

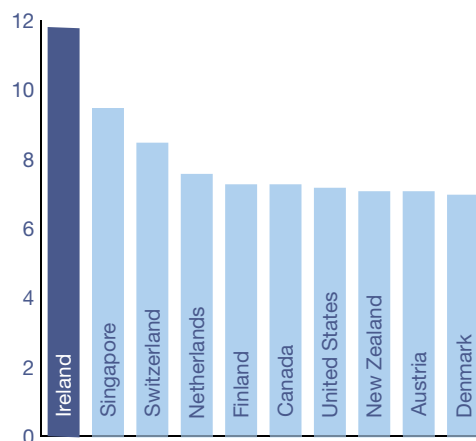
Chapter 2

The environment for inward investment to Ireland

Ireland's business climate today has its roots in decisions taken in the mid 1950s to achieve economic expansion by stimulating export based industries. Successive governments have fostered these policies and have placed significant emphasis on encouraging inward investment. The World Competitiveness Yearbook, 2004 published by the International Institute for Management Development (IMD), ranks Ireland the tenth most competitive economy of the 59 states surveyed.

For the third year in a row Ireland ranks as the "most global nation" in a survey conducted by Foreign Policy magazine. Ireland has deep economic links and high levels of personal contact with the rest of the world and this is illustrated in the table below:

Table 2.1 Most global nations



Source: AT Kearney Inc, 2004

Successful sectors

Government promotional agencies have selectively targeted certain areas of industry, in particular those which produce sophisticated and high value added products and services. These also offer the best growth potential and the best prospects of generating long term sustainable employment in Ireland. The targeted sectors are:

- chemicals and pharmaceuticals/biopharmaceuticals
- e-commerce
- information and communications technology
- software
- internationally traded services, including financial services, call centres and shared services centres and
- medical devices.

In the pharmaceuticals area, 13 out of the world's top 15 ranked companies now manufacture in Ireland. Pharmaceutical exports comprise over 36% of Ireland's total exports.

Ireland is committed to a light, flexible, user- and enterprise-friendly e-commerce regime. Ensuring that electronic commerce can happen in a secure, trusted and safe environment is a key aim of the Irish government. It adopts a technology neutral approach in its legislation and regulation; this has resulted in a significant number of indigenous and international companies choosing Ireland as their base for e-commerce operations.

The information and communications technology sector has also shown remarkable growth in recent years and over 300 of the world's leading electronic companies have a base in Ireland. These companies are engaged in a range of activities from wafer design and fabrication, components and peripherals to communications, networks and software; many of them are established as centres of excellence in areas such as software development, design and supply chain management. Ireland is the number one world-wide exporter of software.

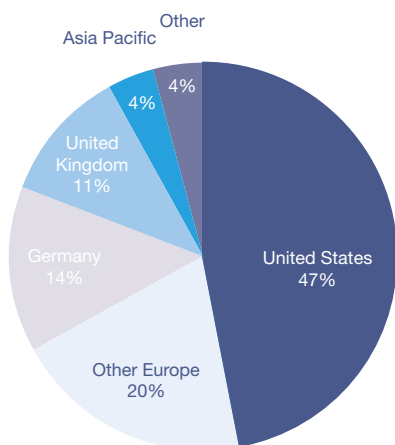
In the internationally traded services area, the growth has primarily come from telemarketing and teleservices, back office processing, pan-European/EMEA/global shared service centres and a range of international financial services operating out of the International Financial Services Centre (IFSC) in Dublin and in the area covered by Shannon Free Airport Development Company Limited (Shannon Development).

Eighty healthcare companies, including 15 of the world's top 25 medical technology companies, have located in Ireland. This sector employs over 22,000 workers and accounts for over €4 billion in exports every year. In addition to establishing further high technology manufacturing projects, many of the existing facilities are increasing their R&D activities and establishing global support functions in Ireland such as: shared financial and IT support services and global supply chain management.

Source of inward investment to Ireland

The success of the Government's inward investment policies is evidenced by the fact that approximately 1,200 overseas companies have chosen to establish bases in Ireland. The breakdown, by nationality, of IDA Ireland assisted companies in 2003 is shown below:

Table 2.2 Source of inward investment



Apart from generating in excess of 129,000 direct jobs, IDA Ireland assisted companies spend approximately €14.7 billion annually in the Irish economy.

Details of grants and incentives available to overseas companies investing in Ireland can be found in Chapter 3.

Infrastructure

The success of Ireland as an investment location has been founded on the consistently positive approach of Irish governments to the development of businesses. This approach has ensured a well-developed infrastructure with world class support services - from banking and trade finance to efficient transport logistics and sophisticated telecommunications.

Currency

The euro is the currency of Ireland and of the 11 other euro-zone countries. The countries participating in Economic and Monetary Union (EMU) are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. Together, the 12 participating countries create what is effectively the world's second largest economy.

Ireland is the only English speaking member of the euro-zone and offers a unique gateway to trading with the euro-zone without exchange rate risk whilst at the same time allowing companies to take advantage of all the benefits Ireland has to offer as a business location.

Irish monetary policy is the responsibility of the European Central Bank (ECB) as part of its role in defining and implementing monetary policy for the entire euro-zone. One of the objectives of the ECB is to control inflation within the euro-zone. National fiscal policy is subject to limits as defined in the Economic and Monetary Union Stability Pact.

Currency convertibility and exchange controls

There are no restrictions on the repatriation of earnings, capital, royalties or interest and repatriation payments can be made in any currency. Similarly there are no restrictions on the import of capital to Ireland. Residents and non-residents can operate bank accounts in any currency and Irish businesses are free to

open bank accounts in any location outside Ireland. Inward investors must, of course, have regard to exchange control regulations in their home countries.

