OVERVIEW OF IRELAND-CANADA ECONOMIC RELATIONSHIP

Written by Economist, Jim Power and commissioned by the
Ireland Canada Business Association

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Contents

"Ireland and Canada enjoy one of the closest relationships than any other two countries in the world."

Dr Deirdre Giblin, ICBA Chair

EXECUTIVE SUMMARY

The business and cultural links between Ireland and Canada are very strong. There are an estimated 4.5 million Canadians today that have Irish ancestry, which is equivalent to almost 15 per cent of the Canadian population.

The Ireland Canada relationship is developing strongly and positively from a political, economic and cultural perspective. Ireland remains a stable economy political entity, and it continues to attract Canadian companies who are looking for a likeminded open business environment with a global outlook. Following Brexit, Ireland is the largest English-speaking country in the EU and offers overseas Canadian and American companies a strong entry point into the EU market. In turn Canada has become an important export market for Irish SME's who wish to access the North American marketplace.

The economic value of trade between both countries is a focus point for policy makers and business leaders while the societal value of the relationship is one that is much valued. This is evident in the March 2022 naming of March as Irish heritage month across Canada in an acknowledgement of the contribution that Irish Canadians have made.

This report was commissioned by the Ireland Canada Business Association. It documents the growth in trade, the opportunities and challenges that exist in the Ireland Canada trading relationship. The author of this report, Economist Jim Power gives an economic analysis and an insightful commentary on the strength of the Ireland Canada relationship and how it can continue to flourish.

SECTION 1:
UPDATE ON CANADIAN ECONOMY

The performance of the Canadian economy in recent years is similar to most other developed economies. The economy is gradually recovering in the aftermath of the global pandemic; the Russian invasion of Ukraine; the escalation of inflation; and the sharp tightening of monetary policy by the Bank of Canada.

Following GDP growth of just 1.2 per cent in 20203, the OECD (September 2024) is projecting annual GDP growth of 1.1 per cent in 2024 and 1.8 per cent in 2025.

Figure 1: GDP Annual Growth - Canada

Source: Federal Reserve Bank of Kansas (FRED) & OECD (Sep 2024)

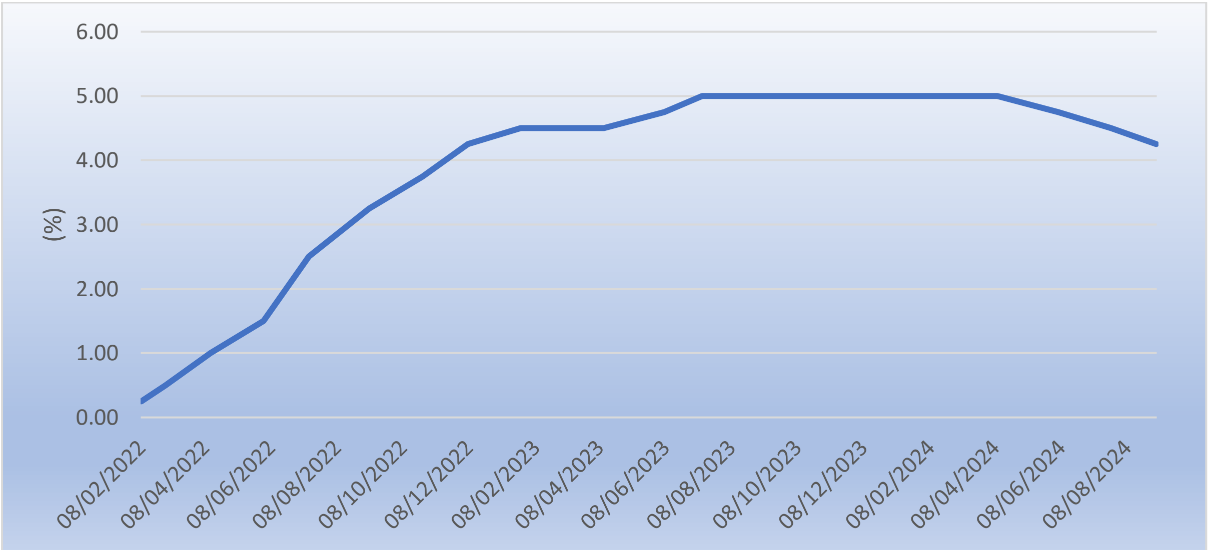
In May 2020 the average annual inflation in Canada was -0.2 per cent. Then in line with the rest of the world, inflation subsequently accelerated to reach a peak of 8.1 per cent in June 2022. The annual rate has subsequently decelerated to the latest reading of 2 per cent in August 2024.

Figure 2: Annual Inflation Rate (%)

Source: Source: Federal Reserve Bank of Kansas (FRED).

The Bank of Canada increased interest rates aggressively in the face of accelerating inflation. Between February 2022 and July 2023, the key official interest rate was increased from 0.25 per cent to 5 per cent. Rates remained at 5 per cent until June 2024. Since June 2024, the Bank has cut rates by 0.25 per cent on three occasions, taking the official rate to its current level of 4.25 per cent.

