

ICBA PRE-BUDGET SUBMISSION 2021



CONTEXT

The Ireland Canada Business Association (ICBA) represents some of the largest Canadian companies in Ireland including Air Canada, Shopify, Irving Oil, Canada Life (Irish Life), TD Bank, Bank of Montreal, Scotia Bank, Vermillion Energy, PressReader, Greenfield Global, IMAX, Optel Group, and SOTI.

Ireland and Canada enjoy an incredibly strong economic, political, and historical relationship. The number of jobs provided by Canadian companies in Ireland has grown by 25% since 2018 to over 15,000. The number of new Canadian companies expanding into Ireland has more than doubled since Brexit was passed and now stands at 75 operational companies. For the past three years, Ireland has enjoyed a trading surplus with Canada of over €1.2 billion with over 6000 Irish companies exporting to Canada. The ICBA is uniquely placed to point to the supports and initiatives required to underpin this successful relationship and ensure that it continues to grow and thrive.

In this context, the ICBA pre-budget Submission: Budget 2021 comprises four key pillars (Trade, Sustainability, Connectivity, and Housing) and is centred around supporting Ireland's post-Covid recovery and future growth.

BUDGET 2021 SUBMISSION

1. CETA

The Comprehensive Economic Trade Agreement (CETA) is a free-trade agreement between Canada and the European Union. It removes 98% of customer duties, ends restrictions on open access to public procurement contracts, opens the services market, and delivers many other benefits for Canadian companies doing business in Europe and Irish companies doing business in Canada.

CETA entered into force provisionally on 21 September 2017, meaning most of the agreement now applies. However, national parliaments in EU countries need to approve CETA before it can take full effect. 14 EU Member States have already ratified the deal, but Ireland has yet to do so. The ICBA believes that the ongoing delay to fully ratify CETA is short sighted and can only have negative economic consequences for Ireland.

Canada is a highly important trading partner for Ireland. In recent years, Ireland has enjoyed a trade surplus of as much as €1.2 billion with Canada, with over €2 billion in exports from Irish companies being sent to Canada. CETA has already fuelled more than 30% rise in the value of goods traded between Ireland and Canada.

Moreover, a recent survey of ICBA members, including some of the largest Canadian, and Canadian-owned companies in Ireland revealed that 70% of respondents plan to hire more staff and 62% are set to increase wages. While that was pre-Covid-19, it shows the investment sentiment is solid.

Failure to ratify CETA is an avoidable threat to the valuable Ireland-Canada relationship and may hamper Ireland's post-Covid-19 recovery and further expose the country's economy to the impact of Brexit. As part of Ireland's budgetary strategy for 2021, the ICBA is calling on the new government to 'get CETA over the line' and pass it through Dáil Éireann and Seanad Éireann as soon as possible.

2. ENVIRONMENTAL SUSTAINABILITY

Almost 60% of ICBA members surveyed believe policy makers are not doing enough to support businesses in becoming more environmentally sustainable. Sustainability is a key pillar in the strategies of Ireland's largest employers and one that customers, clients, and employees increasing want to see prioritised urgently.

The Irish Government has made significant commitments in the National Development Plan (in the form of capital expenditure) and in key policy statements around green energy, all of which give due credit and importance to sustainability. Budget 2021 must prioritise the delivery of these commitments, particularly with the Green Party now in government. Ireland needs to be known for delivery expertise in this area.

Canada has shown leadership in the creation of [strategies and funding programs](#) at a national and provincial level, as well as the provision of grass roots funding for projects in municipalities. For example:

- The [Canadian Supercluster initiative](#) is \$950 million funding program announced in 2017 to support five business-led innovation clusters to drive economic growth, includes initiatives supporting environmental sustainability.
- The Digital Technology Supercluster includes projects focussed on environmental sustainability ([Protecting Our Oceans](#) and [Satellite-Based Environmental Analytics](#) are two projects that deploy state-of-the-art digital solutions to address two challenges created by climate change: the collection of accurate imaging to monitor the effects of climate change, and protecting our wild fisheries by monitoring our oceans.
- The Ocean Supercluster includes a focus on initiatives that support resilience and sustainability of Canada's ocean economy.

Creative and comprehensive funding programmes such as these lead to innovative thinking and action around reducing waste, conserving energy, constructing green buildings, creating alternatives to driving, fostering green leadership, and much more. Domestic and multinational companies and their employees, in the main, want to accelerate their ability to operate successfully but in a sustainable manner. We call on government to use Budget 2021 as an opportunity to support them in this goal.

3. CONNECTIVITY

Since 2018 the number of jobs provided by Canadian companies in Ireland has grown by 25% to over 15,000 and the number of new Canadian companies expanding into Ireland has more than doubled since Brexit was passed. Today, Irish companies employ over 6,000 people across Canada and over 600 Irish companies export to Canada. Canada is Ireland's 12th largest trading partner and the 4th largest outside of the EU.

Key to the growth of the economic relationship between our two countries has been the growth in direct air connectivity between Ireland and Canada over recent years. Since 2018 seasonal summer services from Shannon-Toronto and Dublin-Halifax, Calgary, Vancouver, Montreal and Toronto have been operational on 3 Canadian carriers in addition to year-round service from Dublin-Toronto on one Irish and one Canadian carrier. From a business perspective year-round connectivity is vital.

