An Analysis of Ireland`s Economic Competitiveness and its Impact on Foreign Direct Investment in the Automotive Industry

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ABSTRACT

The term foreign direct investment became a phenomenon in the area of international business after the Second World War as the forces of globalisation emerged. Today, *"FDI is currently the most researched field in the area of international management".* Over the years Ireland have been dependent on multinational enterprises entering and reinvesting in the state with inward FDI flows being the cornerstone that has shaped the Irish economy, notably so during the Celtic tiger era. The attraction and retention of FDI has been known to contribute taxes to the exchequer, generate employment, empowers economic growth and increases levels of competitiveness and economic productivity. The Irish automotive sector contributed 5.5 Billion in revenue to the Exchequer during 2019 depicting the importance and significance of the industry in question.

The main aim of this research will be to determine the determinants of FDI within Ireland`s automotive sector based on the economic competitiveness of the Irish economy. This research reviews the literature and conducts primary research to determine the factors influencing the investment decisions of automotive companies from across the globe.

Submission of Thesis and Dissertation

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LIST OF ABBREVIATIONS

Foreign Direct Investment (FDI)

Multinational Corporations (MNC`s)

Multinational Enterprises (MNE`s)

European Union (EU)

Industrial Development Agency (IDA)

Corporate Income Tax (CIT)

Volkswagen (VW)

Electric Vehicle`s (EV)

CHAPTER 1: INTRODUCTION TO THE SUBJECT AREA AND DISSERTATION

1.1 Research Background

According to Paul (2017), the term foreign direct investment (FDI) became a phenomenon in the area of international business after the Second World War as the forces of globalisation emerged. Today, *“FDI is currently the most researched field in the area of international management”.* Inward FDI has been the cornerstone that has shaped the Irish economy, notably so during the Celtic tiger era. According to UNCTAD (2019) global FDI reached €1.173 trillion for the financial year of 2019, the third consecutive annual decline of this phenomenon. It`s estimated that 20% of the private sector in Ireland is employed as a result of inward FDI. It also helps to drive investment in research a development, provides important taxation revenue to the state and produces additional commercial activity across the economy (Bayar, 2018).

According to (Poyner, 1997), there are a variety of economic factors that influence organisations to choose Ireland as a business location including the award winning Industrial Development Agency (IDA), who are the semi state body responsible for attracting, developing and retaining FDI in Ireland, foreign & domestic policy and the overall competitiveness of the nation.

Over the years Ireland have been dependent on multinational enterprises (MNE`s) entering and reinvesting in the state. They are very important to the Irish economy with inward investment flows attracting in excess of €257.942 billion, making Ireland the leading host country for investment in 2015. However this figure (FDI flows) plummeted in 2017 which saw Ireland enter a deficit of €-1.055 billion. FDI flows dropped again in 2018 to €-1.140 billion which was the world`s second lowest as outflows outpaced inflows (UNCTAD, 2019). FDI inflows to Ireland decreased aggressively due to the uncertainty that is associated with Brexit among neighbouring countries and because of large-scale repatriation of U.S multinationals following the tax reform introduced by Donald Trump in 2017 which reduced domestic taxes, ultimately weakening Ireland`s competitiveness and diminishing the lucrativeness of the location in the eyes of Ireland largest contributor, the USA (OECD, 2018).

1.2 Research Aims

The main aim of this research will be to determine the determinants of FDI within Ireland`s automotive sector based on the economic competitiveness of the Irish economy. Economic determinants will be selected using segments of the 12 pillars of economic competitiveness framework. This research will analyse Ireland`s economic competitiveness to determine which areas of the economy are driving the investment decisions from automotive companies from abroad and which areas within the economy need improving to attract and retain these companies. The author will use a benchmarking analysis approach to compare Ireland`s current economic competitiveness against other members within the European Union.

1.3 Research Problem and Justification

In conducting preliminary research for this dissertation it became apparent that very little work has been carried out to determine the relationship between the economic competitiveness of a nation and how these factors influence the investment decisions of organisations with regard to their presence in Ireland. To date, the IDA are the only authority to conduct in depth research and analysis in this field and although there has been research carried out regarding FDI in alternative industries, to the researchers knowledge there has been no studies conducted to determine the root cause of the investment decisions made by automotive companies within Ireland. Therefore this piece of research aims to fill the gap and contribute to the existing literature surrounding the phenomenon that is FDI.

This research has been primarily undertaken by the author due to an increasing demand in economic literature to understand how FDI is affected by the condition of economic competitiveness in Ireland as a result of decline in foreign investment over the previous 3 years. This research will also be carried out due to the author having a passionate and personal interest in the topic, perusing a postgraduate role in the IDA.

1.4 Research Objectives/Questions

In response to identifying the gaps that exists within the available literature, the following research question and research objectives have been put forward in an attempt to identify the determinants of FDI in Ireland’s automotive industry based around economic variables in the economy.

“Do variables related to economic competitiveness influence the inward investment decisions within Ireland`s automotive industry”

Table 1: Research Objectives

Research Objective 1	How competitive is the Irish economy as a host nation for inward FDI, in comparison to other OECD countries, as potential alternatives for investment locations?
Research Objective 2	What are the main economic factors that are influencing (if any) the investment decisions of automotive companies in Ireland?
Research Objective 3	What challenges do Ireland face, especially SIMI and the IDA in attracting and maintaining foreign investment in this industry?

1.5 Layout of the Dissertation

Chapter 1 – Introduction to the research project

Chapter 2 – Literature Review

Chapter 3 – Methodology

Chapter 4 – Findings & Discussion

Chapter 5 – Conclusion and Recommendations

CHAPTER 2: THE LITERATURE REVIEW

2.0 Introduction to the Literature Review

Thornhill, Saunders and Lewis (2015) highlights that the purpose of the literature review is to establish the foundations on which the piece of research is built upon. The literature review is designed to critically evaluate the relevant body of works previously published by other academics and scholars. In this instance, the review aims to critically analyse previous academic literature in relation to the research question which consists of investigating the relationship between economic competitiveness and FDI within the Irish automotive industry. Essentially, a good literature review is contextualised, critical and comprehensive in nature. Thus, it provides the reader with a plethora of secondary information that allows them to better understand the area of research as well as the purpose and need for research to be carried out. According to Confucius, a Chinese philosopher, his words of wisdom perfectly illustrate the purpose of a literature review - *"A man who reviews the old so as to find out the new is qualified to teach others"* (D.C. Lau, 1979).

This literature review contains 3 separate sections.

The first section is the most expansive section within the review and provides a holistic depiction of economic competitiveness by examining the various economic factors within the Irish economy of which the motor trade industry is heavily reliant upon. The factors chosen for the purpose of this research have been put under scrutiny by the author to determine the competitiveness of the Irish economy. The economic competitiveness of a nation heavily determines the investment decisions of foreign organisations, therefore this section serves as the foundation of the review.

The second section of the review evaluates the literature surrounding FDI, further encapsulating a historical understanding of FDI flows in Ireland. It also aims to provide a deep understanding of the many philosophies and frameworks used to determine the factors on which investment decisions are made, ultimately enhancing the reader's subject knowledge. This section also includes a sub section relevant to the role of the IDA, who are the semi state body responsible for attracting and maintaining FDI in Ireland.

The final section within the review delves into the Irish motor trade industry. This section provides a wealth of knowledge which will enlighten the readers understanding of the industry, ultimately allowing the reader to contextualise the industry with the above two chapters.

The literature review will conclude by identifying a need for further investigation into FDI in the automotive industry. All sections of the literature review flow into each other and provide evidence for the subsequent research question.

2.1 Economic Competitiveness

Abstract definitions such as competitiveness can never be classed as true nor false but rather up for debate. The term competitiveness has been scrutinised in academic literature ever since it came to the fore and became the focus of economic policy in the early 1980`s and 1990`s. There are an array of views and opinions as to what competitiveness means and what influence it has on affecting inward FDI, all of which were never properly reconciled (Porter 1990, Krugman, 1994). Due to the lack of consensus, this chapter will attend to critically analysing the opposing views and theories revolving around the area of economic competitiveness in chronological order. This is done to illustrate the developments and changes in opinions over time (Ketels, 2016).

Paul Krugman pioneered the concept of competitiveness in his work titled 'competitiveness: A Dangerous Obsession' in the early 1990`s. Krugman states that the common perception in the western world is that countries compete with one another on a global scale to outcompete their rivals, just like the world's largest organisations do.

However Krugman`s views are not congruent with those of the western world. Krugman suggests that peoples understanding of competitiveness is flatly wrong. Instead he believes that *“the world's leading nations are not, to any important degree, in economic competition with each other”,* nor can any economic adversity be attributed to ‘losing’ on world markets. On the contrary, organisation can and do go out of business, however countries do not, they can only be happy or unhappy with their economic performance. Therefore, the term national competitiveness is elusive (Krugman, 1994).

Krugman also reiterates his views by adding that countries should work together rather than compete for superior forms of competitive advantage as there are mutual benefits that come from good international relations such as trade agreements. International relations can encourage FDI from other nations as well as boost tourism and immigration footfall that brings in extra taxes to the exchequer as well as giving individuals the opportunity to enhance their lives. The success of one nation is likely to have positive Spillover effects on neighbouring countries. The only harmful or defensive action taken by countries are related to their own fiscal, monetary and trade policies that may be more favourable than in other locations. Krugman does believe that nations alter these policies to attract and entice investment from abroad to improve their domestic business environment (Krugman, 1994).

Michael Porter`s views on national competitiveness contradict those of Paul Krugman. Porter`s 1998 publication proposes that *“national prosperity is created, not inherited”* meaning that nations do indeed compete with other nations in a battle for economic prosperity and forms of competitive advantage. A nation’s competitiveness is contingent on the capacity of its sectors to have initiative, innovate and grow, assimilating knowledge and expertise which ultimately strengthen a nation’s talent and productivity. This means that national competitive advantage is created and sustained by means of localised processes known as clusters. Culture, national values, institutions, economic structures and national history are all factors that Porter deems to add to national prosperity and attractiveness. Porter suggests that global competition is ever increasing, making countries more important in the race for competitiveness alongside multinational organisations (Porter, 1998).

Porter also suggests that economic competitiveness comes in the form of niche economic aspects that are attributed to key competencies of that nation meaning that nations cannot be competitive in all aspects of the economy, but can specialise and excel in certain industries, like Germany has excelled in the automotive industry and in car manufacturing over the years. In relation to prevailing thinking, interest rates, exchange rates, labour costs and economies of scale are the most important determinants of competitiveness that concern FDI decisions. In comparison to Krugman`s beliefs, Porter too agrees that governments tend to experiment with national policy with the intention of promoting national competitiveness to attract foreign investment (Porter, 1998).

According to a more contemporary article published by George Anastassopoulos in the journal of economics and business, FDI decisions are determined based on a set of location based factors within a nation's business environment. This essentially means that it is locational factors that determine where value adding activities exist, for instance which region, country or sector contains favourable factors such as access to raw materials, abundant or cheap labour, access to markets, attractive transport and communication costs, well developed infrastructure and less rigorous legislation. Anastassopoulos believes that it is vital for organisations to choose the location that best suits their business needs in order to maximize competitiveness and efficiency (Anastassopoulos, 2007). There is a common trend occurring here, both Anastassopoulos (2007) and Porter (1998) agree that 'location' factors are important for strengthening economic competitiveness and attracting FDI, indicating a positive relationship between both factors.

Similarly, John Dunning, who is widely recognised as the father in the field of international business, shares a comparable view as he proposes his OLI framework (The Electric Paradigm) in the field of internationalisation. Dunning argues that Locational 'L' factors within an economy drive FDI decisions from abroad in a host country. These countries or regions offer specific kinds of benefits for firms that adds value to their organisation, ultimately enhancing their overall competitive advantage in the global marketplace. The idea is that firms will choose to exploit the resources of the host country if they are developed enough and meet the expectations and standards set by the potential investment organisation (Glowik, 2020).

For instance, in a study conducted by Lyons (2012), 315 employees within 101 MNE`s each with a presence in Ireland were asked to give their opinions on Ireland`s most attractive/competitive economic factors that influence FDI decisions from abroad. The participants highlighted the following attributes in the table below, indicating the determinants that showed the relationship between economic competitiveness and FDI decisions:

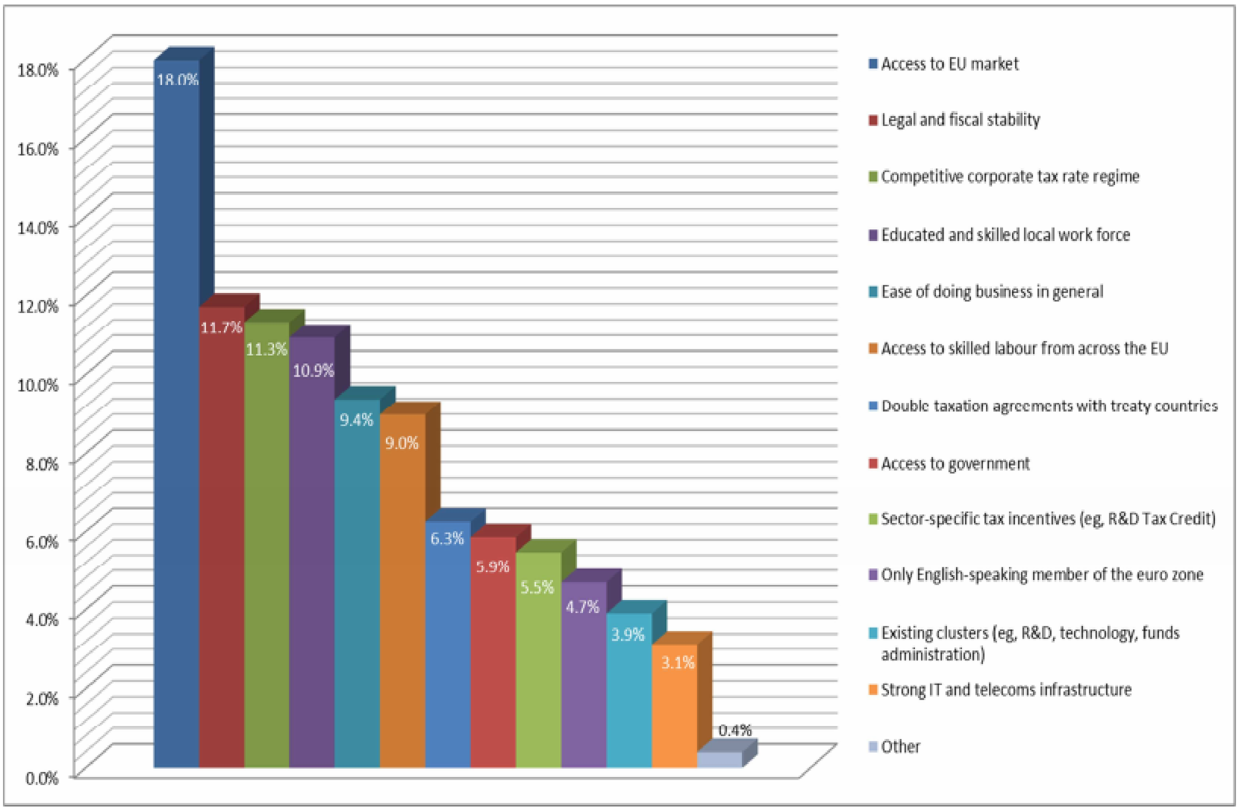


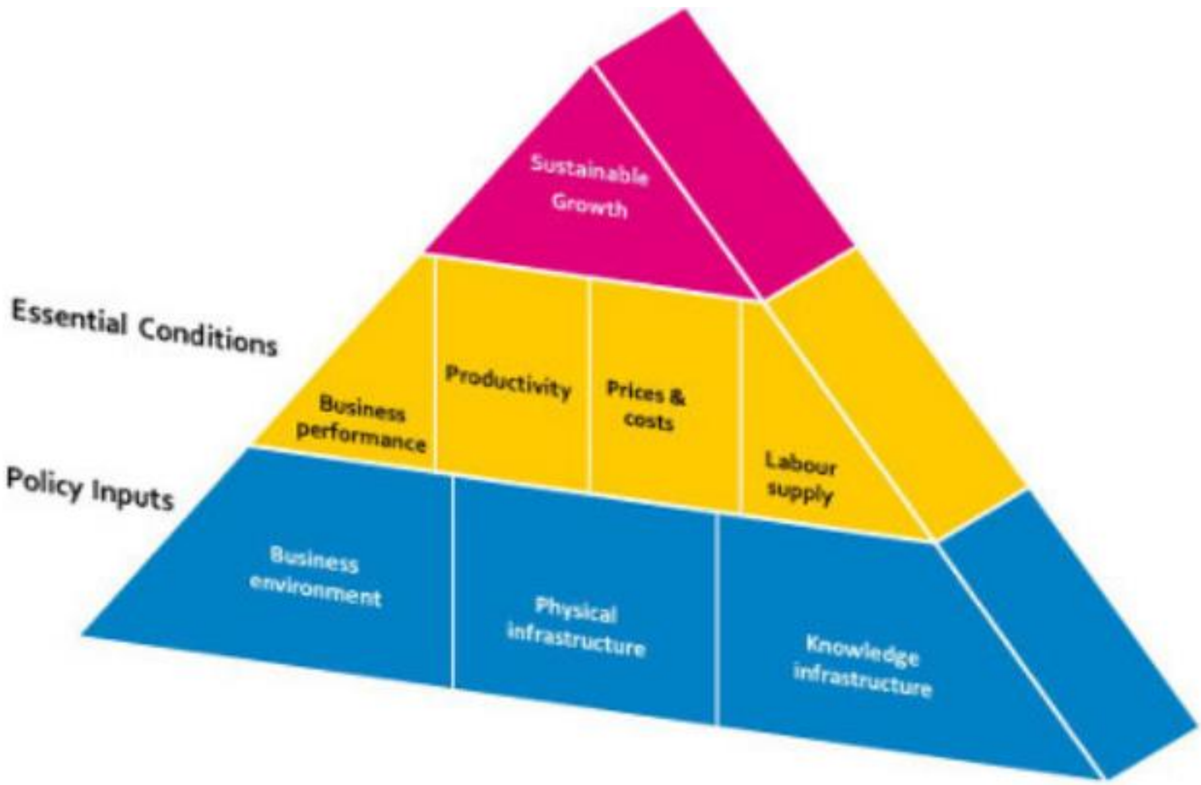
Figure 1: Lyon`s (2012) data representation

18% of participants agree that access to the EU market was Ireland`s strongest form of competitive advantage which would match the factors presented by Anastassopoulos (2007) in his literature previous. Other matching factors include; access to plentiful skilled labour, stable and lenient legislation and existing business clusters, as agreed by Porter (1998).

The Irish National Competitiveness Council (NCC) since their establishment in 1997, work closely with the Taoiseach and Government to provide economic analysis, commentary, and policy guidance on matters related to Ireland's competitiveness. The NCC defines economic competitiveness *as "the ability of a nation's enterprise base to compete in international markets"*. The NCC argues that a nation that succeeds in attracting investment as a result of prosperous domestic economic activity, provides its people with the opportunity to enhance their quality of life and living standards as well as opening up abundant employment opportunities in investment organisations such as Google, Intel and Facebook that arrived from the U.S into Ireland in recent years (Ketels, 2016). From a critical point of view, Krugman (1994) also indicates that attracting and maintaining inward FDI has the potential to enhance the lives and opportunities of its citizens, highlighting a matching view on competitiveness.

The NCC have developed a framework used to analyse the performance and drivers of Ireland`s economy. The framework consists of 3 levels, the base layer is made up of policy related factors that can directly influence and essentially drive FDI and economic growth in a country. Examples may include favourable corporation tax and low interest rates. Porter (1998) and Krugman (1994) also mentioned that policy can drive economic growth as well as achieve national competitive advantage. The intermediate level of the framework analyses the conditions of the business environment including, labour, cost of doing business, productivity and business performance. These factors are reliant upon the underlying policy inputs. The top of the pyramid is concerned with sustainable growth, the ultimate policy goal. This is reliant upon the performance of the business environment and the ability to maintain and attract additional investment over a period of time (Ketels, 2016).