Figure 3: Canadian Interest Rates



Source: Bank of Canada

The Bank of Canada has a target to keep inflation at the 2 per cent midpoint of a target range of 1 per cent to 3 per cent. This inflation target has now been achieved. In addition, the Bank of Canada has been motivated to cut rates by some weakness in the labour market, which has seen the unemployment rate increase from 5.7 per cent of the labour market in January 2024 to 6.5 per cent in September 2024.

The Canadian economy has fully recovered from the Covid shock and notwithstanding the impact of higher interest rates designed to bring inflation back under control, the outlook for the economy is getting gradually better.

The key challenges for Canadian policy makers, given that inflation has been brought under control, include:

- Addressing weak investment and productivity.
- Lifting living standards with minimal environmental impact.
- Eliminate net greenhouse gas emissions by 2050. This is challenging for a resource intensive economy like Canada, and strong incentives to phase out fossil fuel use and encourage energy saving will be required.

SECTION 2:
COMPARISONS BETWEEN IRELAND AND CANADA

"Progressive, culturally diverse, and economically advanced, Canada is a natural ally for Ireland."

An Taoiseach, Leo Varadkar, speaking at the ICBA Maple Leaf Dinner 2022

Canada is a highly developed G7 economy. In 2024, the IMF estimates that Canada is the world's tenth-largest economy, with GDP estimated at €2.06 trillion. It is a large trading nation and is characterised as a highly globalised economy.

Ireland is also a heavily globalised economy, with strong trading links with the rest of the world. Ireland's GDP is estimated at €517 billion in 2024, which would make Ireland the 25th largest global economy.

Canada has an estimated population of 39.7 million people in 2024, and Ireland had a population of 5.38 million people in April 2024.

Table 1: Population by Province

	2011	2016	2021	% CHANGE 2011-2021
Canada	**33,476,688**	**35,151,728**	**36,991,981**	**10.5**
Newfoundland and Labrador	514,536	519,716	510,550	-0.8
Prince Edward Island	140,204	142,907	154,331	10.1
Nova Scotia	921,727	923,598	969,383	5.2
New Brunswick	751,171	747,101	775,610	3.3
Quebec	7,903,001	8,164,361	8,501,833	7.6
Ontario	12,851,821	13,448,494	14,223,942	10.7
Manitoba	1,208,268	1,278,365	1,342,153	11.1
Saskatchewan	1,033,381	1,098,352	1,132,505	9.6
Alberta	3,645,257	4,067,175	4,262,635	16.9
British Columbia	4,400,057	4,648,055	5,000,879	13.7
Yukon	33,897	35,874	40,232	18.7
Northwest Territories	41,462	41,786	41,070	-0.9
Nunavut	31,906	35,944	36,858	15.5

Source: Statistics Canada, 2011, 2016 and 2021 censuses of population.

The 2024 Global Competitiveness Index, published by the International Institute for Management Development (IMD), named Ireland as the 4th most competitive economies among 64 nations surveyed. Canada was positioned in 19th place in the same survey.

Despite the significant differences in size of economy and population, the two countries have similarities. Both countries have been transformed from strongly agricultural-based economies in the past, to much more diverse and modern economies today.

The structures of the economy are now reasonably similar, with a strong focus on the services sector in terms of contribution to GDP and employment concentration.

SECTION 3:
ECONOMIC & BUSINESS RELATIONSHIP WITH CANADA

"The trade relationship between Ireland and Canada has brought huge benefits to both countries."

Deputy Maurice Quinlivan, Chair of Committee Enterprise Trade and Employment

The 'Global Ireland' Initiative of the Irish Government aims for Ireland to double its impact and influence in the world by 2025. The widening and deepening of the unique relationships with the United States and Canada will be central to the achievement of this ambitious goal.

The Vision of the Irish Government set out in 'Global Ireland: Ireland's Strategy for the US and Canada 2019–2025' is that 'Ireland will inject new dynamism and ambition into our relationships with the US and Canada and will double our impact in the region by 2025.'

It is intended that five strategic objectives will be pursued:

- Ireland will build strong, strategic political partnerships with the US and Canada and assume a lead role in building stronger transatlantic relations.
- Ireland will build a mutually beneficial two-way economic relationship, approaching US$ 1 trillion by 2025.
- Ireland will consolidate, deepen, and expand the extraordinary partnership with its diaspora in the US and Canada, doubling the impact of this collaboration in the period to 2025.
- Ireland will double its impact by promoting its culture and nurturing its reputation across the US and Canada.
- A strong Government-led Team Ireland will double its impact over the six years to 2025.

Canada and Ireland are parties to several bilateral treaties. These include the Agreement on Social Security (1992); the Canada-Ireland Income Tax Convention (2005); and the Audiovisual Co-Production Treaty (2016).

