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Irish & German Economic Links in Perspective

A Fruitful and Dynamic Bilateral Relationship

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Irish & German Economic Links in Perspective: A Fruitful and Dynamic Bilateral Relationship

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Cover Image: Berlin skyline
and Spree river at sunset.



Executive Summary

This study outlines the development of the economic relationship between Ireland and Germany in the last decade, examining the details of a robust partnership through international trade and investment data, a general macroeconomic analysis and a review of relevant press themes.

Macroeconomic aspects

The intensification of Ireland and Germany's bilateral economic integration has been marked by a thriving Irish export economy and a stagnant, yet still robust, German economy. Following Brexit, Irish exports to Germany flourished in the pharmaceutical and chemical sectors, potentially reflecting a deeper intra-EU integration as consequence. In addition, the Irish economy has shown a steady growth rate in real GDP and relatively mild growth of modified gross national income (GNI*), despite the COVID-19 pandemic.

Macroeconomic data elicit a constant trade surplus for Ireland in the last decade, growing sixfold from 2018 to 2023. This indicates that the demand for Ireland's products and services has risen considerably. A fundamental regional driver of this intensification of trade and investment is the federal state (Bundesland) Baden-Württemberg, which imports more than three times the value of Irish goods and services (such as pharmaceuticals, automotive parts, and electronic components) than its regional neighbours. The leading Irish export sectors are consumption and intermediate goods, while capital goods, such as machinery, show a stronger dominance on the German side, explaining a minor Irish deficit in this category since 2013.

With regards to the labour market, both countries portray stable figures and relatively low unemployment rates.

In terms of Foreign Direct Investment (FDI), 2017 marked the beginning of a considerable rise of German investments in Ireland, while the investment flows from Ireland to Germany, though robust, have fluctuated slightly. However, when looking into the number of Irish companies in Germany, the year 2017 also marks the beginning of a rapid increase of companies and new employment.

Irish-German deals and the intensification of a long-term partnership

This long-standing partnership includes the establishment of new ventures that showcase a bilateral success story of integration within the European Union. This is exemplified by Merck's approximate €450 million investments in further infrastructure in Ireland until 2027 as well as the multi-million-euro investment in 2022 of the Warsteiner brewery in the Irish craft brewery Rye River. Similarly, and Hamburg based company Capital Surge have invested around €140 million to establish 20 solar parks in Ireland.

Thematic analysis of Irish and German media from 2016 to January 2024 revealed key discussions on relationships, trade, and investments between the two countries. The economic relationship between Ireland and Germany has demonstrated that both countries benefitted from strong ties with one another. Looking ahead, the future perspectives for this relationship appear promising, as both nations continue to seek opportunities for further cooperation, as exemplified by the energy sector, especially in the field of renewables.



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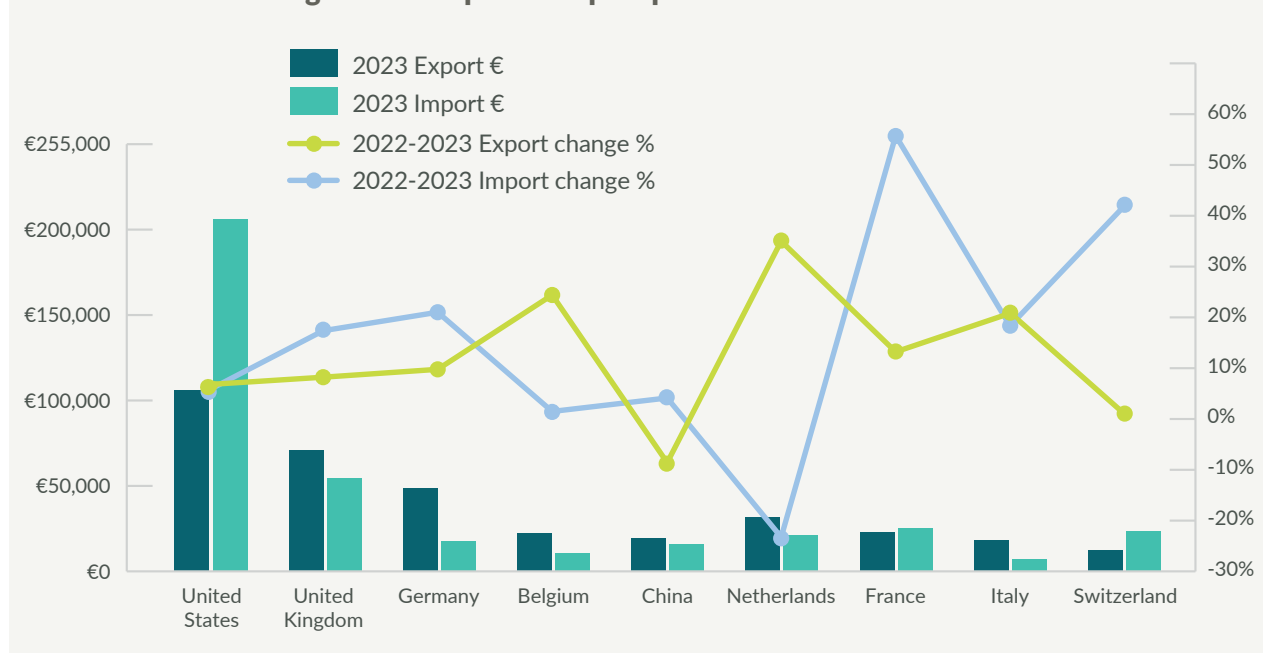
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1. Introduction

In 2023, Germany was Ireland's third largest trading partner in terms of exports, behind the United States and the United Kingdom, accounting for €48.831 billion of trade in goods and services. Germany is one of Ireland's largest trading partners, with a combined two-way trade in goods of over €30 billion. Germany was Ireland's third largest destination for goods exports (€20.1 billion) and fourth largest source of goods imports (€12.2 billion) in 2024. With a combined two-way trade in services of just under €39 billion, Germany was Ireland's third largest destination for services exports (€27.9 billion) and sixth largest source of services imports (€10.9 billion) in 2023. In terms of German imports, Ireland held the 16th position on the list of German trading partners in 2023. The

intensification of trade between Germany and Ireland is reflected primarily in rising Irish exports within a context of further European integration, geopolitical concerns in the EU and beyond, and a thriving Irish economy. On the one hand, Germany has kept a strong position in machinery exports, while Ireland has established itself as a robust partner in consumer goods, with steady increases in trade. Between 2022 and 2023, for example, exports to Germany grew by 15%, reaching €20 billion, while imports from Germany increased by 22%, reaching €8.9 billion. Among the success stories of the bilateral relationship, the agricultural sector and the food industry offer a solid example of successful economic ties and links that have developed between the two countries.

Fig 1. Main export & import partners of Ireland in 2022



Source: Data retrieved from CSO

In terms of economic development, the Irish and German economies have shared similar economic headwinds, shocks, and challenges, while exhibiting some differences in their trajectories. These shocks include the impact of the pandemic, energy costs, and other external and geopolitical factors. Beginning with the 2008/2009 global financial crisis, followed by the United Kingdom's decision to exit the European Union ("Brexit"), and compounded by the Covid-19 pandemic and the conflict resulting from the

Russian invasion of Ukraine, both Ireland and Germany have experienced significant economic disruptions.

The global transition towards more service-oriented economies and the far-reaching consequences of digitalisation in all its forms have necessitated a revaluation of longstanding assumptions regarding international trade and domestic business models. Additionally, rising geopolitical tensions in many parts



of the world have posed risks to the trend of increased global integration that characterised the post-Second World War era that resulted in new institutions such as the IMF and the World Bank, but also in a more delicate global economic system. During this period, Ireland's economy demonstrated higher levels of volatility compared to Germany. After a phase of rapid growth in the 1990s, which earned Ireland the moniker of the "Celtic Tiger", the global financial crisis of 2008/2009 severely impacted the country, with long-lasting consequences. Brexit was expected to be another significant setback for Ireland and its economy. However, the Irish economy weathered this challenge remarkably well given adjustments in customs, high FDI inflows, and further market diversification. Despite optimistic growth prospects in the post-Brexit phase, Ireland has also experienced a challenging economic context, undergoing a recession in 2023. Despite this technical recession there was nearly full employment and exports increased during this period. The overall resilience displayed by the modern Irish economy remains noteworthy, considering the various economic headwinds it has encountered.

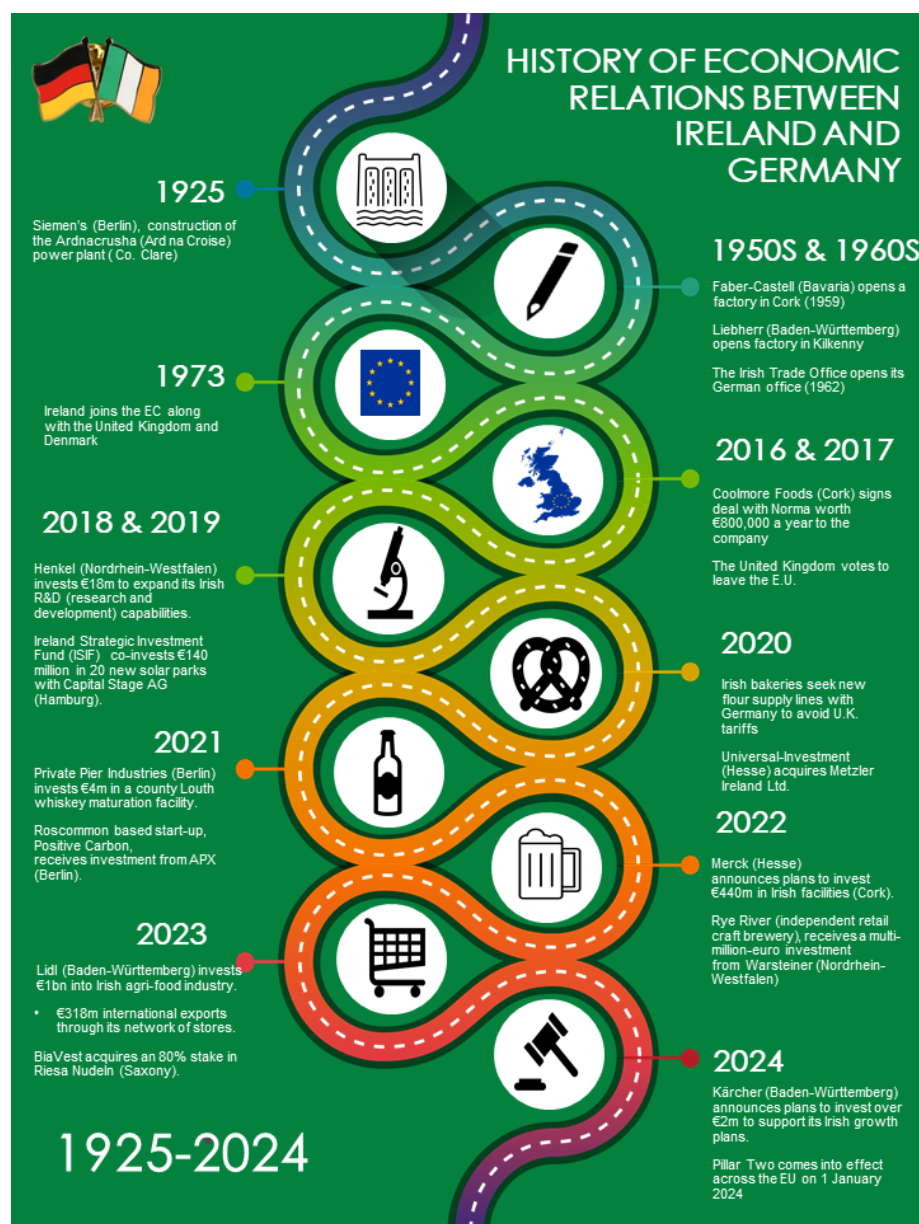
Germany demonstrated a remarkable ability to navigate the consequences of the 2008/2009 economic crisis, leading observers to perceive a transformation from the "sick man of Europe" to "economic superstar." However, in the late 2010s, doubts emerged regarding the German model's capacity to address the challenges posed by a world that can be characterised as post-industrial in certain aspects. These changes raised concerns about the sustainability of Germany's predominantly industry-based economy. As the global landscape increasingly transitions towards a post-industrial era, characterised by a greater emphasis on services and digitalisation, the German model faces scrutiny regarding its adaptability. Germany's industrial policy makers are aiming to simultaneously preserve and support traditional industries, acknowledging the possibility of their decline, while also seeking to channel investments into sectors and technologies of the future such as semiconductors.

The German economic model is facing pressure as it

can no longer depend on affordable energy from Russia, lucrative trade with China, and the security assurances previously provided by the US. Germany's growth lags behind that of other advanced industrial economies, and its recovery post-pandemic and amid the energy crisis has been weaker compared to other European member states. The German economy also has a number of structural weaknesses [bureaucracy, energy prices, taxation, shortage of skilled labour etc.]. This has led to renewed discussions about Germany's economic performance, with some again referring to it as the "sick man of Europe".

The evolving economic environment poses significant potential risks to Germany's traditional industry-focused and export-oriented approach, prompting doubts about the country's ability to sustain its economic growth and prosperity. Moreover, the resulting strains on social cohesion within German society have become increasingly apparent during this period. The evolving dynamics in Germany's economic performance and the accompanying social challenges related to immigration, unemployment subsidies, and general dissatisfaction with government policies have generated discussions and debates about the country's ability to adapt to the changing global landscape and manage the green transition.

Although the trajectories of both the Irish and the German Economy are not always completely in sync, both economies are heavily intertwined and are beneficiaries of the existing exchange within the European Single Market. Companies on both sides access funding from EU programmes such as the €750 billion NextGenerationEU plan, or the Horizon Europe programme. In February 2024, then-Irish Minister for Finance, Michael McGrath, praised the "deep economic ties" between the two countries and described increased cooperation being both in the Irish national interest and the two countries' common European interests. Today, growth in Irish exports is mainly driven by sales in pharmaceutical and chemical products, machinery and further manufactured goods, especially in the food and plastic industry. In 2023, Irish exports to the European Union amounted to over €81 billion representing 41% of total exports, compared



to only €48 billion in imports, which amount to 34%. In the case of Germany, 54.2% of its exports went to the European Union, amounting to €847.3 billion, while 52.4% of its imports came from EU countries, amounting to €709.9 billion. In the following sections, the economic ties between Ireland and Germany will be analysed in more detail. The main observation period is the period spanning from the mid-2010s to 2022 with some more recent data included where available. For the balance

of trade analysis, data was retrieved from the German Federal Statistics Office and the Bundesbank. The data for national accounts was retrieved from the Central Statistics Office (CSO) for Ireland and from the Federal Statistical Office for Germany. For a detailed description on sources and the methodology used in this report, see Appendix 1.



2. Macroeconomic context

2.1. SIZE AND GROWTH OF THE ECONOMIES

The macroeconomic landscape of Ireland from 2017 to 2022 underwent substantial developments. Most notably was a surge in real GDP from €309 billion to €475 billion, reflecting a 53% growth. This expansion of the country's economic prowess shows the resilience

and dynamism of Ireland's economy after the recovery from the consequences of the post-2008 economic downturn. However, a more nuanced view is revealed by the modified GNI, GNI*, which portrays a more realistic picture.

THE DIFFERENCE BETWEEN GDP, GNI, AND GNI*

There are different ways to measure the size of a country's economy.

While most international comparisons are done with the Gross Domestic Product (GDP) or the Gross National Income (GNI), domestically Ireland also employs a specific de-globalised measure of national income called Modified Gross National Income or GNI*.

GDP measures the value of goods and services that are produced within national borders in a given time frame (for example, during a year or a quarter). While there are different methods used to calculate it, the 'expenditure' method is an international standard that looks at the total sum that actors in the economy have spent (consumption, public and private investments, etc.).

GNI measures the total income generated by residents of a country, both nationally and internationally. GNI includes GDP, when measured using the income method, plus the income derived from activities abroad of the country's residents.

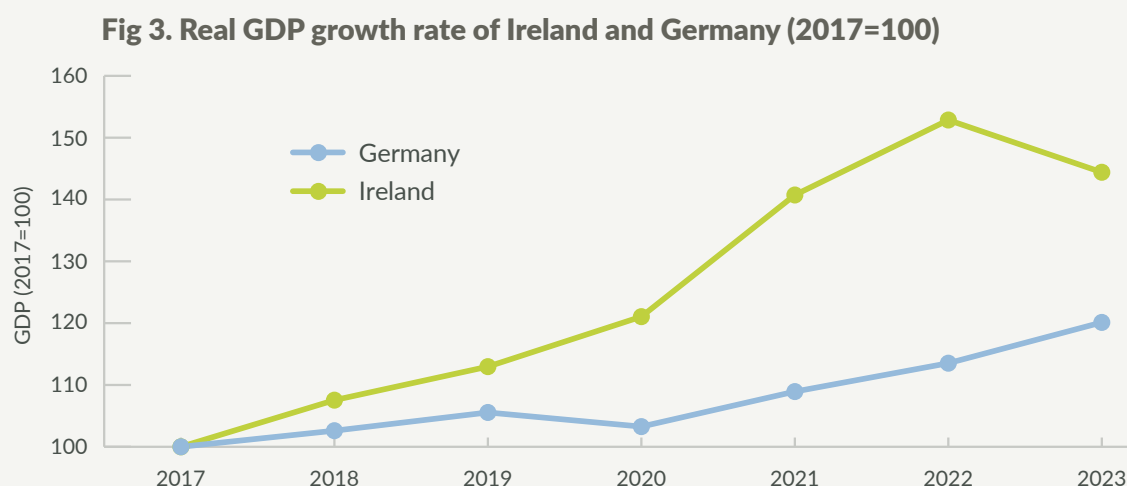
GNI* was introduced in Ireland to better reflect the activity of the domestic economy and the wealth accruing to those resident there.