Banking

Ireland has a well-developed and highly sophisticated banking infrastructure that has experience in handling the requirements of overseas companies. The banking sector is licensed and regulated by the Irish Financial Services Regulatory Authority (IFSRA).

Irish licensed banks can be classified into three main categories:

- clearing banks
- merchant and commercial banks and
- industrial banks.

The main clearing banks are AIB, Bank of Ireland, National Irish Bank and Ulster Bank and these provide a full range of banking services, including foreign exchange dealing and hedging activities. Many international banks are represented in Ireland for commercial lending and foreign exchange facilities.

Transportation

Air

Ireland's transport infrastructure is geared towards offering fast, efficient and cost effective access to international markets. With exports accounting for three quarters of national output, Ireland has had to develop a highly efficient distribution network which makes the rest of Europe accessible within hours. Key features of the transport infrastructure are:

- Ireland has three international airports located at Dublin, Shannon and Cork, plus regional airports at Donegal, Galway, Kerry, Knock, Sligo, and Waterford
- frequent air services from Dublin and regional airports located throughout the country make most European cities accessible within 2-3 hours flying time.

Road and rail

- a motorway system which is being

upgraded and enhanced by an ongoing programme of investment financed through government and EU assistance

- a railway system connecting the major cities and ports of Ireland.

Sea ports

- numerous ports located throughout Ireland with most having roll-on/roll-off facilities; the major ports are Dublin, Cork, Rosslare and Waterford
- shipping times to Europe are cut by travelling via the UK landbridge
- flexible work practices in the transport industry and frequent night sailings maximise time efficiency.

Telecommunications

Ireland has one of the most advanced and competitive telecommunications infrastructures in Europe. Features include an intercontinental billing service designed for companies with international call centres which provides a toll free capability from Ireland to Europe and the United States. The telecommunications market is fully deregulated and currently over 20 companies have entered the market. Large investments in recent years have resulted in state-of-the art optical networks with world-class national and international connectivity.

As well as extensive international connectivity, Ireland's national telecommunications backbone is already over 98% fibre. This backbone enjoys one of the highest rates of ATM and SDH ring transport technology deployment in Europe. Diverse access is available to the ATM nodes around the country via 34-155 Mbit/s digital lines with up to 620 Mbit/s access available in some cities. Ireland also increasingly provides for wireless broadband access and continues to issue spectrum for the delivery of value-added services.

e-commerce

Information technology education has been introduced at the primary school cycle. Investment is being made to ensure that there are multimedia PCs in every school and that internet access is available to every child and

teacher. At university level, there is an extensive range of both undergraduate and post-graduate courses in e-commerce.

There is equivalence of treatment between electronic documents (eg contracts, writing signatures, seals) and their paper-based counterparts under Irish law. Ireland has put in place clear, flexible and user-friendly e-commerce legislation, which allows for the introduction and maintenance of a voluntary accreditation scheme and a supervision scheme for the issuers of electronic signatures.

Availability of industrial facilities and offices

Various options are available in the selection of factory and office sites for companies wishing to invest in Ireland. IDA Ireland, the primary government agency for the promotion of inward investment, owns a number of industrial parks with purpose built factories which are ideal for new projects where the promoters do not wish to construct their own premises. IDA Ireland also offers greenfield sites where promoters can erect custom-built factories. It is usual for these sites to come fully serviced with outline planning permission for industrial usage.

There are also privately owned industrial parks, run by commercial developers which offer both factory and office sites. These premises are pre-built and tend to be ideal rental options for inward investors. Office space is available in the major cities and towns throughout Ireland to cater for both large and small-scale operations.

Planning approval

In general, any form of building development requires the approval of the relevant Local Authority (unit of local government). The approval process requires the submission of maps and plans of the proposed development, a description of the intended activity and details of expected use of public utilities. In addition, where the development is on a large scale or is likely to have a significant effect on the environment, the planning application must be supported by an Environmental Impact Statement (EIS). An EIS is a statement by the

promoter providing an analysis of the likely effects of the project on the environment and detailing the measures to be taken to avoid or moderate any adverse effects. In assessing the suitability of the proposed project, the planning authority will be concerned to ensure that the project complies with the authority's development objectives for the particular area and that safeguards are in place to minimise damage to the environment.

Environmental issues

The protection of the environment is a major objective of the Irish government. In addition to its intrinsic value and its contribution to the quality of life, a clean environment is recognised as a crucial economic factor. It is of particular importance in the development of natural resource based industries and tourism and in the marketing abroad of quality products and services.

Legislation to protect and maintain the environment is closely modelled on EU Directives and covers matters such as planning and building regulations, public safety and the issue of pollution control licences. This legislation is implemented primarily by local authorities and by the Environmental Protection Agency. This agency is a government body responsible for monitoring and licensing those industrial activities that are considered to carry a significant risk of environmental pollution.

Pollution control licences

Where a proposed development carries a high risk of environmental pollution, an integrated pollution control licence must be obtained from the Environmental Protection Agency. Activities that are likely to require such a licence are those involving the generation of toxic waste, emissions of toxic material to the air or water and operations likely to cause noise pollution. On an ongoing basis the Environmental Protection Agency will closely monitor the development and may amend the licence to impose stricter environmental controls. The planning authorities and the Environmental Protection Agency work closely with promoters to ensure that a reasonable balance is achieved between protection of the environment and the promoter's commercial requirements.