

Head of new Irish business body in Shanghai says Irish government not serious about resources for China mission

Chairman of the Ireland China Chamber of Commerce, established recently in Shanghai, Brendan Waldron says Ireland lacks the resources to promote itself effectively in China. "It's a case of "out of sight out of mind"; as there is no real presence here promoting the country in that way." By contrast, says Waldron, "European countries have invested heavily, with a large well resourced presence here working with their governments in promoting their country. We've got the IDA working hard here, but they are on their own."

Asian New Tigers, the Shanghai-based business consultancy Waldron runs advises Irish firms investing and sourcing in China but has yet to see significant traffic in the opposite direction – Chinese money going to Ireland. "We haven't had any specific interest for investment in Ireland but we've spoken to Chinese companies about using Ireland as a base for their European set up. This is an area that is likely to grow more and more". But while New Tigers has worked with Ernst & Young and KPMG as well as the IFSC in promoting Ireland, there hasn't been enough of a push by Irish authorities to drum up serious Chinese interest, says Waldron.

Formerly head of the Irish China Association in Dublin, since moving to Shanghai full-time Waldron has been reinvigorating Shanghai's Irish Business Forum (IBF), the previous name of the new Chamber in the Chinese commercial capital. "Over the last couple of years, the IBF hadn't been very active for various reasons and a lot of the council members felt that as a group it should be contributing more to supporting Irish businesses here as well as those visiting. The previous IBF Chairman had to leave because of his business and so I was nominated Chairman..."

Waldron sees the new Chamber as a source of advice and support to Irish newcomers to the market. "We also look at the students and education sector as being an important part of our membership. Not only for them to come to the events, but we're also looking at providing a mentoring programme and possibly an internship with some of the companies here. The knowledge and experience that they build up; will hopefully give them a basis to go further in getting a China related job after they graduate. Whether it's returning Chinese students or Irish students we hope we can provide a platform for them all to promote their capabilities and hence keeping growing the Irish link."

Heading a Chamber is good for Waldron's own business, "for networking and spreading the word on what we do... The opportunities of getting referrals are better, the more people know about our services. We also represent clients who are selling in China, so being part of the Chambers helps with getting to know about the relevant authorities or target market."

Having a Chamber is also good for Irish business in building connections to government bodies. "It means you actually get more response and get further inroads to decision makers here, when you are represented by a body, such as a Chamber comprised of businesses, rather than trying to work on your own patch individually".

Mandarin-speaking Waldron set up New Tigers ten years ago "when there was no Irish based, China focused service providers in the market, and opportunities and demand for our services have expanded successfully with our client businesses, as they have expanded in China. Clients typically use New Tigers to set up in China, and buy HR, accountancy and administration services from the firm in China. "We've found that providing a complete support service brings in a lot of referral work" explains Waldron.

New Tigers has however pulled away from the sourcing services which were its staple earner during the 2000s: "the margins and competition pressures have become such that, it's now all about the price with questionable quality and deliverable issues". The firm rather now concentrates on factory and shipment inspection services. Demand for this kind of "peace of mind" is rising. We tell our customers that "You get what you inspect, not what you expect!"

Athlone mega project from China still live, says IDA's man in China who's trying to entice Chinese tech firms

Having been several decades in Japan, the IDA is turning its focus to China, encouraging local corporations to use Ireland as a gateway to the EU market. Brian Conroy, who runs the IDA's office here, says Ireland is learning how to pitch to Chinese

investors. While investment project proposals coming in from USA “tend to be very neatly packaged” the typical Chinese investor seeks to edge into overseas markets via M&A or local partners, says Conroy who explains in China the IDA is targeting large ICT [information and telecommunications technology] and software firms like Huawei and has just appointed a trade representative for Guangdong province, where most of the country’s ICT majors are based. The IDA targets China’s bigger companies “because they’ve already done something in Europe and may want to go over”.

Obviously there’s competition from other countries so what are the key attractions of Ireland for would-be Chinese investors?

Yes there are a lot of agencies after them. But our consistent R&D spending means there’s increased capability in ICT in Ireland. We’re also selling Ireland as a location for European headquarters, a control centre, or as a European base from a treasury point of view. This is the way US corporations have also tended to function in Ireland.

What have the successes so far been?

Some of the Chinese investors into Ireland are in financial services, and aviation leasing. Bank of China for example has an aviation leasing business in Ireland. Then in the ICT sphere we have Satir, a game-developing firm doing localization of its products in Ireland. We also see interest in life sciences such as CIRS which tests Chinese exports to meet product safety regulations in the EU market. We have a few Chinese companies now, it takes time. This reflects where they are in terms of their development trajectory. While 21% of Chinese exports go to the EU only 2% of the country’s ODI goes to the EU. A lot of China’s ODI is going into energy but we’re starting to see sales offices and small R&D operations being set up overseas. . Chinese companies may not be doing it right now. ..but we expect to see this evolve more over the coming five years.

Why is Ireland such a big player in aviation?