The EU-Canada Comprehensive Economic and Trade Agreement (CETA) is a progressive trade agreement between the EU and Canada. It entered into force provisionally in 2017, meaning that most of the agreement now applies.

All national (and in some cases regional) parliaments in EU countries need to approve CETA before it can take full effect.

CETA features some of the strongest commitments ever included in an EU trade agreement, including commitments on promoting labour rights, on protecting the environment, and on sustainable development. CETA integrates EU and Canadian commitments to apply international rules on workers' rights, environmental protection, and climate action. These obligations are binding.

It is envisaged that the benefits of CETA will include:

- The elimination of duties on 99 per cent of all tariff lines, of which 98 per cent were scrapped when it provisionally entered into force.
- It defends the EU's Geographical Indications.
- It improves and secures EU companies' access to the Canadian services market.

Ireland has not yet ratified CETA into Irish law.

CANADIAN BUSINESS IN IRELAND

- It is estimated that there are over 75 Canadian companies operating in Ireland, employing around 15,000 people. Canada Life was the first Canadian company to set up in Ireland, back in 1903. The most high-profile Canadian companies operating in Ireland include Couche-Tard (CircleK); Great-West Life, which is the parent company for Irish Life and Canada Life; Irving Oil; Air Canada; Shopify; Celestica; and Brookfield Asset Management.
- Several Canadian banks also have operations in Ireland, including TD Bank, Bank of Montreal, Scotia Bank, and the Bank of Montreal.
- The IDA opened an office in Toronto in 2018 and this has resulted in strong Canadian investment in Ireland.
- The most recent CSO data show that Canadian direct investment in Ireland stood at €3.61 billion at the end of 2022.[1]
- More than 15,000 direct jobs are provided by the 75 Canadian companies and a further 12,000 indirect jobs are supported.
- The jobs are regionally dispersed across the country and support considerable employment and economic activity in the regions. For example, SOTI and Celestica are in Galway; Greenfield Global is in Laois; Optel Group is in Limerick; Vermilon is in Mayo; Sun Life is in Waterford; and Open Text and Irving Oil are in Cork.
- Data from Enterprise Ireland suggest that in 2019, there were over 600 Irish companies exporting to Canada, which support around 25,000 jobs in Ireland.
- CSO FDI data suggest that at the end of 2022, direct investment in Canada from Ireland totalled €3.4 billion. Irish companies invested in Canada include Fenergo, CRH, Glanbia. Kerry Group, Kingspan and Morgan McKinley.

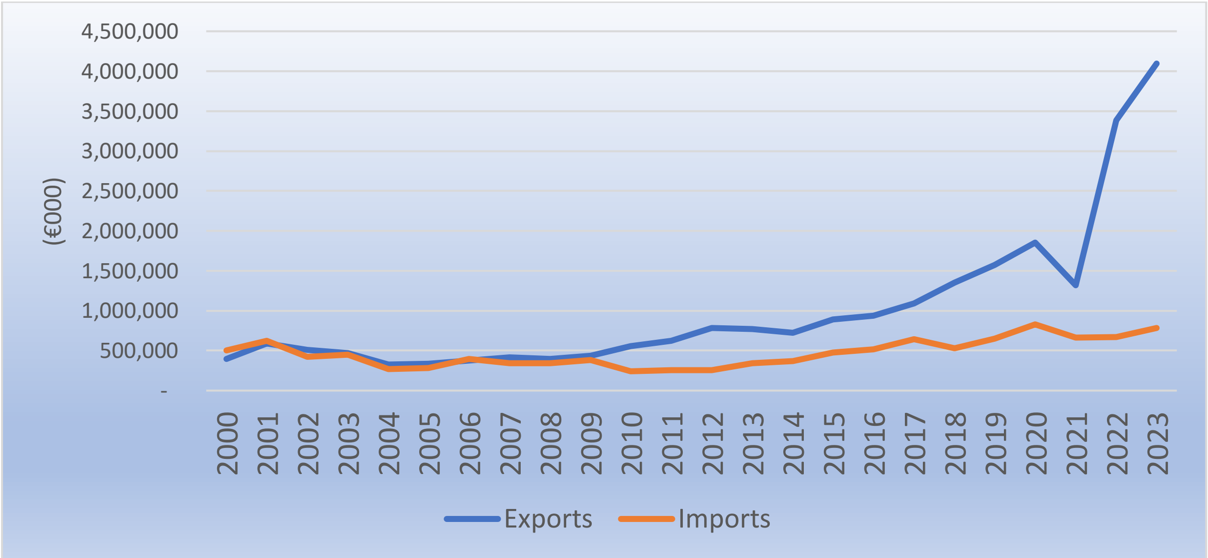
[1] CSO, FDI Investment Annual 2022, January 2024.

SECTION 4:
MERCHANDISE TRADE RELATIONSHIP BETWEEN CANADA AND IRELAND

The EU is Canada's third largest trading partner after the United States and China. Ireland punches above its weight in terms of goods and services exports in an EU context and has a strong trading relationship with Canada.