Figure 2: NCC National Competitiveness Framework



The World Economic Forum (WEF) are renowned for their analytical reports focused around economic performance worldwide since their creation in 1971. Their reports have become a reliable source of information by which national performance is judged. The WEF describes national competitiveness as *"the set of institutions, policies and factors that determine the level of productivity of a country*". The WEF believe that it is the level of productivity within an economy that determines the degree of prosperity that can be achieved by that economy, also agreed upon by the NCC. It is also productivity that drives the investment decisions from abroad. An economy`s economic performance is examined to determine the level of competitiveness within the economy using the 12 pillars of economic competitiveness. The 12 pillars consist of the foundations on which an economy is built upon. This framework has been used by the WEF since 2005 as a method for determining the annual global competitiveness index report (Schwab, 2019).

Figure 3: WEF - 12 Pillars of Economic Competitiveness

Poyner (1997) suggested that the key to Ireland's success in its attraction of FDI isn`t attributed to any one economic factor alone, but Ireland`s success in attracting FDI is down to possessing many factors or selling points known as forms of economic competitive advantage which make up the 12 pillars of economic competitiveness (Poyner, 1997).

In agreement with Poyner, the IDA`s 2019 annual *'Why Ireland'* report delved into the many entry motives for non EU corporations entering and investing in Ireland. The results of the annual report were very similar to those of the study conducted by Lyons (2012) who found that access to the EU was Ireland`s most competitive aspect highlighted by 18% of 315 participants. As Ireland has been a committed member of the European Union since 1973, it provides and guarantees unrestricted access to the behemoth that is the European market. This allows corporations within Ireland to trade freely amongst the 27 remaining member states. The report revealed that companies who invest in Ireland have access to a European labour force of over 250 million individuals, 500 million EU customers and can also benefit from the many investment incentives that have been established by the Irish government such as:

1) Low corporation tax
2) Skilled & educated labour force
3) Competitive infrastructure resources

(IDA Ireland , 2019)

2.2 Training and Education in Ireland

This section examines Ireland`s training and education sector alongside its relationship in attracting FDI. A well-developed education system as well as the availability of employment training are imperative factors within an economy that help to drive economic progress, adding immense value to the attractiveness of that country. These training and development resources are needed to constantly develop and improve the national workforce. With current economies becoming more and more globalised, forward looking countries are required to promote and produce a well prepared workforce with the ability of significantly contributing to the economy (Berrill, 2020).

2.2.1 History of Ireland`s Education & Training Sector

Ireland began to heavily invest in its domestic education system in the early 1960`s that in turn had a major and lasting effect on Ireland`s social and economic development. In terms of adding value to the attractiveness of the nation, it also created a unique selling point as a location for inward FDI. According to Bruton, Ireland`s initial efforts to differentiate the nation in terms of their training and education sector came from the education reform in the mid 1960`s introduced by Minister for education, Donogh O'Malley that saw post primary level education become more accessible and free (Bruton, 2014). The decade of 1960 to 1970 saw Ireland initiate the economies drive for improving the national education system which gave Ireland a prestigious title and renewed legacy that has transferred into the perception of Ireland today.

By the mid 1960`s, approximately one-third of all children were absenting full-time education on completion of primary level education and roughly only 60% of all 13 year-olds were remaining in schools to complete secondary education (Bruton, 2014). As of today, the number of early school leavers has dropped significantly as a result of intense improvements made to the education sector. According to data originating from Eurostat, *“the proportion of early school leavers in 2012 was 9.7%, down from 13.1% in 2004 and well below the EU average of 12.8%”* (McHugh, 2015).

2.2.2 Ireland`s Current Education Sector

Today, Ireland is perceived as having one of the best developed educational systems in the world. Reports released by the IMD *‘world competitiveness yearbook 2015’* and the OECD report titled *‘Education at a glance 2013’* ranked Ireland`s education system in the Top 10 best educated nations in the world. As part of new government policy, the National Talent Drive was launched in 2015 with the aim of reinforcing Ireland’s positive global reputation for its quality workforce and educational resourced available to its inhabitants.

This further encapsulates Ireland’s efforts to clearly define the nation as a hub for talent and an attractive location for investors. The NTD also helps to meet the ever increasing demand within industry for highly skilled and educated labour (IDA Ireland, 2019).

Furthermore, according to IDA (2019), Ireland have inaugurated the *‘National Skills Strategy & Action Plan for Education’*, which plans to make Ireland`s education and training infrastructure the best in Europe by 2026. This factor is a positive determinant for attracting future FDI in Ireland.

There is a broad range of further and higher education and skills providers, both public and private, offering a range of programmes in all disciplines, including 8 Universities, 14 Institutes of Technology, over 200 further education institutes. According to IDA Ireland (2019), There were 223,743 full time students enrolled within Ireland`s tertiary education system in the year 2017/2018, rising from 173,000 in 2015, indicating a rise in the number of educated individuals over a 2 year period. According to the IDA`s *‘why invest in Ireland report’*, 56.3% of adults have secured a third level qualification in Ireland compared to the EU average of 40.7%. Ireland also offer many training and development services including those provided by SOLAS, who currently offer 25,000 courses to over 339,000 beneficiaries in Ireland and Skillnet who cater to over 16,000 businesses nationwide and provide an extensive range of valuable learning experiences to over 55,000 trainees (McHugh, 2015).

2.2.3 Academic Review

The economist business intelligence unit released a report in 2012 titled *‘Investing in Ireland’* which surveyed over 300 foreign investors, aiming to gather their options on Ireland’s most attractive economic pillars. The surveys revealed that a regularly highlighted determinant for inward FDI to Ireland was the benefit of *‘accessing skills’*, both home grown and from the EU (unrestricted access to all member states). Approximately one quarter of all survey participants alluded that Ireland`s skilled and educated workforce prompted their decision to invest in the Emerald isle (Lyons, 2012).

They also perceived this pillar as being a form of global competitive advantage in the FDI market. A further 23% of respondents highlighted that Ireland`s base of skilled workers from the EU made their workforce diverse and thus more attractive. Furthermore, when the respondents were asked to list Ireland`s primary economic disadvantages, skilled labour force was the least commonly listed factor, only cited by 6% of respondents, indicating the strength of Ireland`s labour pool (Lyons, 2012).

Similarly, Ahmed (2014), Miningou (2017) and Constantine (2019) all share similar views that are congruent with the research finding of (Lyons, 2012) in relation to the relationship between a nations level of development in education and training and FDI inflows. All three scholars agree in their studies that the education system has been considered one of the drivers of inward FDI to a host country, provided that the quality of human capital exists in the host country, ceteris paribus.

Another contemporary study concluded in 2017 published by Thunderbird International Business Review used qualitative research methods to explore and truly understand the determinants driving FDI decisions of companies investing in Ireland. The research demonstrated that highly skilled based required companies and those with educational entry requirements decided to invest in Ireland due to the economic competitive advantage in the state's ability to develop and retain a highly educated and skill orientated workforce (Annan-Diab, 2017).

Therefore, Bruton (2014) argues that it is necessary for Ireland, in particular the departments responsible for education and training, to continue to nurture and develop both the talent drive and educational resources to meet the needs of an advanced 1st world economy which will inevitably attract greater levels of inward FDI. From an FDI perspective, nurturing the talent pool in Ireland requires developing, attracting and retaining the talent needed to fulfil the needs of the investment organisations. It is important to track the supply and demand for certain skills in the economy and respond with corrective action to even the balance of skills, thus improving the economy's attractiveness. This allows Ireland to maintain their positive reputation as a host for skilled talent and solidifies the talent pool as being a key differentiator in terms of influencing inward FDI (Bruton, 2014).

2.3 Infrastructure in Ireland

This section of the literature review examines Ireland`s infrastructure and the importance of it to attract and retain FDI from abroad. The infrastructure pillar is comprised of factors within an economy including; electricity, water, communications and transport networks, availability and alternative modes of transport, quality of roads, airports, ports and railways.

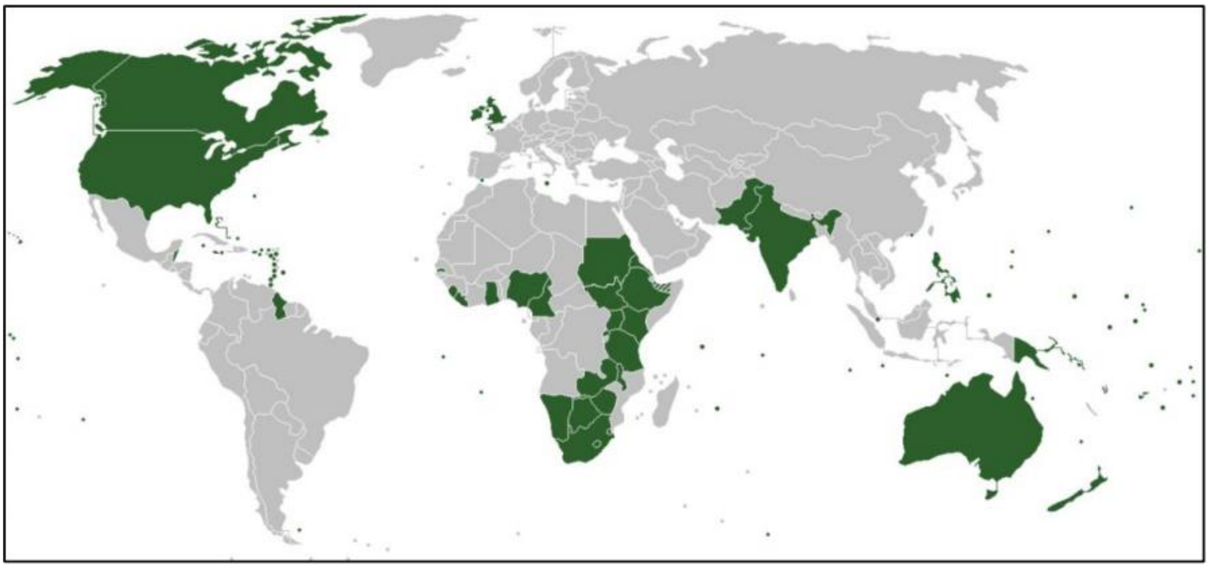
It can be said that Ireland possesses global competitive advantage in terms of language, financial infrastructures and location when compared to other OECD nations. Despite these positive and attractive advantages, Ireland still lacks the quality that other countries excel in, in terms of its broadband, energy, water and transport infrastructures, mainly evident in the west of the country and in other remote areas. However, Ireland have made steps in the right direction since the early 1990`s with a major push for the development of infrastructure to improve. This is attributed to the European structural funds that have enabled Ireland to expand using methods such as urban sprawl (Grant Thornton, 2015).

The level of economic activity is often determined by the degree of which infrastructure is developed in a country, extensive and efficient infrastructure allows for the flow of economic activity to prosper and drastically improves the quality of life and eases the difficulty of conducting and running a business. Well-developed infrastructure is said to reduce the distance between regions and even nations by integrating and connecting markets as well as facilitating the mobilisation of labour. It also reduced the costs of transport and shipping fees as multi-channel transport systems causes providers to cut prices to become more competitive (Grant Thornton, 2015).

2.3.1 Language & Culture

Although Irish is Ireland`s officially native language, the vast majority of Irish people choose to speak English as their preferred language which is the second most commonly spoke language in the world. The map below shows in green, the countries of which English is their national primary language. English is considered to be the language of international business (Neeley, 2017).

Figure 4: Map of Primary English Speaking nations



There is consistent evidence that shows MNE`s are more inclined to invest in nations that possess similar linguistic values as in their home country. According to Mac Dermott (2015), country`s that share similar characteristics such as those related to language and cultural aspects generally reduce barriers to entry, thus promoting and influencing investment decisions in a positive manner.

In agreement with Mac Dermott, Sim (2019) strengthens this view by arguing that nations who share a common language or languages that are linguistically similar are more compatible and therefore help to generate bilateral FDI between the nations in question. However Sim also touched on the fact that the degree of compatibility is greater between countries that share an official language, this would indicate that this factor is less influential in Ireland`s case, as Irish is not spoken by any other country worldwide. Sim discovered that similarities in terms of culture creates a sense of trust and reduced the chances of cultural shortcomings from occurring. Similarities regarding culture and language and their connection with FDI can be seen for example with Ireland`s relationship with the United States with 12% of Americans claiming Irish Ancestry and 49% of inward FDI into the state being attributed from American MNC`s.

Furthermore, it is agreed upon that investing in countries that share conflicting languages or cultures that are mismatched often lead to barriers that can be costly such as miscommunication issues, mistrust and uncertainty, essentially leading to conflict (U.S: Census Bureau, 2006).

2.3.2 Financial and ICT Infrastructure

Over the years, Ireland has successfully developed an international financial services industry (IFSC) and an impressive ICT industry, with many of the world’s largest corporations involved showing a diversification in its activities and possesses a positive world renowned reputation for excellence. Some of these firms include Citibank, Merrill Lynch, UniCredit, Wells Fargo, Danske Bank and Bluestone Motor Finance all of which are regulated by the Central Bank of Ireland. The availability of financial instruments encourages investors to invest in Ireland (Grant Thornton, 2015).

Ireland have also developed a world class ICT industry with major developments beginning in the 1980`s when the IDA initiated an investment strategy to attract the world`s leading ICT firms including those related to software and hardware. Firms include; Facebook, Intel, IBM, Microsoft, Oracle, SAP, MacAfee, HP and Fujitsu. This has continued into recent years with the industry growing by 10% on average each year. This has resulted in a cluster of ICT firms forming within Ireland, encouraging other ICT firms to join the cluster and potentially strengthen their organisation by building up relationships with relating firms (Grant Thornton, 2015). As a result of this great attraction of ICT clustering, Ireland have led the European scene in terms of FDI market share standing at 55%, twice the amount of second place France at only 21% (Grant Thornton, 2015).

According to Porter (2000), Enright (2000) and Dunning (2002), industry clustering has great significance with regards to the attractiveness of a region or country. All three authors allude to the fact that industry clusters encourage FDI from similar organisations as it is already a tried and tested market, thus reducing potential market entry barriers. It has been agreed upon that regional development and the formation of business clusters acts as a form of competitive advantage for firms as they can benefit from localised firms in their industry. Work published by Driffield (2006) and Temouri (2016) investigated the relationship between FDI and industry clustering in Sweden. The studies highlighted that 50% of firms attributed to inward FDI located within industry clusters.

Studies conducted by Bolancé and Pelegrín (2008) and Bronzini (2007) all of which were published in the Journal of Regional Studies, indicated similar findings to those aforementioned by Porter, Enright, Dunning, Driffield and Temouri. The findings of both studies discovered that the presence of similar industry activity in a particular region would in fact influence and attract greater levels of related FDI in a positive manner. The study highlighted determinants for this being true including the availability of existing resources and potential for mergers and acquisitions. Therefore there is a positive relationship between industry related FDI and industry clusters within an economy.

2.3.3 Transportation and Electricity

After reviewing the available literature, the author discovered that the quality of a nation`s transport systems do in fact have an impact on inward FDI. In the opinion of Kinra (2018), Wekesa (2017) and Seetanah (2010), transport infrastructure is an area of sensitivity and concern for foreign investors. All three authors agree that well developed transport systems lessen the distance that exists between nations, saving both money and time in logistics fees.

Likewise, according to a report by the Oireachtas Éireann (2014), *"Competitive and efficient transport is vital for both domestic and export sectors and a well-functioning world class transport infrastructure remains a key factor in FDI".* In light of this, current Taoiseach Leo Varadkar highlighted that Ireland has been disadvantaged over the years due to its underdeveloped electricity, transport and broadband infrastructure when benchmarked against European standards. The lack of competitiveness in this area of the economy has spurred the government to heavily invest in measures to correct this economic flaw to further attract and retain FDI (Varadkar, 2014).

However, in relation to Ireland`s availability and development in the air travel sector, Ireland have extensive air connectivity reaching every continent worldwide through a network of international airports located across the country. Dublin Airport, with the newly developed terminal 2 offers excellent air connectivity options, with 200 destinations in 50 countries. Cork Airport provides over 50 routes and Shannon Airport offers flights to over 31 destinations. Additionally, the only US Pre-Clearance facilities in Europe are housed at Shannon and Dublin Airports, offering a significant advantage for transatlantic travel. Ireland also has 34 ports, multiple motorways linking up with the major towns and cities and an extensive public transport system connecting each and every county via bus and train routes which have been further developed in recent years (Grant Thornton, 2015).

According to the World Economic Forums (2014) Global Competitiveness Report, Ireland have been labelled as being underdeveloped in electricity and transport infrastructure which strengthens Leo Varadkar`s aforementioned views. Ireland have fallen behind their FDI rivals such as France, Spain, UK, Germany, Belgium and Netherlands. The report also found that this area is the most problematic amongst the survey respondents in the report, which they mentioned would negatively affect FDI. It is therefore imperative for the Irish state to fulfil its commitment to develop a sustainable electricity and transport infrastructure to enhance the country`s overall competitiveness.

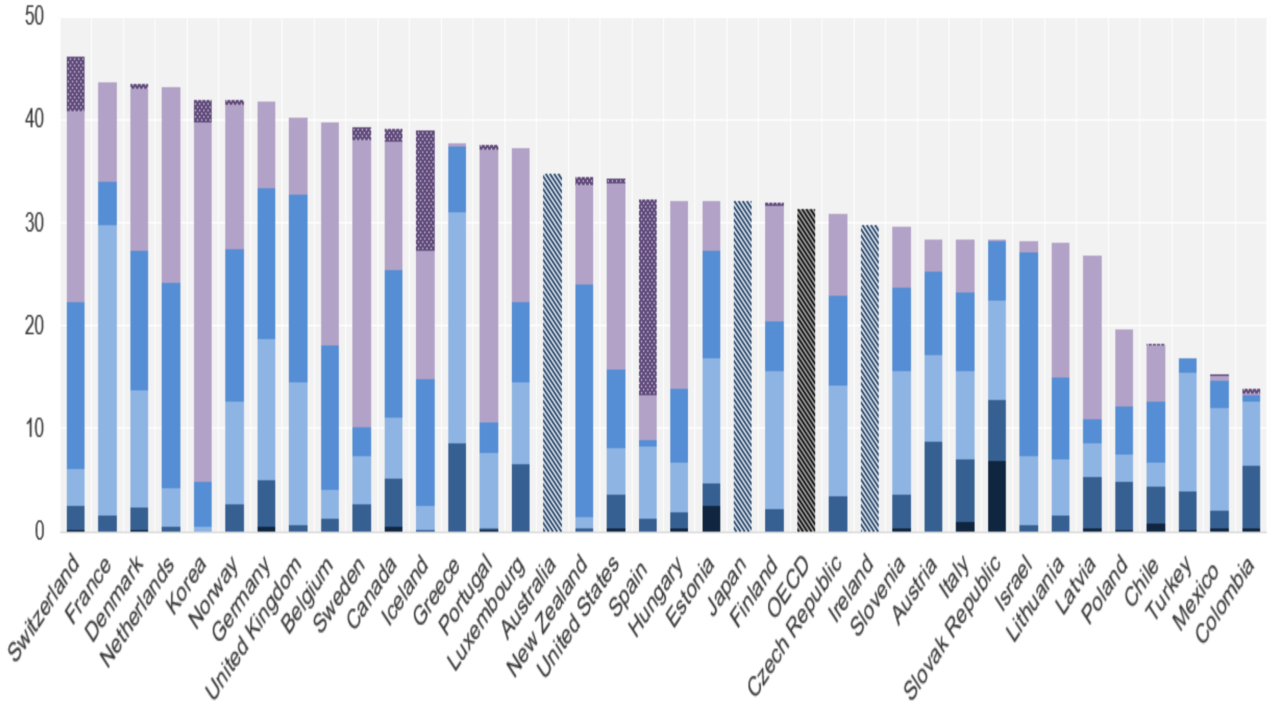
2.3.4 Broadband

The importance of the internet and access to is an ever growing determinant of FDI. As part of Europe`s 2020 strategy, nationwide broadband accessibility across all EU member states is an area of this strategy that aims to be improved to enhance the competitiveness of the EU. Based on the available literature surrounding broadband in Ireland, it was discovered that Ireland fall below par when it comes to the development, accessibility and availability of broadband nationwide in comparison to other OECD countries (Grant Thornton, 2015).

However Ireland’s telecommunication infrastructure has improved significantly as its average measured connection speed has grown to be above the global average and is in the top 10 in the world as seen in the table below. According to Comreg 2016, Average download speed is 36 mbps and upload speeds of up to 12 mbps. However, Ireland are behind many of their OECD counterparts, nevertheless this figure is up from 7.0 mbps in 2011 indicating strong growth in this area (ComReg , 2016).

The OECD recon that Ireland`s average connection speed is around 29.7 mbps (OECD, 2019) ranking Ireland 26th amongst 38 members within the OECD network.

