

# ***Sustainability Affects the Way Ireland Attracts Multinational Corporations and Foreign Direct Investment***

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**Abstract:** This paper explores how sustainability impacts Ireland's ability to further attract multinational corporations (MNCs) and foreign direct investment (FDI), focusing on academic research, reports, and the Industrial Development Agency's (IDA) 2021-2024 strategy. Historically, Ireland's FDI strategy has relied heavily on low corporate tax rates, attracting global giants such as Apple, Google, and Pfizer. However, amid global tax reforms, including the OECD's 15% minimum corporate tax, and rising Environmental, Social, and Governance (ESG) standards, Ireland is undergoing a strategic shift. This study examines how policies like decarbonization, renewable energy investments, and circular economy initiatives position Ireland as a leader in green technology. Additionally, it analyzes global trends and Ireland's alignment with the UN's Sustainable Development Goals (SDGs) to meet evolving international demands for sustainability. By adapting its FDI strategy to incorporate these significant changes, Ireland ensures its continued competitiveness as a destination for investment while fostering long-term economic growth and sustainability.

**Keywords:** Ireland FDI Strategy, Sustainability and Investment, Corporate Tax Reform, Environmental

## **1. Introduction**

Ireland has long been a leading destination for MNCs due to its favourable corporate tax policies, highly skilled workforce, and strategic location within the European Union.[1] However, as global priorities shift towards sustainability, the traditional factors that have attracted MNCs to Ireland may need to be re-evaluated. The world is seeing increased pressure from governments, international organizations, and consumers for businesses to adopt environmentally sustainable practices, aligning with global goals such as the UN's SDGs. This evolving landscape raises a key question: How does Ireland's shift towards sustainability impact its ability to attract multinational corporations and foreign direct investment (FDI)?

The IDA's 2021-2024 strategy places sustainability at the core [2] of its approach, focusing on green recovery, decarbonization, and responsible production. This paper seeks to explore whether Ireland's focus on sustainability will enhance or hinder its ability to attract MNCs. By analysing key aspects of the IDA's new strategy, including its goals for job creation, sustainability investments, and regional development. As well as looking how well the IDA and Ireland has delivered its promises. This paper will assess the potential trade-offs between maintaining its tax-friendly environment and

embracing sustainable growth. Furthermore, it will evaluate how Ireland can leverage this shift to gain a competitive edge in attracting MNCs committed ESG standards.

## **2. Ireland's Economic Model and FDI**

Ireland's economic success has largely been built on its ability to attract FDI, particularly from MNCs. Over the past several decades, the country has positioned itself as an attractive destination for global businesses by leveraging a combination of low corporate tax rates, a highly educated workforce, and strategic access to the European Union market. In 2022 alone, Ireland attracted 248 FDI projects, contributing to the creation of nearly 19,000 new jobs, and nearly €5.9 billion in corporation taxes, according to IDA Ireland's annual report, [3] underscoring their importance to Ireland's fiscal health. The technology sector, particularly, has thrived in Ireland, with companies like Facebook, LinkedIn, and Microsoft establishing major European hubs, attracted by the business-friendly environment, low taxes, and access to talent.

The 12.5% corporate tax rate has been an essential part of Ireland's FDI strategy since the late 1990s, [4] allowing the country to attract major global corporations like Apple, Google, and Pfizer. This competitive tax regime has been complemented by favourable business regulations and a proactive government approach to supporting MNCs. Apple's European headquarters in Cork, for instance, has employed thousands of people and has significantly contributed to Ireland's tax revenue, though the company's tax practices have also been the subject of scrutiny by the European Commission.

However, Ireland's FDI strategy faces increasing challenges. The OECD's global tax reform, which includes a 15% minimum corporate tax, is poised to erode the attractiveness of Ireland's low-tax regime. This reform seeks to create a level playing field by ensuring that MNCs pay a fair share of taxes, regardless of where they are headquartered. For a country such as Ireland, which has long utilized low taxes as a primary means to attract FDI, this reform might have substantial implications. [4]

## **3. Global Sustainability Trends and Ireland's Strategy**

As global environmental concerns escalate, [5] sustainability has become a central focus for MNCs and governments alike. International frameworks such as the United Nations SDGs and the Paris Agreement have placed significant pressure on businesses to adopt sustainable practices, particularly in reducing carbon emissions and improving ESG standards. These frameworks are transforming the global business environment, with investors and consumers increasingly demanding that companies operate responsibly and minimize their environmental impact. This shift in priorities has direct implications for Ireland's strategy of attracting FDI, particularly as MNCs now consider sustainability as a critical factor in their operational decisions.

