

IRELAND CANADA



Business Association

“Enormous” opportunity to double Irish exports to Canada within five years

Ireland’s goods exports to Canada reached a record high of €3.39bn in 2022 and 2023 is set to be another record year, with exports in the first half of 2023 almost 90% ahead of the same period in 2022.

A report by economist Jim Power, commissioned by the Ireland Canada Business Association, reveals that goods exports from the Republic to the G7 nation of Canada expanded by over 260% since 2016 exceeding the 156% increase in 2021. The growth in service exports has also accelerated at a rapid pace, increasing from €592 million in 2010 to €2.88 billion in 2021.

As the EU’s eight largest exporter to Canada, Ireland already ‘punches above its weight’ in trading terms, but the report claims that there is ‘enormous’ potential to further grow the relationship significantly and “double” Irish exports of goods and services to Canada within the next five years.

“As a small open economy with a strong dependence on external trade, it would be extremely beneficial for Ireland to diversify its external trading relationships, and a G7 country such as Canada would offer significant potential in that regard.... Ireland is very heavily dependent on US companies now. Diversification would reduce Ireland’s concentration risk.” – Jim Power

Canadian FDI in Ireland

The most recent CSO data show that Canadian direct investment in Ireland stood at €3.33 billion at the end of 2021. Canadian companies with operations in Ireland include Couche-Tard (Circle K); Great-West Life, which is the parent company for Irish Life and Canada Life; Irving Oil; Air Canada; Shopify; Greenfield Global, Celestica; and Brookfield Asset Management. Several Canadian banks also have operations in Ireland, including TD Bank, Bank of Montreal, and Scotia Bank.

The ICBA economic report outlines the contribution Canadian companies make to national economic growth, direct and indirect employment, corporation and payroll taxes, and regional and rural economic and social vibrancy:

- There are 75 Canadian companies operating in Ireland employing approximately 15,000 workers.
- It is estimated that the gross wage contribution is €750 million, generating employment-related taxes of €187 million.
- The net wage contribution that is injected into the local economy is estimated at €563 million. This net wage contribution then finds its way into the local economy through the multiplier effect. A conservative multiplier of 1.5 is applied in this analysis. This means that the net wages injected into the local economy generates expenditure of €844 million.
- The spending of the 15,000 employees supports further employment in the economy. This indirect employment supported is estimated at 12,000 employees.

The attraction of FDI into Ireland is a key element of Irish economic policy and strategy and, as such, Canada currently plays a significant role in Ireland's economy and represents a major future opportunity.

Growing the investment and trading relationship

Report author Jim Power believes that, with the right conditions and policies in place, "the potential for growing Ireland's economic relationship with a vibrant, populated modern G7 country seems to be enormous".

In 2022, Canada was the world's eighth-largest economy, with GDP estimated at just over €2 trillion. It has a population of 37.4 million people, 14% of which claim Irish ancestry. The cultural and historic affinity between the two countries, along with key economic indicators outlined in this report, underpin the huge potential for growing the relationship.

The report identifies a number of actions that should be taken in order to maximise the opportunity. These include:

1. Ireland to take a more proactive approach to post-Brexit opportunity

It is arguable that Ireland should have benefited more from Brexit in terms of attracting FDI from countries such as Canada. However, we are still at the early stages of the Brexit process and there is still a valuable opportunity to promote Ireland - the only native English-speaking country in the EU - as a potentially strong foothold for Canadian companies who want to access the EU market. The IDA should continue to build its presence in Canada and strongly promote Ireland's competitive offering around skilled workforce, language, common law, and cultural affinity.

2. Urgently address Ireland's FDI attractiveness

Alongside promoting the factors that make Ireland attractive for foreign direct investment, the government must also urgently address those areas hampering further growth, which include the cost and availability of housing for rental and ownership purposes, water and wastewater infrastructure, availability of alternative energy, and the cost of doing business. Policy needs to be directed towards investment in these areas, not least because this is exactly what Ireland's competitors are doing. Significant investment in education and training should also be made to ensure that Ireland can continue to provide investors with a well-educated and highly skilled workforce.

3. Support for increased direct flights

Connectivity between Ireland and Canada will be vital for growing the economic relationship between the two countries. Policy should focus on pushing to have as many direct flights to Canada from Ireland as possible with regional connectivity outside of Dublin and Toronto a priority. Lessons can be learnt from the creation of the Dublin to San Francisco direct flight some years ago and how it was instrumental in growing the economic relationship between Silicon Valley and Ireland.

4. Ratify CETA as quickly as possible:

The Comprehensive and Economic Trade Agreement (CETA) will ensure the elimination of duties on 99 per cent of all tariff lines, defend the EU's Geographical Indications, and secure EU companies' access to the Canadian services market.

The Irish government has yet to ratify CETA and the report claims that, given its potential to significantly boost Ireland's trade relationship with Canada in both goods and services, it is critical that ratification happens very quickly.

5. State agencies to further support exports

The potential for export growth of food and beverages, pharmaceuticals and business services appear to be significant, provided a more supportive policy environment is put in place. The various state agencies will have a key role to play in this regard. This role will include organising more trade missions in both directions; aggressive promotional and marketing activities; the provision of mentoring assistance for Irish companies who want to expand markets and investment in Canada; and ensuring that diplomatic relationships between both countries are developed to the greatest extent possible.

"Ireland has achieved great success in building a very strong relationship with the US, in trade and FDI terms. With a greater focus on Canada, there is no apparent reason why similar success cannot be achieved" – Jim Power

Dr Deirdre Giblin, Chair of the ICBA, is available for further comment

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About the ICBA:

The ICBA is the voice of the Ireland Canada Business community. Our membership is composed of chief executives and senior management of Canada's leading enterprises who have located their European operations in Ireland. Since 1978 we have been connecting executives and organizations in Canada and Ireland for the purpose of bilateral investment, trade and entrepreneurship. As a membership organization, our members make our mission possible. They span over 20 business sectors and directly and indirectly support more than 20,000 jobs across the country and hundreds of small businesses. Our partnerships with the Canadian Embassy and the Ireland Canada Chambers inform our work