Figure 5: Internet Connection Speed`s in OECD Countries



According to Choi (2003) The Internet is assumed to induce more FDI by improving productivity within organisations, also stating that a well-developed telecommunications network can increase FDI by up to 2%. Mollick (2006) also studied the role that telecommunications infrastructure plays in attracting and retaining FDI and found that the greater the quality of telecommunications in an economy, the greater the chances are of inward FDI to occur. Similar findings were also expressed in a study by Kinoshita and Sharma (2005) who concluded that a high degree of development in telecommunication infrastructure had a positive impact on FDI inflow, indicating that Ireland must improve the nation’s network, with specific attention required in the west of the country in order to maximize FDI inflows.

2.4 Ireland`s Macroeconomic Environment

This section will focus on reviewing Ireland`s macroeconomic environment as a potential determinant for FDI. The macroeconomic environment includes trends in relation to a nation's inflation, employment, monetary and fiscal policy. From a competitiveness point of view, the factors within the macro-environment influence the decision regarding investment as these factors also influences the performances of businesses and sectors. Furthermore, an economy cannot progress in a sustainable manner unless the macroeconomic environment is stable (Blanchard, 2017).

During the 1970`s, Ireland went through a period of macroeconomic instability with particular reference to the political instability of the country. Political corruption and with regular rotation of governments meant that Ireland was an unattractive location for investment riddled with economic uncertainty. Since then, the Irish government have paved the way for achieving optimistic progress over the last 30 years down to a reform is economic policy and prudential economic governance that has greatly improved the stability of the Irish economy.

Today, Ireland is a stable, secure, competitive and pro-business location as well as being the fastest growing economy in the EU according to The IDA (2019). According to the World Economic Forum`s global competitiveness report (2019), Ireland scored 99.99 out of 100 for macroeconomic stability on the global competitiveness index 4.0, making Ireland the 34th most stable country out of 141 countries under review (Schwab, 2019).

2.4.1 Employment

Ireland have a total population of 4,937,786 that includes the youngest population in Europe with 33.3% of the total population under the age of 25. The population is predicted to increase by approximately one million people by the year 2040. The table below shows the proportion of the population which are a part of the labour pool:

Figure 6: Ireland`s Labour Pool Data

Labour Force Survey (LFS)

Quarter 1 2020

Indicator	Standard LFS Methodology (ILO) Q1 2020	COVID-19 Adjusted Estimates March 2020 (end of Q1 2020)
Employed persons aged 15 years and over	2,353,500	2,070,371
Employment rate for those aged 15-64 years	69.8%	61.1%
Unemployed persons aged 15-74 years	114,400	382,311
Unemployment rate for those aged 15-74 years	4.7%	15.5%
In labour force	2,467,900	-
Not in labour force	1,490,500	-

The available contemporary data shows that Ireland are ranked 1st in the world for the availability of skilled labour (Bris, 2019). There are currently over 1,000 MNC`s operating in Ireland and employ roughly 150,000 people from the labour pool. Within the labour pool, the 2016 Census revealed that over 612,000 people spoke a second language which is a 20% increase on 2011 readings, a positive statistic for potential investors as multi-lingual’s can add enormous value to MNC`s. Furthermore the OECD 2017 report revealed that Ireland are ranked 1st for the productivity of labour and 3rd worldwide for employee motivation. To add to this, Ireland`s hourly labour costs are quite low in comparison to other European countries which may entice investors to enter Ireland. The average hourly labour rates are listed in the table below (IDA Ireland , 2019).

Figure 7: EU Members Average Hourly Wage Rate

Country	2014	2018	% change
Ireland	**28.4**	**30.5**	**7.4%**
Eurozone	29.0	30.6	5.5%
Austria	31.9	34.3	7.7%
Finland	33.0	34.5	4.5%
Netherlands	33.0	34.7	5.15%
Germany	31.9	35.0	9.7%
France	35.4	36.5	3.1%
Sweden	40.1	39.3	-2%
Belgium	41.1	40.0	2.7%
Luxembourg	36.0	40.4	12.2%
Denmark	42.0	44.7	6.4%

(IDA Ireland, 2019)

2.4.2 Corporation Tax

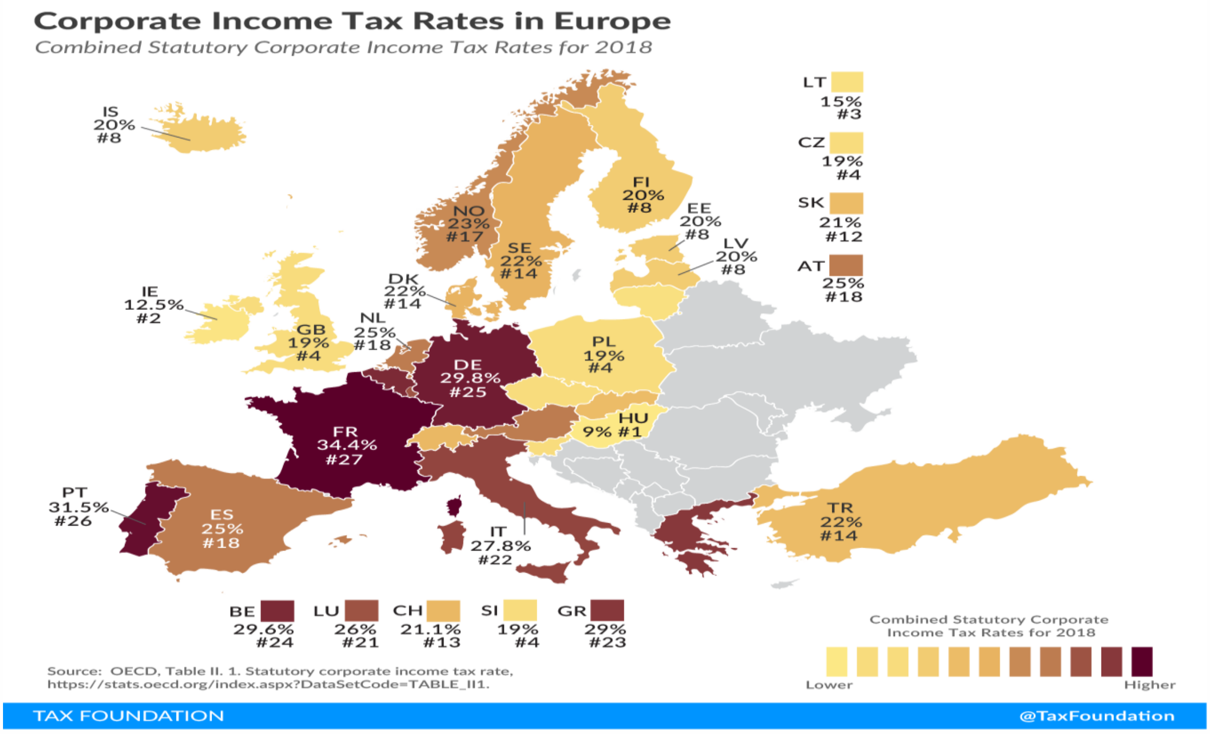
Corporation tax is imposed on all companies that operate within Ireland. In the 1950`s as part of Ireland`s fiscal policy, corporate tax was set at 0% which meant that companies were not charged tax on their profits. This figure rose to 10% in the 1980`s and rose again by 2003 to 12.5% (current rate) after the EU pressured Ireland in an attempt to create an equal playing field amongst EU member states in a process called tax harmonisation. It has been said that Ireland`s economic prosperity to date is attributed to Ireland`s relatively low corporate tax rate which is one of the lowest in the EU in comparison to other member states. In fact, Ireland’s corporate tax rate has often been cited as the *‘cornerstone’* of industrial policy and has been labelled as a tax haven by many economists (Begley, 2005).

According to Murphy (2020) many companies have invested in Ireland over the years to benefit from the tax advantages that Ireland has to offer. These companies are generally known as brass plate companies who can avail of these tax benefits provided that they have a headquarters situated within Ireland, allowing them to pay their taxes through the Irish state. Other advantageous forms of competitive advantage in Ireland's taxation regime that have significantly contributed to the country's success in attracting and retaining FDI include:

1) Zero tax rate for foreign dividends - Finance Act (No. 2) 2013
2) Ireland hold double taxation agreements with over 60 countries, including every major trading partner.
3) Companies can benefit from a 25% tax credit towards research and development costs (Murphy, 2020).

As previously aforementioned, Ireland hold one of the lowest corporate income tax (CIT) rates in Europe with most CIT rates differing drastically across different states. These rates range from being as low as 9% in Hungary to being as high as 34.4% in France, which is considered an unattractive factor when choosing a location to invest in. Europe`s average CIT rate stands at 22.5% whilst the world average CIT rate is 21.4%. The table below represents the different CIT rates across the European continent:

Figure 8: Europe`s Average CIT Rates Per Country



A contemporary study conducted by the OECD found that high corporate tax rates are amongst the most harmful forms of taxation that can prevent economic growth as it discourages MNC`s from residing in that country, ultimately reducing the exchequer's revenue. Nations that possess a low CIT rate are often associated with economic prosperity and low unemployment rates compared to those with high CIT rates who generally witness the opposite results. These findings would therefore indicate that Ireland is a favourable location for investment as their tax regime is amongst the most competitive worldwide (OECD, 2020).

According to Hamilton (2020) Ireland collected a total of €59 billion in taxes in 2019, €10.9 billion was generated by corporation tax, 77% of which spurred from U.S enterprises. With Ireland`s corporation tax accounting for 19% of its total tax revenue (compared with a global average of 13.3%), it can be said that Ireland are heavily dependent on FDI and the taxes that can be gained from their investment (Chance, 2019).

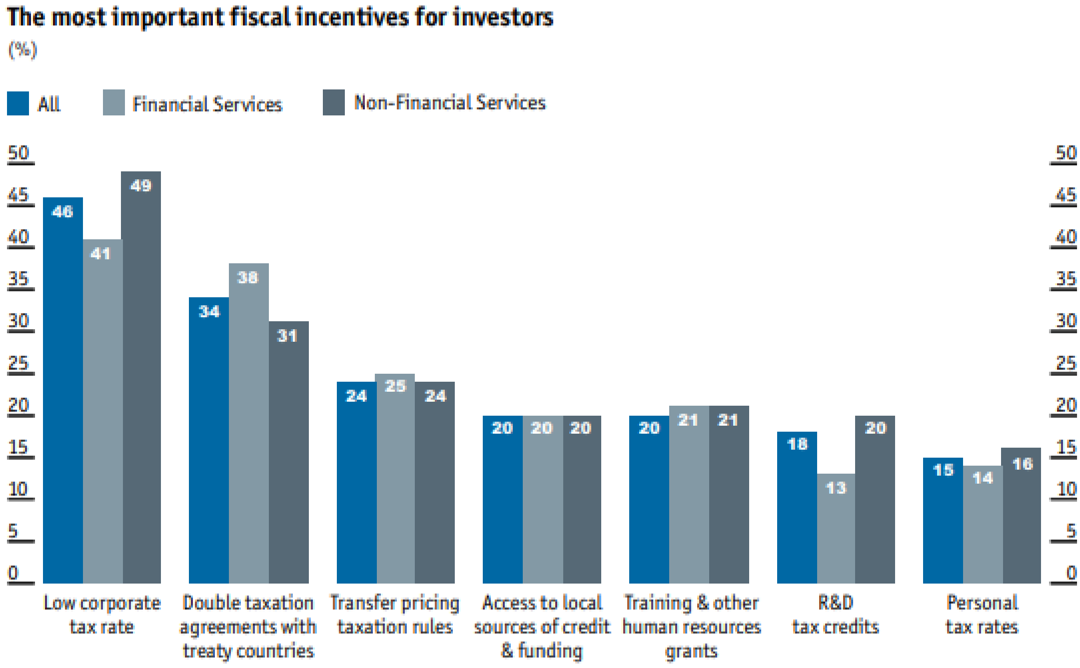
Ascani, Crescenzi, and Iammarino (2016) believe that the primary actions taken by MNC`s are done with only one intention in mind, which is making profit. The above authors also highlighted that MNC`s will choose a location to invest in that provides the best return on investment or allows them to earn the highest potential profits. The authors noted that Ireland can offer unparalleled advantageous in terms of corporation tax. These findings along with those of the OECD`s (2020) results and Chance`s (2019) findings, indicate that Ireland are in a strong position to attract and maintain future investment that will inevitably contribute to the exchequer, empowering economic growth and increased levels of competitiveness.

Furthermore, Studnicka, Siedschalag and Davies (2016) also suggest that Ireland's success in recent years, especially within the FDI marketplace, is down to its super low corporate tax rates (CTR). The investigation discovered that if Ireland were too increase the CTR by as little as 1%, FDI would subsequently fall by 0.4% from EU investors and 4.6% from non EU investors, totalling at a 5% loss yearly (Howard, 2019).

In agreement with Murphy (2020), a broad study undertaken in 2010 examined *'Why American multinational companies want to come to Ireland'.* The study recorded a vast amount of New York stock exchange & NASDAQ listed companies migrating to Ireland over an 18 month period who registered themselves as Irish public limited companies to avail of Irish tax residency incentives. The study indicates that Ireland benefit from an EU veto allowing them to control domestic corporation tax rates of 12.5%, half of the OECD average (Hurley, 2010). This further encapsulates the importance of a low corporate tax rate for the Irish economy in attracting and maintaining FDI.

The following chart comes from the study aforementioned by (Lyons, 2012). It illustrates that almost 1 in 2 respondents highlighted the importance of low corporate tax in attracting investment from foreign organisations alongside 6 other important tax related incentives.

Figure 9: Data from Lyons (2012) Study



A Romanian academic, Dr. Maxim L. Diaconu also recognised that economic factors lead to increased levels of FDI in favour of developed countries over developing countries. This indicates that Ireland have more influence over FDI decisions as they are considered to be a developed state. The same study also made an interesting contribution that agrees with Hurley, observing that the decision of a company to invest abroad is connected to the existence of some location specific advantages within an economy such as tax relief, suggesting that Ireland`s low corporation tax is an attracting element of the economy, encouraging investment (Maxim, 2015).

The IDA`s 2019 report titled *'why invest in Ireland'* also mentioned corporation tax as a determinant of FDI (IDA Ireland , 2019). This report ultimately reinforces and still relates to Hurley`s (2010) (9 years previous) and Maxim`s (2015) views (4 years previous) that there is a positive relationship between the economic competitiveness factor of tax relief and positive FDI attraction.

There is a noticeable trend occurring here. Although Hurley`s view and the IDA`s views are almost a decade apart, they still remain congruent with one another indicating that Ireland have successfully managed to sustain inward FDI despite challenges such as the U.S tax reform. To conclude, it can be said that corporation tax is a determinant of FDI, with all the scholars mentioned above almost identically agreeing upon the relationship.

2.4.3 Ease of Doing Business

Ireland have a strong regulatory and legal landscape that is not considered as harsh in the world of business, making Ireland an attractive and stable place to invest in and conduct business. Ireland are currently ranked as the 7th most competitive economy worldwide in terms of ease of doing business. According to the International Monetary Fund, the European economy is the largest and most affluent economy in the world, with unrestricted access from Ireland, to over 500 million customers and a labour force of 250 million. Ireland benefit from its official currency being the euro which is used by all EU members of which contains 332 million people. With that being said the euro is the most commonly traded currency in the world, followed by the U.S dollar, increasing the ease of international trade and reducing currency confusions and barriers. Ireland are also 1st in class for the last 10 years globally in numeracy and literacy rates which eases linguistic barriers (IDA Ireland , 2019).

Further benefits of investing in the Ireland include:

- duty-free access to the EU from Ireland
- Ireland situated companies are not exposed to currency fluctuations when trading in the EU
- CE mark certification is valid across the entirety of the EU
- European citizens can move freely within the EU to work and live

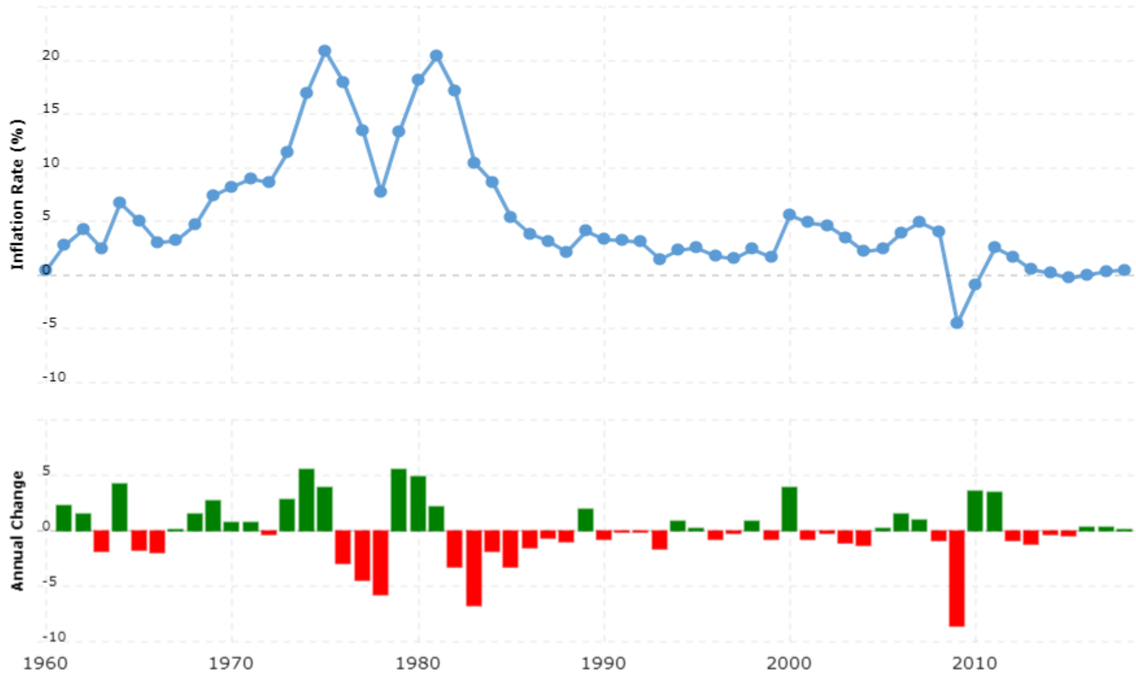
The competitive global business environment of today has influenced organisations to cross national borders and enter foreign markets. Verdu (2019) conducted a study that demonstrated a positive relationship between FDI being affected by and a nation`s culture. It revealed that businesses preferred to invest and reinvest in countries that shared similar cultural, societal, values and beliefs as their own. Ireland has a stable political economy and is governed under the Anglo-Saxon model, as does America (free market economy). The study indicated that conducting business in a similar foreign market contained less risk and greater chances for success as the ease of conducting business is greater. The study concluded that because Ireland is one of the only English speaking countries in the EU, language barrier issues do not exist here (Verdu, 2019).

In agreement with Verdu is, Former US President Bill Clinton who, at the Invest in Ireland Forum in New York in February 2012, said: *"You'd have to be nuts not to take advantage of the unique investment opportunity presented by one of the most business-friendly countries in the world, with the youngest, best-educated workforce in Europe"* (Sanyal, 2018).

2.4.4 Inflation in Ireland

Inflation is measured using the consumer price index which reflects the yearly percentage change in the cost of living. The table below shows Ireland’s inflation per year ranging from 1960-present:

Figure 10: Ireland`s Inflation Rate By Year



Ireland has had a stable inflation rate since the early 1990`s, indicating the progress Ireland have made in developing the economy over the past 30 years. Ireland did in fact enter a stage of deflation during the global recession in 2008 but bounced back relitevely fast, making a full recovery by 2011 (CSO, 2020). According to Omankhanlen (2011), Khan (2015) and Tsaurai (2018), the findings of all three authors' studies revealed that inflation has no significant effect on FDI inflows to host nations. This case proves that inflation hasn`t become a determinant of FDI, even over a 7 year period of literature.