GNI* eliminates the depreciation of Intellectual Property (IP) and leased aircraft assets, as well as the income of re-domiciled Public Limited Companies (PLCs). Retained earnings of re-domiciled firms do not accrue to Irish residents. In the case of the depreciation of both aircraft owned by leasing companies and valuable IP, the cost of this depreciation is borne by foreign shareholders. Irish residents therefore do not directly benefit from the value of these assets.

For example, in 2022, Irish GNI* represented 73.9% of the standard GNI (CSO, 2024). This disparity shows the size of the effect of the activities of multinational companies in Ireland, as Ireland has one of the highest levels of FDI of any country in the world.

Despite impressive economic growth, there are indications of challenges: GNI* experienced a decrease in 2020, the initial year of the pandemic, leading to a reduction in its share of standard GNI from 64% to 52.4% over the observation period. In contrast, the macroeconomic situation in Germany presents a more

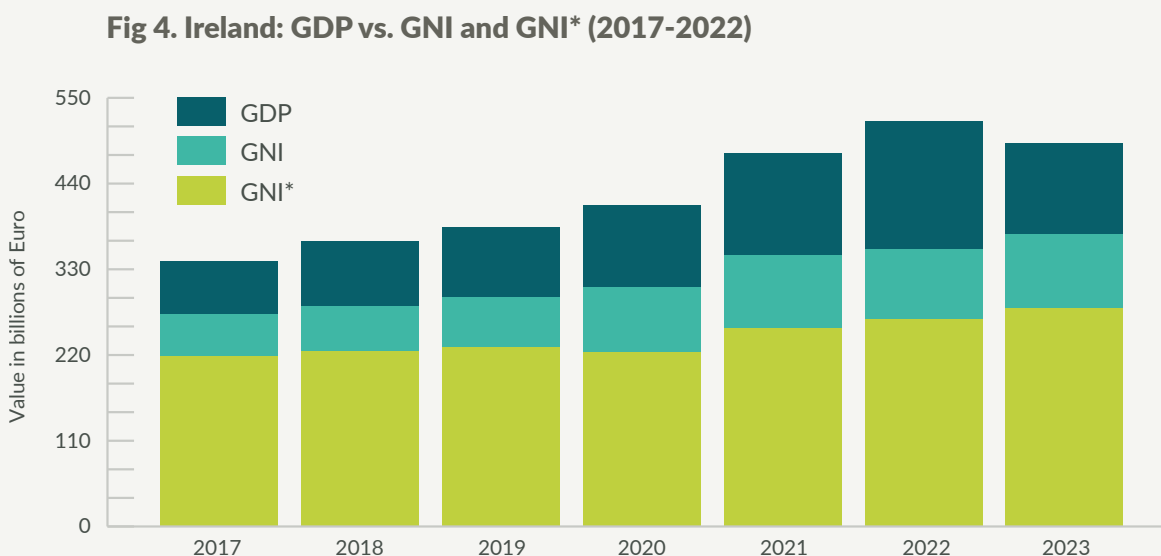
sombre outlook, reflecting ongoing challenges within the German economy. Unlike Ireland, Germany's real GDP growth was considerably slower, amounting to a mere 3% from 2017 to 2022. The German economy recovered from the pandemic slump only in 2022, whereas the Irish real GDP grew by 15% between 2020 and 2021.



Source: Data retrieved from Statistisches Bundesamt / CSO

This study compares GNI* against German GNI, as it is a better measure of the domestic Irish economy and economic growth thereby allowing the highest degree of comparability. At regional levels, nominal GVA and nominal GDP are reported for Ireland and Germany respectively. (Nominal) GNI* and GNI offer a more intricate portrayal of the economic impact of COVID-19 in both countries respectively, revealing a negative effect of similar magnitude (-3.5% for Ireland and -2.86% for Germany).

Despite this, for Ireland, the pandemic-induced downturn represented only a minor deviation in terms of its economic growth figures. The years immediately following the onset of COVID-19 in Europe demonstrate the robustness of the Irish economy, with GNI* exhibiting a growth rate that doubled that of Germany (14.9% vs. 7.3% in 2021, and 17% vs. 7.2% in 2022). Despite the implementation of lockdowns and strained supply chains, Ireland's economic growth was not significantly impacted by the pandemic. Conversely, the relative impact of COVID-19 on Germany was more pronounced.



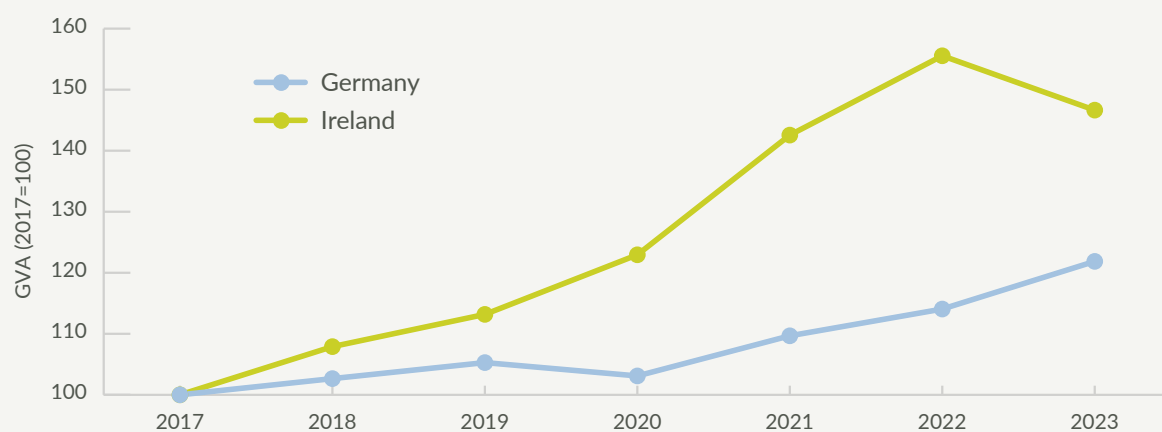
Source: Data retrieved from CSO



A similar pattern to the real GDP development is evident when examining the GVA growth rate. Ireland's economy experienced substantial growth during the pandemic, while Germany's growth essentially stagnated. Following the onset of COVID-19, Germany's recovery was notably sluggish, with Ireland exhibiting nearly five times faster real growth in 2021 (14.8% vs. 3.3%) and almost six times faster growth in 2022 (9.9% vs. 1.7%). The reasons for this (comparatively) slower German growth include the impact of the energy transition and high energy prices,

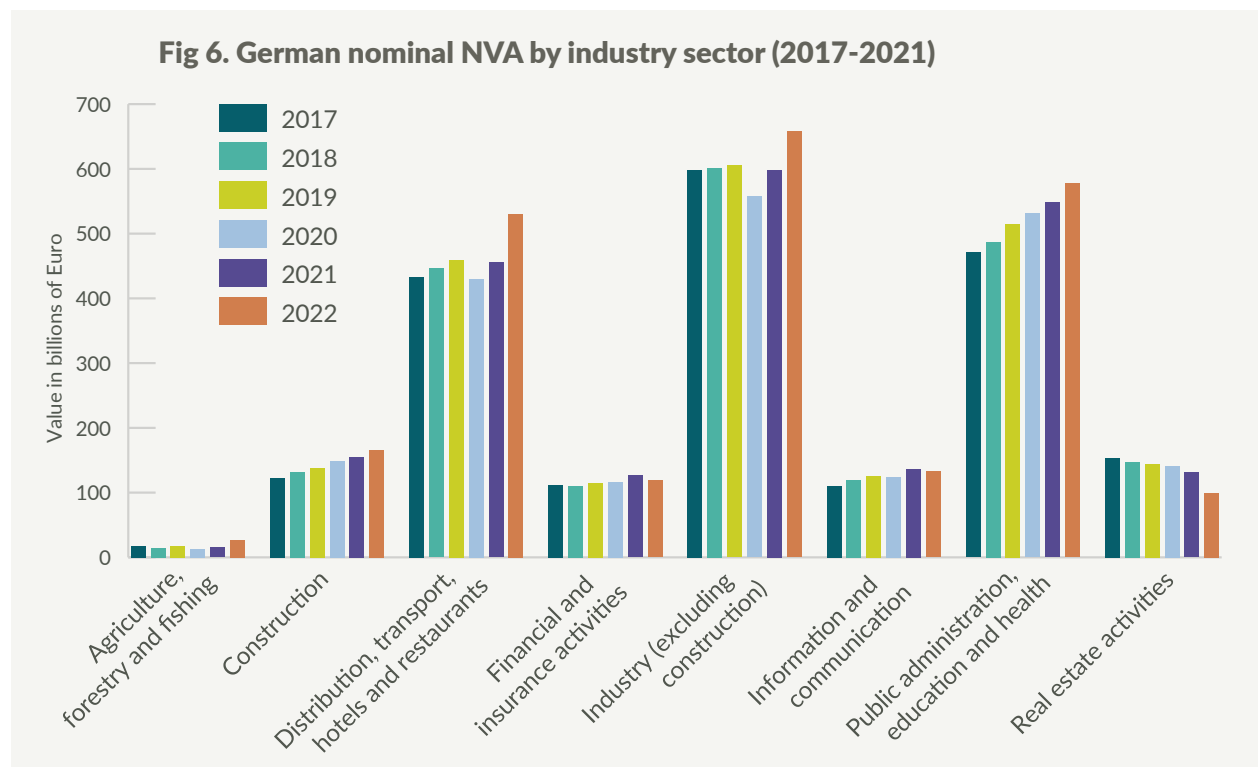
supply chain bottlenecks, and external factors such as the Russian invasion of Ukraine. For Ireland, the reasons for its remarkable growth during the pandemic include its robust and diversified economic structure, which includes multinational corporations (MNCs) that benefitted overall from an intensified digitalisation. At the same time, the Irish economy is home to pharmaceutical companies that produce, among others, vaccines and medical supplies, catering to the surge in demand for pharmaceuticals and technologies.

Fig 5. Real GVA growth rate for Ireland and Germany (2017=100)



On a sectoral basis, industry emerged as the largest sector in Germany, with GVA amounting to €806.8 billion and Net Value Added (NVA – the value of the final product or service minus the value of its inputs and depreciation) reaching €642.81 billion in 2021. Public administration played a significant role in the German economy, ranking second in size after the industry when measured in nominal GVA. Construction, Financial and Insurance Activities, Information and Communication,

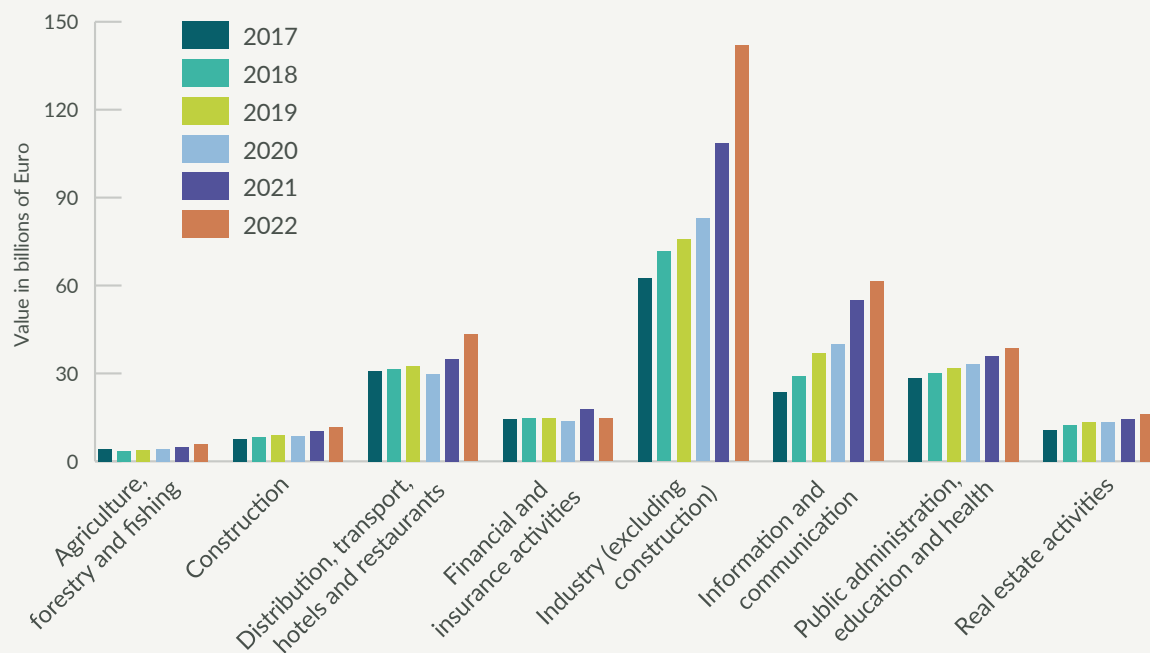
and Public Administration experienced steady growth in NVA throughout the observation period, albeit at relatively modest rates. In contrast, the more dynamic Irish economy featured a comparatively smaller Public Administration sector when measured in GVA. On the other hand, while GVA declined slightly for Ireland between 2022 and 2023, it continued its relatively slow growth momentum in Germany.



Source: Data retrieved from Statistisches Bundesamt. Note that this graph shows the value in billions of EUR of the German NVA by sector, with each column representing the contribution of each respective industry

While the various sectors in Germany have demonstrated only minor growth overall, the Irish sectors have exhibited more rapid expansion. The NVA of the largest sector, Industry, notably increased by approximately 76% from 2017 to 2021, rising from €60.4 billion to €106.25 billion. The strategically important Information and Communication sector has emerged as the second-largest sector of the Irish economy since 2020 – in Germany, it

barely ranks within the top 5. In Ireland, the Information and Communication sector more than doubled in size during the observation period, soaring from €22.9 billion to €52 billion, demonstrating a strong, consistent increase. As seen in Figure 7, the NVA of the largest sector for Ireland is represented by Industry (excluding construction), with significant steady increases from 2017 to 2022.

**Fig 7. Ireland nominal NVA by industry sector (2017-2021)**

Source: Data retrieved from CSO. Note that this graph shows the value in billions of EUR of the Irish NVA by sector, with each column representing the contribution of each respective industry

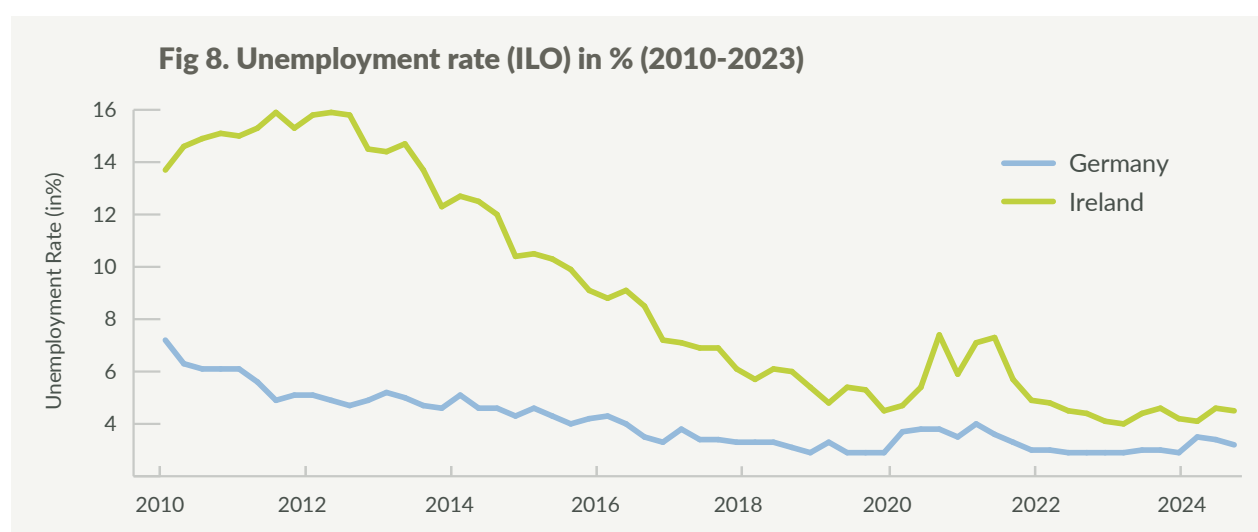
The economic structure of Germany and Ireland exhibit distinct characteristics. In Germany, GVA and NVA are predominantly influenced by the Industry, Public Administration, and Distribution (involving logistics and transportation) sectors. The incomplete level of digitalisation in German public administration is a subject of ongoing discussion and concern. Similarly, there is a noted underutilisation of the potential for digitalisation and AI within German industry. Additionally, it has been observed that Irish companies tend to adopt more general use and all-purpose technologies compared to their German counterparts. Conversely, the Irish economy

is characterised by a larger share of Industry, with Distribution not featuring among the top three sectors. Public Administration, while being the second largest sector in Germany, ranks third in Ireland, surpassed by the Information and Communication sector. The Agriculture sector in Ireland, the country's largest indigenous sector, holds a slightly larger share, at 2% of NVA, compared to 1% in Germany. The Construction sector in Ireland is half the size of its German counterpart, yet the Real Estate sector maintains equivalent proportions in both countries. The Financial sector in both countries shares identical proportions in terms of GVA and NVA.