### **3.1. Sustainability and Multinational Corporations**

MNCs, especially in sectors like technology, pharmaceuticals, and manufacturing, are placing a growing emphasis on sustainability. Companies like Microsoft and Google have set ambitious carbon neutrality targets and are investing heavily in renewable energy to reduce their carbon footprints. For instance, the European operations of Google, including those in Ireland, are now entirely powered by renewable energy. This move not only supports environmental goals but also aligns with Ireland's drive for sustainability. This trend is echoed across numerous industries as MNCs seek to maintain their competitive advantage by demonstrating their commitment to sustainability.

In response, countries that aim to attract FDI must increasingly offer not only tax incentives but also robust sustainability frameworks. Ireland has recognized this shift and has begun positioning

itself as a destination for green investment. The country's Climate Action Plan and Decarbonization Pathway, as outlined in the IDA's 2021-2024 strategy, are key components of Ireland's sustainability strategy. These initiatives are designed to help Ireland meet its target of net-zero carbon emissions by 2050, while also attracting MNCs that are prioritizing environmental sustainability.

### **3.2. Ireland's Sustainability Framework**

Ireland's strategy to attract MNCs is evolving to meet the demands of this new era. The IDA's sustainability is the core of the 2021-2024 strategy,[6] focusing on investments that promote green recovery, decarbonization, and the development of renewable energy infrastructure. One of the key pillars of the strategy is the commitment to secure 60 sustainability-focused investments by 2024, with 21 already secured by the end of 2022. These investments are expected to generate high-value jobs in sectors such as clean energy, sustainable manufacturing, and green technology.

In particular, Ireland's renewable energy sector offers significant potential for growth. The country already generates 40% of its electricity from renewable sources, mainly wind energy. Ireland's geographical position, with access to plentiful wind resources along its coastline, renders it an ideal location for investments in offshore wind and other renewable energy projects. These developments are crucial for attracting MNCs looking to reduce their carbon footprints, while also supporting Ireland's goal of becoming a leader in the green economy.

Microsoft is a prime example of how MNCs are integrating sustainability into their operations in Ireland. The company has made significant investments in its Irish data centres, ensuring they are powered by 100% renewable energy. These data centres play a critical role in Microsoft's global operations, and the decision to power them sustainably aligns with the company's commitment to achieving carbon negativity by 2030. This investment not only contributes to Ireland's renewable energy targets but also underscores how sustainability can serve as a competitive advantage in attracting MNCs.

### **3.3. Global Competition and the Role of Sustainability**

Ireland is not the only country adjusting its FDI strategy to align with global sustainability trends. Nations such as Denmark, Sweden, and Germany are also making substantial investments in green infrastructure and renewable energy, aiming to attract the same environmentally conscious MNCs. Denmark, for example, has become a leader in offshore wind energy, a sector in which Ireland is also seeking to expand. To remain competitive, Ireland must continue to prioritize investments in sustainability and ensure that its regulatory frameworks support the green economy.

However, Ireland's advantage lies in its ability to combine its favourable tax environment with its sustainability initiatives. While countries like Germany offer strong environmental policies, Ireland's low corporate tax rate of 12.5% continues to provide a significant draw for MNCs. By ensuring that its FDI strategy incorporates both financial and sustainability incentives, Ireland can maintain its competitive edge in the global race for green investment.

## **4. IDA's 2021-2024 Strategy and Sustainability Focus**

The IDA, in its 2021-2024 strategy, has positioned sustainability as a core component of its economic development goals through 5 critical pillars Growth, Transformation, Sustainability, regional, and impact the IDA aims to balance Ireland's economic success with global sustainability trends,[6] ensuring that the country remains competitive in attracting FDI. This analysis will focus on Growth, Transformation, Sustainability, and Regional Development.

#### 4.1. IDA's Strategy to Achieve its Goals

The IDA has developed clear strategies under these pillars to maintain economic growth while driving sustainability initiatives and supporting business transformation..

