

# American Business 2009

A SPECIAL REPORT

## Ensuring Ireland retains a strong position

Ireland is holding its own in a tough environment – keeping this momentum going is crucial, chief executive of the American Chamber of Commerce in Ireland Joanne Richardson tells **Christine Bohan**

**T**HERE IS an ancient Chinese proverb that goes: “May you live in interesting times” – which, depending on how you read it, can be perceived as benign or spiteful. But as the Irish economy continues to lurch awkwardly onwards, trying to regain its boom years strength, one thing is clear about these interesting times – foreign direct investment (FDI) in this country has rarely been so crucial.

With an estimated \$87 billion (€62 billion) invested in this country, American business has contributed greatly to the Irish economy and, as Joanne Richardson, chief executive of the American Chamber of Commerce in Ireland notes: “The biggest contributor to Ireland’s survival and Ireland’s turnaround is going to be the US companies that are based here.”

It’s fighting talk, but the facts are impressive. With more than 570 American companies currently located in Ireland, US investment here employs around 100,000 people directly, and

another 200,000 indirectly. At a time when the unemployment figure is above 10 per cent, these numbers are not insignificant.

As foreign direct investment around the globe slows up and companies remain reluctant to part with cash, Ireland has managed to hold its own in a tough environment.

Last year, there was over €2 billion worth of investment in Ireland from US companies, with well over half of that coming from the existing base of companies.

This explains why the main focus of the American Chamber is on retaining these businesses and encouraging them to stay in Ireland. “For the American Chamber and US companies based here, our ‘R’ word is retention, not recession,” says Richardson. “FDI in Ireland is critical to the recovery of the Irish economy and the challenge now in this climate is retaining the investment that we already have.”

Recent months have seen some high-profile jobs leaving the country

as some major employers have scaled back their operations, the biggest losses to date being from Dell. Crucially however, a small number of those companies have left Ireland for good; the vast majority remain.

“Of all the disinvestment announcements to date, 80 per cent of those were downsizing, not leaving. Without underestimating the closures, for us, it’s all about keeping the companies here,” she says. “We have to accept all our companies are global companies operating in a global environment. As business changes and evolves, even in good times you see pieces of business or investment shifting to other locations around the world. The most important thing for Ireland is if we retain the bulk of the investment here, we’ll be in good shape.”

The flipside of this is that even in the last six months there have been a number of significant announcements by US companies in Ireland. HP announced 500 new jobs in a global customer support centre, for example, and less than a fortnight ago, Boston Scientific announced a €91 million investment in its Galway plant.

Richardson credits three main factors with enabling Ireland to punch above its weight when it comes to FDI – tax, talent and competitiveness. “These factors brought the investment here in the first place and keep it here now,” says Richardson.

Ireland’s low-tax economy, particularly the low rate of corporation tax, continues to be admired and emulated by the rest of the world – most recently last October when US presidential candidate John McCain suggested Ireland was the model for other countries to follow.

The talented workforce is also important. “US companies are confident of the availability of talent, labour and high-level skill sets here, which is great for Ireland’s reputation.”

But there have been challenges; competition for global FDI is fierce and Ireland is constantly fending off challenges from other countries.

“The reality is that if a global company is looking for a low-cost location, Ireland isn’t in the race, primarily because of our cost base,” says Richardson. “But we’ve evolved beyond the low-cost, labour-intensive type of business. Companies aren’t looking at Eastern Europe or China as our com-

petitors for business locations, they’re looking at places like Singapore.”

The main challenge for Ireland is cost; Ireland is about 20-25 per cent more expensive than Singapore to do business in, mainly because of two specific areas. “Labour costs and energy costs make up 70 per cent of the cost base of our companies here,” says Richardson. “In the past five years, wage inflation in Ireland increased by 50 per cent ahead of our counterparts in the EU15. That’s huge.”

Many US businesses in Ireland are now focusing on short-term cost reduction. “While prices are falling at 4.9 per cent, our companies just aren’t

“Interest rates and food prices may be coming down, but wages and energy prices are not

seeing that. Interest rates and food prices might be coming down, but wages and energy prices aren’t,” says Richardson.

“Businesses can try to reduce their own cost bases by reducing labour costs, workplace initiatives and managing energy costs, for example. But the reality is that the Government influences all these areas and has a big role to play in reducing our cost base.

“It’s not good enough to talk about how we’re in a period of deflation – labour costs are where they are today because of Government policy. There was benchmarking and social partnership, for example, both of which were Government initiatives. So there’s a big part to be played by Government.”

Richardson is optimistic about FDI in Ireland in the future. “We have a magnificent base of companies here and the indications are that we will see some shifts, but overall the investment base is solid. It’s up to the American Chamber, US companies and the Irish Government to ensure that we bed that down, keep companies here and ensure that Ireland will be well positioned in the future.”



Some US companies like Dell (above) have scaled back operations, but most of them remain. Ireland’s goal, says Joanne Richardson (right), is to keep them here and promote Ireland as a viable location



### US VIEW Denis Collins, IBM

Denis Collins is global sales executive at IBM business continuity and resiliency services

THREE YEARS ago, Denis Collins, global sales executive at IBM business continuity and resiliency services, moved from New York to Co Cork with his wife Deirdre and their children – daughters Caitlin, age 20, and Ellen, age 14, and son Denis, age 17.