2.2. THE LABOUR MARKET

Germany has exhibited lower unemployment rates compared to Ireland in the years following the global financial crisis of 2008/2009. However, Ireland has made significant progress in reducing its unemployment levels, particularly in the last decade following the hit on employment during the European sovereign debt crisis. Between 2010 and 2023, Ireland structurally decreased its unemployment rate, which had peaked at almost 15.9% in Q2 2012. This change was mainly driven by increasing levels of FDI, several labour market reforms

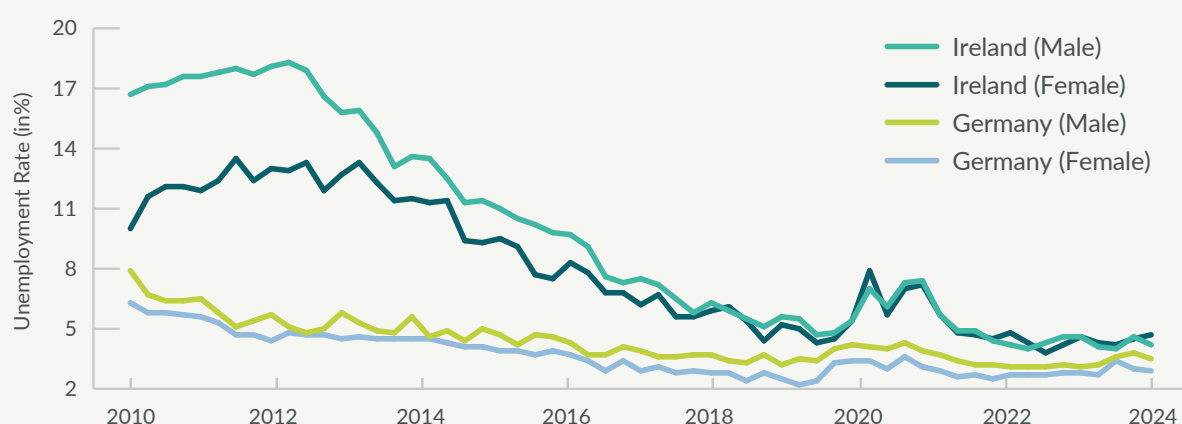
intended to enhance flexibility, and concrete support to businesses through grants. During the same period, Germany maintained a comparatively low unemployment rate of 4.9%. This rate is effectively full employment in Ireland. Although both countries experienced a peak in unemployment during the pandemic, with Ireland reaching 7.3% and Germany reaching 4%, they have since returned to pre-pandemic levels (2.9% in 2019 and 3% in 2024 for Germany; 4.5% in 2019 and 4.5% in 2024 for Ireland).



Source: Data retrieved from Statistisches Bundesamt / CSO / ILO

When examining unemployment rates by gender, it is evident that male unemployment tends to be higher in both countries, with Germany showing a particularly seasonal pattern. The gender gap in unemployment has decreased in both countries, with the difference being

higher and relatively constant in Germany. Notably, the COVID-19 shock disproportionately affected female unemployment, especially in Ireland, where the female unemployment rate rose from 4.3% to 7.9% between Q4 2019 and Q3 2020.

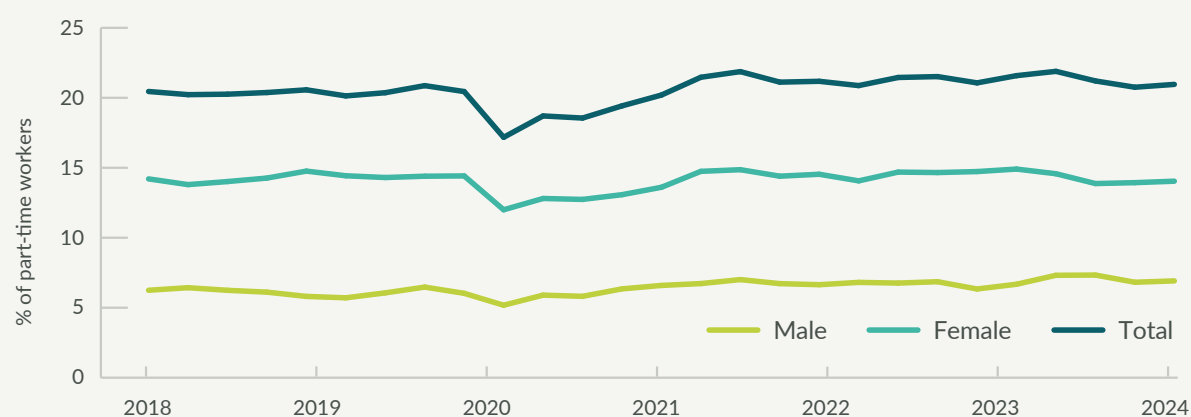
**Fig 9. Unemployment rate (ILO) by gender in % (2010-2023)**

Source: Data retrieved from Statistisches Bundesamt / CSO / ILO

2.2.1. PART-TIME WORK

As seen in the next figure, the percentage of part-time workers in the Irish workforce has remained stable at around 20%, with a higher proportion of female employees working part-time, especially those with

children aged 6 years old or younger. Specifically, 71.5% of employed women with young children work part-time, compared to only 8% of men.

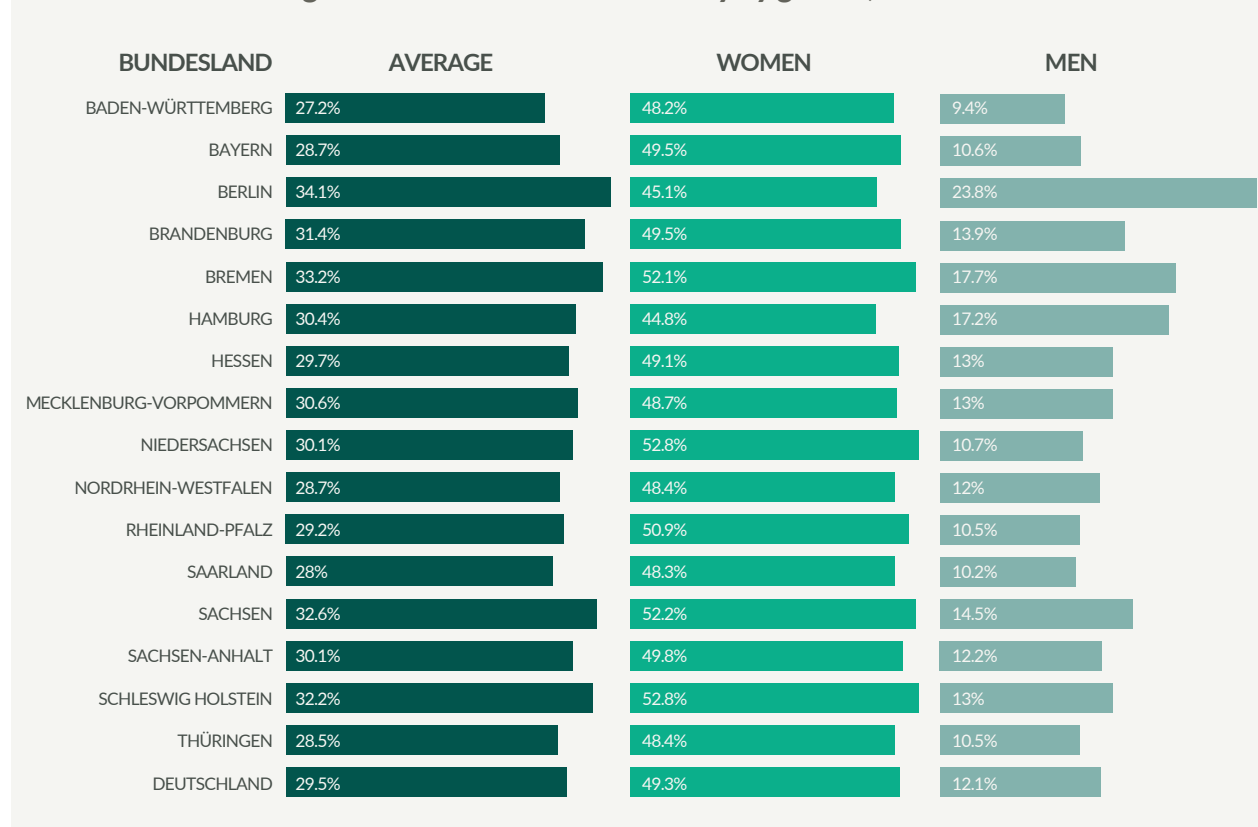
Fig 10. Percentage of part-time workers in total workforce in Ireland

Source: Data retrieved from CSO

In the case of Germany, the level of part-time work is considerably high amongst women, on average over 50%. Beyond the childcare incentives available and the high taxation levels, the explanation may also be related to migration, a topic which is being actively discussed in the country. As the next figure shows, in the case of men, the

average level of part-time employment is 11%, although one outlier among the states influences this result: Berlin. In 2022, 23% of men belonging to the labour force worked part-time, against 45% of women. This shows that Berlin displays the lowest levels of disparity in the category of part-time work.

Fig 11. Part-time work in Germany by gender, 2022



Source: Bundesministerium für Familie, Senioren, Frauen und Jugend (2024)

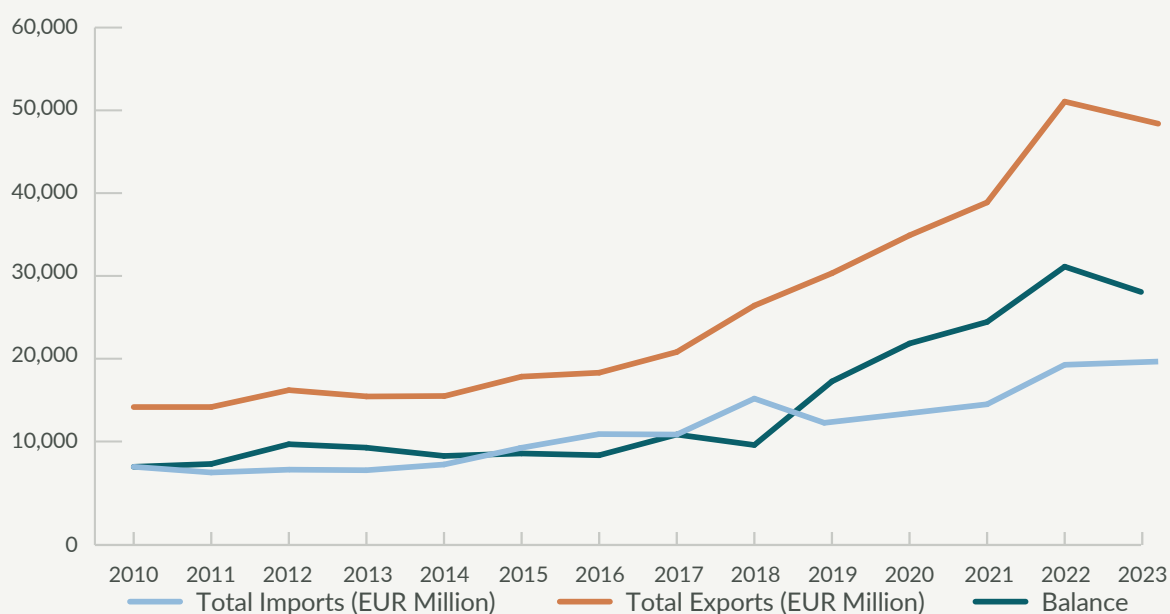


3. Bilateral trade relationship

Ireland has maintained a positive balance of trade with Germany in the last 15 years. During the period from 2010 to 2018, Ireland's balance of trade increased from €7.2 billion to €9.9 billion in goods and services, following the 2008/2009 global financial crisis. The growth in trade balance has been continuous with the trend continued in

2022, slowing down in 2023 with a trade surplus of €28.5 billion in goods and services for Ireland. With respect to trade in goods, the balance declined from €14.7 billion in 2022 to €7.9 billion in 2024, while the balance of trade in services has seen an almost uninterrupted growth from 2010 to 2024.

Fig 12. Balance of trade between Ireland and Germany, Irish perspective (2010-2023)



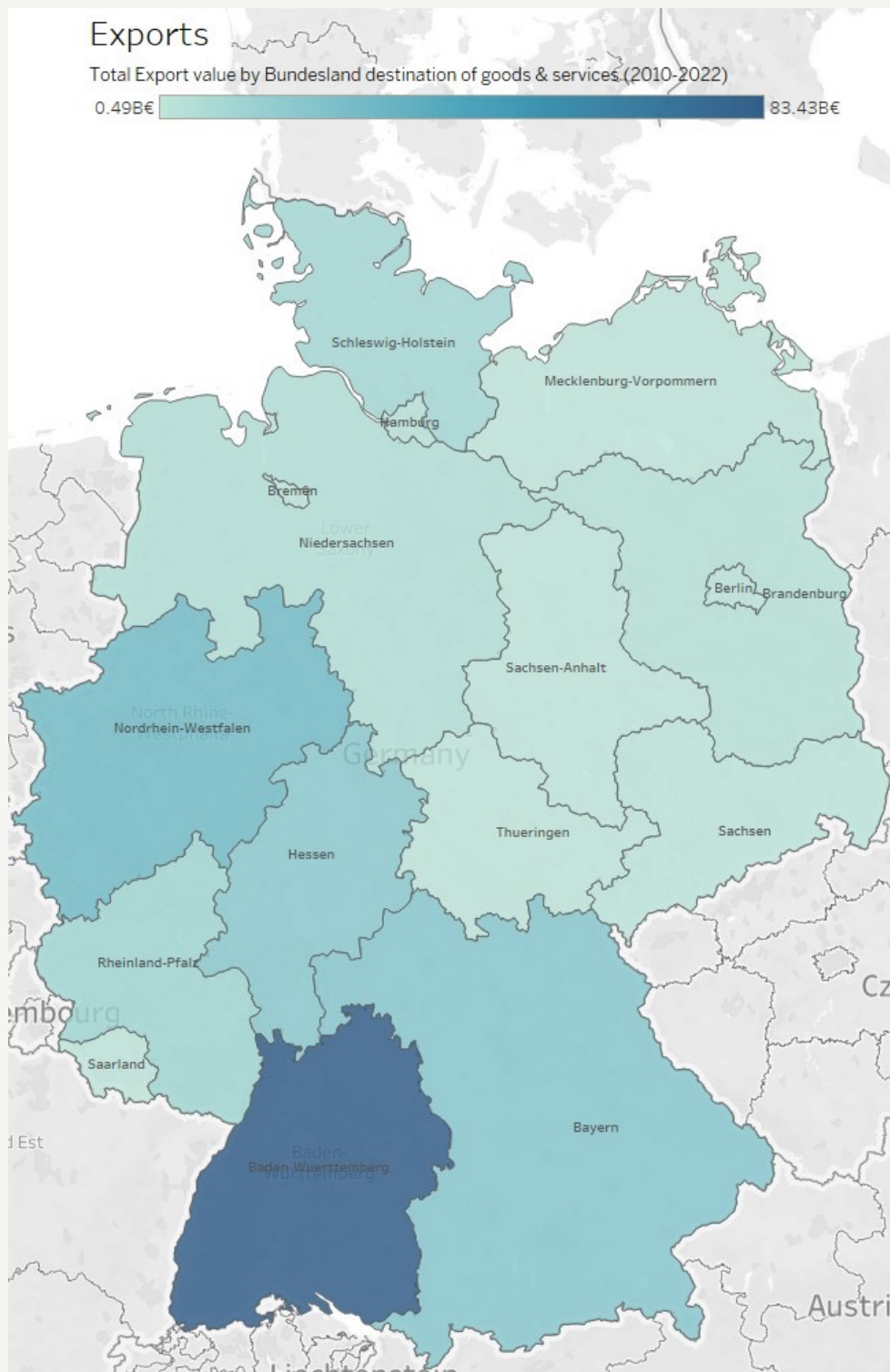
Source: Data retrieved from CSO

This trend does not follow a homogeneous regional pattern, as several regional champions, most notable the state of Baden-Württemberg, account more decisively for the intensification of bilateral trade. The following two

maps summarise and portray the total value of exports and imports by individual federal state (Bundesland), showcasing how Baden Württemberg is the number one state partner in both directions.