- In 2023, CSO data show that the value of Irish merchandise trade exports to Canada reached a record high of €4.09 billion. This was 20.9 per cent higher than 2022. The value of merchandise exports expanded by 337.4 per cent between 2016 and 2023; and by 161 per cent between 2019 and 2023.
- In 2023, CSO data show that the value of Irish merchandise trade imports from Canada totalled €782 million. Between 2016 and 2023, the value of merchandise imports from Canada expanded by 51.2 per cent.

Figure 2: Ireland's Merchandise Trade with Canada



Source: CSO PxStat

Table 2: Value of Ireland's Merchandise Trade with Canada

(€000)	Exports	Imports
2000	394,541	504,293
2001	592,502	621,855
2002	510,896	423,827
2003	469,287	452,437
2004	326,368	270,753
2005	339,459	285,261
2006	375,135	395,758
2007	418,373	345,370
2008	394,277	341,176
2009	436,348	385,910
2010	559,074	241,748
2011	626,852	256,804
2012	781,359	259,234
2013	771,642	339,752
2014	721,739	372,818
2015	891,107	478,276
2016	936,321	517,510
2017	1,091,129	642,176
2018	1,351,264	531,090
2019	1,570,270	652,403
2020	1,853,042	829,248
2021	1,321,111	665,098
2022	3,386,897	672,766
2023	4,095,524	782,463
2024 (Jan-July)	2,535,377	580,610

Source: CSO PxStat

Table 3 provides a detailed breakdown of Irish merchandise exports to Canada in 2023.

In 2023 Organic Chemicals, Inorganic Chemicals, and Medicinal & Pharmaceutical Products accounted for 82.7 per cent of total merchandise exports. In 2016, these three categories accounted for 67 per cent of total merchandise exports and expanded by 440 per cent between 2016 and 2023.

- Organic chemicals accounted for 36.8 per cent of total merchandise exports in 2023.
- Inorganic chemicals accounted for 31.5 per cent of total merchandise exports in 2023.
- Medical and pharmaceutical products accounted for 14.4 per cent of total merchandise exports in 2023.

Table 3: Sectoral Origin of Exports (2023)

Commodity Group	VALUE (€ 000)
Total merchandise trade (0 - 9)	4,095,524
Organic chemicals (51)	1,505,259
Inorganic chemicals (52)	1,291,514
Medicinal and pharmaceutical products (54)	591,094
Other transport equipment (79)	256,947
Beverages (11)	78,874
Miscellaneous manufactured articles, n.e.s. (89)	57,097
Petroleum, petroleum products and related materials (33)	52,544
Professional, scientific and controlling apparatus (87)	41,160
General industrial machinery and parts, n.e.s. (74)	29,914
Power generating machinery and equipment (71)	24,917
Meat and meat preparations (01)	20,225
Essential oils, perfume materials, toilet preparations etc. (55)	17,907
Dyeing, tanning and colouring materials (53)	16,812
Machinery specialised for particular industries (72)	14,848
Chemical materials and products, n.e.s. (59)	12,710
Miscellaneous edible products and preparations (09)	9,993
Telecommunications & sound recording, reproducing equipment (76)	9,613
Cereals and cereal preparations (04)	8,736
Electrical machinery, appliances etc., n.e.s. (77)	8,003
Coffee, tea, cocoa, spices and manufactures thereof (07)	6,196
Non-metallic mineral manufactures, n.e.s. (66)	5,638
Dairy products and birds eggs (02)	4,784
Manufactures of metal, n.e.s. (69)	4,603
Plastics in non-primary forms (58)	3,885
Office machines and automatic data processing equipment (75)	3,704
Non-ferrous metals (68)	2,952
Articles of apparel and clothing accessories (84)	2,522
Textile yarn, fabrics, made-up articles and related products (65)	2,430
Photographic apparatus, optical goods, watches and clocks (88)	1,984
Feeding stuffs for animals, excluding unmilled cereals (08)	1,575
Road vehicles (78)	1,441
Crude animal and vegetable materials, n.e.s. (29)	1,163
Paper, paperboard and articles of paper pulp, paper etc. (64)	1,091
Fish, crustaceans, molluscs and preparations thereof (03)	842
Sugar, sugar preparations and honey (06)	548
Crude fertilisers and minerals, excluding coal, petroleum etc. (27)	333
Rubber manufactures, n.e.s. (62)	272
Iron and steel (67)	243
Prefab buildings; plumbing and electrical fixtures and fittings (81)	236
Coal, coke and briquettes (32)	164
Travel goods, handbags and similar containers (83)	156
Plastics in primary forms (57)	111

Cork and wood manufactures, excluding furniture (63)	110
Vegetables and fruit (05)	97
Metalworking machinery (73)	72
Furniture and parts thereof (82)	52
Cork and wood (24)	47
Leather, leather manufactures and dressed furskins (61)	43
Live animals except fish etc. (00)	25
Footwear (85)	20
Gas, natural and manufactured (34)	12
Crude rubber, including synthetic and reclaimed rubber (23)	3
Textile fibres, excluding wool tops, and their wastes (26)	2

Source: CSO PxStat

Table 4 provides a detailed breakdown of merchandise imports in 2023.

