



Chambers Ireland Submission to the National Risk Assessment 2023

February 2023



About Chambers Ireland

Chambers Ireland, the voice of business throughout Ireland, is an all-island organisation with a unique geographical reach. Our members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

In September 2019, our network pledged to advocate for and support the advancement of the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations, and we have a particular focus on five of the goals encompassing decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), advancement in gender equality (SDG 5), viable industries, innovation, and infrastructure (SDG 9) and progress in climate action (SDG 13).¹ The most relevant Sustainable Development Goals for this consultation are Decent Work and Economic Growth (SDG 8), and Industry, Innovation, and Infrastructure (SDG 9).

¹ The Chambers Ireland SDGs. Available at <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>

Chambers Ireland Perspective on the National Risk Assessment 2023

A key distinction that needs to be drawn is between the real change in risk, and the apparent change in risk. This is important because if it is only our awareness of a threat risk that has increased, rather than there being a substantial alteration in the actual risk which we face as a nation, then there is a fundamental and underlying weakness in our threat detection and assessment system.

A case in point relates to our cybersecurity security risk assessment. We have always been, and remain, extremely vulnerable to cybersecurity threats. Chambers Ireland's assessment is that there is a fundamental mischaracterisation of the Cyber Security threat landscape which leads us to underweight our risks in that field, specifically national policy around Cyber Security treats the problem a compliance issue that is to be managed by merely ensuring that national legislation effects EU policy. In the context of Cyber Security, this will however ensure that we remain on the back foot in terms of our Cyber Security posture, not least because the EU response will always be the maximum that can be through consensus (and so will essentially be a bare minimum response to the issue), and it will only slowly evolve in response to an agreed awareness of threat. Issues such as misinformation will always be treated lightly because there is no consensus as to what that threat is, there will be different information environments in each member state of the EU, and some political players at national level will be beneficiaries of such campaigns.

Therefore, if Ireland wants to proactively and effectively prepare for a shifting threat environment, we need to move towards an analytic approach which is more than a backwards looking response to known threats, but we must also actively seek out new potential threats and in anticipation of their crystallisation, create strategies to mitigate these risks and minimise their impact. While the weaknesses of the existing approach are probably most apparent in the Cyber

Security Domain² there are many other elements of the National Risk Assessment that may benefit from this approach.

Chambers Ireland strongly supports this effort by the Department of the Taoiseach to seek out and sanity check the risks which it is believed that our state is exposed to and our desire is that that open, problem-seeking, perspective can be inculcated within other subsidiary state bodies.

This same form of criticism can be put to the challenges which we are experiencing as a result of the inflexible international protection system and was a key part of the challenges that were faced within the HSE during the pandemic.

Like many of the risks which Ireland seeks to manage rather than solve, the international protection system shattered once its capacity was overwhelmed, in the same way that the health service was maintained at its maximum capacity limit so that there was no spare capacity within it to cope when there is a state change in the degree to which the issue presents itself.

That we see such problems, of the same kind, re-occurring across the responsibilities of departments as diverse as Health, Justice and Communications, this speaks to a broad systemic risk for the country that arises out of the culture and practices that underly how we operate our state bodies and state institutions.

² [Chambers Ireland Submission to the National Cyber Security Strategy 2019-2024 Mid-Term Review | February 2023](#)

The reactive approach where we attempt to muddle through problems without developing the capacity and culture to prepare for known challenges in advance is a significant national risk.

Furthermore, the siloing of risks into discrete areas of responsibility suggests a deeper misunderstanding of the nature of state risks insofar as any significant risk that we face will be multi-factorial and complex. It is in the nature of simple problems that they can be resolved. The complex ones that persist as threats at the state level are interwoven with each other, and compound each other. Therefore, in future years, this process of national risk assessment should move away from a neat linear list of threats and should look at the networks of threats that we face as a country and seek to both highlight those that are likely to impact us across domains and also identify those that have shared causes. Methodologies such as the World Economic Forum's risk landscape and interconnections mapping are likely to be useful in this context, particularly if combined with their short and long-term threat approach which seeks to assess threats over different time horizons.