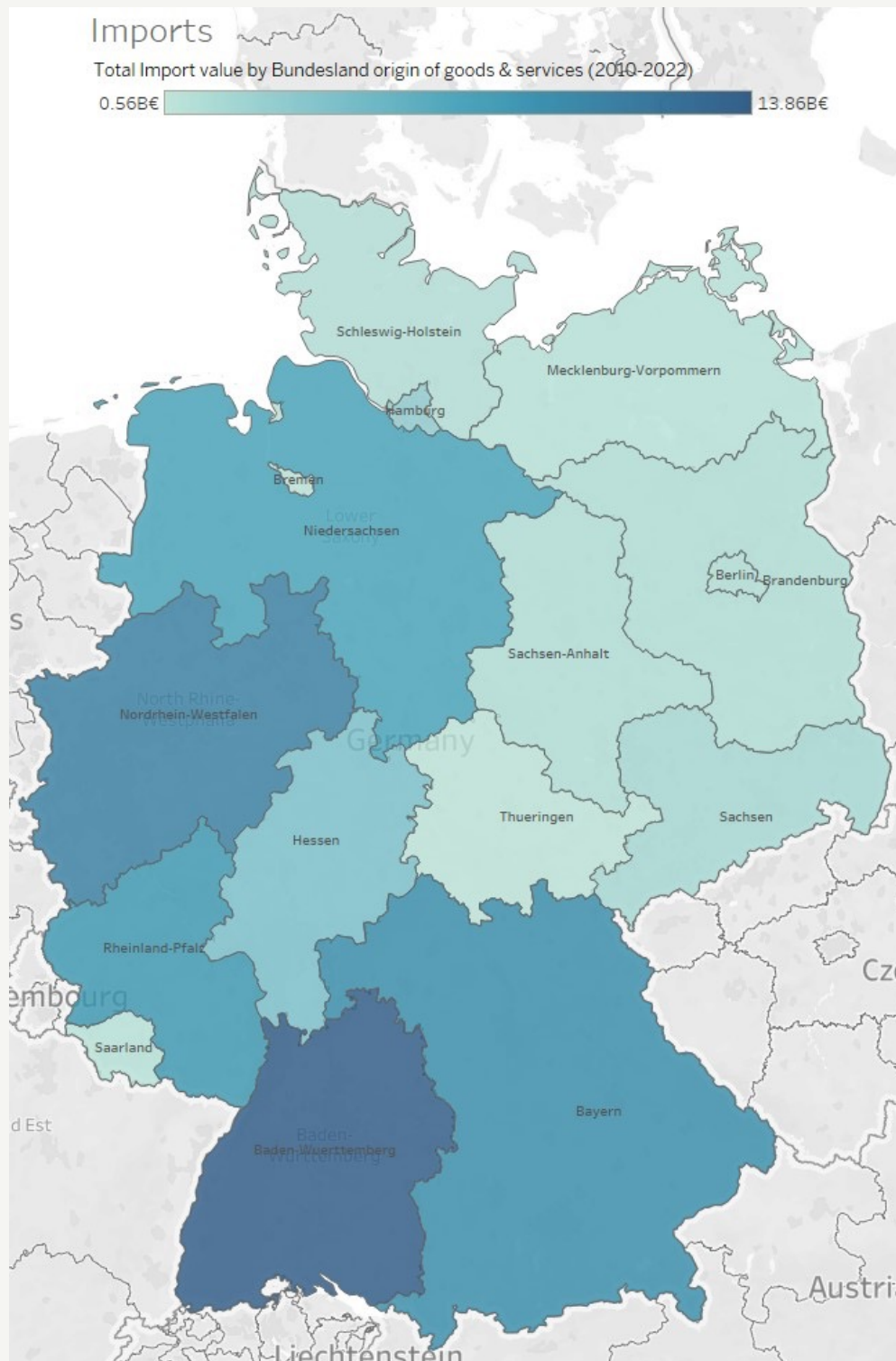
Image 1: Map of exports to Germany



Source: Data retrieved from Statistisches Bundesamt / CSO



Image 2: Map of imports from Germany



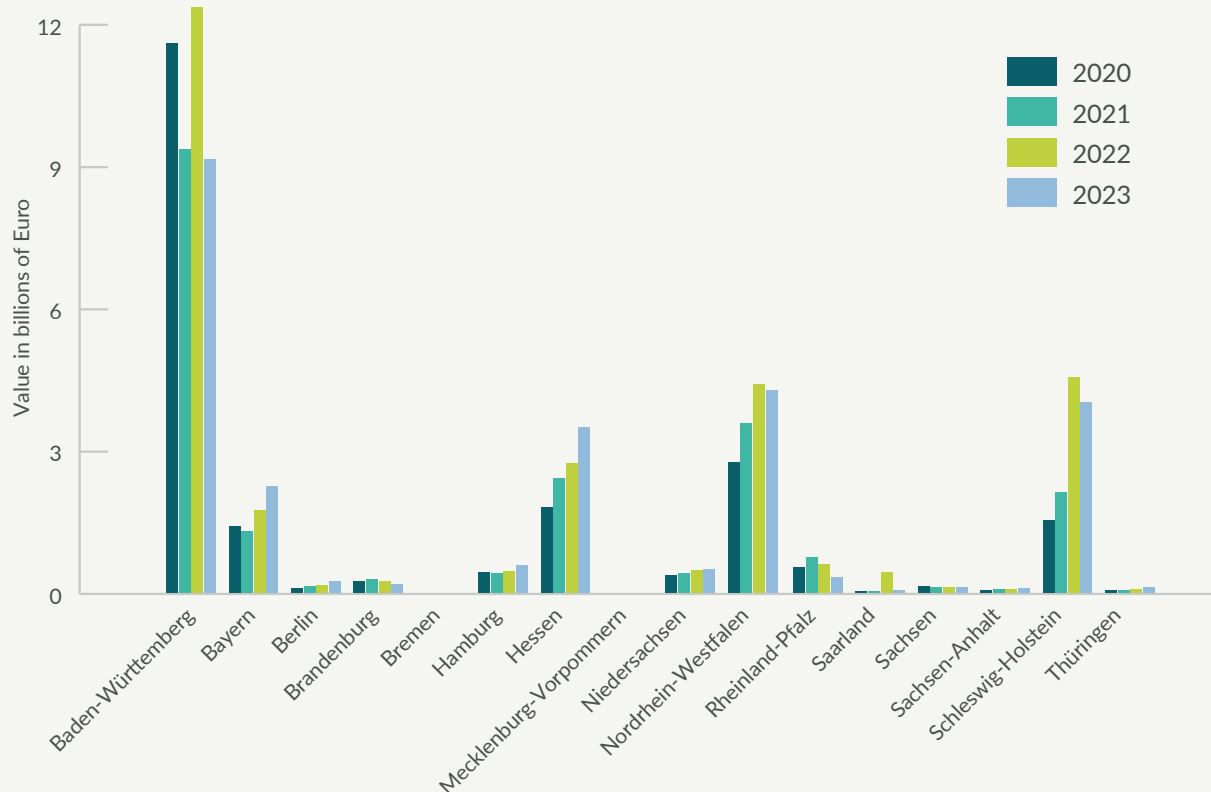
Source: Data retrieved from Statistisches Bundesamt / CSO

3.1. BALANCE OF TRADE BY BUNDESLAND

A 2018 report by the Irish Embassy in Berlin recommended that Ireland should recognise the highly federal nature of Germany by considering it as “sixteen Germanys” rather than a single unit. This notion is supported by the significant variations in trade numbers among the different federal states of Germany. In 2022, the primary destinations for Irish exports of goods were Baden-Württemberg (€12.2 billion), Schleswig-Holstein

(€4.4 billion), North Rhine-Westphalia (€4.3 billion), and Hesse (€2.7 billion). Other states, particularly those that were part of former East Germany, such as Saxony, Saxony-Anhalt, Mecklenburg-Western Pomerania, and Brandenburg, played a relatively insignificant role. Notably, there was a consistent growth in Irish exports to Hesse, Lower Saxony, North Rhine-Westphalia, and Schleswig-Holstein, with a noticeable increase in 2022.

Fig 13. Irish exports to Germany by Bundesland (2020-2022)



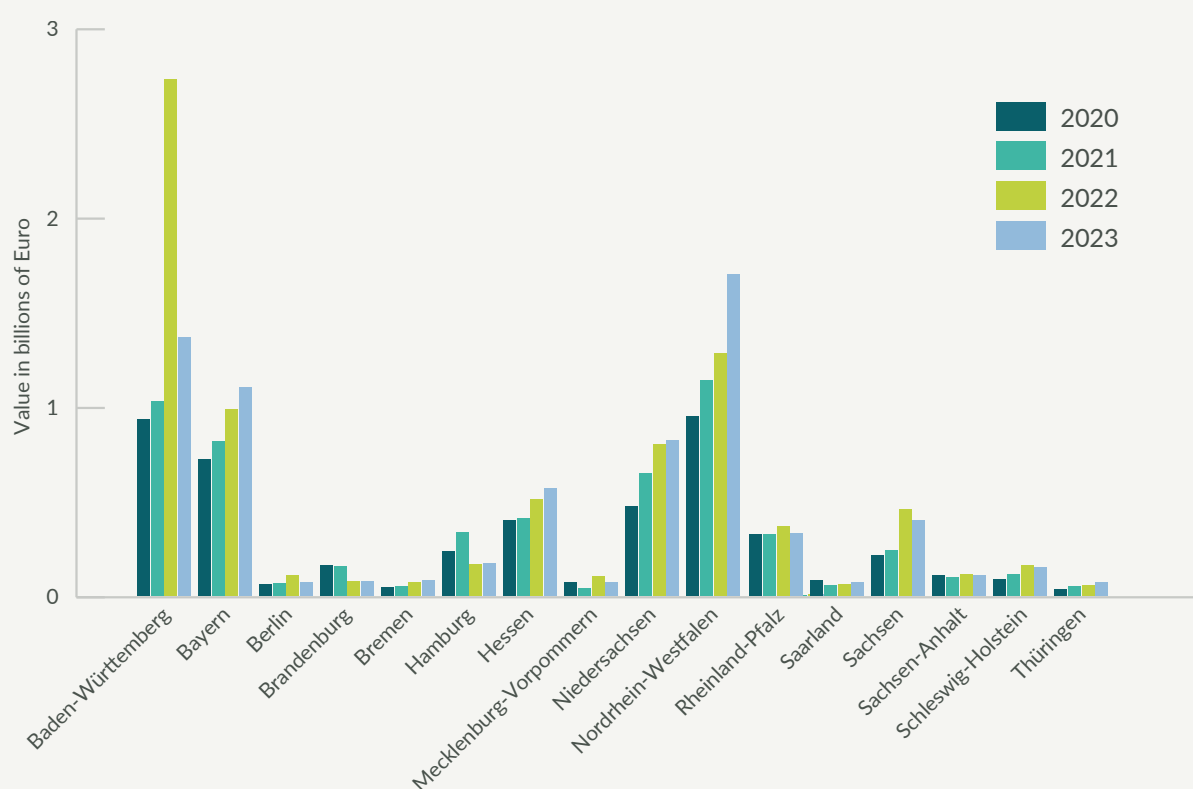
Source: Data retrieved from Statistisches Bundesamt / CSO



The imports to Ireland from Germany show a very similar view. The primary sources of imports from Germany were Baden-Württemberg (€2.73 billion), North Rhine-Westphalia (€1.28 billion), Bavaria (€0.99 billion), and Lower Saxony (€0.8 billion). Notably, exports from Baden-Württemberg to Ireland doubled between 2021 and 2022, warranting further investigation about

concrete industry drivers and the specific role of the pharmaceutical industry during the pandemic. There was also significant export growth from other states characterised by having a robust industrial sector, including Bavaria, Lower Saxony, North Rhine-Westphalia, and Saxony.

Fig 14. Irish imports from Germany by Bundesland 2020-2022

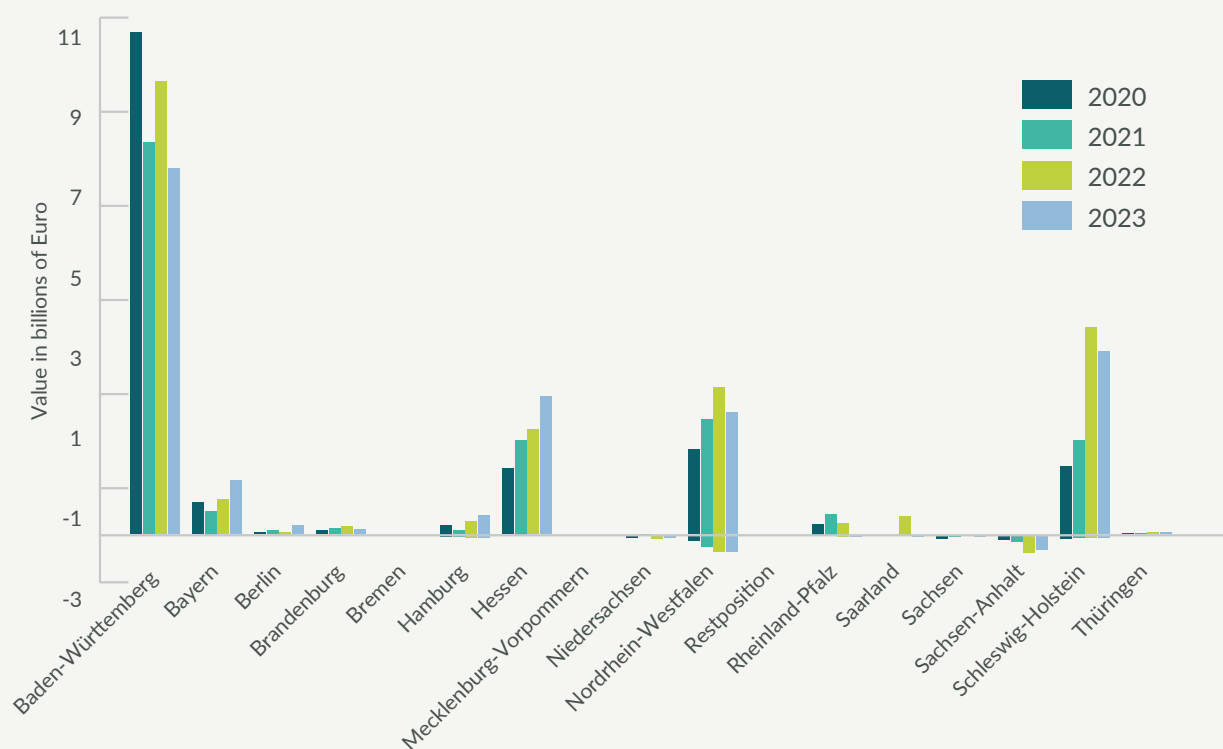


Source: Data retrieved from Statistisches Bundesamt / CSO

Baden-Württemberg, Schleswig-Holstein, North-Rhine Westphalia, and Hessen are the states with which Ireland has the highest Balance of Trade (BoT) surpluses in goods. This trend aligns with the overall BoT tendencies, as Ireland maintains a surplus against all Bundesländer except five: Saxony-Anhalt (-€0.036 billion), Mecklenburg-Western Pomerania (-€0.06 billion), Bremen (-€0.2 billion), Lower Saxony (-€0.33 billion), and Saxony (-€0.35 billion). It is worth noting that three out of these five states are from former East Germany. However, the deficits in these cases are of negligible

magnitude. On average, those states have lower wealth and less industrial activity compared to their counterparts from former West Germany. The reversal in the Irish BoT since 2018 can be primarily attributed to increased exports to Baden-Württemberg (for example medical devices, specialised chemical products, vaccines, alcoholic beverages, cheese, butter, and further products and services), which experienced a threefold growth between 2018 and 2022, as well as to Schleswig-Holstein, which saw an increase from €0.07 billion to €4.4 billion.

Fig 15. Balance of trade by Bundesland (2020-2022)



Source: Data retrieved from Statistisches Bundesamt / CSO

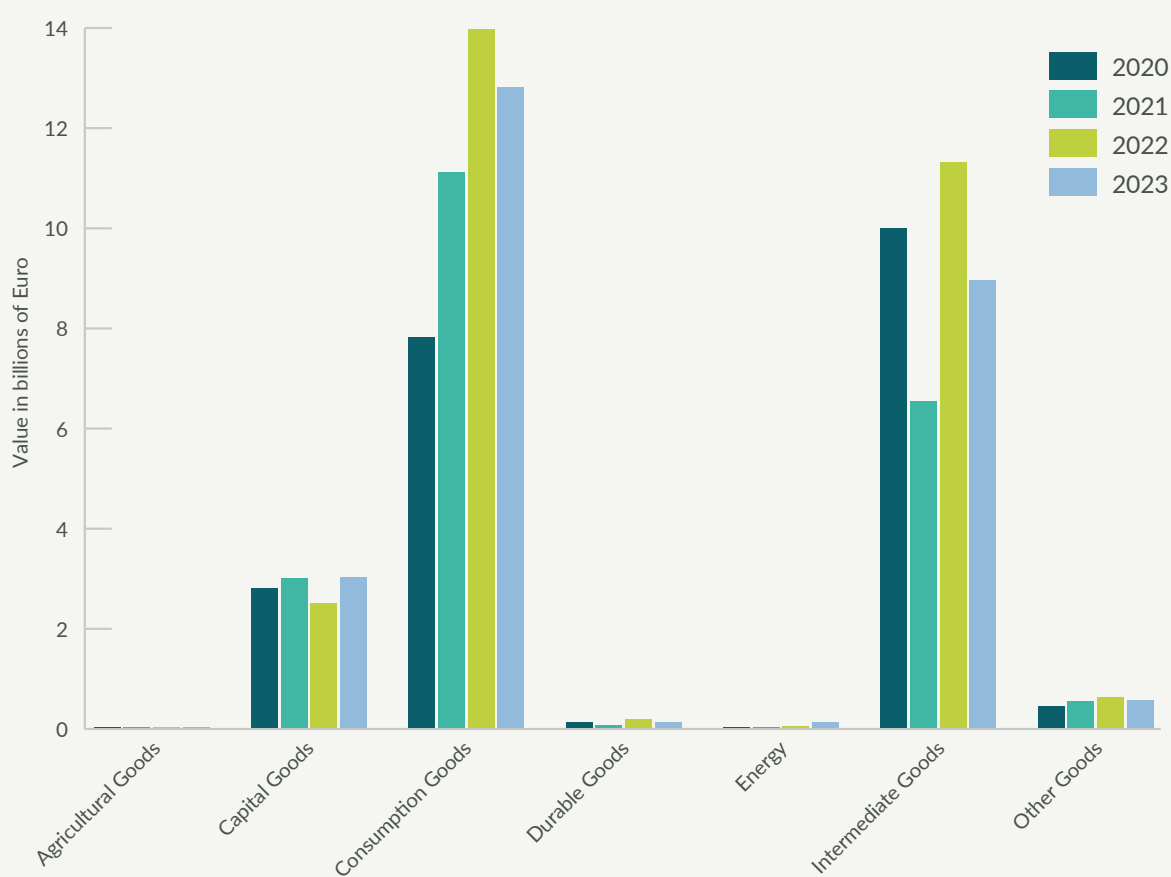


3.2. BALANCE OF TRADE BY MAIN INDUSTRIAL GROUPINGS

Irish exports to Germany are primarily concentrated in the categories of consumption goods, (for example, toothpaste, manufactured food products), intermediate goods (for example, industrial inputs such as glass, wood, steel), and capital goods (for example, heavy machinery). In 2021, consumption goods surpassed intermediate

goods and further solidified their position as the category with the highest exports in 2022, reaching a value of €13.95 billion, which declined slightly in 2023 to approximately €12.6 billion. On the other hand, exports of capital goods are comparatively smaller, amounting to only €2.7 billion in 2023.