- Cereals and Cereal Preparations accounted for 27 per cent of total merchandise imports.
- Medicinal and Pharmaceutical Products accounted for 26.1 per cent of total merchandise imports.

Table 4: Sectoral Origin of Imports (2023)

COMMODITY GROUP	VALUE
Total merchandise trade (0 - 9)	782,463
Cereals and cereal preparations (04)	211,420
Medicinal and pharmaceutical products (54)	204,273
Petroleum, petroleum products and related materials (33)	48,083
Other transport equipment (79)	31,664
Power generating machinery and equipment (71)	29,807
Organic chemicals (51)	27,846
Professional, scientific and controlling apparatus (87)	25,163
Electrical machinery, appliances etc., n.e.s. (77)	20,093
Essential oils, perfume materials, toilet preparations etc. (55)	19,638
Non-ferrous metals (68)	18,965
Feeding stuffs for animals, excluding unmilled cereals (08)	17,531
Office machines and automatic data processing equipment (75)	16,330
General industrial machinery and parts, n.e.s. (74)	14,324
Oilseeds and oleaginous fruit (22)	13,158
Other	84,168

Source: CSO PxStat

MERCHANDISE TRADE IN FIRST SEVEN MONTHS OF 2024

In the first seven months of 2024:

- Merchandise exports to Canada are 6.3 per cent lower than in 2023 at €2.54 billion.
- Exports of Organic Chemicals fell by 20.2 per cent; Inorganic Chemicals fell by 14.5 per cent; and Medical and Pharmaceutical Products increased by 19.3 per cent.
- Merchandise imports from Canada are 22 per cent higher than in 2023 at €581 million.

SECTION 5:
TRADE IN SERVICES BETWEEN IRELAND AND CANADA

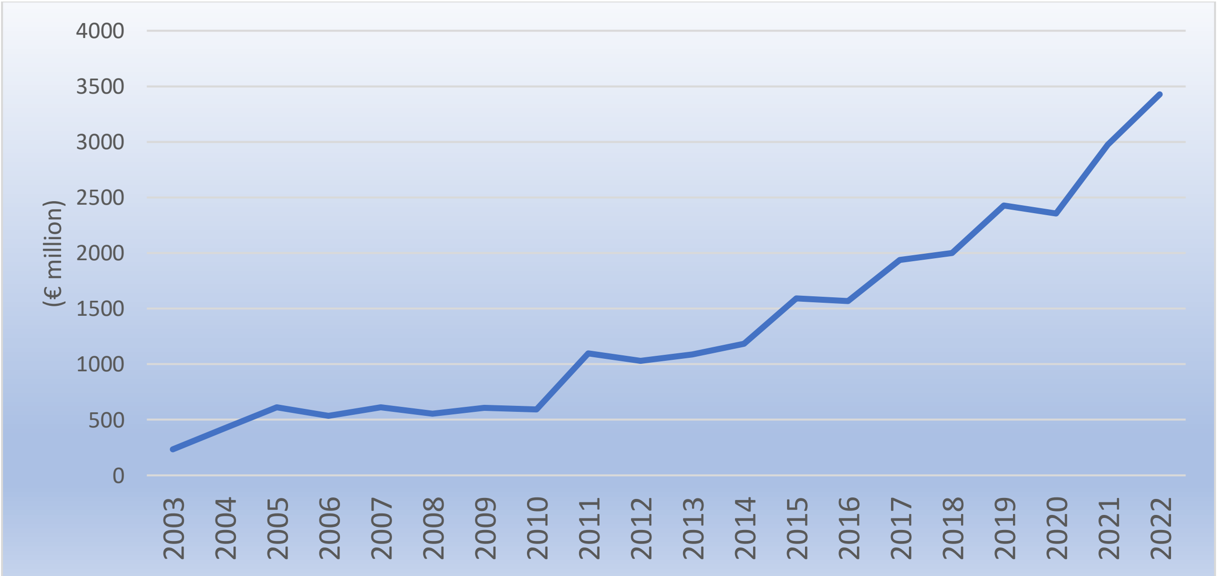
"Ireland is particularly strong in this area relative to other EU countries. While Germany and France have economies that are 6-8 times that of Ireland, their total trade in services with Canada is less than double that of Ireland. Ireland is clearly punching well above its weight in this sector. Canada's total imports of specifically management services are €13.5 billion annually. Ireland is Canada's #3 provider, behind only the US (€10 billion) and the UK (€1 billion)."

Jonathan O'Hara, Partner, McMillan LLP

SERVICE EXPORTS FROM IRELAND TO CANADA

CSO data show that in 2022, Ireland's service exports to Canada totalled €3.43 billion. This is up from just €234 million in 2003. From 2010 onwards the growth in service exports accelerated at a rapid pace, increasing from €592 million to €3.43 billion.