The move was really a home away from home says Denis. “We weren’t like typical Yanks. We had a holiday home in a village called Kilavullen, outside

Mallow. My father is from Clonakilty and my wife Deirdre is from Kilavullen. This helped us integrate quickly and was one of the reasons we selected Ireland. We moved into our holiday home and began the process of building.

“At that time it was the growth potential that was one of Ireland’s attractive qualities. There’s a real entrepreneurial spirit here and I don’t think that was here before the Celtic Tiger. That needs to be nurtured with continual inward investment.

“It is a business misconception that it is slower to get things done in Ireland. Munster and Cork have

a strong technical, computer services and pharmaceutical base that is under-utilised, compared to Dublin. There is space to expand. Munster could become the next Silicon Valley

“Personally, I’ve become involved in all sorts of business and community ventures. I coach the under-18s basketball team and sing with the church choir. When living in New York I would have come home for semi-finals and All Irelands but now that we’re living here I’m getting to more club games.

“Everyone in my family is happy and that makes me happy.”



### AMERICAN CHAMBER OF COMMERCE

## A gateway to the promotion of business relations between Ireland and the US

**T**ODAY, ROUGHLY 100,000 people are directly employed in over 570 US firms located in Ireland.

Indirect employment in sub-supply and community industry and services has been estimated at more than 200,000 people.

In turn, Irish companies directly employ an estimated 80,000 in 200 companies and over 1,300 locations in all 50 states across the US.

The cumulative stock of Irish foreign direct investment (FDI) in the US stood at \$33.5 billion (€23.9 billion) in 2007, making Ireland the 10th largest investor by country of origin that year.

US companies have a \$87 billion (€60 billion) – up from \$36 billion (€25.7 billion) in 2000 – cumulative stock of investments in Irish-based operations, 5.6 per cent of all US investment in the EU and 3.1 per cent worldwide.

This equates to more than the total invested in the much hyped BRIC (Brazil, Russia, India, and China) economies.

The US accounted for up to 65 per cent of Ireland’s inward investment in 2008. Analysed at a sector level, Ireland is the number two location worldwide for US FDI in the information sector and fifth worldwide in chemicals.

In 2007, US firms exported an estimated €83 billion (€59 billion) of products and services from Ireland into world markets and the US is one of Ireland’s top export destinations with total bilateral trade in 2008 (exports to and imports from the US) worth €23 billion (€16 billion).

US firms in Ireland form a critical part of Ireland’s cutting-edge internationally traded goods and



Bill Doherty of Cook Medical, president of the American Chamber, Dr Paul Duffy and Eamonn Sinnott of Intel Ireland, at this year’s American Chamber of Commerce Lunch. Photograph: Eric Luke

services economy in industries such as information and communications technology, biotechnology, pharmaceuticals, medical technologies and financial services.

The American Chamber in Ireland represents the US-Ireland business community here – policy makers, the business community and the media.

The Chamber works directly with Government, promotes the contribution of US companies to the Irish economy and provides a network to bring multi-sector

industries together.

The work of the Chamber is focused on priority areas of public policy. The Chamber’s network comprises regional groups all over Ireland, and its US executive circle provides a networking forum for US executives living and working in Ireland within member firms.

The Chamber hosts nearly 40 networking events annually in Ireland for member companies, including business lunches, seminars and briefings.

It is also the largest multi-

national business organisation in Ireland. Members of the American Chamber includes US companies operating from Ireland, their strategic partners and organisations with strong bilateral trade and/or investment linkages between Ireland and the US.

■ For further information, contact Brian Cotter, government and commercial affairs manager at the American Chamber of Commerce: tel: 01-661 6201, info@amcham.ie or see amcham.ie

*Scaling new heights*  
*Tony's Story*

*In 1999 I was at the peak of my physical fitness, working as a freelance mountaineering instructor and expedition leader. However, in October of that year I was diagnosed with End Stage Renal Failure. This meant my kidneys were no longer functioning and I would need 10 hours of dialysis a day just to survive. This was a devastating blow.*

*I decided to not let this news defeat me and turned to what I knew best - mountaineering. Many serious obstacles presented themselves as I continued to mountaineer whilst being seriously restricted by dialysis.*

*Despite my condition and these difficulties, I have twice achieved the highest dialysis exchange at over 4000 metres. My quality of life as a Genzyme patient has remained good and thankfully I have been able to continue what I love doing. For me the future is all about scaling new heights.....*

*Tony Ward  
Mountaineer & Genzyme patient*

Genzyme began as a small start-up business in 1981 and has now become one of the world’s foremost biotechnology companies, employing more than 11,000 people globally. The company’s products and services are focused on unmet medical needs for rare inherited disorders, kidney disease, orthopaedics, transplant, cancer and diagnostic testing. Here in Ireland, our expanding state of the art facility is located in Waterford, at the heart of the sunny South East.

Visit our website [www.genzyme.ie](http://www.genzyme.ie) and [www.genzyme.com](http://www.genzyme.com) to learn more about what we do in Waterford and across the globe.

**genzyme**