2.5 Foreign Direct Investment

2.5.1 Introduction to Foreign Direct Investment

The term foreign direct investment became a phenomenon in the area of international business after the Second World War as the forces of globalisation emerged. Since then, the expansion of MNC`s, especially from U.S corporations entering Europe, has provided the impetus for academics and researchers to explore the phenomena further. Increased levels of globalization over the last twenty years has led to growth of FDI and business activity. FDI has received mass consideration in academic literature in recent years, this growth has encouraged academics and scholars to open a debate on the meaning, determinants and benefits of FDI. Furthermore, according to Paul (2017), *"FDI is currently the most researched field in the area of international management".*

Before reviewing the literature surrounding FDI, one must be able to define the concept in question. The international Journal of Financial Studies has defined FDI as an *"investment made by a firm or individual in one country into business interests located in another country, which decisions depend on dynamic factors within an economy"* (Bayar, 2018). Similarly, Farrell (2008) defines FDI *"as a package of capital, technology, management, and entrepreneurship, which allows a firm to operate and conduct business in foreign markets"*. Whilst according to the OECD, *"FDI is the development of a lasting interest by a resident enterprise in one country through FDI in another enterprise in another country"* (OECD, 2018).

Although there are a plethora of definitions being formed by researchers and academics, they all represent a relatively similar meaning. FDI can fall under two distinct headings;

- Greenfield Investment

- Known as bricks and mortar investment which involves building/setting up new facilities or businesses

➢ Brownfield Investment

- Known as merger & acquisition investments which involve acquiring existing facilities/businesses and requires less up front capital (Paul, 2017).

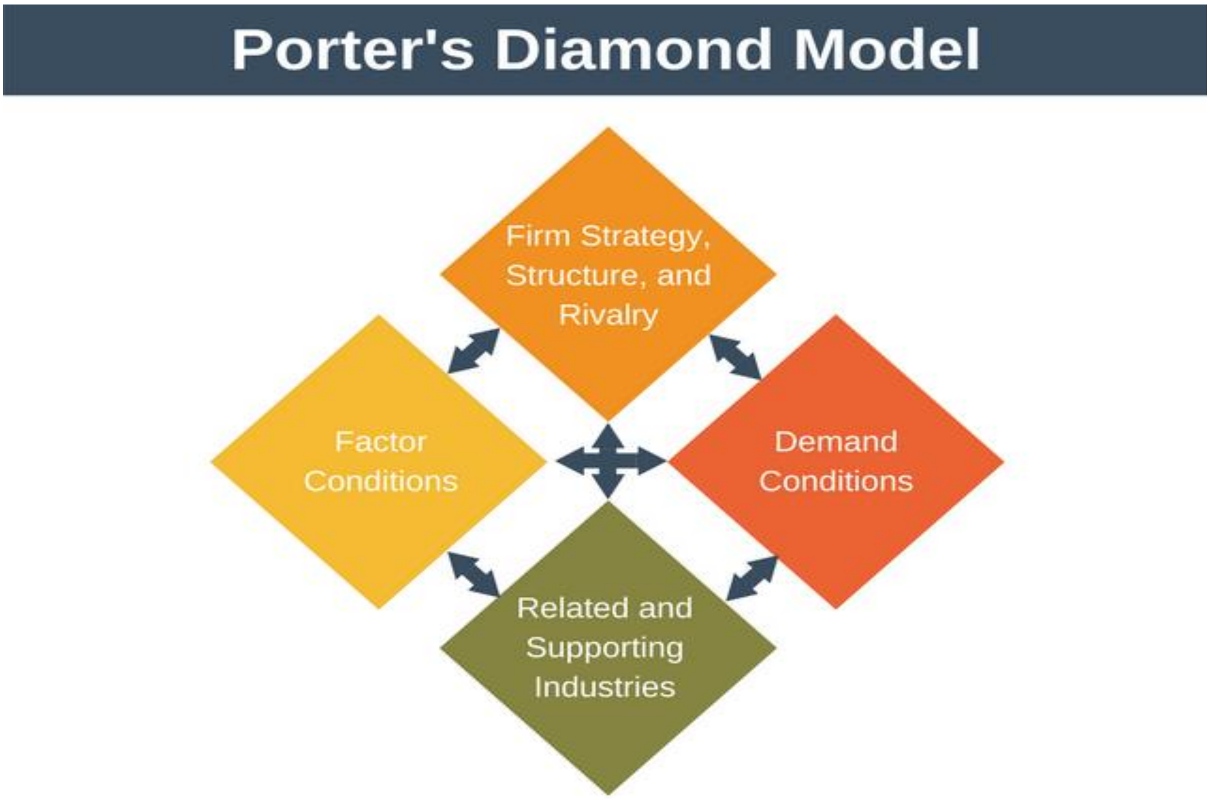
2.5.2 Foreign Direct Investment Literature

One of the earliest views put forward on FDI was coined by Kindleberger (1969) who argued that the most influential determinant of FDI lies with the decisions of MNC`s who will base their location decision on the country that offers the best rewards that enables them to maximise profits. This view is congruent with the most contemporary views of Ascani (2016) who was mentioned under heading 2.4.2. Similarly Hymer`s beliefs on international investment theory argue that it is difficult to enter foreign markets and compete with already established domestic firms who have advantages in terms of culture, customer loyalty and language. Hymer states that in order to offset these disadvantages, there must be an underlying motive to invest in a location that will allow the investment firm to compete or form their own advantage (Hymer, 1976).

Dunning (1986) proposes another view on the determinants of FDI using his investment development path framework to better understand the dynamic between the level of economic development/competitiveness and FDI in a specific country. Dunning states that the level of development of industry, infrastructure and general state of the economy have massive impetus on the level of foreign investment that a country will receive. This also points to the existence or inexistence of location advantages as mentioned by Ascani (2016), Kindleberger (1969) and Hymer (1976), indicating the importance of locational advantages in attracting and retaining FDI.

Michael Porter`s Diamond theory proposes that a country can produce new attractive advantages for themselves, such as developing a strong education sector, skilled labour force, and investment incentive schemes. The majority of traditional global economics theories vary by mentioning factors that an economy inherently possesses, such as labour, location, natural resources, population size and land as the primary determinants in a nations competitive economic advantage. This theory suggests that attractive economies are made not born, and that an economy can be shaped through strategy and planning, which contradicts all other views to date (Porter, 1998).

Figure 11: Porter`s Diamond Theory



(O'Loughlin, 1980)

2.5.3 Spillover Effect of FDI on Host Nation Competitiveness

Starting with the pioneering research conducted by Caves (1974) who investigated the relationship between inward FDI and related national competitiveness in Canada and Australia that led him to conclude that there is a positive correlation between inward FDI and the country`s productivity levels as well as added value per employees of already established domestic firms in the same industry. The study proved that productivity of competitors increased in an attempt to outperform these newly established MNC`s, thus adding value and spurring positive economic activity. Aitken and Harrison (1991 and 1999) found identical results during their studies in Venezuelan between 1976 and 1989 with the aim of testing the impact of foreign presence on total factor productivity growth. They also concluded that domestic businesses exhibited higher productivity in 7 sectors with a larger foreign market share.

Caves also pointed to the fact that inward FDI also brings technological, international production networks, access to foreign markets and knowledge benefits into the host nation which can contribute to economic prosperity. Likewise, De Gregorio (2003) states that technology and resources that do not yet exist in a host nation can be brought to existence by inward investment by MNC`s. However, Nelson (1994) argues that only wealthy nations can reap the economic rewards of technology diffusion stemmed from FDI as it takes capital to absorb these advanced technologies. Likewise, Aregbeshola (2016) also states that FDI promoted economic growth in economies that benefitted from well-developed financial markets, whilst Sapsford (1996) stressed that economic growth effects only took place in nations that exercised trade openness.

Findlay (1978) studied the “contagion” effect which argues that FDI essentially ‘infects’ the host nation with economic contributors that help improve the economy and its availability of resources. Findlay also mentioned the enhancement of technology and management skills imported by MNC`s can contribute to the progress of the host nation’s economy. Furthermore, De Mello (1999), Borensztein (1998) and Rappaport (2001) indicate that FDI is an important vehicle for driving economic growth due to the Spillover effect that inward investment has on domestic firms. All three authors argue that inward investment can benefit existing firms through mergers and partnerships that in turn can provide jobs for the population and decrease unemployment.

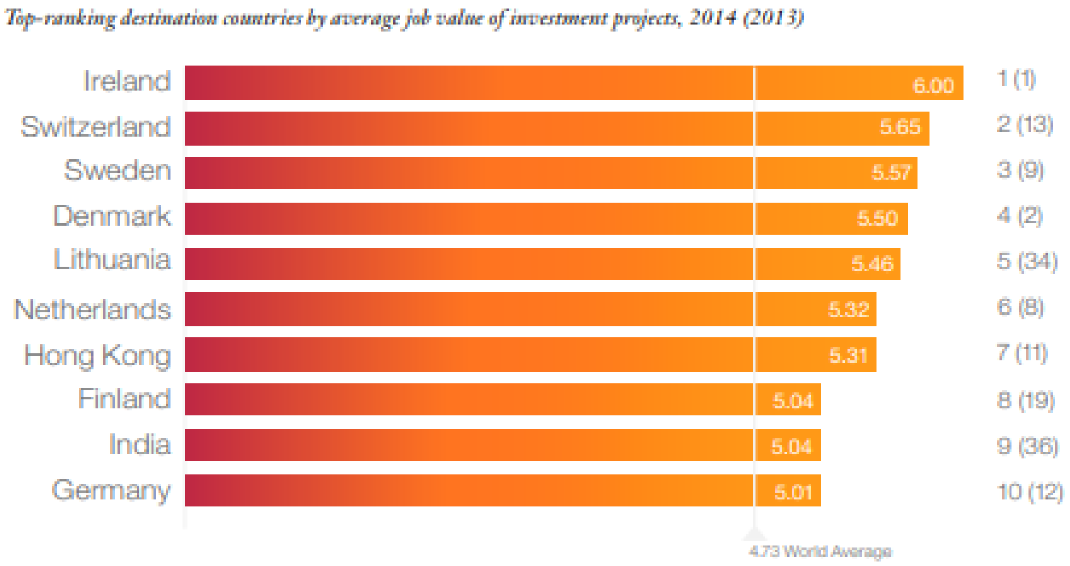
De Gregorio (2003) also found an interesting fact regarding the effectiveness of FDI on economic growth. His empirical studies conducted in Latin American nations over the period of 1950-1985 showed that increasing domestic investment by 1% increased economic growth by 0.1% to 0.2% whereas increasing inward FDI by the same amount actually increased economic growth by 0.6% per year associated with the expertise that is brought in by MNC`s. This suggests that inward FDI is three times more effective at generating economic growth in comparison to domestic investment.

2.5.4 Foreign Direct Investment in Ireland

According to the Economic Freedom Index published by Hall (2011), Ireland were ranked 25th from 141 countries in terms of FDI attraction. The report highlighted that Ireland`s inward FDI ratio have been on a downward spiral since 2005 which heavily accelerated after the 2008 recession (Gwartney, 2011). When comparing this result to their 2019 annual report, Ireland have climbed 19 places to place 6th for economic attractiveness, indicating positive economic growth over a 8 year period (Lawson, 2019).

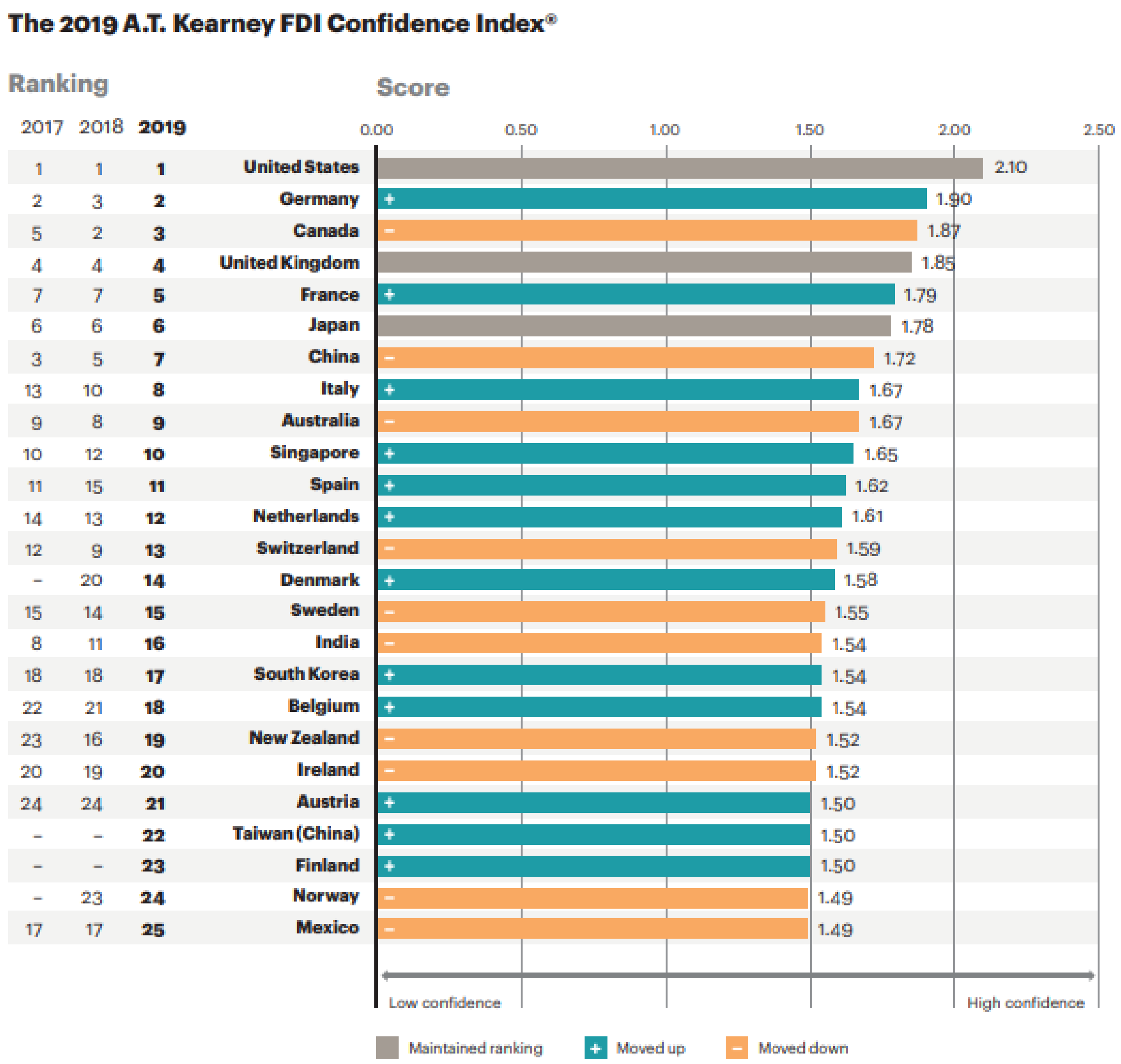
Amárach Research conducted a survey administered study in 2011 which discovered that of the 250 U.S multinational participants, 59% rated Ireland as a positive location to do business, 29% had neither a positive or negative view and 12% said negative comments. This would therefore indicate that almost 3/5 of participants would consider investing in Ireland and also represents the perception of Ireland amongst American firms (Grant Thornton, 2015). Three Years forward, the IBM 2014 Global Locations Trends survey ranked Ireland as the number one location for FDI in terms of high-value projects for the fourth year running (IBM, 2015).

Figure 12: Inward FDI by Country for High Value Investments



According to the A.T Kearney`s annual Global Business Policy Council report, Ireland are favoured as being 20th in the world as a hub for corporate investment, up 1 place from the previous year. The report also alluded to the fact that Ireland is one of the most economically attractive countries worldwide, with Dublin being awarded the best city globally for attracting FDI in 2018 and 2019 by FDI intelligence (Laudicina, 2019).

Figure 13: World Rankings of Location Attractiveness



Similarly, Ireland was ranked 24th in the world out of 141 countries in the global competitiveness report, commissioned by the world economic forum in 2019. This figure is one place short of their 23rd in the world position the previous year (Schwab, 2019). This figure appears to show similarities with A.T Kearney`s ranking of Ireland which suggests that Ireland are somewhere in the region of 20th and 23rd worldwide for economic attractiveness. There's also a common trend occurring here, there appears to mixed opinions regarding Ireland's global competitiveness position in relation to attracting FDI, further indicating the need to fulfil the research questions in this study and paving the way for further investigations to be conducted to better understand Ireland`s position in the global FDI market.

2.5.5 Threats to the Irish Economy

A 2018 journal article publication by TCD Professor Frank Barry, poses an argument that may cause problems for Hurley`s and Maxim`s views as mentioned under heading 2.4.2. Barry explored the challenges that Ireland face whilst competing in dynamic global business environment. The study revealed that changes to the U.S. corporation tax policy introduced by President Donald Trump in 2017, lowering the rate of tax from 35% to 21% could encourage U.S companies to repatriate and operate domestically instead of investing in outward FDI in Ireland. This is because the savings that U.S companies once benefitted from are not as lucrative as before the tax reform (Barry, 2019). This assumption has now been highlighted by the fact that Ireland are now entering their third year of negative inward investment flows, as aforementioned under section 1.2.

The most imminent challenge highlighted in the study was regarding the uncertainty and unpredictable economic stability of the Irish economy as a result of Brexit. Therefore, MNE`s may be reluctant to invest in Ireland in the near future depending on the outcome and repercussions of Brexit on the Irish economy. Both of these trends could damage Ireland`s economic competitiveness and reduce inward FDI (Barry, 2019).

Due to the unprecedented circumstances in light of the coronavirus pandemic, the economy is likely to contract with economic progress said to drop by around 7% which is estimated to result in a 4.3% deficit this year according to the Economic & Social Research Institute (ESRI). This is attributed to the reduction in consumption, expenditure, international trade and inward investment that will inevitably occur during the lockdown period. MNC`s will most likely postpone or cancel investment plans until more certainty and stability forms in the near future regarding the spread of the virus and the openness of the economy. The ESRI also warned that unemployment could soar from 4.8% to as high as 18% as a result of actions taken to slow the spread of the virus. The report highlighted that this will be Ireland`s toughest challenge since the global recession took effect back in 2008 (ESRI, 2020).

2.5.6 The Role of the IDA

After the Second World War had ceased, Ireland began to work towards a more open economy by implementing an import substitution industrialisation policy that aimed to develop domestic production and business and reduce its foreign dependency. The IDA was founded in 1949 to implement this very purpose, who act as Ireland`s national investment promotion agency (IPA).

The IDA are today, a semi state body that plays an integral role in building relationships with other nations and their belonging businesses who account for 10.2% of Ireland`s employment and 66% of Irish exports. IDA Ireland are responsible for the attraction and retention of inward FDI into Ireland and also provide funding to support research and development projects. IDA Ireland secure inward corporate investments by providing clients with tailored value propositions that help investors make eased development decisions.

Over the years, the IDA have developed exciting corporate and market connections through the satisfaction of clientele/investor needs. IDA Ireland are an award winning IPA that stand amongst the world's leading business development agencies. Trust, credibility and extensive market and sectorial knowledge are all factors that have contributed to their success over the longevity of their existence. According to a journal article published in the U.S journal of law, the IDA is *"probably the most powerful IPA in the world, as it acts as both coordinator and lobbyist for all matters relating to manufacturing and service industries as well as the industrial infrastructure"*. With over 21 overseas offices, covering

55 countries, the IDA are still developing not only their own sites but continuing to develop many more investment sites across the Irish state (Department of Foreign Affairs and Trade, 2017).

2.6 Ireland`s Automotive Industry

2.6.1 History of the Industry

Ireland`s automotive industry has shown signs of dynamism since its infancy in the early 1900`s. The punitive finance excise duties (vehicles) act 1952, now known as vehicle registration tax (VRT) which imposed a tax on all imported vehicles into the state, encouraged a vast amount of motor manufacturers including Ford, Volkswagen, Fiat and Renault to assemble their fleet locally instead of relying on production from abroad that would incur an import tax. After Ireland entered the European Union in 1973, the reliance for locally produced vehicles to avoid import taxes declined and by the early 1980`s all motor manufacturing had stopped, meaning vehicles are now imported into the state (Kennedy, 2019).

