, 2016-2022, by Share of Projects in the Contested Space Sourced from FDI Markets database

Focus on Competitors



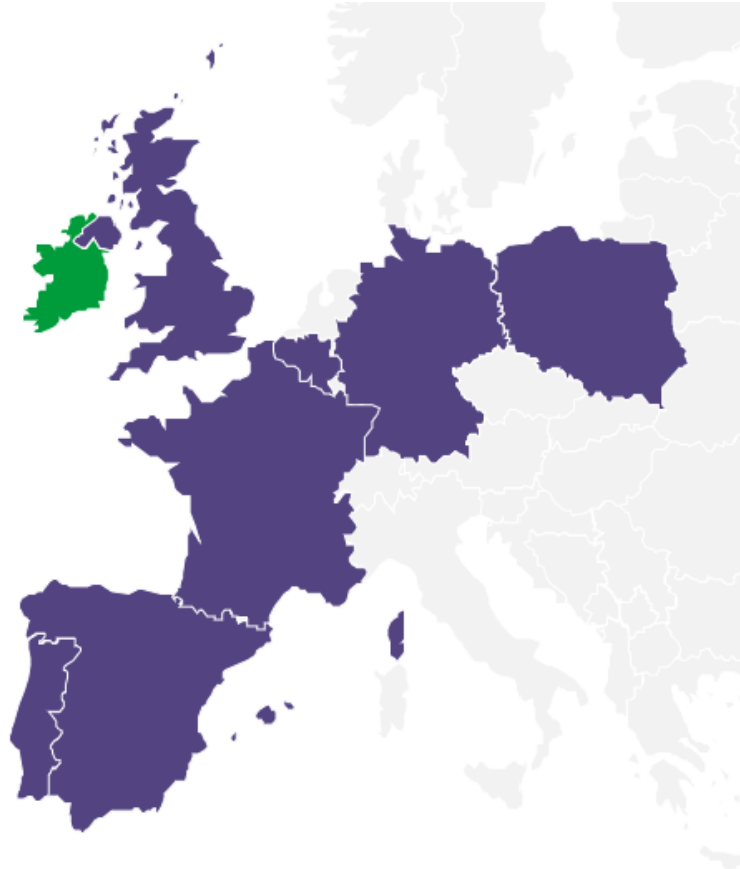
UK value proposition remains strong, with a large domestic market, strong R&D ecosystem, and deep value chains. A return to political stability will only increase competitiveness



France is an established market for FDI with strong performances in both services and manufacturing. State emphasis on subsidies will only bolster the value proposition moving forward



Portugal's talent and cost proposition will see it continue to attract services investments but investment in large-scale future technologies lags other competitors. Climate risks pose a concern



While Poland is not a traditional competitor for Ireland, since 2016 it has diversified its value proposition and increased competitiveness in the contested space. Concerns around energy remain but it's central location and strong skilled talent pool will ensure Poland stays an attractive location for investment



Germany's willingness and capacity for large-scale subsidies combined with their skilled workforce, market access, and stability will make it a top competitor, in particular for large-scale manufacturing projects



Strong value proposition and heavy investment in green technologies leaves Spain well positioned for future FDI in all sectors and business activities though climate concerns may pose increasing risk

Investment Drivers to 2030

Traditional Drivers of Investment Decisions



Market & Access

Cost Competitiveness

Talent Proposition

Regulatory Environment

Stability & Culture



New Drivers of Investment Decisions



Geopolitics

Subsidies & Incentives

Twin Transition

Resilience & Crisis Response

Ireland as an FDI Destination

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none">+ Mature FDI location+ Strong FDI base+ Reputation+ Talent & skills+ Political stability+ Ecosystem that is predictable and facilitative of business 	<ul style="list-style-type: none">+ Capacity constraints+ Cost competitiveness+ Geography+ Ability to deliver infrastructure 	<ul style="list-style-type: none">+ Agility of Irish stakeholders+ Innovation and R&D+ Digitalisation+ Decarbonisation+ Skills and future of work+ State Aid regime+ Leader for wind energy 	<ul style="list-style-type: none">+ Competition for FDI+ Reduced global investment+ Delivery on development plans+ Outpaced in green transition+ Goeconomic fragmentation 

IDA's strategy is strongly aligned to the objectives of the White Paper on Enterprise



Rialtas na hÉireann
Government of Ireland

White Paper on Enterprise
2022 - 2030



Prepared by the Department of
Enterprise, Trade and Employment
gov.ie

7 Priority Enterprise Policy Objectives



Implications for Ireland's FDI Approach

- + Global macroeconomic environment is at a significant inflection point
- + Politics, investment, climate, technology & innovation increasingly intertwined and impacting on investment decisions
- + Current Irish success in FDI built on successful targeting of a diverse but discrete range of sectors, and responding flexible to changes in those sectors, how do we maintain that ability?
- + DETE's White Paper on Enterprise sets the direction the economy needs to go to respond
- + Leverage our strengths including our strong existing FDI base to succeed in a low carbon, digitalised economy
- + Ensure we have the right enabling conditions on which the economy can transform
- + Focus on Transformation: Sustainability, Talent & Skills Development, Digitalisation and RD&I