The Growth pillar concentrates on attracting new investments and expanding the existing ones, with the aim of creating 50,000 new jobs across key sectors like technology, life sciences, and green energy. The IDA targets 800 investments by 2024, prioritizing high-impact projects that align with both economic and environmental goals. The strategy highlights Ireland's strengths, such as its competitive tax rates, highly skilled workforce, and EU market access, to maintain a strong FDI flow.

The IDA plans to grow existing relationships with MNCs and attract new investors by offering customized solutions and infrastructure improvements. For example, advanced digital infrastructure and enhanced energy capacity are being prioritized [3] to support sectors like data centres and pharmaceuticals, ensuring Ireland remains attractive to high-value industries.

Focused efforts are being made to develop key geographic regions outside Dublin, bringing investment to areas with emerging industry clusters. The IDA will collaborate with local enterprise offices and regional development bodies to deliver regionally targeted strategies.

The Transformation pillar aims to support the modernization of MNCs operating in Ireland by promoting innovation, digitalization, and upskilling. This includes adopting Industry 4.0 technologies such as artificial intelligence (AI), robotic process automation, and big data analytics.

**R&D Investments:** The IDA targets 170 R&D projects, encouraging MNCs to invest in research partnerships with Irish universities and research institutes. These partnerships will help enhance Ireland's reputation as a centre for innovation and cutting-edge technology development.

**Upskilling Initiatives:** To support digitalization, the IDA is securing 130 training and upskilling programs to prepare the workforce for future challenges. By collaborating with educational institutions, the IDA is ensuring that the Irish workforce remains adaptable and equipped with the skills needed for industries such as biopharmaceuticals, engineering, and ICT.

The Regional Development pillar is designed to address the long-standing issue of investment being concentrated in Dublin. The IDA is committed to shifting investment toward regional areas, ensuring that more rural parts of Ireland benefit from economic growth.

**Barriers to Regional Investment:** One of the key challenges in shifting FDI outside of Dublin is the lack of infrastructure in regional areas, particularly in terms of transport, digital connectivity, and energy capacity. Additionally, MNCs often prefer Dublin due to its access to skilled labour, provided by its concentration of universities and tech talent. The perceived risks of investing in smaller markets also deter some companies from establishing operations outside the capital.

**Incentives and Infrastructure Development:** The IDA is promoting the development of regional enterprise hubs, offering additional financial incentives to companies that invest in these areas. Grants for infrastructure development and employment creation help offset the costs of setting up in less established regions. The IDA is also working with local development agencies to improve infrastructure and skills training programs, making regional areas more attractive to MNCs.

**Collaboration with Local Bodies:** The IDA's collaboration with local enterprise offices and regional development bodies ensures that regional areas are better equipped to attract investment. By improving infrastructure and offering targeted incentives, the IDA aims to reduce the barriers to regional investment, fostering economic growth across the entire country.

The Sustainability pillar is central to the IDA's 2021-2024 strategy, focusing on fostering investments that contribute to Ireland's green recovery. The IDA is committed to attracting 60 sustainability-focused investments by 2024, targeting industries like renewable energy, sustainable manufacturing, and circular economy models.

**Decarbonization Projects:** The IDA's decarbonization efforts focus on attracting MNCs involved in offshore wind energy, solar power, and low-carbon technology. Projects such as the Green Atlantic at Money point aim to turn Ireland into a leader in offshore wind energy, supporting the country's goal of net-zero carbon emissions by 2050. This positions Ireland as a top destination for companies seeking ESG aligned investments.

**Balancing Tax Incentives and Sustainability:** Recognizing that low corporate tax rates remain a key attractor for MNCs, the IDA is carefully balancing these incentives with sustainability objectives. By offering green technology incentives and support for low-carbon initiatives, the IDA ensures that Ireland continues to attract investments while moving toward a more sustainable economy.

**Circular Economy and Green Infrastructure:** The IDA's strategy emphasizes building infrastructure that supports a circular economy. Investments in green finance and sustainable supply chains are encouraged, ensuring that companies prioritize resource efficiency and waste reduction. Ireland's growing expertise in green finance also strengthens its competitive advantage, especially for MNCs focused on sustainability.

## **5. The Future and Challenges for Ireland's FDI Strategy**

Ireland's economic model, traditionally built on favorable tax policies and strategic EU location, has consistently attracted Foreign Direct Investment (FDI) over the years. However, as the global landscape shifts towards sustainability and corporate transparency, Ireland's FDI strategy faces new challenges in addressing environmental, economic, and social sustainability. Moving forward, Ireland must adapt to these evolving demands while tackling historical issues around tax practices and corporate accountability.