Figure 5: Exports of Services from Ireland to Canada



Source: CSO PxStat

Between 2016 and 2022 the growth in service exports added €1.86 billion to the Irish economy.

Table 5 provides a breakdown of service exports by activity. Management services, which include administrative, business and management consulting, and public relations services represent over half of all service exports.

Table 5: Breakdown of Service Exports from Ireland to Canada (2022)

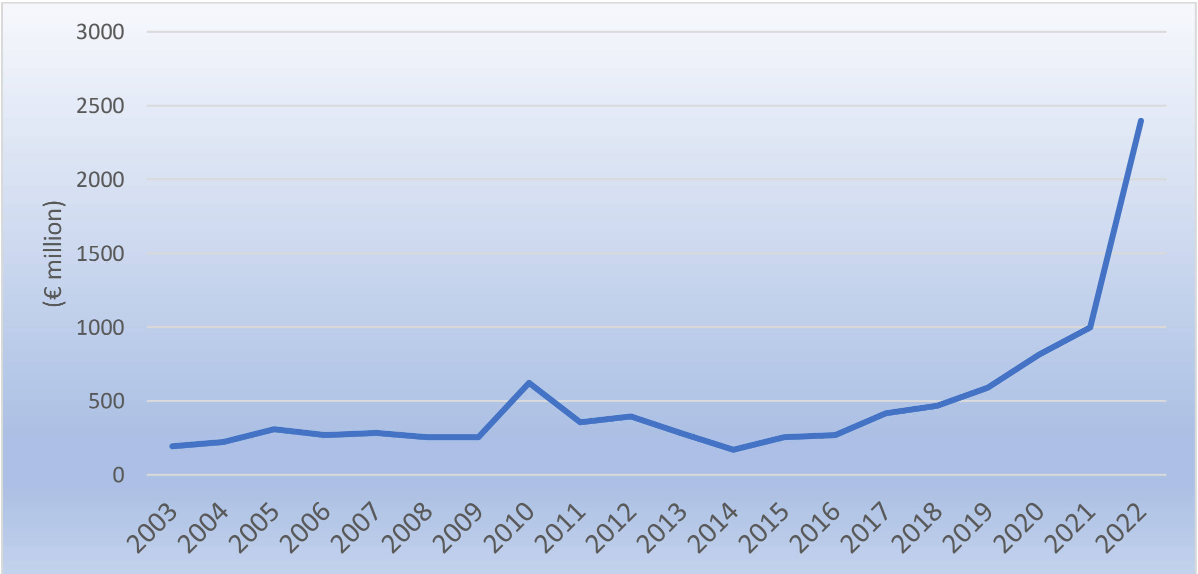
COMPONENTS	€ MILLION
Transport	39
Tourism and travel	89
Insurance	16
Financial services	130
All business services	1,204
- **Business services: Operational leasing**	431
- **Business Services: Trade related services**	9
Other services not elsewhere stated	1,950
Total	3,428

Source: CSO PxStat

SERVICE IMPORTS TO IRELAND FROM CANADA

Service imports from Canada have increased from €193 million in 2003 to €2.39 billion in 2022. Services imports increased by €1.4 billion or 140 per cent between 2021 and 2022. Research & Development services accounted for the bulk of this increase, and jumped by €1.09 billion.

Figure 6: Imports of Services from Canada



Source: CSO PxStat

Table 6 provides a breakdown of service imports from Canada in 2022.

Table 6: Service Imports from Canada by Component (2022)

COMPONENT	VALUE (€ M)
Transport	47
Tourism and travel	304
Communications	0
Insurance	11
Financial services	29
Computer services	149
Royalties/licences	261
All business services	1506
- **Business services: Operational leasing**	1
- **Business services: Legal, Accounting and other professional services**	150
- **Business services: Advertising and market research**	73
- **Business services: Research and development**	1212
Total	2,398

Source: CSO PxStat

SECTION 6:
THE FUTURE POTENTIAL

"The historically strong cultural links between Ireland and Canada, are now matched by the strength of the economic relationship between these two countries. Let us do everything in our power to support this relationship and by doing so facilitate every aspect of this strong and expanding trading relationship between our two countries"

Dr Deirdre Giblin, Chair, ICBA

Ireland has a significant business, economic, and cultural relationship with Canada, which has grown strongly in recent years, particularly since the United Kingdom voted to leave the EU in June 2016. However, the potential to grow this business relationship is significant.

