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Asian Investors Look west to Ireland as Gateway for Access to the EU Market

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Dublin's International Financial Services Centre has become one of the leading hedge fund service centres in Europe

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Asian investors are increasingly looking to Ireland as a gateway to sell into Europe, according to global law and advisory firm, The Maples Group.

Despite an EU-China investment deal being put on ice over human rights concerns and Brussels' bid to tighten up its rules on 'green' funds, investors are flocking to the continent and using Ireland as a home base.

Peter Stapleton, the head of funds and investment management for The Maples Group in Dublin, says fintech – especially artificial intelligence (AI) and data technology – is where Ireland can offer Asian investors a unique opportunity.

“There's a very nice potential for the IFSC and what we colloquially call Silicon Docks to merge. That kind of meeting of the fintech space might be a key advantage for Ireland in attracting Chinese investment,” he told the Irish Independent.

“I do believe we're at the very nascent start of that kind of collaboration between those two sectors.”

Chinese investment into the EU has grown more than tenfold in the last decade, with a significant ramp-up in Ireland, although it is still dwarfed by US and UK investment here.

However, four out of China's top five commercial banks have operations in Ireland, as do major tech firms such as media giant Tencent and social network TikTok.

Meanwhile, Ireland-based investment funds account for over 16pc of all EU investment in China, although it is still a very small percentage of Ireland's total outward foreign direct investment (FDI).

The freezing of the EU-China investment deal, signed only last December, hasn't led to any slowdown in deals, Mr Stapleton said, with fund managers just being more careful about monitoring risks.

"We have seen a huge rise in risk and compliance to ensure all of those kinds of regulatory and political risks are factored into the decision-making process," Mr Stapleton said.

"In terms of some deals, it may be that people would put them on hold or be more cautious but in our experience the commercial entities will continue to trade and do work while they await this political uncertainty to resolve itself.

"We certainly haven't seen a slowdown in deals."

Michelle Lloyd, a partner at Maples Group's Hong Kong office, says healthcare is a major growth area for China, with investors looking to raise money in Europe to fund new drugs.

"China is really innovating domestically to cater for the growing middle-class population, to the extent that they want to raise money in Europe for that," she said. "Ireland's new partnership structure is perfect for that initiative."

Last year, the Government introduced a new Investment Limited Partnership, a vehicle for private equity and sustainable investments.

And with new EU standards on green bonds being phased in over the next number of years, Peter Stapleton said it is a good time for investing in environmental, social and governance (ESG)-linked funds.

"I think an awful lot of people are looking at the opportunities in this area and I think the managers are increasingly seeing their investors demand that they have solutions for moving towards net-zero carbon emissions," he said.

"We're seeing a trend emerge where, in the absence of a global harmonised standard, the EU seem to be the furthest progressed and there's a chance that the EU rules become a gold standard.

"The European market is of a sufficient size where people will want to design financial products that they can sell in Europe."

The funds industry in Ireland has had a bumper few years, with almost 15,000 funds under administration in Ireland at the end of 2020, worth a total €5.4tn – an increase in value of more than a quarter since 2018.

The number of funds under administration has grown by almost a third since 2008.

The Maples Group expects continued growth in the industry despite the EU rule changes and a potential global corporate tax deal coming down the line.

"Ireland has moved well beyond that kind of very narrow way to attract companies," Mr Stapleton said about Ireland's 12.5pc corporate tax rate.

"As long as Ireland can remain competitive and we're not undercut with this."

Ireland's "highly developed" ecosystem for multinationals – especially in tech – will continue to attract investment into the country, Mr Stapleton said, despite any changes to corporate tax rules.

"That will probably continue to provide a key attraction for Asian and global investors into Ireland," he said.

Ireland has also seen a significant Brexit bonus, as the largest English-speaking common law jurisdiction left in the EU – including from Asian investors.

"It's very strong growth," Mr Stapleton said.

"Statistically, there might be a greater number of US and UK players in proportionate terms but I think the Asian growth has been amongst the fastest areas for growth post-Brexit."