Since 2007, the Irish car market has fluctuated between 57.000 and 186.000 annual sales. Ireland’s record breaking year emerged from the Celtic Tiger era in 2000 with total annual car sales equating to 270.000. After the financial crisis in 2008, the automotive market collapsed by approximately 70% to a new low of just 57.000 sales. It took 7 consecutive years for car sales to recover, only exceeding 100,000 in the year 2015, which has become relatively stable up until 2019 (Demandt, 2020). The following chart gives a detailed understanding of Ireland`s yearly motor sales:

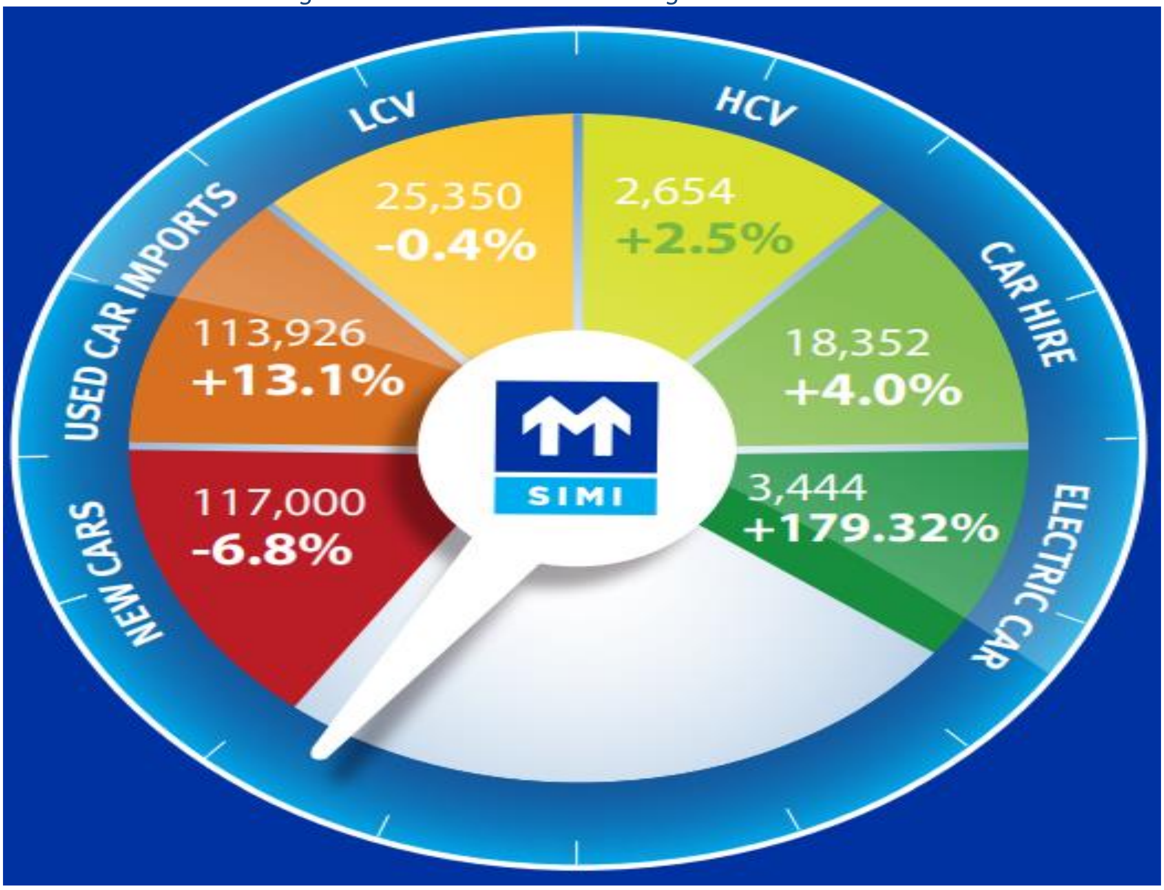
Figure 14: Car Sales Data in Ireland by Year

Year	Passenger Cars	Light Commercial	Sales	Growth
1990	82,584		82,584	
1991	68,440		68,440	-17.13%
1992	68,415		68,415	-0.04%
1993	64,161		64,161	-6.22%
1994	80,402		80,402	25.31%
1995	86,959		86,959	8.16%
1996	115,199		115,199	32.48%
1997	136,662	19,323	155,985	35.40%
1998	145,702	26,440	172,142	10.36%
1999	174,242	32,809	207,051	20.28%
2000	230,795	40,316	271,111	30.94%
2001	164,730	37,497	202,227	-25.41%
2002	156,125	33,792	189,917	-6.09%
2003	145,223	29,428	174,651	-8.04%
2004	154,136	29,313	183,449	5.04%
2005	171,742	35,876	207,618	13.17%
2006	178,484	39,502	217,986	4.99%
2007	186,325	42,727	229,052	5.08%
2008	151,607	28,163	179,770	-21.52%
2009	57,453	8,650	66,103	-63.23%
2010	88,443	9,887	98,330	48.75%
2011	89,904	10,860	100,764	2.48%
2012	79,574	10,275	89,849	-10.83%
2013	74,367	10,782	85,149	-5.23%
2014	96,284	16,478	112,762	32.43%
2015	124,945	23,262	148,207	31.43%
2016	146,603	28,246	174,849	17.98%
2017	131,335	24,216	155,551	-11.04%
2018	125,557	25,561	151,118	-2.85%
2019	117,100	25,350	142,450	-5.74%

However, from a critical point of view, it can be said that although total vehicle sales are relatively stable year on year, sales have been on a downward sloping trajectory over the last 4 years, indicating that the automotive industry in Ireland is in decline. As of May 2017, the UK government announced the ‘toxin tax’ and the congestion charge to combat the pollution and knock on health defects caused by $N0^2$ emissions. These taxes apply to diesel and other high polluting vehicles which are liable for a daily pollutant charge of approximately £12.50 and £11.50 for the congestion charge when driving in UK based city centres. This means that around 10 million diesel drivers are forced to pay £24 each day when commuting around populated areas. As a result, Ireland has witnessed many diesel imports entering the country from the UK in an attempt to offload their unwanted diesel cars, thus effecting the price of used car sales and reducing the demand for new car sales (Motorway, 2018).

In fact, 2019 marked a record year for Ireland`s used vehicle imports with approximately 113,000 entering the state. In comparison to new car imports in 2019 only 117,000 entered the state, suggesting that Irish motor consumers are opting to purchase used vehicles over new ones.

Figure 15: Automotive Purchasing Data in Ireland 2019

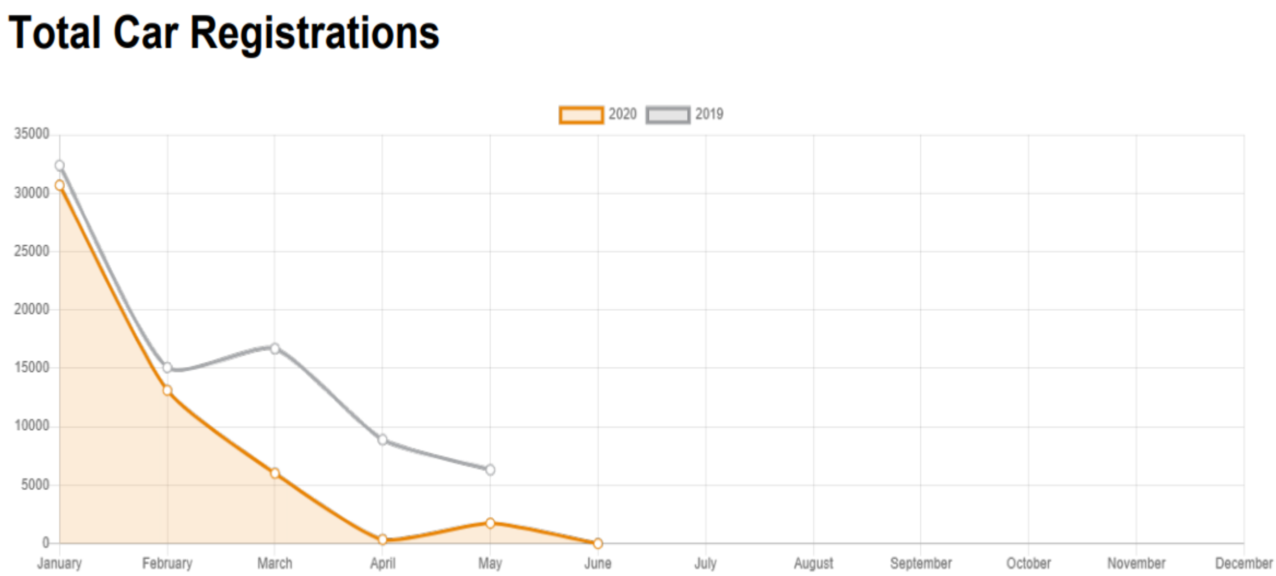


According to Bank of Ireland`s head of the motor sector Stephen Healy, *"You can track the weakening of Sterling with the growth of used cars coming into the country, making* *imports more attractive"*. Healy also alluded to the fact that *"Cars coming in from the UK often have an advantage in terms of landed cost and superior spec and that has weakened used residual values of cars in Ireland, heavily effecting new car sales and also around how a motor dealer manages their stock levels"*. However, Healy highlighted that these imports can benefit used car dealers, allowing them to pass these savings onto their customers (Healy, 2019).

2.6.2 The Current Automotive Market

As of 2020 the retail motor industry is back where it began in 2009 with sales of only 51,000 this year alone due to the Corona Virus pandemic forcing businesses to close. Compared to 2019 car sales statistics, car sales were down -63% during the month of March, -96% in April and -72% in May (Motorstats, 2020).

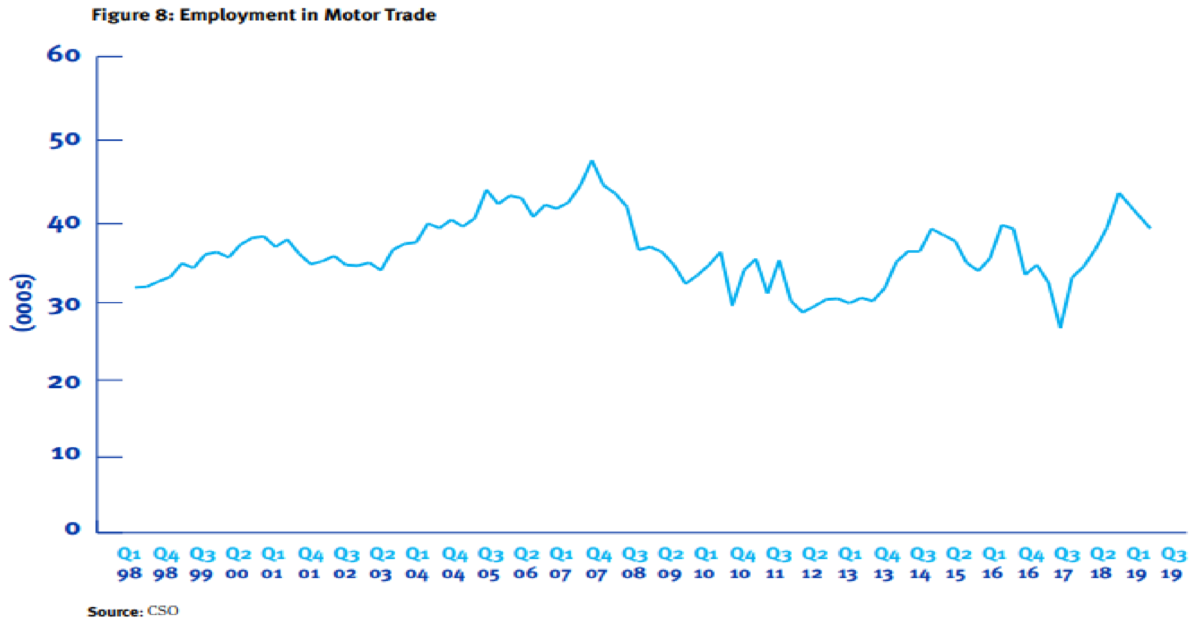
Figure 16: New Car Registrations in Ireland 2020



The managing director of the Society of the Irish Motor Industry, Brian Cooke, has recently spoken in light of the consequences of the pandemic and states that *"The motor industry* *and its employees, like so many industries, is feeling the devastating impact of Covid-19, even before the crisis commenced, the new car market was in decline"* (Hamilton, 2020). Times are tough for those involved in the motor trade Industry worldwide. Mick Kenny, head of Pilsen Autos in Dublin also added by saying *"we are concerned about consumer confidence going forward, we had issues anyway in the trade, changing from diesel to petrol to electric and this is another hurdle for us to lift"* (Hamilton, 2020). The managing director of Windsor Motor Group, Peter Nicholson suggested the new way forward for motor traders will involve *"every car dealer adapting to online selling, contactless payments and delivery"* (RTE, 2020).

At present, the motor trade industry in Ireland consists of auto dealers, wholesalers or auctioneers, vehicle repairers, car & commercial vehicle importers/distributors, vehicle testers, car hire and fuel retailers. The industry is home to 1200 registered dealerships under the supervision of The Society of the Irish Motor Industry. There are circa 43,700 people employed in this sector to date, an increase of 9.3% from 2019. The motor trade sector also contributed 5.5 Billion in revenue to the Exchequer last year showing its importance and significance to the economy (SIMI, 2020).

Figure 17: Employment Data in Ireland`s Automotive Industry



According to figures belonging to the CSO as shown in the table below, the automotive industry was the most invested in sector in Ireland during 2017, with 46% of investment in the services sector attributing to motor trade and auto repairs (CSO, 2018).

Figure 18: CSO Investment Data 2017

Main Invested Sectors	2017, in %
Wholesale and retail trade, repairs of motor vehicles	46.6
Information and communication	38.2
Financial intermediation	10.1
Food, beverages and tobacco products	2.1
Other financial activities	1.8

There are currently 2 million vehicles on Irish roads mainly comprised of manual petrol and diesel models with automatics becoming more and more popular. Advances in technology has caused an influx of electric and hybrid powered vehicles to enter the state in recent years with an increase of 180% in 2019. The sale of electric vehicles has tripled over the last 2 years as well as hybrid vehicles doubling its sales over the same period. This could be attributed to a push for more environmentally friendly emissions (Fulham, 2020).

According to the European Automobile Manufacturers Association, the automotive sector is vital for adding fuel to a nation's mobility and economic growth. For over 100 years, vehicles have transformed the lives of people in society, creating independence, mobility and freedom. Mobility essentially reduces the distance between homes, jobs, shopping and leisure facilities. Mobility that is created by the motor industry enables individuals to participate in social and economic life (ACEA, 2019).

Critically, it can be said that the freedom and mobility created by the motor trade industry can improve a nation's productivity and competitiveness whilst also psychologically reducing the physic distance between markets, regions or nations. The term psychic distance was first introduced by Beckerman in the 1956 studies conducted at the Uppsala University. The reduction in physic distance can encourage FDI and international trade (Evans, 2010).

2.6.3 Barriers to Entry

A report commissioned by KHSK Economic Consultants highlighted many market entry barriers within the Irish automotive industry. The first set is familiar and exist in many industries and are unambiguously of benefit to incumbents. These include factors such as:

I. Existing customer relationships

With an already saturated market, new entrants would initially struggle to compete with existing firms due to their already established brand loyalty and brand awareness. Due to the fact that buying a car falls under the high involvement purchase category, consumers tend to buy from those that they can trust and those that behold a positive reputation.

II. Sunk costs

Start-up capital is required to set up base in Ireland, with considerable costs related to market entry, property acquisition, recruitment, training and insurance costs. Those who wish to have a competitive operation would need to invest heavily to build a high profile presence.

III. Tight margins

The study found that dealerships work off small margins. It found that profit margins were as low as 1.5% of turnover. While very tight margins would deter new entrants, it would not necessarily be an effective barrier for large dealers who may be able to exploit economies of scale that could be used to build a competitive position with higher long run margins.

IV. The tax regime

High VRT and VAT in Ireland compared to other OECD countries may potentially be a market inhibiter, making the automotive industry somewhat unattractive (Bacon, 2014).

Conclusion

Although many views have been identified, little work has been carried out in Ireland to date, and with Ireland now entering their third year of negative inward investment flows, the time is right for investigation into this phenomena. This dissertation aims to add to the above literature as well as fill the gap that has not been investigated before – How economic determinants within the Irish economy affect inward investment decisions within the automotive industry.

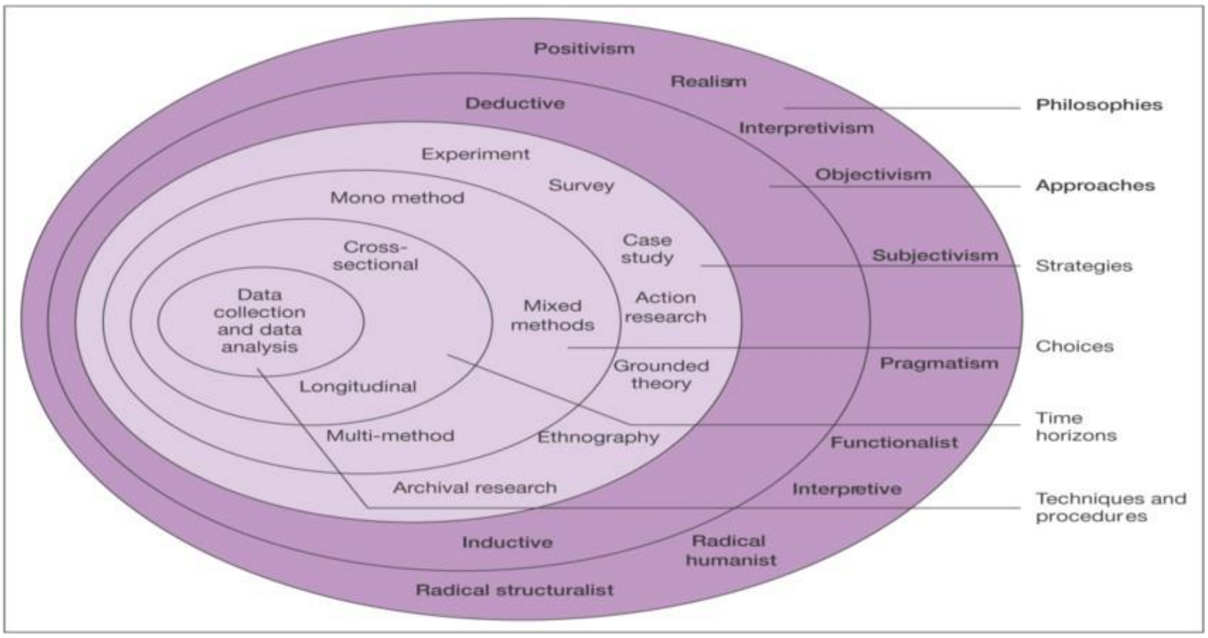
CHAPTER 3: RESEARCH METHODOLOGY AND METHODS

3.0 Introduction

According to Saunders and Thornhill, research can be defined as an action undertaken by someone with the sole intention of uncovering answers to the unknown in a systematic way, ultimately enhancing the their subject knowledge (Saunders, 2015). Blumberg, Cooper and Schindler express the importance of a clear methodological structure to any research as it provides the researcher with ideas and a sense of clarity that allows the transfer of knowledge and skills to answer the research question (Blumberg, 2011).

The research question`s and objectives will be examined by collecting and analysing both primary and secondary data. This research will be informative in nature and using both types of data will enhance the overall meaningfulness of the research. Using the research onion, the author has devised the ideal methodology that allows the objectives, findings and research questions to be gathered and answered. The research onion was developed by Sunders and Thornhill, it helps the researcher to refine their methodology. The model identifies areas to be considered such as, philosophy, approach, strategy, choice of method, time horizon and kinds of data collection tools to use for their research.

Figure 19: The Research Onion



(Walliman, 2010)

3.1 Research Problem Definition

Sorensen (2010) argues that the first step in constructing a research methodology is to define the research problem that the researcher is intending to solve. The research problem is understood to act as the foundations on which research is built upon and provides structure and clarity for the entirety of the methodology chapter. Likewise, Blumberg, Schindler and Cooper (2011) also recognise the importance of defining the research problem and states that the research can benefit from having a narrowly defined problem statement as it distinguishes it from related ones. This investigation has a narrowly defined research question and is posed as follows:

"Do variables related to economic competitiveness influence the inward investment decisions within Ireland`s automotive industry"

3.2 Research Aims and Objectives

Saunders, Thornhill and Lewis recommend to develop the research aims and objectives from the research question(s) in order to keep the aims and objectives in line with what you are trying to answer. Clearly specified aims and objectives provides clarity for the study and helps to structure the entirety of the research process (Saunders, 2015).

According to Blonigen (2005), research regarding the determinants of FDI is an area of study in its infancy and little work has been done to prove this within Ireland. The purpose of this paper is to gain an insight into the economic factors that are influencing FDI decisions from automotive companies in Ireland. The paper also aims to distinguish Ireland from other OECD nations in relation to competitiveness. This research is exploratory in nature, hence, no hypothesis is being put forward for testing. The main research objectives that this paper will aim to address are as follows:

Research Objective 1	How competitive is the Irish economy as a host nation for inward FDI, in comparison to other OECD countries, as potential alternatives for investment locations?
Research Objective 2	What are the main economic factors that are influencing (if any) the investment decisions of automotive companies in Ireland?
Research Objective 3	What challenges do Ireland face, especially SIMI and the IDA in attracting and maintaining foreign investment in this industry?