### **5.1. Opportunities for Sustainable Growth**

**Decarbonization and Renewable Energy:** Ireland's National Climate Action Plan (2019) commits to decarbonization and renewable energy investments [7], presenting significant FDI opportunities. With a goal of net-zero carbon emissions by 2050, Ireland aligns itself with the sustainability objectives of multinational corporations (MNCs) increasingly focused on ESG standards. Projects like Green Atlantic at Moneypoint, emphasizing offshore wind and solar energy, make Ireland a favorable base for MNCs in energy, technology, and manufacturing sectors looking for greener operational frameworks.

**Circular Economy Initiatives:** Ireland's commitment to the European Green Deal and its Circular Economy Strategy (2022-2023) aligns with global trends toward waste reduction and resource efficiency. These policies target sustainable manufacturing and waste management, creating an attractive environment for MNCs aiming to minimize their environmental impact and build sustainable supply chains. Ireland's promotion of a circular economy further enhances its appeal to MNCs prioritizing sustainability.

### **5.2. Challenges: Social Sustainability and Ireland's Tax Policy**

**Social Sustainability and Corporate Accountability[8]:** Ireland's long-standing role as a tax-efficient destination has attracted criticism, especially around tax avoidance schemes like the "Double Irish." This strategy allowed MNCs to shift profits to low-tax jurisdictions, sparking concerns over corporate social responsibility. Ireland's approach has contributed to perceptions of unfair tax practices, as seen in Brazil's decision to blacklist Ireland as a tax haven. Being blacklisted by countries like Brazil indicates the reputational risks associated with Ireland's tax history, affecting its global standing in the age of social sustainability.



As MNCs face greater pressure from stakeholders to adopt socially responsible practices, Ireland's role in tax avoidance is under increasing scrutiny. International frameworks such as the OECD's Base Erosion and Profit Shifting (BEPS) initiative, alongside the EU's anti-tax avoidance directives, limit aggressive tax minimization strategies, making it difficult for Ireland to support these practices without risking reputational harm. [9]

**The End of the Double Irish and Global Tax Reform:** The closure of the "Double Irish" loophole in 2020 was a significant shift in Ireland's tax policy, aligning it with global transparency standards. However, the OECD's recent 15% minimum corporate tax rate further pressures Ireland's traditional low-tax appeal as an FDI attractor. As the global tax environment tightens, Ireland must pivot toward other incentives, such as green infrastructure and skilled labor, to remain competitive.

**Reputational Risks and Ethical Concerns:** Ireland's past association with tax avoidance schemes brings reputational risks as social justice and corporate responsibility gain prominence. As MNCs adopt ESG frameworks, transparency and fair contributions are increasingly expected, with many companies now prioritizing ethical tax practices. Ireland's ability to adapt to these expectations will be key in maintaining its attractiveness to socially responsible investors and MNCs, ensuring that it remains competitive in an evolving global landscape[10].

## 6. Conclusion

Despite recent global challenges, such as the closure of the Double Irish tax loophole and the implementation of the OECD's global minimum corporate tax, Ireland still remains a strong and appealing destination for MNCs. The country's well-established reputation for offering a business-friendly environment, combined with its evolving focus on sustainability, ensures that it is well-positioned to continue its economic success. While tax reforms may reduce some of Ireland's historical tax advantages, the country's commitment to decarbonization, renewable energy, and sustainable finance opens new doors for investment.

Ireland's proactive approach, highlighted in the IDA's 2021-2024 strategy, shows that the country is not only adapting to these global changes but leveraging them to its benefit. By focusing on green technology, circular economy initiatives, and ESG standards, Ireland is attracting a new generation of MNCs that prioritize sustainability. This shift ensures that Ireland's FDI strategy remains competitive in a rapidly changing global market.

Looking ahead, the future of Ireland's FDI strategy will require addressing historical challenges related to social sustainability and corporate accountability. The end of tax arrangements and increasing scrutiny from the EU and OECD highlight the need for transparent practices and socially responsible investment. As MNCs face growing pressure to demonstrate fair tax contributions and operate with greater transparency, Ireland's ability to balance economic incentives with social sustainability will be crucial to its long-term success.

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