Fig 16. Irish exports to Germany by industrial grouping (2020-2022)

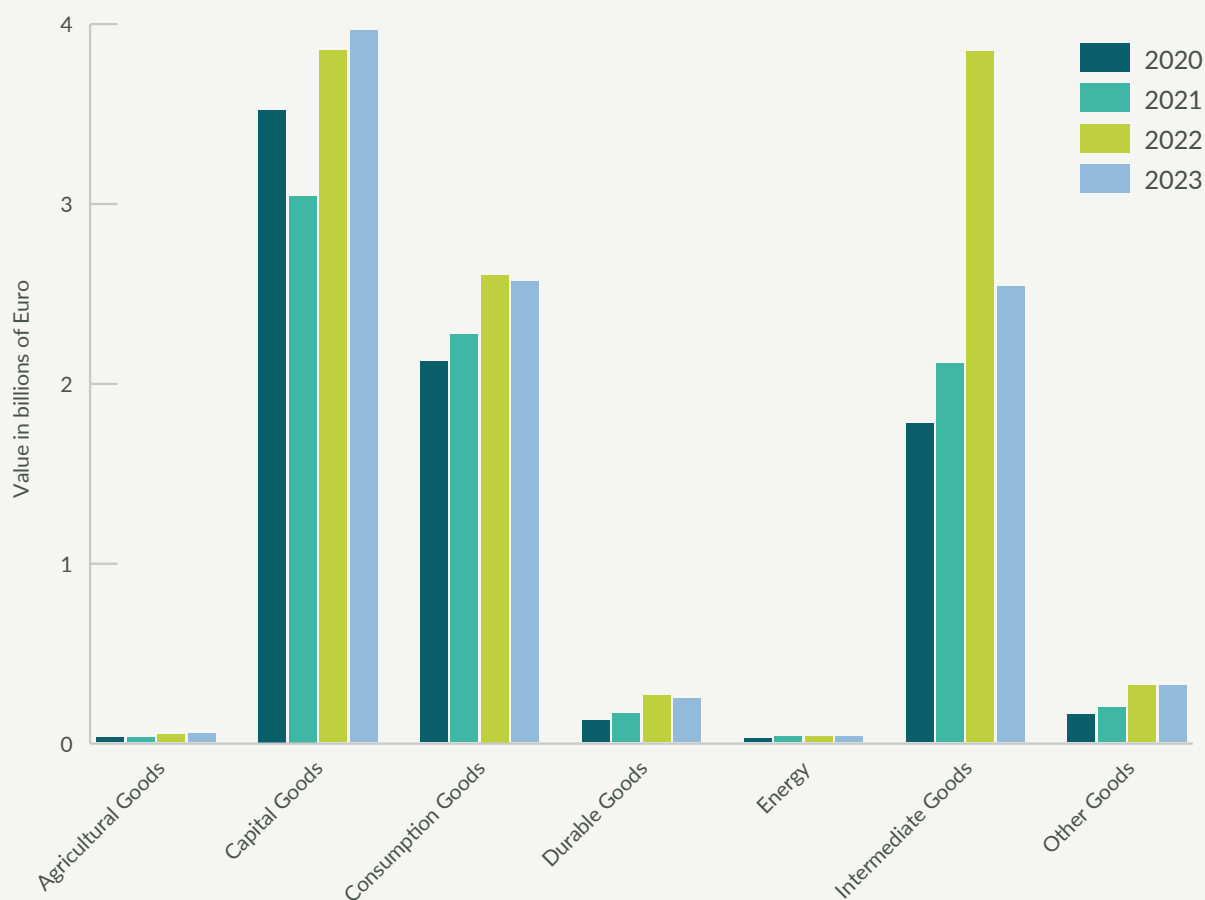


Source: Data retrieved from Statistisches Bundesamt / CSO

When it comes to imports from Germany, the top three categories remain the same, but capital goods are tied for first with intermediate goods, both valued at €3.843 billion. Ireland maintains a surplus in all categories except for capital goods, which has been in a deficit since 2013. This shows that the structural strength that the German economy has built over centuries remains tied to, among other things, the production of machinery. Meanwhile, Ireland seems to be gaining a competitive advantage in consumer goods compared to Germany. The latter points

to the classic idea of trade specialisation, as theorised by economists Adam Smith and, later, David Ricardo. While their theories have been revised and surely do not reflect the complexity of today's economies, Germany's strength in capital goods and Ireland's growing role in consumer goods hints to a certain degree of specialisation. This specialisation is not absolute: Ireland continues to produce capital goods, and Germany is also a strong producer of consumer goods.

Fig 17. Irish imports from Germany by industrial grouping (2020-2022)

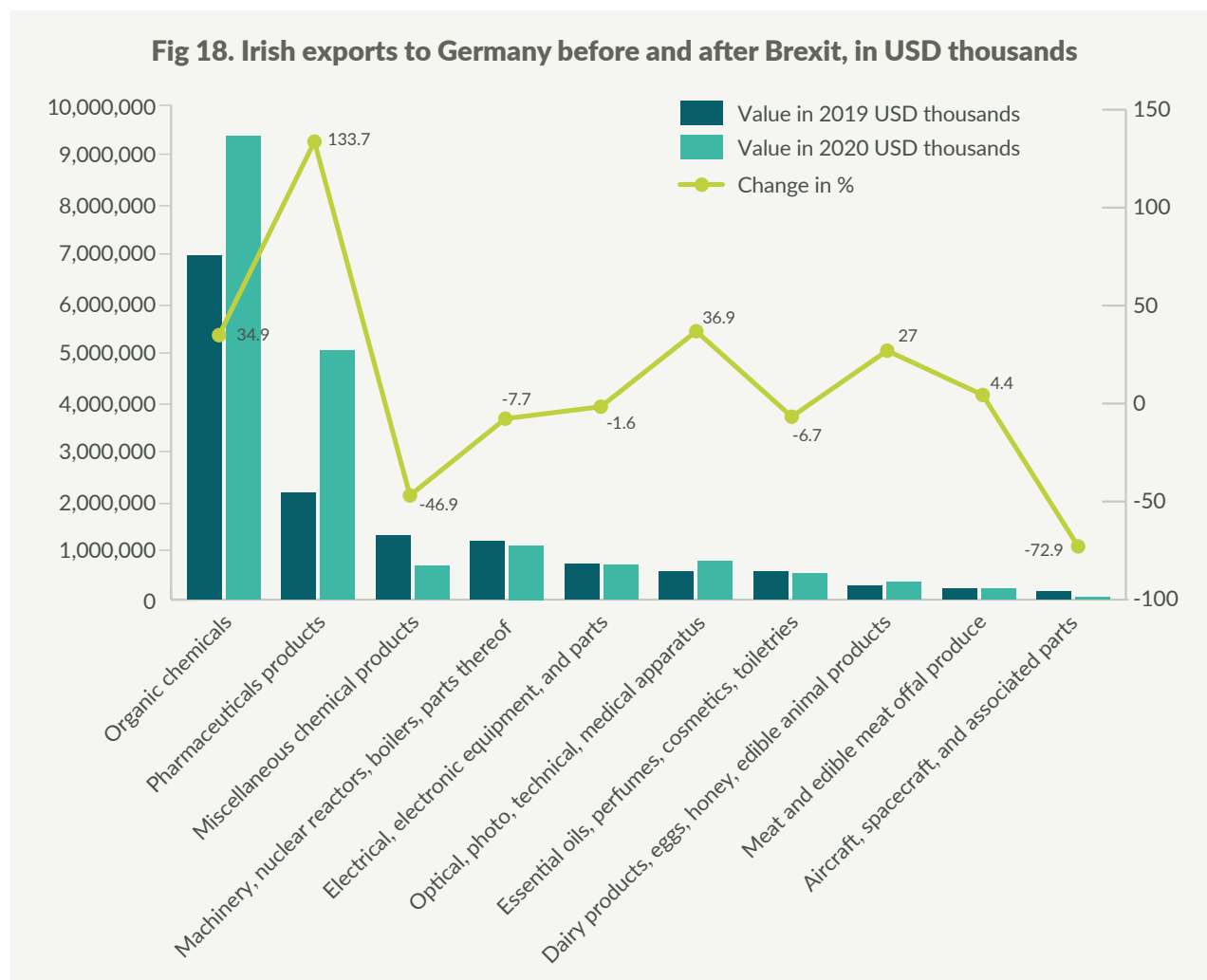


Source: Data retrieved from Statistisches Bundesamt / CSO



The reversal observed in the overall balance of trade in 2018, as mentioned in section 1.1, can be primarily attributed to the increased exports of consumption and intermediate goods between 2017 and 2018. This trend may be explained by Germany's economic growth during this period and the uncertainty surrounding Brexit, making Ireland a solid partner that already enjoyed a strong supply chain integration in several sectors, for example, pharma. The next figure depicts

the top categories of Irish export goods to Germany between 2019 and 2020, signalling important changes in pharmaceutical products, organic chemicals, cosmetics, and dairy and other food products, among others. While the figure shows a short-term variation, it is not enough to convey a complete picture of the Brexit impact beyond the short-term adjustment. This will require further analysis throughout the next years.

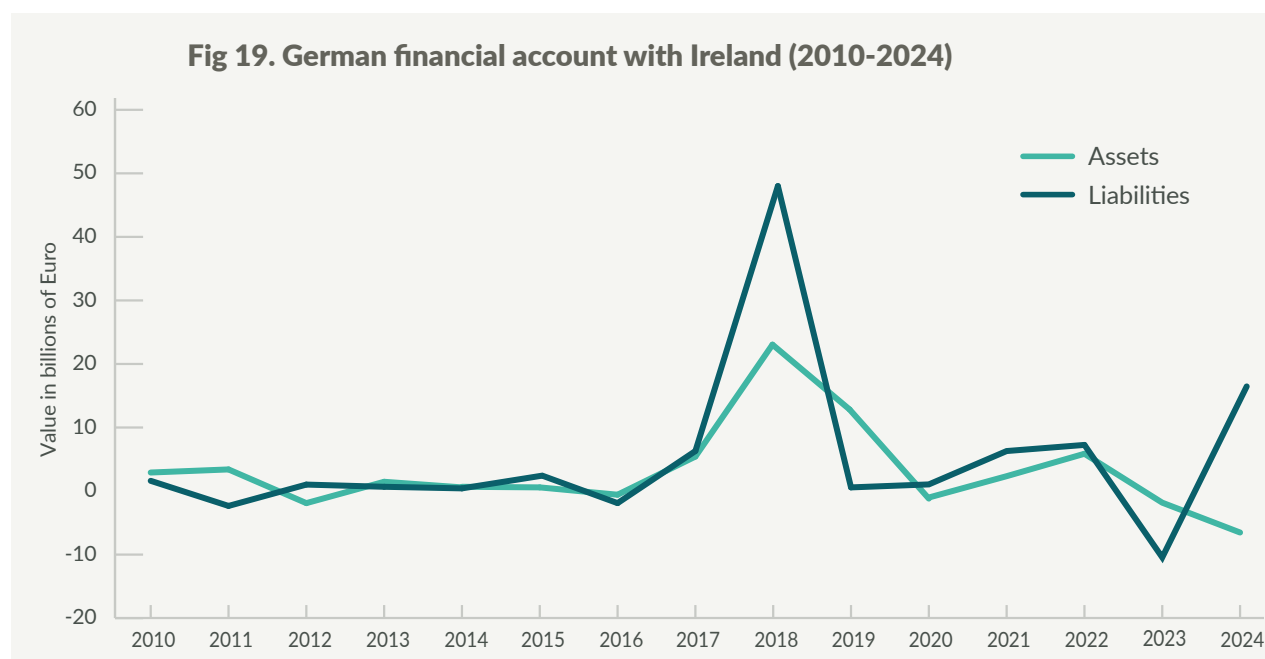


Source: German Chambers of Commerce Abroad (AHK), International Trade Center (2021)

4. Bilateral investment relationship

The German-Irish financial account, a component of the balance of payments that represents the difference between sales and purchases of assets, to and from foreigners, remained stable near 0 between 2010 and 2018. This means that sales and purchases of assets went in both directions at a comparable level between the two countries. During this period, there were relatively low values of assets and liabilities, with assets fluctuating between €3.45 billion and -€0.3 billion, and liabilities ranging from -€1.38 billion to €2.67 billion. 2018, however, was an outlier: both assets and liabilities

reached their peak values at €21.4 billion and €39.1 billion, respectively. The increased liabilities in 2018 may be attributed to the trend change in the balance of trade, as described in section 3, where Irish exports to Germany started to accelerate, particularly due to increased exports of chemicals, consumer goods, and machinery to Baden-Württemberg. The pre-2018 trend has somewhat been restored, but the fluctuations between 2019 and 2022 appear to have a larger variance. The variability of assets and liabilities seems comparable, except for the spike in liabilities observed in 2018.



Source: Data retrieved from Bundesbank



KEY GOVERNMENT ACTORS IN GERMAN-IRISH RELATIONS

Enterprise Ireland (EI) is a government agency that helps Irish companies go global. With a network of 39 offices worldwide, EI's client companies exported a total of €34.5 billion worldwide in 2023, with Germany representing 6.7% of total exports. The Eurozone represents the second largest export territory, especially due to sectors such as high-tech construction, engineering, digital tech and retail.

Find out more on www.enterprise-ireland.com



IDA is the Foreign Direct Investment (FDI) agency of Ireland. It promotes investments from foreign companies on Irish soil. In 2024, there were 90 German companies in Ireland, employing more than 15,000 people. With regards to the origin of the investments, more than half of them stem from the states of Hessen and Baden-Württemberg. 50% of German companies in Ireland are located in Dublin. The sectors represented by these companies are, for example, international financial services, life sciences, tech & consumer products, and engineering.

Find out more on www.idaireland.com



The German Chambers of Commerce Abroad (AHK) operate bilaterally in order to promote trade and investment between Germany and specific trade partners. The German-Irish Chamber of Industry and Commerce was founded in 1980. In 2024, the Chamber had more than 450 member companies covering multiple sectors of the economy.

Find out more on www.ahk.de



Germany Trade & Invest (GTAI) is Germany's international economic promotion agency. It was founded in 2009. With 60 offices abroad and more than 400 employees (2024), GTAI helps foreign businesses establish their activities in Germany. At the same time, it seeks to support German SMEs on international markets.

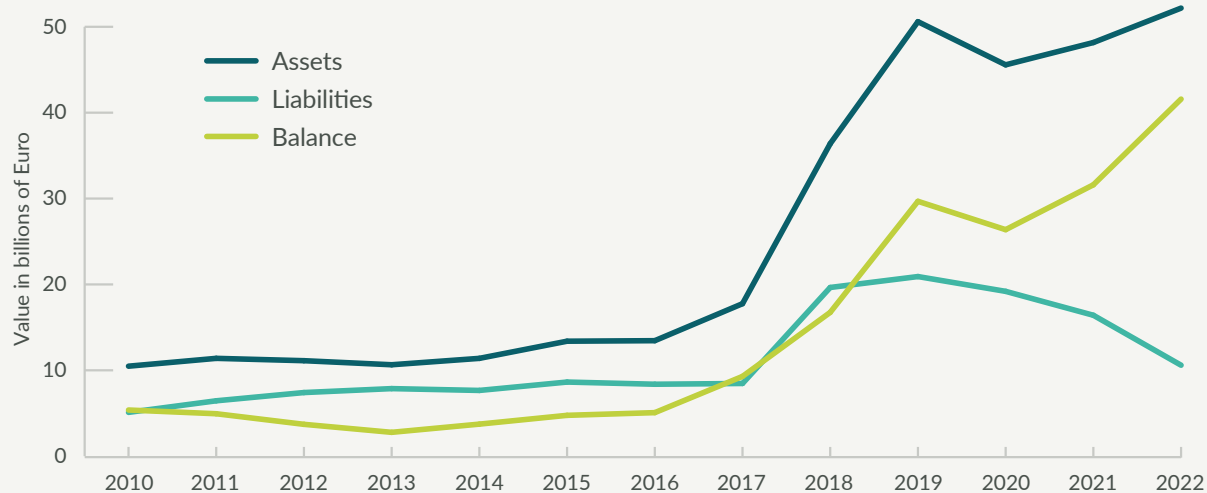
Find out more on www.gtai.de/en/invest



With regards to German Foreign Direct Investment (FDI) in Ireland, there has been a parallel movement in assets and liabilities between 2010 and 2021. Germany consistently maintained a surplus throughout the observation period. The assets and liabilities between Germany and Ireland remained relatively stable until 2016, after which there was a sharp increase in both assets and liabilities. This indicates an increase in investment activity in both directions since 2016. These

trend changes in 2016 align with the developments in the balance of trade, as discussed in section 3, where Irish exports to Germany started to accelerate, particularly in relation to increased exports to Baden-Württemberg, and by the consumption goods industry. Although assets and liabilities moved in harmony, assets grew at a faster rate, resulting in the growth of the surplus. In other words, German investment in Ireland has been increasing considerably in the last years.