- Canada is a G7 economy and is the 10^{th} largest economy in the world.
- It is a modern, dynamic, globalised economy where overseas investment and external trade are important features of the economic model.
- There is a strong cultural affinity between Canada and Ireland, not least due to the fact that 4.5 million Canadians claim Irish heritage.
- Ireland has an embassy in Ottawa. It also has Consulate Generals in Toronto and Vancouver; and Honorary Consuls in Calgary, Edmonton, Newfoundland and Labrador, Nova Scotia, and Quebec.
- Ireland is a small, open, and very globalised economy, where external trade and inward foreign direct investment are an integral part of the economic model. The latest CSO data show that the stock of Foreign Direct Investment (FDI) in Ireland was €1,284 billion at the end of 2022. FDI in Ireland was equivalent to 254 per cent of Gross Domestic Product (GDP) at the end of 2022, approximately four times the EU average.2
- Ireland offers many advantages to Canadian companies who want to invest overseas. It has a favourable corporation tax rate; it has a young and well-educated English-speaking labour force; it is the only native English-speaking common law country in the EU and it offers a strong foothold for Canadian companies who want to sell into the EU market; and it has a very pro-business environment. The 2024 IMD World Competitiveness Ranking (WCR) ranked Ireland as the 4th most competitive economy, out of 64 global economies. It scored highly on economic performance, and both business and government efficiency.

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[2] CSO, Foreign Direct Investment in Ireland 2022, June 2024.

THE POTENTIAL FOR GROWTH IN THE TRADING RELATIONSHIP

In terms of the trade relationship between Canada and the EU, Ireland does punch above its weight.

- In 2021, EU-27 exports of goods to Canada totalled €37 billion. Ireland was the eighth largest exporters to Canada, accounting for 3.5 per cent of total EU exports to Canada. (See Appendix 1).
- In 2022, EU goods exports to Canada totalled €47.4 billion. Ireland accounted for 7.1 per cent of total EU exports to Canada.
- In 2021, EU service exports to Canada totalled €17.4 billion. Ireland accounted for 16.6 per cent of total EU service exports to Canada.

There would appear to be significant potential to grow the economic and business relationship between Canada and Ireland over the coming years, provided the conditions are right.

The ratification of CETA by the Irish government would give a significant boost to Ireland's trade relationship in both goods and services. 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.

On a five-year time-horizon, it should be possible to double Irish exports in goods and services to Canada.

FOREIGN DIRECT INVESTMENT

The attraction of FDI into Ireland is a key element of Irish economic policy and strategy. Multi-national companies who invest in Ireland make a strong contribution to national economic growth; to direct and indirect employment; to corporation and payroll taxes; and are a particularly important support for regional and rural economic and social vibrancy.

There are 75 Canadian companies supported by the IDA operating in Ireland. Every job created by a multi-national company is estimated to support 0.8 of a job in the rest of the economy as the companies buy local goods and services, and the employees spend their income in the local economy.

Based on the employment metrics the following contributions are estimated for the Canadian firms operating in Ireland:

- It is estimated that there are 75 Canadian companies operating in Ireland.
- Employment in total is estimated at 15,000.
- It is estimated that the gross wage contribution is €750 million. This generates 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 key metrics that measure the economic and financial contribution are summarised in Table 7.

Table 7: Economic & Financial Contribution of Canadian Companies in Ireland

METRIC		
Number of Companies	75	
Total Direct Employment	15,000	
Indirect Employment Supported		12,000
Total Employment Supported		27,000
Gross Wage Bill Direct Employment	€750 m	
Employment Taxes	€187m	
Net Wage Contribution	€ 563m	
Multiplier Effect (1.5 Multiplier)		€844 m

Source: ICBA & Jim Power Economics

Given the size of the Canadian economy and its market, the potential to significantly build on the economic and business relationship between Ireland and Canada is significant. This would be very positive in the context of trade and FDI diversification. Ireland is very heavily dependent on US companies now. Diversification would reduce Ireland's concentration risk.

To develop and expand the economic and business relationship:

- Ireland needs to ratify CETA as quickly as possible.
- 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. The creation of the Dublin to San Francisco direct flight some years ago was instrumental in growing the economic relationship between Silicon Valley and Ireland.
- Irish tourism needs to be promoted aggressively in Canada. US tourists are a very significant part of Ireland's overseas tourism market. There is no reason why Canadian visitors cannot become a more significant component of overseas visitors to Ireland with the correct marketing and promotional approach.
- The IDA should continue to build its presence in Canada. Ireland is the only native English-speaking country in the EU, (except for tiny Malta) and as such offers a strong foothold for Canadian companies who want to grow their trading relationship with the EU. It is arguable that Ireland should have benefitted more from Brexit in terms of attracting FDI from countries such as Canada, but we are still at the early stages of the Brexit process. With an aggressive approach in terms of promoting Ireland as a potentially strong foothold for Canadian companies who want to access the EU market, Ireland can ultimately benefit significantly from Brexit and Ireland's very strong EU credentials. To exploit the Brexit opportunity to the greatest extent

possible, it is essential to invest in and focus on the various factors that form Ireland's competitiveness offering.