3.3 Proposed Methodology and its Structure

This research will be conducted using qualitative research methods which was derived from the research onion. The research onion provides structure and order and guidance to the research process and methodology. The research onion is comprised of different layers, the outer layer of the onion contain options for alternative research philosophies and approaches whilst the middle layers are concerned with alternative research strategies and choices and finally the inner layer consists of data collection methods and analysis (Saunders, 2015).

3.4 Research Philosophy

The peripheral layer of the research onion classifies the role of philosophy as being an integral part of the research process. This is because the philosophy chosen is generally influenced by the nature of the research and the questions being asked. Research philosophy has been explained by Saunders and Thornhill as the section within the research process that identifies the author's belief as to how the data surrounding a phenomenon should be gathered, studied and used (Saunders, 2015). It has been argued by Clark and Johnson (2006) that the most important factor in constructing a research philosophy is based on the degree to which the author can defend and reflect upon the chosen philosophy, especially in relation to alternative philosophies (Johnson, 2006).

There are three different philosophical methodologies that can be adopted to structure your investigation, they are;

- **Epistemology** - is concerned with the essence of knowledge and the circumstances required for a belief to constitute knowledge, such as justification or truth
- **Ontology** - is concerned with the view of the nature of being or reality

- **Axiology** - often referred to as 'value theory' in contemporary literature is concerned with values and notions of worth in society (Saunders, 2015).

For the purpose of this research, the philosophical position adopted by the author is epistemology due to the fact that the author is concerned about what constitutes acceptable knowledge in the economic competitiveness/FDI discipline. Moreover, the author recognises that people's opinions are deemed as acceptable knowledge and are to be treated as valuable information in this field. Also, according to Saunders and Thornhill, an epistemological methodology requires the author to focus on narratives, opinions, perceptions and interpretations to better understand the underlying aims and objectives of the research which from this perspective, perfectly encapsulates the purpose of this investigation: to uncover the attitudes and opinions of the automotive industry in Ireland regarding the key determinants of FDI.

Additionally, Blumberg (2011) proposes three opposing positions with regard to epistemology, ontology and axiology that can be reflected in alternative research philosophies, namely, realism, positivism and interpretivism. This research will adopt an interpretivism research philosophy, using in depth interviews to fulfil the research objectives and question in the primary data collection phase. Blumberg (2011) argues that an interpretivism approach focuses on human interests and behaviours. An interpretivism-based epistemology assumes that findings are subjective, meaning that the respondent's answers are personal, therefore there is no right or wrong answer to the questions being posed. Likewise, McGovern (2009) argues that an interpretivism approach benefits from *"its flexible nature"* and *"its emphasis on discovering unanticipated findings".*

As these answers are not exactly measurable or quantifiable, Blumberg (2011) suggests that the best method for collecting such data is through qualitative techniques such as in-depth interviews. Therefore meaning that quantitative methods are not viable for this piece of research and have been ruled out. This point also rules out using a positivism approach as this generally requires quantitative techniques to be used.

In order to determine the determinants of FDI in the automotive industry, interpretivism is the ideal philosophy to use. Due to the fact that each firm's decision to invest in Ireland will be completely subjective, therefore an interpretivism philosophy allows the researcher to identify economic factors highlighted by each firm. In this case, the researcher will also use secondary research (from the literature review) to reinforce the strength of the data collected by attempting to make inferences and synthesis between both data sets. The findings of the primary research will be analysed and an attempt will be made to find either a positive or a negative relationship between economic factors and FDI in the automotive industry in Ireland.

3.4 Research Approach

Having previously defined the research philosophy incorporated in this study, the author can then begin to determine the research approach. Maylor (2016) alludes to the importance of the chosen research approach being congruent with the posed research philosophy. Furthermore, the approach taken tends to limit the appropriate methods of data collection. Depending on whether the investigation requires the researcher to test the validity of a theory or hypothesis or investigate a phenomenon in an exploratory manner in order to gain an understanding of it, there are two distinctive options proposed by Saunders and Thornhill (2015). The two options are as follows;

1. Deductive approach – used when testing a stated theory or hypothesis
2. Inductive approach – when researching to gain an understanding of a specific phenomenon.

According to Saunders and Thornhill, an inductive approach is generally adopted when qualitative research methods are being posed. Inductive research involves drawing conclusions from primary data using thematic analysis, which allows for conclusions to be drawn from primary data. A thematic analysis is a technique used to analyse qualitative data. It is typically applied to worded responses such as interview transcripts. The researcher then analyses the data and attempts to identify common themes, ideas, topics and patterns that are repeatedly highlighted which are used to make inferences and conclusions regarding a phenomenon. A thematic analysis is exploratory in nature and helps to provide answers to an under studied or unexplored area without the need for pre-existing theoretical frameworks to test against (Saunders, 2015).

As this study aims to explore the garages perceptions on the relationship between economic competitiveness and inward FDI in Ireland`s automotive industry, an inductive approach will be adopted by the author for the purpose of this research. The author will utilise pre-existing questions that can be used to provide structure and control for the in-depth interviews. These methods have been previously reviewed and tested for data analysis. This method reduces the risk of data analytic errors from occurring. This approach allows the research to be carried out in a systematic manner.

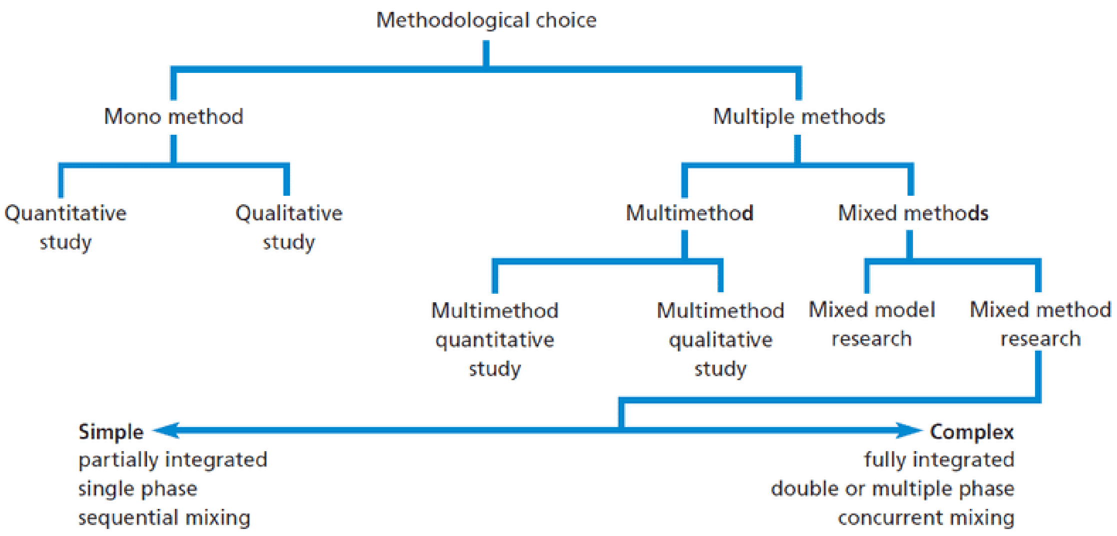
No hypothesis is being put forward as the research is exploratory and explanatory. In contrast to an inductive approach, a deductive approach is generally concerned with quantitative research methods that require statistical gathering of information from large samples in order to establish generalizable conclusions, either proving or rejecting a hypothesis, which is inappropriate in this case. Exploratory research enabled the researcher to ask open-ended questions to extract insights on FDI determinants. Explanatory research allows the researcher to draw and prove or disprove the relationship between economic variables and FDI determinants (Saunders, 2015).

Another justification for choosing an inductive approach comes in light of the coronavirus pandemic. It was a concern of the author that acquiring large sample sizes may become difficult with many people forced out of work or staffing numbers being heavily reduced, thus a smaller sample size is more viable, allowing the author to gain rich and detailed findings from the interviews.

3.5 Research Strategy

Saunders, Lewis and Thornhill suggest that the strategy adopted by the researcher must follow suit with the philosophy chosen as well as being guided by the research question(s) and objectives. Furthermore, the extent of existing knowledge, resources available, access to participants and time horizon should all be considered in this section. This section refers to the overall strategy that the researcher has chosen to integrate to ensure that the research problem will effectively be addressed; it includes the process for the collection, measurement, and methods for data analysis. This research requires an exploratory design approach in order to better understand the research problem. The tertiary layer of the research onion is concerned with the research choice. Saunders, Lewis and Thornhill differentiate the methodological choice between a mono-method and a multiple method research design (Saunders, 2015). The following diagram represents the classification of methodological choices:

Figure 20: Methodological Choices Diagram



In this case a mono method is being utilised. With qualitative research methods being the only type of research chosen, face to face and online in-depth interviews will be conducted with members of the society of Irish motor industry, gaining access to a wealth of reliable and accurate information and opinions from industry experts. Depending on the willingness of the participants to engage in human contact in light of the corona virus pandemic, the participants were given the choice to take part in a face to face or an online interview in lieu of the close contact method.

3.7 Research Choice

The researcher has chosen qualitative research for this study. *"Qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data"* (Bryman, 2008). Qualitative research (in-depth interviews) is best suited for this study for a number of reasons, the main reason being; in order to answer the research question(s), in depth, open ended questions are required to retrieve insights, opinions, beliefs and attitudes about this topic. Qualitative research allows the researcher to find out 'why' businesses in the automotive sector are investing in Ireland. Research findings in words and narrative will explain this phenomena better than using quantitative methods. Another reason for choosing qualitative research over quantitative methods is because qualitative research studies can provide you with details about human behaviour, personal opinions and emotions that cannot be unveiled by quantitative studies, according to Pandve (2016).

Prior to the data collection phase, the researcher had contacted members of SIMI through Instagram and via email to determine their willingness to participate in the study, positive responses were gathered from numerous auto traders in the wider Dublin vicinity. The aim was to conduct anywhere between 3 to 5 in-depth interviews with management associated with the companies in this study. Each interview was scheduled to take no longer than 30 minutes, asking specific and targeted questions to answer the research questions. The participants will be selected using Purposeful Sampling - to recruit participants who have the required knowledge to provide rich in-depth information about the phenomenon under investigation.

The interviews set out to investigate employee`s views on Ireland`s economic competitiveness and the factors that are influencing investment decision from abroad. All participants were given a consent form prior to data collection. The data collected was recorded and saved in a secure private location and analysed using thematic analysis to find relevant themes (reasons for investing in Ireland) which will conclude the research. MAXQDA was the software program used to help the researcher transcribe and analyse the data. Malhotra and Birks (2006) argue that interviews allows for a more open and honest discussion that enables participants to reflect on the questions posed and respond in their own terms.

The researcher will use questions derived from The World Economic Forum`s Global Competitiveness Report (Schwab, 2019). This framework has developed tested questions that investigate attributes, details and qualities that drive productivity and FDI in an economy. The framework is organized into 12 main drivers of productivity, or *'pillars'.* This structure will allow the researcher to determine the strength of Ireland`s economic competitiveness. It`s important to mention that descriptive statistics will be used to determine the relationship between Ireland`s economic competitiveness and inward FDI.

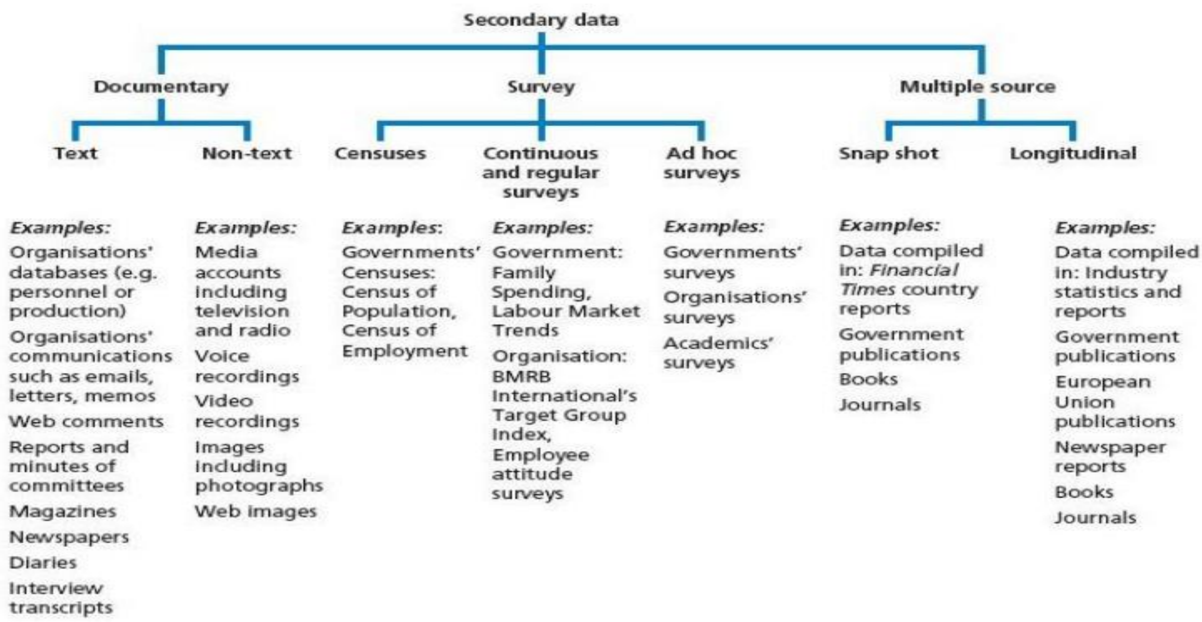
3.8 Time Horizon

Saunders, Lewis and Thornhill distinguish between two kinds of time horizons that can be adopted to answer the research questions and objectives. Either a cross-sectional or a longitudinal approach can be taken. Cross-sectional studies consist of research that is conducted in one single time frame whereas longitudinal studies are examined and conducted over an extended period of time (Saunders, 2015). This research employed a cross sectional research approach due to the fact that the collection phase was limited to a short period of time being three weeks. The overall working time for this dissertation was set at 14 weeks.

3.9 Secondary Data Collection

According to Maylor and Blackmon (2016), the secondary research phase should be considered and acts as the starting point when conducting any piece of research. Secondary data refers to existing data that has already been compiled and published by other people. Analysing this kind of data is time and cost efficient as it is already available. There are several precautions to be aware of when using secondary data including, the reliability, accuracy and impartiality of the data. Saunders, Lewis and Thornhill (2015) categorise secondary data into three distinctive subgroups being, documentary, survey based and information compiled through multiple sources. This dissertation included all three kinds of data, especially government reports, journal articles and text books. The electronic academic database of National College of Ireland served as the main source to access secondary data.

Figure 21: Types of Secondary Data



3.10 Data Analysis Method: Thematic Qualitative Data Analysis

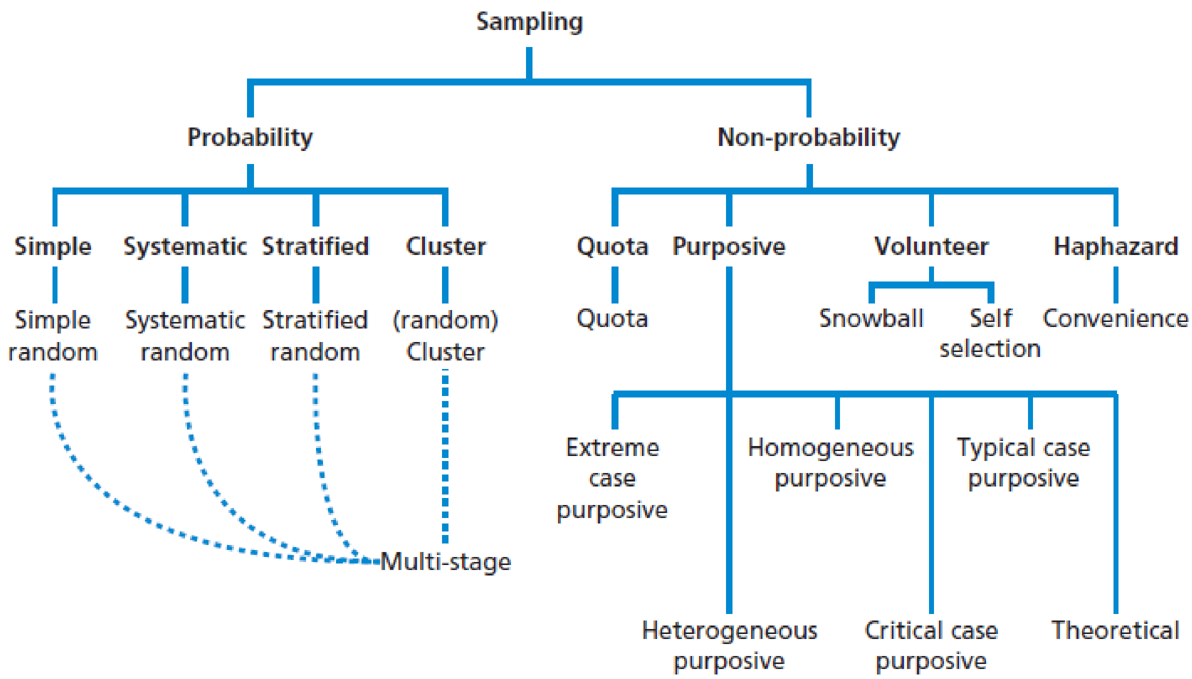
Saunders, Lewis and Thornhill (2015) have defined data analysis as the process of giving meaning to data through synthesising techniques with relevance to the research questions and objectives. Each face to face interview was audio recoded and all internet based interviews were video recoded and later transcribed for post analysis of the data. Transcripts were generated using MAXQDA, a software developed to ease the lives of researchers and help to break down data sets. A thematic analysis was then undertaken by the researcher, which is a widely accepted method of reviewing qualitative research. Recurring themes within the primary data were identified based on participant's statements that matched with the secondary research findings in the literature review. Highlighted themes were cross referenced with the existing research in the field of competitiveness and FDI in order to draw conclusions from the data. A previously aforementioned under heading 5.4, it is suggested that an interpretivism approach to processing the data inductively is the ideal way of doing this cross referencing thematic analysis.

The researcher conducted structured in-depth interviews and online video interviews with five purposefully selected automotive experts who represented their company. The researcher opted for mainly open ended questions in order to instigate honest and personal answers from the participants. Open ended questions were best suited as there is unlimited scope as to how they could answer the questions posed. Furthermore, Friedman (2003) argues that open ended questions reveal a participants logic and thinking process which is imperative for an accurate interpretation of responses. Probing questions were also used to encourage the participants to elaborate on certain aspects or topics drawn on during the interviews. Generally closed questions were only used for introductory purposes (Walliman, 2010).

3.11 Sample & Population

According to Blumberg (2011) a sample is defined as a subset that is connected to a larger population. The purpose of drawing a sample from a population is to estimate and represent that population on a smaller scale. There are a variety of sampling techniques that can be used to collect responses, such as: non probability sampling which requires non-random selection and probability sampling that does require random sampling.

Figure 22: Sampling Diagram



As non-probability sampling is generally associated with exploratory research, this method was adopted for this study using a purposive sampling approach. Also known as selective, judgement or subjective sampling, purposive sampling relies on the anticipation of the researcher when it comes to selecting the sample from the population that are to be investigated. Typically, the sample sizes are small, especially in comparison to techniques like probability sampling that require larger sample sizes through the use of quantitative research (Saunders, 2015). The population selected by the researcher consisted of members from SIMI, the society of Irish Motor Industry. The total population equates to 1200 registered members all of which would be considered industry experts. Although it is unknown how many of these are a direct result of FDI, the researcher made a valiant attempt to select only those who have invested in Ireland from abroad. The sample included five members, all of which invested in Ireland from Europe. The sample was targeted and selected by the researcher based on convenience and location based factors within the Dublin vicinity. Potential participants were contacted by the researcher through LinkedIn, Instagram and email as well as by phone. The research was conducted over a period of three weeks starting July 1st 2020 and ending 21st of July 2020.