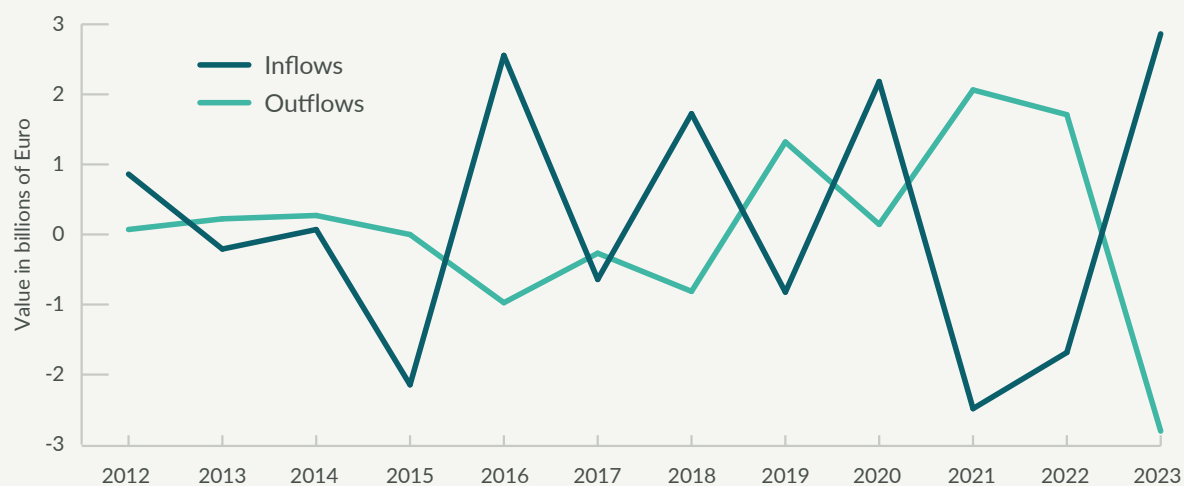
Fig 20. German Foreign Direct Investments with Ireland (2010-2021)



Source: Data retrieved from Bundesbank

Irish Foreign Direct Investment (FDI) in Germany shows a different picture, particularly in terms of inflows. From 2015 to 2022, there was a zig-zag pattern in the investment flows from Ireland to Germany, with an increasing amplitude of fluctuations starting in 2016. The deepest deficit occurred in 2019, reaching -€3.2 billion. Overall, there is greater volatility in inflows

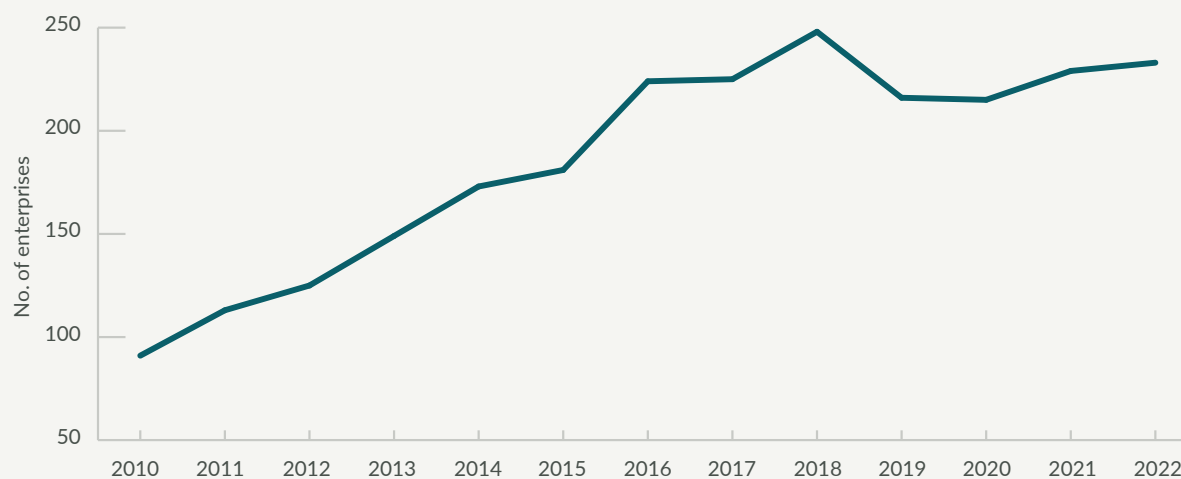
compared to outflows, meaning that German investments to Ireland fluctuate more than Irish investments to Germany throughout the reference period. However, Irish investment to Germany shows a relatively slow upward trend since 2016, increasing from -€0.97 billion in 2016 to €1.9 billion in 2022.

**Fig 21. Irish direct investment flows to Germany (2012-2022)**

Source: Data retrieved from Bundesbank

The number of Irish enterprises in Germany demonstrates two distinguishable growth cycles: one from 2010 to 2018 and another from 2020 to 2022. In 2018, the number of enterprises reached a peak at nearly 250,

followed by a drop to 220 in 2020. This portrays an intensification in bilateral economic relations, perhaps linked to the work of both the EI and GTAI, as well as from opportunities that have arisen following Brexit.

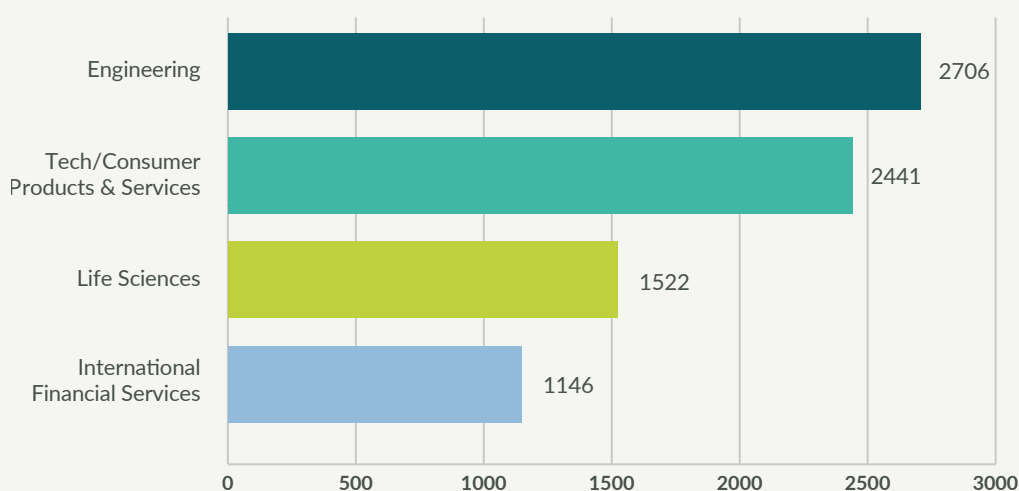
Fig 22. Number of Irish enterprises in Germany (2010-2021)

Source: Data retrieved from Bundesbank

According to IDA Ireland, more than 90 German companies have established their operations successfully in Ireland in cooperation with the agency, creating more than 15,000 jobs. Among the success stories one can find SAP, which has created more than 2,200 jobs in the

country. When looking into the specific cases of German companies operating in Ireland that have worked together with the IDA Ireland, the distribution of the main client companies by sector is depicted in Figure 23.

Fig 23. Jobs created by German companies operating in Ireland - clients of IDA by sector



Source: IDA Ireland (2024)

CASE STUDY

A HIDDEN CHAMPION

Ei Electronics would fit well into the German Mittelstand model if it were not an Irish-owned market leading manufacturer based in Shanon. Over the last 30 years, Ei has built a strong business focused on the development, manufacturing and marketing of smoke alarms for (domestic) households and is now the recognised market leader in terms of volume, turnover, quality, and product range.



In 2024, over 5 million smoke alarms are set to be installed on ceilings throughout Germany – the vast majority fitted with radio devices which allow them to be monitored remotely by qualified professionals without requiring access to the dwellings. This guarantees the correct functioning of the alarms in the event of a fire and provides legal certainty to landlords and those responsible for fire safety.

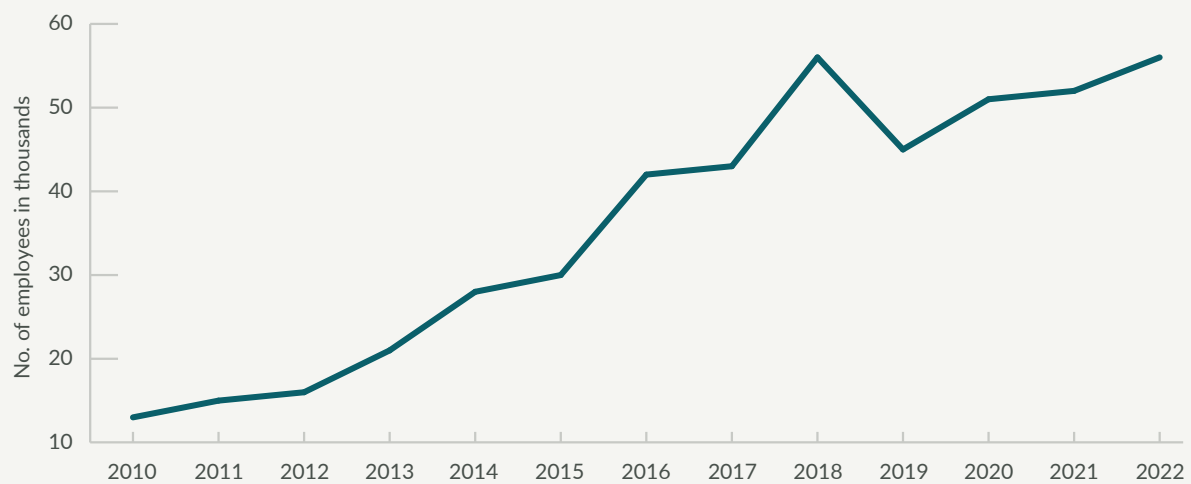
Ei Electronics is a hidden champion based in Ireland. Manufacturing in Europe near-to-market has now become a competitive advantage. The company motto of “Quality, Service and Innovation” combined with a long-term strategy have been the foundation of a great success story of Irish-based businesses in Germany.



The number of employees in Irish enterprises in Germany mirrors the pattern of companies established in Germany from Figure 22. There was a peak in 2018, followed by a subsequent drop until 2019. A new upward trend began after this, nearing 58,000 employees. The data point to

stable growth that jumped from under 10,000 employees in 2010 to almost 60,000 in 2022, as described previously.

Fig 24. Employees of Irish companies in Germany (2010-2021)

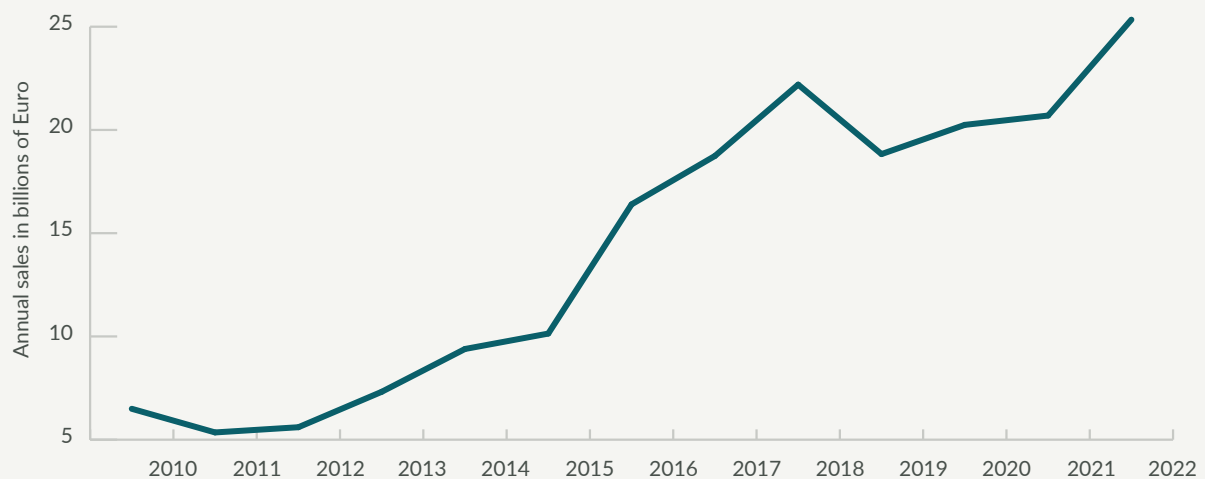


Source: Data retrieved from Bundesbank

The annual sales of Irish companies to Germany exhibited steady growth from €9.9 billion in 2010 to €15.9 billion in 2019. Approximately 8% of this figure is exclusively

related to Enterprise Ireland affiliates. Between 2022 and 2023, exports of Enterprise Ireland affiliates increased by 14%, reaching €2.33 billion.

Fig 25. Annual sales of Irish enterprises in Germany (2010-2021)