As a direct consequence of the Covid-19 pandemic there is currently only one Canadian based carrier (Air Canada) offering a much-reduced service on the Dublin-Toronto route. It must be noted that air connectivity is not only vital in a business context for the transport of corporate travellers, but also for the transportation of air cargo, much of which is concentrated in high value medical equipment, pharmaceuticals, electronic, engineering components and perishable items such as high value seafood. From an airline cost-perspective the most stable routes are able to provide a good balance between cargo and passengers and many cargo shipping agents rely on a stable scheduled service to provide certainty of the carriage of time sensitive goods.

In this context, we are calling on Government to continue to support the delivery of key strategic infrastructure at Dublin Airport in Budget 2021, specifically the construction of North Runway at Dublin Airport. As we know from our experience of the last downturn (during which Terminal 2 was opened), having the infrastructure in place to facilitate a return to growth is very important. DAA is proceeding fully with the North Runway and will also be making a planning application later in the year for other airport capacity projects such as parking stands.

Covid has had a significant impact on the aviation sector and consequently on the finances of organisations such as DAA who are tasked with developing the infrastructure to grow Ireland's connectivity. A recent report from the Taskforce for Aviation Recovery set up by the Government recommended that

'Government should enable a liquidity initiative for the aviation sector....It should include offerings similar to those made available by other European Governments such as guarantees, credit lines and underpins for interest rates, in line with pre-Covid levels.... a Pandemic Recovery Initiative should help address sustainable developments in operations and physical infrastructure'.

This report is currently being considered by Cabinet and we call on Government to introduce the supports necessary to keep Ireland's connectivity at the heart of the country's recovery and future growth strategies.

Regional air links between Ireland and Canada must also be supported to return to airports such as Shannon and investigations conducted into the viability of a Cork air route as companies are increasingly looking to locate outside of the Dublin region and in particular the Mid-West and Southern regions. The availability of more cost-effective, modern and smaller aircraft over the past 2-3 years makes regional transatlantic services more viable and would also have the added advantage of encouraging inbound Canadian tourism outside of the Dublin region.

4. HOUSING

The ICBA regularly surveys members and, consistently, these multinational companies point to the cost of housing and rent as major barriers to their further expansion in Ireland. While remote work is a real trend and will have some positive impacts for repopulation of rural Ireland in particular, we believe that supply of sustainable long-term housing development is a critical necessity for Dublin and Ireland alike.

Adequate and affordable housing is key to the FDI model. Availability of talent, employee retention and welfare are key criteria stipulated by multinationals when starting and evolving operations in Ireland. In this context, the ICBA would like to see Budget 2021 prioritise the incentivising of the construction of housing (including urban regeneration) in new and innovative ways. Ireland needs to explore new models of housing delivery, investment, and ownership.

FURTHER INFORMATION ABOUT THE BENEFITS OF CETA

CETA will benefit people across Ireland by:

- Scrapping customs tariffs for Irish exporters and importers
- Creating new opportunities for Irish farmers and agri-food producers
- Opening up the Canadian services market to Irish firms
- Enabling Irish firms to bid for more public contracts in Canada
- Making it easier for Irish professionals to work in Canada
- Encouraging more investment between Ireland and Canada
- Helping Ireland's small businesses export more to Canada

Under CETA, tariffs have been eliminated on virtually all of Ireland's exports to Canada. These include Ireland's main exports to Canada:

- Chemicals and Plastics – Irish exports to Canada of €633 million in 2019 (with many pre-CETA Canadian MFN tariffs as much as 6.5% compared to CETA duty-free preferential access).
- Information and communication technology (ICT) products and consumer electronics – Irish exports to Canada of €18 million in 2019 (with some pre-CETA Canadian MFN tariffs from 5% to 14% compared to CETA duty-free preferential access).

In the Agriculture and Agri-food sector, Irish exports to Canada totalled €122 million (\$181 million) in 2019. Irish exporters now benefit from tariff elimination on key products such as:

- Liqueur and Cordials – Irish exports to Canada of €65 million (with some items facing pre-CETA Canadian MFN tariffs of 12.28€/litre of absolute ethyl alcohol) and
- Food preparations for infants – Irish exports to Canada of €6 million (mostly with heavy pre-CETA Canadian MFN tariffs).

Ireland also benefits from increased access to the Canadian cheese market. Now that CETA is provisionally applied, two new annual import quotas, or TRQs, for EU cheese are in place: 2,667 tonnes for non-industrial cheese and 283 tonnes for industrial cheese. Over the subsequent five years these volumes will grow to permanent TRQs of 16,000 tonnes and 1,700 tonnes, respectively.

Government Procurement

Beyond tariffs, Canada's government procurement market, with an estimated value of up to \$163 billion (€119 billion) annually, will be of interest to Irish companies, particularly opportunities at the sub-federal level. Canada's government procurement commitments in CETA are the most ambitious the EU has ever received from any negotiating partner.

Ireland exported €455 million (\$676 million) in pharmaceutical products to Canada in 2019.

As a globally significant producer and exporter of pharmaceutical products, Ireland benefits from CETA's commitments in this area including: a new period of protection of up to two years for patented pharmaceuticals, a commitment to ensure that all litigants are afforded an effective right of appeal under Canada's patent linkage regime, and a commitment reflecting Canada's internationally competitive practice of offering eight years of data protection.

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