- The challenges facing Ireland's FDI attractiveness need to be addressed as a matter of urgency. These include the cost and availability of housing for rental and ownership purposes; investment in water and wastewater infrastructure; increased investment in alternative energy; the cost of doing business; and strong investment in education and training, to ensure that Ireland can continue provide investors with a well-educated and highly skilled workforce. Ireland's corporation tax advantage will be somewhat reduced by the ongoing OECD-driven corporation tax changes, so it is essential to address all the non-tax elements of Ireland's FDI offering. Having an abundant supply of clean water, a secure and renewable energy supply, an adequate stock of affordable housing, and an abundant supply of well-educated labour are all essential attributed to compete for FDI. Policy needs to be direct towards investment in these attributes, not least because this is exactly what Ireland's competitors are doing.
- For Canadian companies considering where to invest in the EU, Ireland has many advantages, given the strong relationship already with the US; the strong EU credentials; it is a pro-business environment that still offers a relatively favourable corporation tax environment; it has a well-educated, young English speaking labour force; and it has strong clusters of sectors such as IT, Social Media, Life Sciences, Medical Devices, Chemical and Pharmaceutical; Financial Services; and Professional Services. The clustering of these sectors gives rise to agglomeration economies, where production costs can be cheaper due to the clustering of economic activity. The academic literature suggests that agglomeration economies exist and that they induce higher productivity for firms and workers.
- 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.
- Since the Covid-19 pandemic and the ongoing Ukraine war, the security of supply chains has been highlighted. With the growth in political tensions, geo-political risk has become a major area of concern for businesses and economies. 'Friend-sourcing' is now a key policy imperative for companies and countries, because it is important to ensure that supply chains are not threatened by geo-political and national security tensions. For example, the US is seeking to reduce its dependence on China, and China is doing likewise, by decoupling the economic relationship and establishing relationships with friendly countries. National security interests are taking over from national economic interests in terms of geo-political strateg. Given Ireland's strong relationship with Canada, building stronger bi-lateral relationship would be beneficial to both countries.

- Increased marketing of Ireland in Canada could reap strong rewards in terms of investment, tourism, and exports. Growing the relationship would prove very worthwhile in economic and social terms.
- The potential for growing Ireland's economic relationship with a vibrant, populated modern G7 country seems to be enormous. 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.
- Concentration risk is a key challenge for Ireland. Ireland collected 52. per cent of its corporation tax revenues from 10 companies in 2023, who are believed to be exclusively US companies. The US is becoming more protectionist and is seeking to bring manufacturing activities back to the US. President-Elect Trump is fundamentally anti free trade and trade agreements. He has threatened tariffs of up to 20 per cent on all imports into the US; 60 per cent or higher on imports from China; 25 per cent tariffs on imports from Mexico and Canada, and an extra 10 per cent on Chinese imports. He has spoken of the possibility of reducing the US corporation tax rate to 15 per cent from 21 per cent now. There is no certainty about what US policy will look like from January 2025 onwards, but there are clear risks for Ireland. One way of responding to mitigate these risks is to diversify Ireland's international investment and trade relationships. Building a much stronger relationship with Canada should be a key element of any risk mitigation strategy. From a Canadian perspective, there is clearly a need to diversify away from its strong trade dependency on the US.

APPENDIX 1:
EU EXPORTS TO CANADA BY COUNTRY

EU exports of goods to Canada, 2021

	€ million	% of Canada in extra EU exports
Germany	10 026	1.6
Italy	4 836	2.0
Belgium	4 254	2.7
Netherlands	3 735	1.7
France	3 421	1.5
Spain	2 027	1.7
Austria	1 448	2.7
Ireland	1 296	1.3
Poland	1 253	1.7
Sweden	1 014	1.4
Finland	815	2.7
Denmark	795	1.6
Portugal	352	1.9
Czechia	301	0.8
Slovakia	263	1.5
Romania	260	1.3
Hungary	253	1.0
Greece	197	1.1
Estonia	137	2.3
Lithuania	134	0.9
Slovenia	130	0.8
Luxembourg	124	4.6
Bulgaria	66	0.6
Croatia	56	0.9
Latvia	34	0.5
Malta	18	1.4
Cyprus	4	0.1

Source: Eurostat (online data code: ext_st_eu27_2020sitc and DS-018995)

eurostat

APPENDIX 2

EU imports of goods from Canada, 2021

	€ million	% of Canada in extra EU imports
Germany	4 454	1.0
Netherlands	3 850	1.0
Belgium	3 628	2.2
France	3 275	1.6
Spain	1 861	1.2
Italy	1 734	0.9
Ireland	614	1.0
Latvia	599	10.8
Sweden	472	0.9
Finland	436	2.0
Malta	389	16.0
Poland	320	0.3
Austria	310	0.7
Czechia	259	0.6
Denmark	203	0.6
Greece	186	0.6
Portugal	180	0.8
Bulgaria	124	0.8
Luxembourg	112	4.7
Slovakia	105	0.5
Romania	91	0.3
Hungary	80	0.2
Slovenia	61	0.3
Estonia	47	0.8
Lithuania	27	0.2
Croatia	16	0.2
Cyprus	13	0.4

Source: Eurostat (online data code: ext_st_eu27_2020sitc and DS-018995)