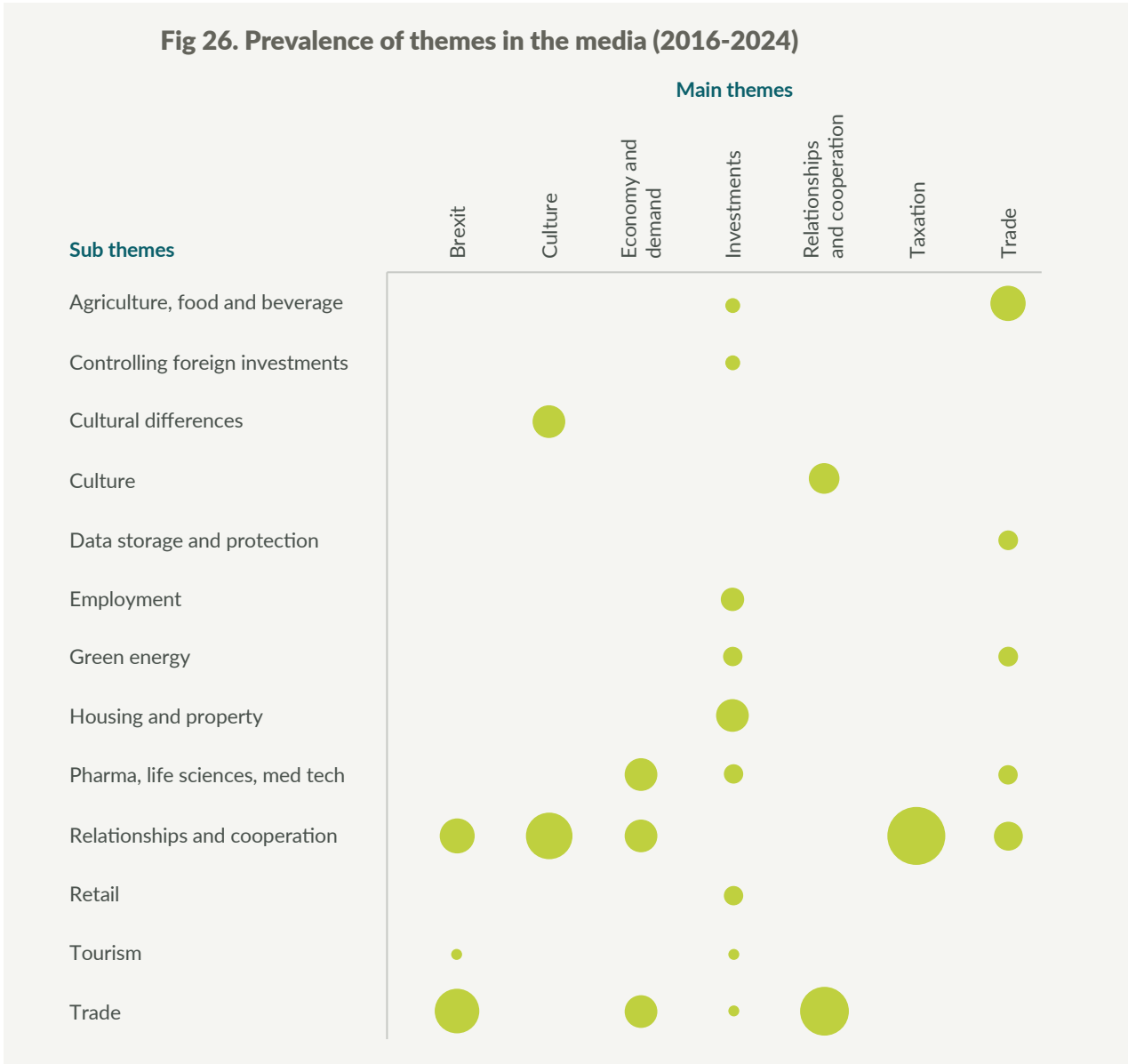
Source: Data retrieved from Bundesbank



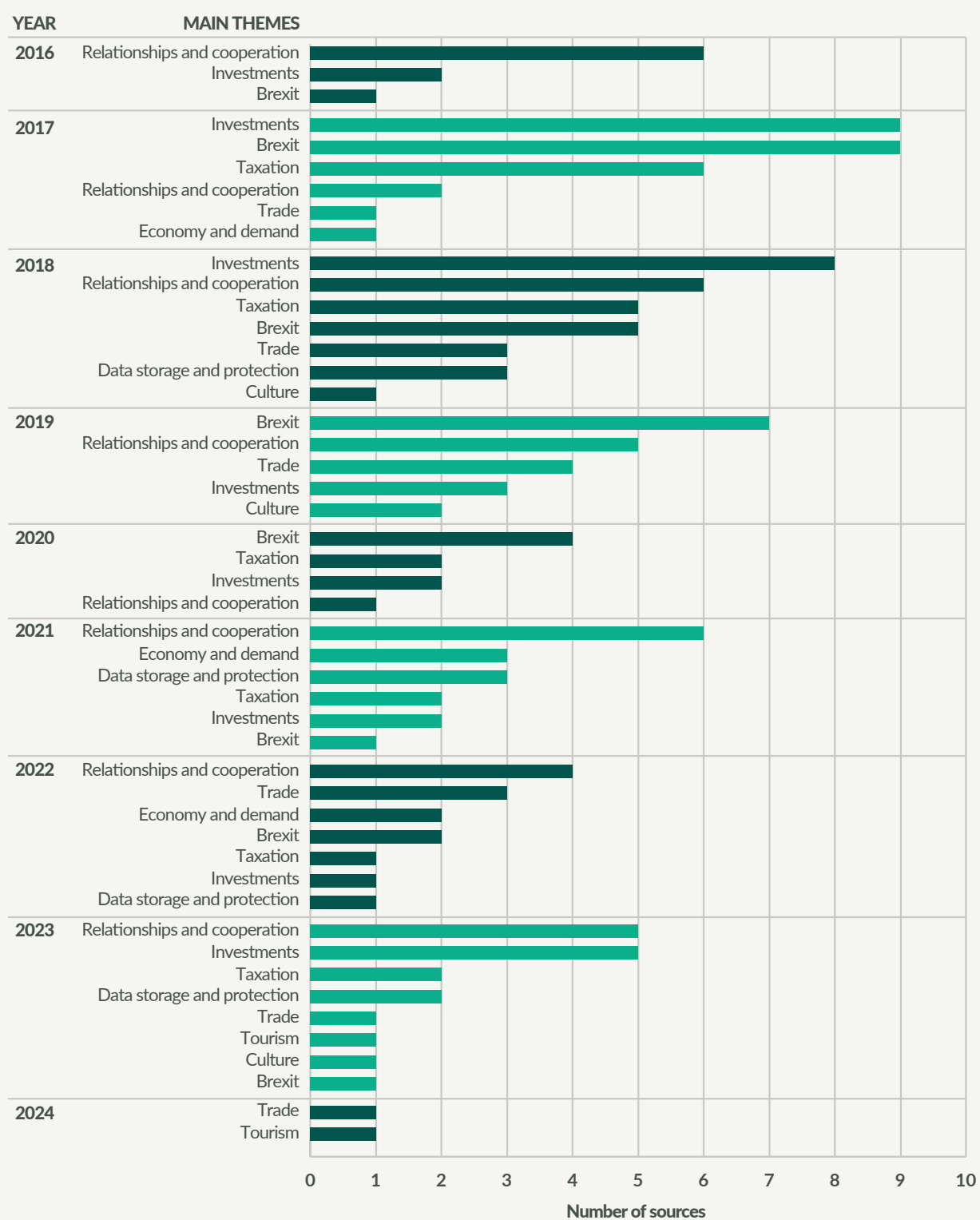
5. The stories behind Irish-German economic ties: a journey through the press

A thematic analysis of several media sources to ascertain what was being reported in Irish and German media regarding trade, innovation, and investments was conducted. An adapted PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework was used to collect articles, which is detailed in Appendix 2. This section highlights some of the key discussions in the media from 2016 to January 2024

through three Themes: 1) Relationships and cooperation between Ireland and Germany; 2) Trade between Ireland and Germany; and 3) Investments between Ireland and Germany. As shown in Figures 22 and 23, respectively, several topics feature in each Theme, and their prevalence varied over the years. The visual depiction of the main 13 Themes in the media can be seen in Figure 27.



Source: Data retrieved from press reviews

**Fig 27. Visual depiction of the themes per year**

Source: Data retrieved from press reviews



5.1 RELATIONSHIPS AND COOPERATION BETWEEN IRELAND AND GERMANY

The Theme of relationships and cooperation included narratives about the following: 1) the historical ties between Germany and Ireland; 2) the consequences of Ireland's membership in the European Union (EU) on the bilateral relationship between Germany and Ireland; and 3) the ramifications of Brexit on trade, investments, and future prospects for both nations.

Historical ties and shared membership of the EU

Ireland, along with the United Kingdom and Denmark, became a member of the EU in 1973. As a result, numerous articles emphasised Germany's significance as a major EU member state and the necessity of fostering and maintaining cooperative relationships to promote trade. Even though both nations are united by their EU membership, the relationship's historical significance should not be overlooked. This was highlighted in particular in a 2018 article that drew attention to the longstanding relationship between the two nations, predating Ireland's entry into the EU and Brexit. According to O'Driscoll (2018), the modern Irish economy was shaped by a combination of influential politicians and civil servants and foreign direct investment; FDI from West German firms predated that of US multinational corporations.¹

During the early stages of Ireland's independence, Siemens (Berlin), formerly known as Siemens-Schuckert, won the contract to build the Ardnacrusha (Ard na Croise) power plant. This undertaking utilised the energy of the River Shannon to supply electricity to significant portions of the population.² Later firms, including Faber-Castell (Bavaria) and Liebherr (then Baden-Württemberg), followed, and by 1955, former West Germany ranked as the second most significant trade partner of Ireland, Britain being the first. During this period, Ireland incurred a substantial trade deficit with former West Germany, accounting for approximately 20% of Ireland's balance-of-payments deficit. Moreover, Irish exports comprised

only 3% of imports into West Germany at the time. At the establishment of the Irish Trade Office in Germany in 1962, the value of Irish exports to Germany was €7.6 million; primarily consisting of sewing machines and livestock.³ Adjusting for inflation, this amount is equivalent to €38.9 million in 2024. In 1962, Irish exports were around 29.9% of GDP.

Even though Germany was Ireland's second-largest trading partner, the European Communities (EC) expressed grave concern over Ireland's excessive dependence on the United Kingdom when Ireland applied to join. The EC held the belief that Ireland's economy was "suffocated by its reliance on the British market".⁴ The strengthening of relations between Ireland and Germany has been facilitated by their shared membership in the EU. It was because of this shared membership that Brexit was also a significant topic.

Brexit

The withdrawal of the United Kingdom from the EU generated concern, as reported by the German and Irish media. The height of media coverage of Brexit concerns occurred between 2017 and 2019 (Figure 23). During the period from 2016 to 2024, a significant proportion of media coverage focused on Brexit's implications for cooperation, trade, tourism, and interpersonal connections. As an illustration, Metzler Ireland was acquired by Universal Investment (Hesse), a German investment firm with assets surpassing €600 billion, in 2020.⁵ The aforementioned acquisition highlights the growing importance of Ireland as a hub for investment following the Brexit process. Numerous companies re-evaluated their investment locations, supply channels, and trading partnerships in response to Brexit, as detailed in Themes two and three. Brexit was a particular challenge for Ireland due to its close historical ties to the United Kingdom, and its position as the only EU member state sharing a land border with the United Kingdom.⁶



The Common Travel Area (CTA) permits visa-free travel and employment for citizens of both Ireland and the UK.⁷ However, the media conveyed concerns regarding the border and the possible intensification of hostilities as a consequence of the Brexit situation. Multiple Federal Foreign Office (Auswärtiges Amt) press releases, amongst others, serve to illustrate this argument.⁸⁻¹¹ The articles placed significant emphasis on Ireland's closer ties to the EU following Brexit. This was facilitated by several factors, including frequent visits by politicians and leaders from both nations, such as Annalena Baerbock (Germany's former Minister for Foreign Affairs), Heiko Maas (former German Minister for Foreign Affairs), and Michael D. Higgins (Ireland's president); the establishment of a new Irish Consulate General in Frankfurt; and open criticism from Germany and Ireland regarding former UK Prime Minister Boris Johnson's breach of the Northern Ireland protocol. The media agencies of both countries demonstrated a political inclination towards maintaining amicable relations with the United Kingdom.

International taxation

Taxation is frequently cited as a key driver of foreign direct investment (FDI) in Ireland, along with high levels of human capital and industry clusters, an English speaking, highly educated and young work force, membership of the single market, and the common law legal system. As an illustration, the technology centre director at Henkel (North Rhine-Westphalia), Dr Matthew Holloway, asserted that Ireland's "cluster of leading MedTech, aerospace, and other industries utilising 3D printing" rendered it an ideal regional investment hub.¹² The German media frequently discussed Irish taxation policy as a source of discord between Ireland and the EU, and thus indirectly as a source of potential discord for German-Irish relations. This included critiques of companies such as Apple, Google, and Facebook, among other U.S. corporations with Europe, Middle East, and Asia (EMEA) headquarters in Ireland. A 2017 Frankfurter Allgemeine (FAZ) article discusses the state aid dispute between the EU and Apple. It is stated that Germany's substantial contributions to economic development in Europe are contingent upon the implementation of minimum

corporate taxation rates for organisations, which would effectively prevent tax dumping.¹³

An additional FAZ article from 2018 details the EU's inability to reach agreement on corporation taxation rates, with Ireland and Luxembourg opposing modifications.¹⁴ This pressure was picked up by the Irish media in 2018. A 2018 Irish Times article states "Our tax regime is coming increasingly under scrutiny as European authorities press for tax harmonisation".¹⁵ Media outlets speculated that divergences regarding the administration of taxation were eroding international relations and cooperation. Ireland, following extensive deliberations throughout the EU, ratified the OECD Two Pillar agreement in October 2021. Ireland was extremely proactive in the process of negotiating the minimum effective rate of tax. The agreement was subsequently implemented throughout the EU on the 1st of January 2024.¹⁶ Businesses with a revenue exceeding €750 million that fall within the scope of the Pillar Two regulations are obligated to remit an effective corporate taxation rate of 15%. Furthermore, although the impact of Pillar Two is anticipated to be on approximately 1,600 organisations, then-Minister for Finance Michael McGrath expressed optimism that the "positive effects will be greater than the challenges, as the agreement has the potential to bring much-needed stability to the international tax framework after the turbulence and uncertainty of recent years".¹⁷ The minister's remarks underscore the desire to sustain favourable diplomatic ties between Germany and Ireland.



Data protection and storage

Data protection and storage constitute areas where the potential for stronger collaboration has been indicated to address issues about data rights that continue to arise. Amidst the rapid proliferation of technology, German media agencies have voiced concerns regarding the storage and security of data.

Regarding data access, two cases surfaced in 2018. FAZ reports on the 15th of March 2018 regarding the enforcement measures taken by the Berlin district of Pankow to prevent the unauthorised rental of holiday apartments to visitors via the AirBnB platform, which has its EMEA headquarters in Dublin.¹⁸ Pankow endeavoured to collect information regarding individuals who advertised on the platform in an effort to alleviate the district's housing crisis. However, AirBnB argued that the European General Data Protection Regulation (GDPR) prohibited this.

FAZ published another article later that year detailing a comparable case that took place in Munich.¹⁹ The local legislation prohibits the rental of apartments to travellers for periods in excess of eight weeks. Akin to the situation in Pankow, the municipality was initially denied access to data concerning the users' placement of advertisements.

In both instances, further action was taken. In the case of Pankow, the court determined that the district is obligated to obtain data from the Irish parent company as opposed to the German marketing companies. Furthermore, the Munich case established that Irish law was not applicable. The reintroduction of more than 8,000 apartments into the housing market by the Berlin government was a direct consequence of the actions taken by municipalities like Pankow.²⁰ These examples highlight the complexity associated with data storage locations and the acceptable methods of sharing information as outlined in the GDPR. Comparable challenges have been encountered with Facebook, an organisation that is also based in Dublin.

In 2021, FAZ provides an analysis of the "one-stop mechanism".²⁰ This mechanism was implemented to guarantee consistent enforcement of data protection

regulations among member states of the EU and to empower states to prohibit corporations like Facebook from amassing data on the online activities of domestic users via cookies and other methods. The article specifically emphasises the challenges associated with interpreting and implementing decisions of the European Court of Justice (ECJ).

Once more, the issue arose in 2022 when FAZ published an article detailing Facebook's infringement of GDPR regulations and the ensuing discontent among states regarding the perceived inaction of regulatory bodies, particularly Ireland's.²¹ It is worth mentioning that Germany had initiated measures against fan page operators on the platform at that time. In light of Europe's apprehensions regarding the safeguarding of European data, an additional narrative surfaced in 2023 concerning TikTok, a Chinese-owned platform, and its intention to establish data centres in Ireland.²² The construction of such data centres is intended to restrict the transfer of user information from European countries to locations outside the EU. Before this, the article states that data centres were located in Singapore and the United States, and that the EU governments were concerned about the access of the Chinese government to European data.

According to an examination of media publications, EU membership significantly affects relations and cooperation between the two countries. Moreover, it is evident that a substantial aspiration exists to enhance cooperation and strengthen relations between the two countries. Since the signature of the first Joint Plan of Action in 2018, further efforts have been made, resulting in a third version in 2024. Among the cooperation points, the two countries have agreed on further cooperation in areas such as security policy, UN peacekeeping, climate and energy policy, agriculture, financial policy matters, and the promotion of the German language in Ireland. The investments and expanding trade between Ireland and Germany, highlighted in Themes two and three, support the intention of closer ties and cooperation.



5.2 TRADE BETWEEN IRELAND AND GERMANY

Agriculture, food, and beverage

Amidst the considerable turbulence surrounding Brexit, the media emphasised Ireland's urgent need to reassess its current relations with the EU.²³ As such, it is not unexpected that endeavours to foster collaboration and rapport between Ireland and Germany have gained momentum in the aftermath of Brexit. Agriculture, food, and beverage dominated the Theme. Other factors also emerging in articles discussing investments were relationships, cooperation, and Brexit.

Numerous expansion strategies, investments, and transactions were discussed within the domains of agriculture, food, and beverage. Lidl (Baden-Württemberg) allocated an investment of €1 billion in the Irish agri-food sector in the year 2023. The company allocated €682 million towards procuring Irish suppliers for domestic sales, with international exports through its store network accounting for €318 million.²⁴ The investment benefits Irish suppliers including Mulrines (Donegal), Keohane Seafoods (Cork), and the Dublin Meat Company. Concurrently, numerous Irish enterprises were reportedly focusing on the German market, according to an article in the Irish Farmers Journal (2019).²⁵ Drover Foods, a family-owned and operated business established in the early 1980s, was one of the organisations that were profiled. Recently, the organisation appointed a European business development manager with the objective of augmenting sales in Germany.

The majority of Drover's increased revenue can be attributed to the incorporation of vegetarian product lines, such as Indian pakoras, falafels, and fritters. The cultural diversity in Germany, which is heavily influenced by Middle Eastern cuisine, is perceived by the company as a favourable circumstance for expanding its operations. Irish enterprises such as Dairymaster (Kerry), Oakpark Foods (Tipperary), Rosie & Jim (Dublin), and Tanco (Carlow) also seek to expand operations. Dairymaster, a renowned manufacturer of milking technology, controls 25% of the German market for milking machines. As of the date of publication in 2019, Germany was the leading

milk-producing member state in the EU, boasting an impressive 60,000 dairy farms and 4.3 million dairy cows. Therefore, it is a self-evident choice for corporations such as Dairymaster. These examples demonstrate the mutual advantages for expanding business and investment for both German and Irish companies.

Impact of Brexit on bilateral trade

Alongside their pursuit of market expansion opportunities, German and Irish organisations also engaged in increased trade as a consequence of Brexit. Coolmore Foods, a Cork-based bakery, entered into a contractual agreement with Norma (Bavaria) for €800,000 in 2017 with the objective of increasing its customer base in Europe.²⁶ Norma operates 1,450 retail locations throughout Germany, as well as branches abroad, including Salzburg (Austria), Prague (Czechia), and Strasbourg (France).²⁷ The Norma deal reflects a growing tendency for organisations to seek an increased market presence in Germany.

Shea O'Dwyer, Managing Director of Coolmore Foods, asserts in a 2017 Business Post article, "*Brexit poses an enormous challenge to all Irish food manufacturers. A heavy emphasis has been placed on market diversification and seeking to secure new business in Europe*".²⁸

According to a 2020 article, Irish bakeries were compelled to seek alternatives to the approximately 4,000 tonnes of flour imported weekly from the United Kingdom into the Republic of Ireland due to Brexit trade tariffs. The establishment of additional supply lines between Germany and Ireland presented German flour mills with new opportunities. The article estimates that in the absence of new supply chains, the cost of a loaf of bread would have increased by 15 cents.²⁹

The Brexit Loan Scheme was developed to offer working capital support to businesses to adapt their business models to the impact of Brexit. This initiative was developed by the Strategic Banking Corporation of Ireland (SBCI) with support from Kreditanstalt für Wiederaufbau (KfW), a German state-owned investment and development bank, the European Investment Bank (EIB), and government backing. It is worth noting that the SBCI was modelled after KfW and established in 2014, with funding support from the German entity.



5.3 INVESTMENTS BETWEEN IRELAND AND GERMANY

Investments conducted by German and Irish organisations in each other's nations were frequently reported in the media. Investments related to topics such as the real estate and housing sector, retail, employment, pharmaceuticals, life sciences, medical technology, and tourism.

Employment

In relation to employment, significant investments were made by German corporations, including Kärcher, Henkel, SAP, and Lidl, in the Irish market. It was reported in 2024 that Kärcher (Baden-Württemberg) intended to invest in excess of €2 million to support its expansion ambitions in Ireland.³⁰ Kärcher intends to fill vacancies in the fields of sales and marketing, engineering, and customer support in Ireland, where it has quadrupled its workforce since 2018.