Ireland is a world centre for aviation, people forget that 50% of commercial planes worldwide are leased out of Dublin. There is a very specific set of deal-making skills involved here involving aircraft companies lawyers, banking, and a lot of those skills and expertise have been built up in Dublin over the past decades since pioneers like Tony Ryan [founder of Europe’s leading low fares airline Ryanair] saw the opportunities in the leasing area.

What’s the break down (by geography, industry) of investors from Asia which have invested in Ireland?

The biggest country market is Japan from which 70% of our investment from Asia is coming, but remember we’ve had offices there for 30 years. China, India and Korea each represent about 10% of our investment from Asia. These figures will change. We’ve had an office in China for only five years but we definitely see China and India rising in importance.

What’s the difference in the kind of investment you’re getting from India compared to China?

India is different, some of it is in M&A such as Ranbaxy, Wockhardt and Reliance [three Indian pharma companies] in the life sciences area. Ireland has a great reputation for life sciences. These firms see Ireland as having a great track record on compliance with the [US] Food and Drug Administration and EU standards for example and so do R&D and product testing in Ireland. India has expanded into Europe faster. But consolidation is happening fast in China and that will drive companies here overseas. Indian companies have also looked to Ireland as a good EU base for their BPO [Business Process Outsourcing] contracts. Ireland has a big pool of multilingual workers, for example of the 2000 workers at Google Ireland speak 40 languages and about 60% are non-Irish.

How do you expect Chinese investment to evolve compared to the success you’ve had with US firms?

These Chinese companies have many western investment agencies chasing them. While the bulk of Chinese ODI [overseas direct investment] is in energy and resources a cluster of these companies do a decent business in Europe. Huawei has 15 people in Ireland servicing the local market. They’ve risen so fast but still at evolutionary stage. There’s many more firms coming after them. But this won’t be a wave of greenfield investments like the US firms. Chinese firms have a different style, they’re seeking M&A and local partners. Also these [Chinese] firms are hungry for technology. And Ireland has a great reputation in software, and in industry collaboration with universities.

Do you expect Ireland to emerge as a base for Chinese Internet companies in the way it has for the likes of Google?

Firms like Alibaba and Taobao are growing so fast but they’re concentrating on China, and then they’ll look to Asia. Also they’ll be going from a low cost to a high cost business environment. It’s tougher for Chinese firms going to Europe than it is for European companies coming to a low cost market like China.

Are there examples of Asian Internet firms apart from Satir which are using Ireland as a European base?

Yes, a Japanese Internet gaming company called Gala does it localization in Dublin where it has 100 people.

How come the corporate and political sphere in China seems very aware of Ireland’s strength in software?

It’s the exports of software [from Ireland to China]. They’ll have their homework done and will have looked at the trade figures and noticed when picking off the trade figures how much of Ireland’s trade to China is in software.

The financial services sector is obviously a strength for Ireland, how will you appeal to China on that front?

The main four Chinese banks are going overseas...we have been developing relationships with them and expect business from them. But they do 95% of their business in China and that will change slowly. We’d see them coming to Ireland for funds administration, leasing and aviation leasing. We have a record of getting more business from investors once we get them into Ireland.

Is the IDA and its reputation for attracting FDI into Ireland known in China among officials and businesspeople?

No, the awareness wouldn’t be the same as in the US or Europe. We are building our brand. But we are not seeking brand recognition through the mass market. We use the [Irish] ambassador and visiting ministers, that gives comfort factor to companies.

Is the IDA well known in other Asian states – I'd imagine nations like Singapore, Malaysia have studied your and Ireland's success on FDI?

Singapore yes, we're well known there, over the years we've been tracking each other. Our local equivalent in Singapore, the EDB, has visited us and we visit them. We want to collaborate and with them as we have much in common and they are very strong in digital media for example. Investment goes to Singapore [from China] because of the time zone and the common language.

How have recent events – the banking crisis and EU/IMF bailout - affected Ireland's reputation among potential investors you're talking to in China?

It comes up in meetings. We deal with it matter of factly, explaining that it [banking crisis, real estate bubble] was to do with the Irish market and not our FDI. And we point out the positives, like falling costs of doing business. People take the information, in most cases they simply want to understand a bit more what happened.

What's the current status on the big Chinese exhibition centre project that's been floated for Athlone [town in the centre of Ireland]?

It's still live, the planning application will be lodged in the coming month. The investors, from Zhejiang were waiting till after the recent elections to lodge the planning application.

How will this site differ from the Chinese commercial centres built in other European cities, which are effectively just wholesaling centres?

These would be exhibition halls to exhibit goods. Companies that currently exhibit in China could then do it in Europe, with European clients flying to Ireland to see the goods. The idea is to bring Chinese companies closer to the market.

Why would they look at Ireland rather than continental Europe?

They looked at France and the Benelux and had looked at a site one hour from Paris but the lack of English speakers was a factor. They needed a certain parcel of land which was available in Athlone, and they felt the business environment in Ireland was conducive to make it work.