3.12 Ethical Issues

According to Schindler, Blumberg and Cooper (2011), ethical considerations must be established and abided by at all times in order to reduce the potential for ethical mishaps from occurring in the research process. Conducting research is accompanied by a burden of responsibility upon the researcher that involves acting with an ethical mind-set and practicing ethical behaviour throughout the investigation. Therefore research ethics relates to the values and moral principles that influence the manner in which research is conducted, without causing any harm to anyone involved. Considering the nature of qualitative research, the interaction between participants and the researcher can be ethically challenging for the latter (Saunders, 2015).

In relation to this dissertation, particular attention was paid to the ethical code of conduct in an attempt to alleviate any ethical issues that had the potential to occur at all stages of the research process. Participation in this study was of course voluntary and the participants were first given a consent form to sign after being issued details of the study they were participating in. All participants were made aware of their legal right to withdraw themselves from the research process at any time without any forthcoming consequences. The data collected was obtained through structured in depth interviews and all information gathered was safely secured and only used for the purpose of this dissertation. Above all, the researcher conducted the investigation with the sole intention of acting and demonstrating transparency, integrity and objectivity throughout as well as ensuring that the privacy of all participants was respected.

3.12.1 Gaining Access and Informed Consent

Colin Robson (2016) argues that gaining access to research requires cooperation and relationship development with the all parties involved in the data collection phase. Accordingly, an introductory message was sent to the participants prior to the interview taking place. This message included the purpose of the study and the importance of their contribution, the risks and the potential benefits, their rights, information regarding responsibility and confidentiality as well as being granted access to the audio/video recordings, findings and conclusions of the study. The anonymity of the data was further secured with all files and recordings being stored in a locked filing cabinet where the researcher resides.

The companies were selected using SIMI`s database where the multinational automotive companies were listed. LinkedIn was also used to identify these companies and get in touch with relevant members of staff associated with these companies.

3.12.2 Anonymising the Data

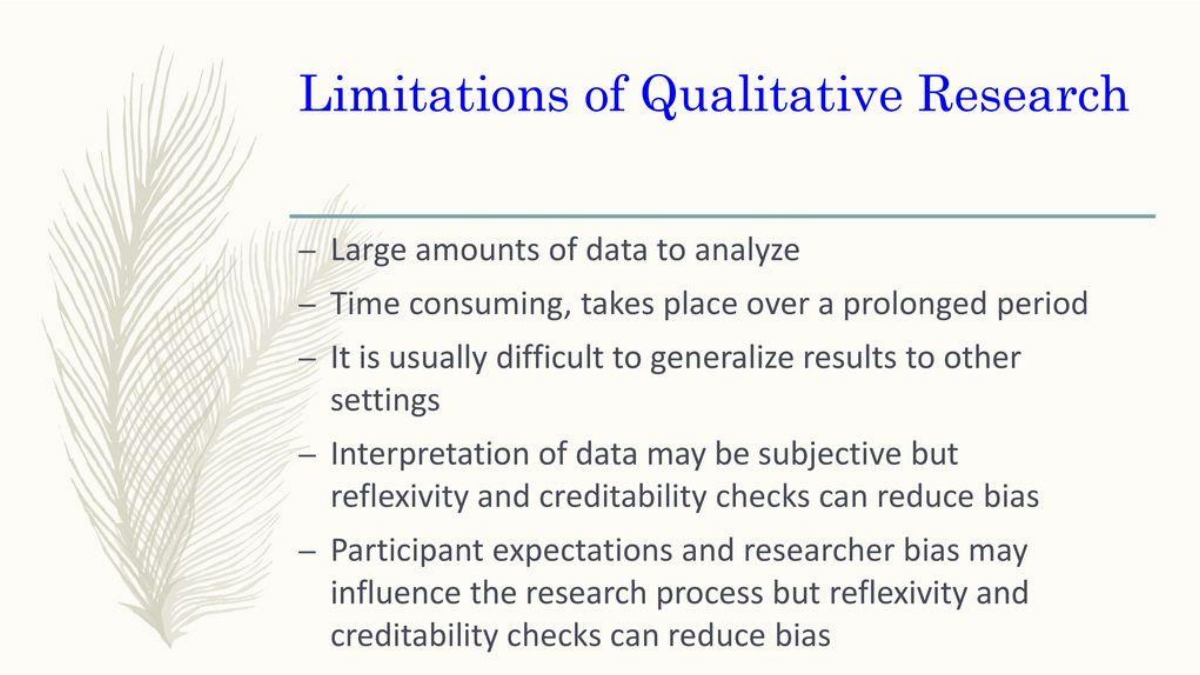
Anonymising data is a type of information that is concealed for the purpose of protecting the data or person involved with data collection. Making data anonymous ensures that privacy is respected. This is the process of removing personally identifiable characteristics from data sets, in order for the participants to remain anonymous (Bryman, 2008). This was done in accordance with the EU`s GDPR regulation that was brought forward by the European parliament in 2018. Personal data is defined as data that relates to or can identify a living person. The regulation is concerned with the *"collection and processing of personal information from individuals who live in the European Union". This further adheres to article 7 and 8 of the Charter of Fundamental Rights of the European Union* (ECHR, 2020).

An important ethical consideration made by the author was the reference to several named, real world automotive businesses throughout the primary data collection phase. In order to protect the best interests of these businesses, a decision was made to anonymise the identity of these participants in this study. Due to the fact that this study is only concerned with opinions, emotions and personal experiences rather than hard evidence, it has been deemed unnecessary for the automotive participants to be named from both an ethical and legal standpoint. Instead, the automotive participants have been given pseudonyms such as *'participant 1'* to *'participant 5'* throughout the findings and analysis chapter to ensure anonymity of all participants referenced during the data collection process.

3.13 Limitations

Limitations are considered as influences that the researcher has no control over, causing burdens and restrictions on the methodological process, potentially even hindering the findings of an investigation. Hence, the researcher should be aware to these restrictions and develop ways and means of working around them keeping the research question in mind at all times. This dissertation is no different, as limitations existed, which caused the research to be impacted (Saunders, 2015). According to Bryman (2008), generic limitations that are associated with qualitative research include as follows:

Figure 23: Limitations of Qualitative Data



Firstly, although there is an enormous amount of information available online regarding FDI in general, there was little to no research conducted on FDI within Ireland`s automotive industry which restricted the quality of secondary data on this topic. Limitations regarding the restrictions of word count and the time frame imposed to conduct this research definitely hindered the accuracy and reliability of the research, however a valiant and professional manner was taken to make the most of the situation that was placed on the researcher, especially during a global pandemic.

Subsequently, this meant that the sample was composed of only a small amount of participants, not only due to time and word count restrictions, but due to the fact that it was difficult to get participants to willingly engage and make physical contact (face to face interviews) during this unprecedented time. Also in relation to the findings and analysis section, a significant limitation existed which was the potential for bias to influence the primary data collection phase, possibly affecting the reliability and accuracy of the results. Although a major effort was made in planning and conducting the interviews, including trying to not include leading or influencing questions, the responses cannot be guaranteed to be entirely reliable or authentic as a result. These limitations all further encapsulate the need for further research to be carried out on this topic.

CHAPTER 4: RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter’s sole purpose is to analyse and review the findings from this research using the methodology described in the previous chapter (Saunders, 2015). The results of this research present the first comprehensive findings regarding determinants of inward FDI within Ireland`s automotive industry to date. The participants were selected within automotive companies that had come to Ireland from abroad. A total of 20 invitations were sent out via email, LinkdIn and over the phone by directly contacting the organisations. 10 invitations received no reply and 5 were politely declined. In total 5 participants took part in this research with four interviews being conducted face to face and one being conducted using a What’s App video conference call as per the request and personal preference of the participant in light of social distancing and contact limiting obligations. This means that there was a 50% response rate and a 25% participation rate on the total invitations that were distributed.

It`s important to mention that each participant represented as a senior member of staff who had the required knowledge and experience to participate and contribute to this research. As per the methodology, the names of the participants will remain anonymous and will be labelled as;

Participant 1 (P1) - An Albanian entrepreneur who is the co-owner of Eagle Motors in Drumcondra, a mechanical workshop who also offer car sales and car valets. (Face to Face interview & male)

Participant 2 (P2) - Business Manager at Audi North Dublin. Audi are a German owned car manufacturing and car sales organisation (Face to Face & male)

Participant 3 (P3) - Area Manager at BMW Ireland. BMW are a German owned car manufacturing and car sales organisation (Face to Face & male)

Participant 4 (P4) - Business Development Manager at Volkswagen Group Ireland. Volkswagen are a German owned car manufacturing and car sales organisation (Face to Face & male)

Participant 5 (P5) – Business Manager at Ford Motors. Ford are an American owned car manufacturing and car sales organisation (Video Conference call & male)

The questions were designed by taking inspiration and direction from the questions used by the World Economic Forum in their annual global competitiveness reports. The questions were then altered to ensure that the research aims and objectives were being answered in a formulated manner. Each Interview followed the same process, the table below shows the questions asked under each of the 3 research objectives. This table helped provide structure and clarity to the research ensuring that all objectives were answered:

Introductory questions:

1) What is the name of the organisation that you represent?
2) Please state your position within the organisation.
3) When did your organisation first invest in Ireland?

Research Objective 1	**How competitive is the Irish economy as a host nation for inward FDI, in comparison to other OECD countries, as potential alternatives for investment locations?**

	1.1 Could you please describe in detail with your knowledge, how significant you believe the following factors are for attracting and retaining FDI in your industry? - Training and education for the workforce? - Macroeconomic environment (political stability, taxes, employment, inflation, ease of doing business, access to markets, cost of labour, language and culture closeness etc.) - Infrastructure (transport, electricity and communications network, financial and ICT infrastructure?) 1.2 Are the above factors sufficiently developed or would certain aspects need improving in your view, please illustrate your answers with industry related examples if necessary? 1.3 Could you please discuss in general why you believe Ireland has been an attraction for automotive companies? What advantages or disadvantages does Ireland possess in comparison to other countries that come to mind (perhaps ones that were not mentioned above)? 1.4 In your opinion, who are Ireland`s biggest national competitors in terms of FDI from your industry? 1.5 What factors do these markets/countries have that Ireland do not have at this present time?
Research Objective 2	**What are the main economic factors that are influencing (if any) the investment decisions of automotive companies in Ireland?**

	2.1 Of the factors mentioned above and also alternative factors that come to mind, what influenced your organisation`s decision to invest and do business in Ireland? 2.2 How successful or unsuccessful would you consider your organisations investment in Ireland to date? 2.3 Do you know if your organisation has plans to remain in Ireland in short run or the long run, if so elaborate?
Research Objective 3	**What challenges do Ireland face, especially SIMI and the IDA in attracting and maintaining foreign investment in this industry?** 3.1 What challenges do you believe Ireland will face in the near future regarding FDI within the automotive industry, if any? 3.2 If any, can you describe any negative factors that are currently impacting your industry/organisation that would encourage you to leave Ireland

4.1 Research Findings & Discussion

Objective 1

4.1.1 'Could you please describe in detail using your knowledge, how significant you believe the following factors are for attracting and retaining FDI in your industry:

- ***Training and education for the workforce?***
- ***Macroeconomic environment (political stability, taxes, employment, inflation, ease of doing business, access to markets, cost of labour, language and culture closeness?)***
- ***Infrastructure (transport, electricity and communications network, financial and ICT infrastructure?)'***

This question aimed to extract the participant's opinions and feelings towards the importance of the factors listed above, of which were analysed and identified within chapter 2 – The Literature Review.

All 5 participants agreed that strong training and educational developments will influence FDI in this industry. P3 alluded that most roles within the company require at least an ordinary degree to go forward to the interview stage, especially those within finance, sales and management. According to the literature by Bris (2019), Ireland is ranked 1st in the world for the availability of skilled labour so this should in fact attract and retain investment.

P2 also said that *"on the job training can improve the quality, expertise and ability of our subordinates".* P3, 4 and 5 also said that they use third party training firms to improve their staff`s abilities and knowledge. P1, P4 and P5 all agreed that experience is equally important when recruiting staff. P1 said *"4 out of my 5 mechanics are self-thought and have no third level qualifications, their abilities are in their work ethic, fault finding and problem solving and this is most important to me".*

These responses would be in agreement with the literature provided by Berrill (2020), Ahmed (2014), Miningou (2017) and Constantine (2019) and Lyons (2012) who state that a developed training and education system can influence inward FDI into a country. This is the first theme highlighted that has a positive relationship with the available literature. In terms of Political stability, all 5 participants agreed that Ireland has a politically stable environment which would be attractive and could influence FDI positively. P1 mentioned that this was one of the reasons his family and himself came to invest in Ireland, to escape the crime and corruption that exists in Albania.

With all participants accepting Ireland as a stable place to do business, it proves how much progress the country has made since its instability during the 1970`s and 1980`s. All responses are congruent with those of the IDA (2019) and World Economic Forum`s global competitiveness report (2019) that point towards Ireland being a stable nation politically and economically.

The responses towards national taxes was mainly positive. Participants 2-5 all agreed that low taxes such as corporation tax would entice automotive companies to invest as less tax deductions means greater profits. All 4 also stated that Ireland`s corporate tax rate of 12.5% is very lucrative compared to other EU members. These answers are congruent with the findings of Murphy (2020), Ascani, Crescenzi, and Lammarino (2016) and (OECD, 2020) who in the literature review highlighted that low CIT enhances a countries chances of attracting inward FDI, indicating a positive relationship between FDI and CIT rates in Ireland.

Although P1 highlighted that Ireland`s taxes are very high compared to in Albania, where companies are exempt from paying CIT if earnings are under 8 million Albanian Lek (€65,000) whereas here in Ireland all companies pay CIT at a rate of 12.5% no matter how much revenue is generated. P5 also alluded to the fact that VRT and NOx taxes for importing vehicles is very high in Ireland which is not the case in other countries where Ford are present.

For employment only P3 managed to give a response here stating, *"for us, we look at employment figures to determine whether there is a viable market or not. Without employment or jobs there is no money in the economy to be spent, especially on premium vehicles, luckily Ireland`s unemployment is low. So yes employment levels are an important factor to consider".* Labour costs was another determinant that was addressed. P1 stated that labour costs are enormous compared to in Albania, where mechanics are paid as little as €2.50 per hour in comparison to Ireland where Eagle Motors mechanics are paid €15 on junior contracts, €20 on senior contracts and €21 for auto electricians. All other participants said that this industry relies on skilled and educated labour who receive higher than average wages in general. Participant 3 highlighted that most roles within the company require a third level qualification of which are high paying salaries, especially those related to sales, management or finance. The literature suggests that Ireland have a below average hourly rate compared to other EU members according to (IDA Ireland , 2019).

In response to inflation as a determinant for FDI, all participants believed this was insignificant and would not affect FDI inflows. However P5 did mention that *"unless inflation was very unstable like it has been in Argentina and Venezuela for many years then this would not be an issue".* The literature also says that inflation is not a determinant of FDI with Omankhanlen (2011), Khan (2015) and Tsaurai (2018) stating that inflation has no significant effect on FDI inflows to host nations.

The responses gathered in relations to 'ease of doing business, language and access to markets were also optimistic. P1-P5 agreed that Ireland is a good place to do business with little to no harsh rules or regulations that could smother their operations. P1 said that doing business here is more *"enjoyable"* compared to Albania where business can be hindered by crime, corruption and lack of profitable markets. These responses share similar views to the literature in chapter 2. According to Former US President Bill Clinton who, at the Invest in Ireland Forum in New York in February 2012, said: *"You'd have to be nuts not to take advantage of the unique investment opportunity presented by one of the most business-friendly countries in the world, with the youngest, best-educated workforce in Europe"* (Sanyal, 2018).

In relation to language P2-P5 liked the fact that Ireland was the only primary English speaking country in the EU which suited them as this language was well spoken back in Germany and also the primary language of the U.S for Ford so communication to and from the host and parent country was easy, efficient and effective. P5 also mentioned that they are able to save costs as a translator is not required. The literature would suggest that this response is accurate. According to Verdu (2019), Ireland is governed under the Anglo-Saxon model, as is America (free market economy). The study indicated that conducting business in a similar foreign market contained less risk and greater chances for success as the ease of conducting business is greater. The study concluded that because Ireland is one of the only English speaking countries in the EU, language barrier issues do not exist here.

The German companies represented by P2, P3 and P4 answered positively regarding Ireland`s access to markets. They all said that because Germany are also an EU member, they have unrestricted access to their home market so exporting and importing of vehicles is viable in comparison to non EU states. P5, representing Ford (American owned) thought Ireland is a great location as it provides direct access to the EU with less restrictions and taxes. Anastassopoulos (2007) and Dunning (2002) both highlighted that locational factors such as access to markets or raw materials influence FDI decisions. Both authors' views are congruent and also reinforce the responses of the participants highlighting a positive relationship between Ireland's location, access to markets and inward FDI.

The responses to culture closeness as a determinant of FDI were very insightful to say the least. P1 stated that culture did not influence they're decision to come to Ireland as Albania and Ireland have opposite cultures and are linguistically different. Of the German representatives, P2 did not answer this part, P3 and P4 however thought that culture was an important factor as similar cultural values can improve the speed of integrating into a new investment country. Ireland and Germany shared similar cultures according to the participants. Humour, education and strong work ethic were highlighted as being similar characteristics shared by both nations. P3 added by saying *"Ireland and Germany are not worlds apart".* This was also the case for P5 who believed Ireland and America were identical in terms of cultural closeness with many Americans claiming Irish heritage.

There appears to be a positive relationship between the responses of the participants and the literature. According to Verdu (2019) there is a positive relationship between FDI and a nation`s culture. The study proved that businesses preferred to invest and reinvest in countries that shared similar cultural, societal, values and beliefs as their own.

The responses regarding Ireland's transport, electricity and telecoms network are contradictory to the literature assessed in chapter 2 that mainly stated that Ireland`s infrastructure is underdeveloped in comparison to their national rivals. All 5 participants agreed that Ireland`s transport (services, roads, ports, air travel etc.) are all adequate for the running of their businesses and no complaints were made. P1 commented *"the infrastructure here in Ireland is far more superior than in Albania, I have no complaints. Ireland has many motor part distributors like scrap yards that offer same day if not next day delivery showing how efficient transport is".*

P3 stated that *"In Dublin we are gifted to be within close distance to Dublin port where our cars are shipped too, we have access to the port tunnel and the M50 that provides safe, smooth and level ground for the transportation of our vehicles loaded on transporters".* The 5 participants said that telecoms and electricity would influence FDI and that Ireland was up to their standards allowing them to run their businesses effectively. P3 mentioned that *"without a good telecoms/electrical network, business communication would breakdown and fail, Ireland has a decent network".*

The participants agreed that financial institutions are vital to the industry and were also pleased with Ireland`s ICT and finance infrastructures. P1 stated that *"it was a business loan from AIB that allowed us to set up our first garage in Batterstown".* P2 said *"we have a flourishing and world renowned ICT sector with many of the world's largest players choosing to come here".* P3 mentioned that *"its third party financial institutes like Bluestone, Close Brothers, Bank of Ireland and AIB that provide motor finance to motorists which allow them to buy our vehicles, financial infrastructure is very important to us".* P5 concluded that they have a direct relationship with Bank of Ireland who help motorists finance many of their vehicles helping them to drive sales.

The literature also reinforces these responses. Grant Thornton (2015) found that the availability of financial instruments encourages investors to invest in Ireland. Also the views of Porter (2000), Enright (2000) and Dunning (2002) state that industry clustering

(ICT & Financial) has great significance with regards to the attractiveness of a country. Studies conducted by Bolancé and Pelegrín (2008) and Bronzini (2007) indicated similar findings to those aforementioned by Porter, Enright, Dunning, Driffield and Temouri. The findings of both studies discovered that the presence of similar industry activity in a particular region would in fact influence and attract greater levels of related FDI in a positive manner.

4.1.2 *'Are the above factors sufficiently developed or would certain aspects need improving in your view, please illustrate your answers with industry related examples if necessary?'*

The previous question looked at the importance of the economic pillars in terms of attracting and retaining FDI. This question aimed to determine the quality and or weakness of these pillars. The responses all highlighted areas which could be improved. P1 argued that more mechanical apprenticeships should be created to teach aspiring mechanics the practical skills of the trade which are more important than academic qualifications in this industry. P5 stated that *"I`d like to see the government introduce a new scrappage scheme for diesel fuelled vehicles and incentivise hybrid and electric vehicles, once electric vehicle (EV) infrastructure is improved"*. Similarly P3 and P4 also mentioned that Ireland must improve the EV infrastructure starting with the availability and reliability of charging facilities for electric vehicles. P2 highlighted that an educational reform that taught students practical skills over book smarts would be beneficial for employers. The participant quoted *"I see graduates coming through to interviews all the time with great qualifications but lacking serious business know how, resulting in additional training costs to get them up to speed".*

The literature review failed to highlight any of the issues mentioned above, however 3 out of the 5 participants did mention that EV infrastructure must be improved in order to attract and retain automotive companies in Ireland that are looking towards electric vehicles.