Research and development

Henkel (North Rhine-Westphalia), which has 400 employees in Ireland, invested €18 million in 2018 towards the expansion of its research and development (R&D) operations in the country. Furthermore, the organisation intends to augment its existing 700 m² of laboratories, customer service offices, meeting rooms, and 3D printing facilities in Tallaght (Dublin) by 2,000 m². This expansion will encompass five additional laboratories, workstations, and meeting spaces. Dr Michael Todd, global head of innovation for Henkel Adhesive Technologies, stated, *"Henkel's Tallaght site was chosen as the regional hub for Europe due to the existing team's leading R&D knowledge and experience in resins and other adhesive technologies, and because of the site's proximity to Henkel Ireland's production and R&D bases"*. Two additional locations in Ireland are owned by Henkel. One is situated in Ballyfermot, Dublin, and the other is in Little Island, Cork.³¹

Since 1997, when SAP (Baden-Württemberg) first established operations in Ireland, the company has grown to employ more than 2,400 individuals in 55

different disciplines.³² In addition to creating employment, SAP participates in community initiatives including GIRLSmart4tech, FIRST LEGO League, and Skills@work.³³ These initiatives aim to support and grow the Irish economy by increasing education opportunities and access to technology careers.

In addition to Lidl's (Baden-Württemberg) impact on trade, the company has also made a significant contribution towards employment since its entry into the Irish market in 2000. Lidl currently maintains a workforce of around 4,000 individuals distributed among 146 locations in Ireland. Lidl commenced a substantial expansion of its operations in Ireland in 2016, to the value of €100 million.³⁴ It was estimated that the expansion would generate 600 new jobs, with 30 jobs created per new store.

Pharmaceutical

In the pharmaceutical industry, Merck (Hesse) announced plans to invest €440 million in Irish facilities in 2022.³⁵ Merck's Carrigtwohill (Cork) plant produces rapid diagnostic testing for tropical diseases such as dengue fever, malaria, and Ebola. A €290 million expansion of the Carrigtwohill facility is planned, which will include the installation of a module that supports virus sterilisation and gene therapies. Further, Merck intends to construct a filtration manufacturing facility worth €150 million at Blarney Business Park in Cork. Both undertakings are projected to generate 370 permanent positions and will be concluded by 2027.

Agriculture, food, and beverage

Several investments were also documented in the agriculture, food, and beverage sectors, alongside the observed increase in trade discussed in Theme 2. One example of this can be seen in 2023, when BiaVest (Bia: the Irish word for "food"), an Irish investment firm that specialises in food investments, acquired an 80% stake in Riesa Nudeln (Saxony), a German food manufacturer. As of the date of publication, the organisation had a workforce of 150 individuals and generated annual revenue in excess of €40 million.³⁶



With a restaurant, pasta museum, and flagship store, the organisation annually garners more than 200,000 visitors (Riesa Nudelcenter). Furthermore, prominent German supermarket chains such as ALDI, Edeka, Kaufland, Lidl, Netto, Penny, and Rewe carry its products.

Moving into the drinks industry, independent retail craft brewery Rye River, located in County Kildare, was the beneficiary of a multi-million-euro investment in 2022 from family-owned German brewer Warsteiner (North Rhine-Westphalia).³⁷ Rye River intends to allocate this investment towards capital spending, brewing operations, warehousing, and packaging. Private Pier Industries, a Berlin-based company that controls the Proclamation and Grace O'Malley whiskey brands, invested €4 million in a County Louth maturation facility for whiskey in 2021.³⁸ This investment constitutes a part of a wider €24 million investment initiative undertaken by Private Pier Industries in the Irish whiskey sector.

Straddling the food and beverage and environmental spaces is Positive Carbon, a start-up headquartered in Roscommon. Positive Carbon implements technological solutions, such as a scanner that tracks the amount of food wasted in commercial establishments, to control food waste. For businesses, the organisation facilitates increased profit margins and reduced carbon (CO₂) emissions. Positive Carbon was granted an investment by APX, a Berlin-based venture capital firm that specialises in financing pre-seed stage start-ups, in 2021. This marked the inaugural investment by APX in Ireland.³⁹

Energy and Climate

Investments in the green energy sector in both Ireland and Germany were also reported. One example of investment in this sector was the 2018 Capital Surge (Hamburg) co-investment of €140 million with the state-owned Ireland Strategic Investment Fund (ISIF) in order to construct twenty new solar parks under the management of Power Capital (Dublin). The combined capacity of the twenty newly developed solar parks is 140 megawatts. According to a report by KMPG, solar energy in Ireland could generate a minimum of €800 million in direct taxes and maintain 7,300 jobs, as reported on in the Irish Times.⁴⁰

As noted in Theme 1, this is not the first collaboration between Ireland and Germany in the energy sector. Arndnacrusa, a hydropower station and the first nationally integrated electricity system in the world, was heralded as a “ground-breaking scheme” that supplied enough energy for the whole country at the time.⁴¹

German and Irish energy cooperation is ongoing. On the 31st of May 2023, Ireland and Germany entered into a Joint Declaration of Intent (DoI) regarding collaboration in the domain of renewable hydrogen. Under the terms of the agreement, both nations will engage in “research and development pertaining to the generation, preservation, conveyance, and application of renewable hydrogen, as well as its derivatives”.⁴² Such cooperation is a step towards achieving Europe’s goal of attaining net-zero emissions by 2050, and Ireland’s extensive wind reserves make it an ideal location to generate green hydrogen. Irish green hydrogen energy could become an import for Germany’s power needs.⁴³ This is an area of strategic interest between Ireland and Germany and a mutually beneficial opportunity that is being actively worked on by both countries.

Green investments transcend the domains of energy, food, and agriculture. Kingspan Group (Cavan) successfully concluded the acquisition of shares in Steico (Bavaria), a manufacturer of environmentally sustainable wood fibre insulation materials for construction materials, in 2023. Kingspan’s Chief Executive Officer, Gene Murtagh, commented on the company’s acquisition of a majority stake: “Its [Steico’s] suite of wood-based building envelope solutions broadens our ability to enable our customers to meet their sustainability and energy performance needs”.⁴⁴

By means of such financial investments, businesses such as Positive Carbon and Greenspan can increase their market share and decrease energy consumption. Simultaneously, public and private investments in wind and green hydropower contribute to the development of renewable energy sources for both Germany and Ireland.



Property market

In addition to investments generating employment creation, solving energy problems, and producing much-needed pharmaceutical supplies, German companies have also been investing considerably in the Irish property market, ranging from commercial buildings to residential investments.

Regarding the commercial aspect, Quadoro Doric Real Estate GmbH (Hesse) acquired the Webworks building (Cork) for €19 million in 2019.⁴⁵ Quadoro, which already owned properties in Dublin valued at €50 million, substantially increased its portfolio in Ireland with this investment. Other companies such as Real IS (Bavaria), a real estate investment group, manage a mixed commercial and residential portfolio. The organisation established a Dublin office in 2023 in an effort to augment its property portfolio in Ireland, which is valued at €600 million. Real IS intends to establish a residential property fund with a specific concentration on Ireland, in addition to its existing investments in two commercial properties in Cork and five residential properties in Dublin.⁴⁶

Additionally, in 2023, Union Investment, an investment division of the DZ Bank Group (Hesse), the second largest bank in Germany in terms of asset size, acquired a portfolio of 140 apartments in Sutton (Dublin). These apartments were acquired as part of a new homes scheme consisting of 735 high-end apartments distributed across three developments in Dublin at a purchase price of €75 million. Christiane Bührsch, director of asset management for Europe at Union Investment, stated, *“Given the good quality of the property and its location, in addition to Ireland’s growing population overall, we expect demand for the apartments to be high in the future.”*

The 140-apartment portfolio represents Union’s third foray into the private rented sector market in Ireland. Union Investment started its presence in the Irish real estate market in 2021 when it acquired the “8th Lock” in Northwest Dublin. Two years later, in 2022, it acquired Newtown Gardens, a complex consisting of 140 apartments featuring one and two bedrooms in Blackrock, Dublin. The investment incentive is driven by the structural shortage of high-quality rental accommodation in affluent

areas, according to Friedrich Georg Warmbold, Head of Investment Management Residential at the company. The firm anticipates that demand will remain robust in the foreseeable future.^{47, 48}

Irish investors have also found the German commercial real estate market to be compelling. An article in 2020 describes the scope of Dublin-based property investment firm Greenman’s investments in 67 German food-dominated retail parks. The article states that food retailers operating in the retail parks contribute up to 67% of the annual rents generated, which amount to €41 million.⁴⁹

As seen in the preceding examples, initial investments frequently inspire additional investments, which serves as an indication of investor contentment. However, the Irish media has been critical of such German foreign residential investments.

The Newtown Gardens investment, acquired by the open-ended public real estate fund Unilmmo: Deutschland for its portfolio in 2022, drew criticism for its purported impact on the availability of owner-occupier properties. These investments have been labelled “cuckoo funds” due to the fact that they displace individual purchasers in an exceptionally constrained real estate market. Furthermore, the exemption of these investments from the 10% stamp duty in exchange for leasing the properties back to the local authority has drawn criticism.⁵⁰ Dolphin Trust, a separate German group, drew further criticism from Irish media, with allegations that it was a pyramid scheme. The trust owes approximately €200 million to just under 2,000 individuals in Ireland.⁵¹⁻⁵³

Thirdly, from a property perspective, residential investments and holiday lettings shift the supply of much-needed housing for local communities, in addition to generating concerns about GDPR compliance.

For both countries, housing policy and the shortage of affordable housing are at the forefront of current debates and economic policy discussions. With German cities such as Berlin experiencing price surges akin to those of Dublin, the relative similarity of both countries yields potential for further joint conversations.



5.4 SUMMARY OF MEDIA THEMES

In summary, the multifaceted portrayal of the relationship between Ireland and Germany in the media highlights their profound historical connections and the ever-changing dynamics within the EU. Particularly considering momentous occurrences such as Brexit and moving to renewable energy, the importance of maintaining and further developing robust bilateral relations between Ireland and Germany is clear.

The first theme underscores the economic and historical importance of the relationship, dating back to a period before the EU when German corporations were instrumental in propelling Ireland's economic progress. The experience of Brexit highlighted the importance of Germany's support for Ireland within the EU and the importance of preserving this partnership in the face of geopolitical uncertainty and transformation.

The theme of trade becomes prominent, particularly in the domains of agriculture, food, and beverages, illustrating the reciprocal advantages that arise from economic interaction between the two countries. Agriculture and food were the most exposed Irish sectors in the framework of Brexit, which could explain the particular growth and diversification of those sectors since Brexit. The discourse surrounding the trade difficulties brought about by Brexit emphasises the criticality of expanding supply chains and trade partnerships. In this regard, Germany has proven to be an important friend, ally, and strategic partner for Ireland.

An additional critical element pertains to investments, which serve as an indication of the increasing interdependence and shared interests between German and Irish enterprises. The investments, which encompass technological advancements, innovation, and employment opportunities, serve to emphasise a collective aspiration for economic expansion and prosperity. Furthermore, the dynamic environment surrounding data protection and green energy initiatives underscores areas of collaboration in which both nations must confront present-day obstacles as partners.



6. Conclusion

This report has shed light on the intricate nature of the relationship between Ireland and Germany, placing particular emphasis on the importance of cooperation, economic integration, and common values in the wider European framework. While a macroeconomic divergence in national accounts is visible with a slower German economy compared to a thriving Irish economy, the intensification of economic ties is palpable in both ways. Baden-Württemberg stands out as the regional champion that drives both exports and imports to and from Ireland. Regarding the category of goods that dominates Irish exports, both consumption and intermediate goods stand out with a robust growth since 2021. On the German side, capital goods still show a trade surplus in favour of Germany, yet the gap is slowly closing.

With regards to the labour market, the last decade has shown a steady decrease in the unemployment rate, as measured in the ILO standard, and despite the pandemic shock, both economies have shown a remarkable path of recovery in terms of job stability.

This is, however, different when it comes to the national accounts, where Ireland shows a thriving path of growth, whereas Germany slowly stagnates. This is also visible in terms of gross value added (GVA), where the sector distribution shows how the public administration share in Germany almost doubles that of Ireland, which partly relates to the administrative structure of Germany, where the federal government amounts only to ca. 10% of public employees, whereas the federal states account for more than half of this number, implying a heavy administrative apparatus with the corresponding legal autonomy of each state. At the same time, the slowly-paced digitalisation of public services may account for a slow reduction of bureaucratic loads in the German state. However, Germany continues having a solid economic base with a diversified agri-business and food sector, as well as continuing to grow its consumer exports to its European partners, as well as attracting high levels of FDI.

While both economies are facing similar challenges in demographics, housing policy, affordable housing, among others, they are also important players in defining development of the green transition within the European

Union. As protectionism advances in several economies of the world, Germany and Ireland stand out as examples of countries with a policy of economic openness within the EU pursuing free trade and multilateralism while ensuring a level global playing field. This approach offers their populations greater access to a diversified market, while also considering the role of the environment.

With regards to the green economy, Ireland's example of renewable energy through offshore wind can serve as a beacon to Germany, which can profit from importing clean energy as it moves away from a carbon-based economy. One opportunity here lies in green hydrogen and other innovative green industries. Both countries are also key players in defining the future of digitalisation in Europe, considering the advances that Ireland has made and the recent efforts that Germany has pursued to becoming a more digital culture.

Amid the intricacies of worldwide challenges, both countries maintain an unwavering dedication to enhancing their bilateral relations. This steadfastness is exemplified by a universe of press accounts that document the stories of success and challenges that German and Irish companies showcase. Among the names tied to significant investments in Ireland, one finds market leaders such as Kärcher, Henkel, SAP, and Lidl. At the same time, the expanded market potential following Brexit has been associated with the rise of consumption goods that Ireland exports to Germany, exemplifying a robust partnership founded upon mutual regard and common ambitions for the future.



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8. Appendix

1. A NOTE ON OUR METHODOLOGY

a) Balance of trade

For the balance of trade analysis, data was retrieved from the deutsche Bundesbank. The labelling from the original datasets was inverted in order to analyse the Balance of Trade from the perspective of Ireland. This means that what is reported as exports (imports) in the original data sets (i.e., what Germany exports to Ireland and what Germany imports from Ireland) is reported as imports (exports) in our data sets (what Ireland imports from Germany and what Ireland exports to Germany). This transformation of data has no material influence in the results (excluding measurement errors on the side of national statistical departments). This data transformation was done in order to be able to consistently contrast the commercial activity of the different German Federal States (Bundesländer) with the data aggregated at national level while avoiding any measurement errors or inconsistencies (however small they could be) that could stem from using two different sources.

b) National accounts

The data for national accounts was retrieved from the CSO for Ireland and from the Statistisches Bundesamt for Germany. The Statistisches Bundesamt only reports data in real terms (i.e., at constant market prices) for Gross Domestic Product (GDP) and Gross Value Added (GVA). For this reason, any comparison done between Germany and Ireland is done in nominal terms (i.e., at current market prices) unless otherwise indicated. Furthermore, Ireland publishes a modified de-globalised version of Gross National Income (GNI), GNI*. GNI* is used for the comparison against German GNI as it measures GNI for the Irish economy alone and thereby allows the highest degree of comparability. At regional levels, nominal GVA and nominal GDP are reported for Ireland and Germany respectively. Since the main constituent of GDP is GVA itself ($GVA = GDP + \text{subsidies on products} - \text{taxes on products}$), GVA is still a first-best substitute of GDP.

c) Labour

The data for unemployment was retrieved from the CSO for Ireland and from the Statistisches Bundesamt for Germany. In addition to country specific methodologies, both countries publish unemployment statistics using the framework established by the International Labour Organisation (ILO). The data reported using the ILO guidelines is the one used for our analyses as it provides standardised comparisons. Germany does not report time series data for part-time employment using the ILO framework, which is why time-series data for this category of employment is only available for Ireland.

d) Foreign Direct Investment

The data for Foreign Direct Investment (FDI) and financial accounts was retrieved mainly from the German Bundesbank and from the CSO for the chart depicting the direct investment flows between Ireland and Germany. The data regarding Irish enterprises in Germany was retrieved from the German Bundesbank and the data regarding German enterprises in Ireland was retrieved from the Irish Industrial Development Authority (IDA).

2. PRISMA FRAMEWORK FOR THEMATIC



ANALYSIS

Table 1: Thematic Analysis of Press Stories following PRISMA

| | |
|----------------|---|
| Stage 1 | Sources agreed: The Irish Times, Frankfurter Allgemeine (FAZ), Auswärtiges Amt, Google, and Google Scholar. |
| Stage 2 | Timeline agreed: 1st January 2016 to 24th January 2024. |
| Stage 3 | <p>BOOLEAN terms agreed:</p> <p>(German* AND (Ireland Or Irish)) AND (trade OR exports OR imports OR joint venture OR innovation OR investment OR "{new infrastructure}" OR "{ new factory}" OR "{new project}" OR comp any OR firm OR Organisation)</p> <p>((Deutsch* AND (Irland OR Irisch)) AND (Handel OR Exporte OR Importe OR Joint Venture OR Innovation OR Investition OR "{neue Infrastruktur}" OR "{neue Fabrik}" OR "{neues Projekt}" OR Unternehmen OR Firma OR Organisation))</p> |
| Stage 4 | Access to FAZ limited from 1st January 2017 via ProQuest. |
| Stage 5 | Initial screening of articles sourced. N=761. |
| Stage 6 | Exclusion of non-relevant articles. Remaining N=151. |
| Stage 7 | <p>Generation of themes. N=17.</p> <ol style="list-style-type: none">1. Brexit2. Culture3. Data storage and protection4. Economy and demand5. Investments6. Relationships and cooperation7. Taxation8. Tourism9. Trade10. Agriculture, food, and beverage11. Controlling foreign investments12. Cultural differences13. Employment14. Green energy15. Housing and property16. Pharma, life sciences, med tech17. Retail |
| Stage 8 | Follow-up research to flesh out themes (N = 82). Total number of articles 233. |
| Stage 9 | Checked themes against press summaries to ensure saturation |



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