P3 also mentioned that the roads and telecommunications infrastructure in the west of the country could do with improving to try and encourage potential investment in the west of Ireland that may revitalise the productivity and employment opportunities in a part of the country that sees mass emigration to the east. The literature does suggest that Ireland is underdeveloped in the areas of transport, telecoms and electricity infrastructure. In the opinion of Kinra (2018), Wekesa (2017) and Seetanah (2010), transport infrastructure is an area of sensitivity and concern for foreign investors. Taoiseach Leo Varadkar highlighted that Ireland has been disadvantaged over the years due to its underdeveloped electricity, transport and broadband infrastructure when benchmarked against European standards (Varadkar, 2014). Finally, according to the World Economic Forums (2014) Global Competitiveness Report, Ireland have been labelled as being underdeveloped in electricity and transport infrastructure for many years highlighting that Ireland must improve these, specifically in the west of the country.

4.1.3 'Could you please discuss in general why you believe Ireland has been an attractive location for automotive companies? What advantages or disadvantages does Ireland possess in comparison to other countries that come to mind (perhaps ones that were not mentioned above)?'

P1 reckons that mechanical companies have come to Ireland because it's a good market for an essential service, stating *"it's a good place to do business, it's safe, wealthy and the vast amount of the population drive meaning vehicle upkeep is essential, there is very little risk of this kind of service becoming irrelevant anytime soon".* P3 and P5 both thought Ireland's success in the attraction of automotive companies is down to their stable and growing business environment. P5 highlighted that the national debt created by Covid 19 will incur added taxes on the people of Ireland leaving discretionary income low, potentially creating a dip in sales.

P5 also added *"unemployment has gone from 5% to 20% over this period reducing purchasing power which is a national disadvantage".* P3 also said that Ireland`s CIT of 12.5% compared to Germany`s 15% and Frances 33% makes Ireland an attractive location that also has unrestricted access to all EU states including their home market in Germany. P3 alluded that Ireland`s education system is miles better than in other countries which they have invested in and quoted *"car sales companies usually do quite well here due to the wealthy and affluent market"*.

P4 reckoned that Ireland`s attraction from countries that are renewed for vehicle manufacturing like those from Romania (Dacia), Germany (Skoda, Seat, Audi, Volkswagen, BMW, Mercedes, Porsche), France (Peugeot, Renault, Citron) and Italy (Alfa, Fiat) is down to those countries being a part of the EU which means its relatively easy for them to invest here with little risk, barriers or restrictions. P4 also mentioned Ireland`s wealth and education quality being very strong compared to other EU countries.

Finally P2 felt as though Ireland has become an attraction due to the mind-set of Irish motorists regularly upgrading their vehicles and being able to afford it thanks to the country's wealth. P2 also said that Ireland has attractive finance options like hire purchase (HP) or personal contract purchasing (PCP) that offers low monthly repayments and comes with a guaranteed minimum futures value (GMFV), should a customer decide to hand the car back at the end of the term as long as it meets certain criteria's, this all helps boost sales. P2 mentioned 1 disadvantage being Ireland have planned to ban all diesel and petrol cars by 2030 due to CO2 emissions, meaning companies will have to adapt or be left behind causing them to close or cease the investment. P2 feels that customers are unaware of this and that SIMI must make this information available to the market to mitigate any serious financial losses to motorists and businesses.

4.1.4 'In your opinion, who are Ireland`s biggest national competitors in terms of FDI from your industry?'

To the researcher's surprise, this question received mixed opinions. P1 and P3 both agreed that the UK was Ireland's biggest national competitor due to its proximity to Ireland and its population density amounting to around 66.6 million inhabitants compared to Ireland`s 5 million indicating the size difference between the two similar markets. P1 highlighted that the UK`s dense population means more motorists, meaning more vehicles to service, making the UK an attractive location for auto mechanical enterprises. P3 highlighted that the UK have a similar business climate to Ireland, offering potential investors a similar location to invest in. P4 said that before the UK left the EU, they were Ireland`s largest national competitor but now it has shifted to other EU members such as France, Netherlands, Germany or Spain. P5 reckoned that with car ownership increasing in Eastern Europe, perhaps these countries may offer a viable investment location in the future where cheap labour is available.

Finally P2 indicated that India may offer a threat to Ireland`s competitiveness with passive economic growth, low taxes, cheap labour and a heavily densely populated region where car sales could potentially thrive. P2 said "rapid economic development and urbanisation has led to people earning higher incomes which is creating an expanding consumer class. Unfortunately there was no literature to support these views, however rich insights have been gathered with many locations named that may be Ireland's biggest national competitors regarding the attraction of FDI in the automotive industry.

4.1.5 'What factors do these markets/countries have that Ireland do not have at this present time?'

This question was designed to extract further information on the countries mentioned in the above question. Starting with P2 who said that India offer cheaper labour costs, lower operational costs, a larger labour pool and have a larger market than Ireland.

P1 reverted back to the UK by saying *"they do not pay VRT like Irish businesses and motorists do which makes vehicle procurement easier and more affordable".* P1 also felt that the UK are better developed in terms of EV infrastructure and also offer free EV charging as a free service whereas Ireland have now made this a payable service making the UK more attractive. P1 also stated that the UK have access to more car parts due to having more scrap yards and main dealers available. P3 reverted back to previous question and said *“other countries offer advantages that Ireland do not, for instance in hotter countries we sell far more convertibles and in the Netherlands, particularly Amsterdam where EV infrastructure is miles ahead of Dublin for instance, we sell more electric vehicles such as the i3 where EV purchasing is incentivised and encouraged”*.

P4 and P5 both agreed that the countries they mentioned offered larger markets, lower fuel and insurance costs and also had less government oversight in relation to vehicles emissions.

Objective 2

4.1.6 ‘Of the factors mentioned above and also alternative factors that come to mind, what influenced your organisation`s decision to invest and do business in Ireland?’

P1 highlighted that Ireland`s strong education system was something that their family could benefit from, ease of doing business and the safety and stability of the business and political climate as well as the market opportunities in Dublin influenced them to come here to live and invest here. P1 stated *“here in Ireland you make more money on labour than in Albania, here there’s more of a market and a wealthier clientele”.* P2 was unaware why Audi came to Ireland and stated *“decisions like these are made way above my position within the company, usually by members of the board and those responsible for strategic planning”.* P3 agreed that Ireland’s favourable taxes, education developments, market strength, language, culture and EU access were very important. However, these factors being put aside, P3 said *“we`re always looking to expand and grow the brand, we want to see BMW`s on every corner of every street in as many destination’s worldwide as possible, that’s our vision and our mind-set hopefully will never change”.*

P4 understood that Volkswagen came to Ireland in 1949 when the Beatle began production in Dublin as there was a need for local production and the Irish government allowed VW a tax exemption on import duties as a result making the investment more attractive, reduced operational costs and increased profits. *"So I'd say it was because of a favourable tax system that made the investment feasible"*. P5 said that Henry Ford & Sons Ltd was founded in Ireland in 1917 as a subsidiary of Ford Motor Company in the U.S. I think this was the first large foreign investment from the U.S in Ireland. *"Originally we set up a vehicles assembly plant in Cork as the Ford family once emigrated from there to the U.S in the 1800`s. Because we were assembling these vehicles in Ireland it was a workaround to avoid paying import duties on completed vehicles. A lot of companies did this at the time. Ireland also offered direct access to Britain, had cheaper labour than Britain and shared a common language".*

The comments made by P4 and P5 show that Volkswagen and Ford came because of a favourable tax system which made their investments possible. The Irish tax system was also highlighted by P3. The education system was highlighted by P1 & P3. Ease of doing business and political/business environment stability was highlighted by P1. Access to multiple markets was highlighted by P1. P3 & P5. The wealth of the economy was highlighted by P1. The English language was mentioned by P3 & P5 and culture was mentioned by P3. These factors were identified within the literature review and were synthesised within question 1 analysis of this chapter.

4.1.7 'How successful or unsuccessful would you consider your organisations investment in Ireland to date?'

All 5 participants considered their investment to date to be very successful. P1 reiterated that they started off with no business here in Ireland and now have 2 fully operational garages with a great reputation, holding 4.7 stars on google reviews and 4.5 on Facebook out of a possible 5. P2 proudly announced that Audi won the compact SUV as well as the medium and large crossover of the year at the 2020 Irish cars of the year awards early this year. P4 highlighted that their journey has brought great success, especially in terms of their €30 million investment in Ireland back in 2016 which included €9 million to build their new flagship VW dealership in Charlestown, Dublin 11.

4.1.8 *'Do you know if your organisation has plans to remain in Ireland in the short run or the long run, if so elaborate?'*

All 5 participants stated that they plan and hope to remain in Ireland in the long run. P1 said *"defiantly planning to stay here, with the hopes of opening up a third garage in the future"*. P3 suggested that they are just happy to be open after the closure of all automotive dealerships earlier in the year. P4 said *"although car sales are heavily down due to Covid 19, we know this is a global issue not an Ireland only issue. Our sales were down 30% last month but business still prevails"*. P5 stated that *"we have celebrated 100 years here in 2017, we plan to do 100 more in Ireland"*.

To conclude, the 5 automotive participants are all satisfied with their investments and plan to stay in Ireland and reinvest, signalling positive news for the economy and the Irish automotive industry at large, despite doubts over their future in light of the repercussions caused by Covid 19.

Objective 3

4.1.9 *'What challenges do you believe Ireland will face in the near future regarding FDI within the automotive industry, if any?'*

All of the participants highlighted that the knock on effects of Covid 19 will pose a challenge to the industry worldwide not only in Ireland and that these effects will be long lasting. P1 stated that another lockdown forcing dealerships and scrap yards to close would reduce their ability to carry out vehicle maintenance due to a lack of parts availability. P2 stated that Covid 19 has brought consumer confidence to an all-time low with uncertainty and fear being amongst the industry's atmosphere. P3 and P4 suggested that there will be little movement in the FDI marketplace until there is a vaccine and fears some businesses within the industry may not even get the chance to see a vaccine come about.

Participants 1, 2 and 4 indicated that the introduction of the NOx charges on vehicle imports may deter any more motor traders from coming to Ireland as its yet another tax imposed on top of the inconvenient VRT and C02 charges. P1 stated that it was wrong for the government to start charging motorists to charge electric vehicles so soon, which not only makes buying an electric vehicles less lucrative but may also deter new EV companies from coming here. *"EV charging should've remained free, like in the UK, I think the government of Ireland should've incentivised it".* P2 said *"VRT and VAT is already high in Ireland with the former being 13.3% and the latter being 23% and now NOx being calculated based on the emissions is another added cost to businesses and motorists".*

EV infrastructure was a factor touched on by 4 out of the 5 participants. Each participant had relatively the same view on Ireland's availability and reliability of EV charging points suggesting that this is an area within the economy that needs improving to bring in automotive EV specialists like Tesla and Nio. P2 commented that *"the ESB charge point app that is Ireland`s national online tool for E motorists, designed to help those with EV`s locate available charging locations using Google Maps, often shows locations as being available or operational when in fact they are often occupied or out of order".*

P2 added *"This means motorists may travel to a charging point that they assume is vacant which is actually in use or even faulty which is a regular occurrence according to customer feedback".* P3 stated that *"the current EV infrastructure is weakening Ireland`s competitiveness in the global automotive FDI marketplace".* Although EV infrastructure was not mentioned within chapter 2, there was a strong indication that this area is one in need of drastic improvements to attract and retain EV enterprises in the future.

4.1.10 'If any, can you describe any negative factors that are currently impacting your industry/organisation that would encourage you to leave Ireland?'

All 5 participants were adamant that they had no plans on leaving Ireland despite some of the negatives that were highlighted in question 9. P4 said that *"despite tremendous losses this year resulting from the depreciation of our fleet and vehicle finance repayments being extended by 3 months costing in total of 5 million euros, we are still ambitious and want to expand and grow the brand in Ireland".* This is positive news for the automotive industry as some of the largest names in the business are willing to stay in Ireland, meaning that the exchequer will benefit from their taxes and contributions towards society, ensuring that the mobility and freedom of the state continues for many years to come.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.0 Conclusion

The previous section reviewed and analysed the data which was collected in conjunction with the in-depth interviews with industry experts as well as synthesising the primary data set with the surrounding literature from chapter 2 of this paper to highlight common themes. This section aims to combine both the primary and secondary data sets to make inferences and conclusions using a thematic analysis. The findings suggest that although some concerns were highlighted by each participant and areas within Ireland`s economy were deemed as being underdeveloped or inadequate for the automotive industry, all 5 participants showed signs of optimism regarding Ireland as a location to do business, the success of their venture to date and future plans for the company to remain and reinvest in Ireland.

The research question was sufficiently answered using 3 objectives that allowed the research to be carried out in a structured and controlled manner. The research was successfully able to highlight Ireland`s areas of competitiveness (economic pillars/factors) as well as the determinants of FDI within the automotive industry in Ireland.

To conclude the findings for objective 1, the themes that were identified are as follows:

Table 2: Findings Concluded

THEME	SIGNIFICANCE (Relationship between findings and literature	MEANING
Training and Education	Positive relationship	Does Influence FDI in Irelands automotive industry
Business & political environment stability	Positive	Does Influence FDI in Irelands automotive industry
Corporate tax rate	Positive	Does Influence FDI in Irelands automotive industry
Ease of doing business	Positive	Does Influence FDI in Irelands automotive industry
Language	Positive	Does Influence FDI in Irelands automotive industry
Culture closeness	Positive	Does Influence FDI in Irelands automotive industry
Access to markets	Positive	Does Influence FDI in Irelands automotive industry
Availability of financial aid and infrastructure	Positive	Does Influence FDI in Irelands automotive industry

Employment Levels	Negative	Does not Influence FDI in Irelands automotive industry
Labour costs	Negative	Does not Influence FDI in Irelands automotive industry
Inflation	Negative	Does not Influence FDI in Irelands automotive industry
Transport, electricity and telecommunications infrastructure	Undetermined	5/5 participants were satisfied with Irelands transport, electricity and telecoms infrastructure as it was adequate enough to run their businesses, however the literature states that the 3 infrastructures listed above are underdeveloped in Ireland (from a national competitiveness point of view). Therefore it cannot be determined whether this factor plays a role in investment decisions.

To conclude the findings for objective 2, the primary determinants of FDI within Ireland's automotive industry are as follows:

Of the Factors that are listed in the table above, the participants highlighted the themes of corporate income tax (3 mentions), education and training developments (3 mentions), market access and opportunities (3 mentions) and ease of doing business, language, culture and business/political environment stability (1 mention each) as being the main factors that influenced their company`s decisions when deciding to invest in Ireland. Although the other factors in the table that contain positive relationships are of importance to consider when investing in a location, these are the ones that were of primary importance to the respective companies.

To conclude the findings for objective 3, the main challenges Ireland will and are facing as of today in attracting and retaining inward automotive FDI are as follows:

The most commonly cited challenge in the automotive industry was in relation to Ireland`s underdeveloped electric vehicle infrastructure that includes charging facilities, their availability and reliability, EV maintenance specialists and the affordability of EV`s in general are all unattractive factors that have negative knock on effects for the industry. The addition of NOx, Co2 and VRT taxes being so high and unattractive are also issues that were highlighted by the participants which has the potential to deter future investors from coming to Ireland. Finally, the participants also highlighted that the long lasting effects of the Covid 19 pandemic will plague the industry for years to come. This will present challenges for the industry at large with a dip in consumer confidence and disposable income being the main downfalls for inward FDI.

Overall, the author hopes that this paper can benefit automotive companies who are interested in coming to Ireland as a location for investment purposes. The paper may also act as an informative document for economists or those agencies responsible for inward FDI such as IDA Ireland. Finally the document highlighted important areas within the Irish economy that need improving to help attract and retain further automotive FDI in the future that may be of use to those responsible for national policy, economic development and sustainability.

5.1 Recommendations

5.1.1 Recommendations for further research

Although this research has enhanced our understanding of national competitiveness and FDI within Ireland`s automotive industry, there are still many factors left unexplored. In order to get a better understanding about the phenomenon, a more in depth approach should be taken to investigate all areas within the economy including the remaining 9 pillars that were left out of this study due to restrictions regarding time frame, word count limitations and so forth.

It is recommended that alternative methods of primary research is conducted on a larger scale including the use of mass quantitative research involving the participation of more automotive companies to gain further insights and motivations for investing in Ireland.

5.1.2 Recommendations for automotive businesses

It is advised that automotive companies work on preparing themselves for the transition to EV only transportation come 2030. By planning ahead now and perhaps delving into the EV marketplace early will allow companies to gain expertise in this market before all car manufacturers and car sales companies are forced to seize the sale of combustion propelled vehicles (diesel & petrol). The continued promotion through social media channels of safety measures and Covid compliance may help to improve consumer confidence going forward. It is advised that automotive sales companies cooperate with customers in terms of being lenient with finance repayments for the remainder of the year, with some consumers still out of work or reduced to part time hours during this unprecedented time. This may help to drive sales and repeat business in the future if good customer relations are created.

5.1.3 **Recommendations for the government of Ireland**

In order to maximize FDI within Ireland`s automotive industry the author had devised recommendations which have been drawn on from the primary data findings. The first is in regards to Ireland`s EV infrastructure that is in need of improvements including;

- An increase in the number of charging facilities, especially outside of major cities and towns.
- Greater encouragement, awareness and availability of domestic EV chargers that can be installed in homes to alleviate pressure put on public charging stations, subsequently reducing queues.
- Improve the reliability of public charging stations that are often 'out of order'.
- Incentivise motorists to buy electric vehicles by making charging a free service. This will also help to battle the stigma amongst the environmentally concerned population and allow for a smoother transition once combustion engines are proposed to be banned come 2030.
- A reduction in VRT, Co2 and NOx taxes related to the importation of vehicles may make Ireland a more attractive location for automotive investors.
- An educational reform that puts more emphasis on practical learning rather than tedious stressful textbook style exams and assessments that can potentially improve graduates abilities and skills that would allow them to hit the ground running once employment has been achieved. This would be beneficial for employers.
- Continue to govern compliance with Covid 19 restrictions and enforce safety and hygiene compliance on companies to improve consumer confidence within the automotive industry.

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APPENDIX

1. Appendix 1 – Informed Consent Sheet

National College of Ireland

INFORMED CONSENT SHEET

I hereby agree to give my consent for my responses to interview questions to be used and quoted anonymously in this student project at the National College of Ireland.

Interviewer

Name _______________ Year _______________

Module _______________ Programme __________

Interviewee

Print Name ___________

Signature ___________

Date _______________

MSc Marketing

2. Appendix 2 - Interview Topic Guide

Introductory Questions

- What is the name of your employer?
- What area of the automotive industry are you associated?
- Please state your position within the company?
- How long have you worked in the automotive industry?

Main Dialogue Questions

Q1. Could you please describe in detail using your knowledge, how significant you believe the following factors are for attracting and retaining FDI in your industry?

- Training and education for the workforce?
- Macroeconomic environment (political stability, taxes, employment, inflation, ease of doing business, access to markets, cost of labour, language and culture closeness etc.)
- Infrastructure (transport, electricity and communications network, financial and ICT infrastructure?)

Q2. Are the above factors sufficiently developed or would certain aspects need improving in your view, please illustrate your answers with industry related examples if necessary?

Q3. Could you please discuss in general why you believe Ireland has been an attractive location for automotive companies? What advantages or disadvantages does Ireland possess in comparison to other countries that come to mind? Perhaps ones that were not mentioned above.

Q4. In your opinion, who are Ireland`s biggest national competitors in terms of FDI from your industry?

Q5. What factors do these markets/countries have that Ireland do not have at this present time?

Q6. Of the factors mentioned above and also alternative factors that come to mind, what influenced your organisation`s decision to invest and do business in Ireland?

Q7. How successful or unsuccessful would you consider your organisations investment in Ireland to date?

Q8. Do you know if your organisation has plans to remain in Ireland in short run or the long run, if so elaborate?

Q9. What challenges do you believe Ireland will face in the near future regarding FDI within the automotive industry, if any?

Q10. If any, can you describe any negative factors that are currently impacting your industry/organisation that would encourage you to leave Ireland?