Additionally, the institutional capacity of the state – particularly in the area of planning – to facilitate the considerable volume of development needed over the coming years to meet the national development plan, housing for all, the climate action plan, the national planning framework guidelines, the decarbonisation of the electrical grid etc. is looking less and less credible. Institutional capacity, skills development, and effective delivery of state services are increasingly risks to our economic and societal well-being.

Overview of the Department's Identified Strategic Risks:

Geopolitical Risks:

The Geopolitical risks which we experience are broader than is immediately apparent within this section. Undoubtedly at least some of this is as a consequence of the sensitivity that is required when considering some of our more volatile friendly nations.

English Nationalism continues to be the greatest direct geopolitical threat to Ireland, we are hopeful that the latest round of GB-EU negotiations will find an island of stability to land on but we remain concerned about the capacity of future British administrations to deliver a persistent commitment to any form of agreement that they enter in to. The more ardent English nationalists seem to be willing to politicise any issue³ which may become a fulcrum for political leverage.

It is likely to be the case that GB will remain politically volatile for at least the next decade, particularly as their economic position weakens. Within such a scenario is likely that they will seek out external actors to blame, and these are most likely to be the EU and/or Ireland. Our view is that the degrees of freedoms that are afforded the more radical English nationalists within the ERG wing of the Tory party are limited by two constraining factors, firstly there is the ongoing Russian war on Ukraine, and secondly there is the friendly (to Ireland) executive within the White House. While it is likely that Russia's war on Ukraine will persist into 2024 there is the possibility, though unlikely, of Russian exhaustion within the next year. There is also the potential that a less favourable US administration in place within the next two years. Therefore, even if

³ <https://www.telegraph.co.uk/business/2023/01/24/national-grid-sends-energy-ireland-british-households-asked/>

there is an agreement with the current British government, out beyond 2025 the more ardent English nationalists are likely to be less constrained by international pressures and therefore the next Tory party could seek to repoliticise the Northern Irish Protocol.

While the threat of Russia, in respect of the undermining of the multilateral system, is obvious and apparent to the global community, Britain's disrespect to the mores of international law is probably a risk that has considerable threat to Ireland, both directly and perniciously, than Russia.

The Republican party within the United States is also a considerable threat to the institutions of the post-war settlement. While states such as China and Russia may feel that their range of action is limited as a result of operating within the rules of the international systems it is troubling that political factions within the very states that created the institutional framework that has allowed Ireland to become both independent and prosperous in the post-war years are now actively undermining them. Within the European context we see issues similar to that of the Tory party being exhibited within Fidesz in Hungary, PiS in Poland, and the AKP in Turkey. Such radical illiberal-democratic parties and alliances pose a considerable threat to the functioning of international institutions, and particularly in policy areas where vetoes may be applied. While the threat from Russia does allow for a short-term coalition of interests between states where such illiberal parties are dominant and the wider international community, we are concerned that these alignments will not be robust into the longer term.

The potential for individuals, and parties, to be compromised will be a persistent threat to the world order.

In this respect the broadening of the membership of the EU to more states is likely to be both beneficial and problematic in different areas. On the one hand it is likely that the inclusion of more states, such as Ukraine, will reduce the dominance of the Franco-German axis within

Qualified Majority Vote issues in the EU, and that is good, as both parties will have to seek arrangements with a wider range of countries as they seek to drive EU policy. However, in those areas where Member State vetoes remain it is likely that outside actors will continue to use those areas to disrupt the internal working of the EU.

It seems likely that migration will be one such problem that is likely to both be challenging for the EU to address, and a pain point that will be exploited by outside players at least out to the end of the decade. 2022 was a year that saw yet another significant wave of people seeking international protection within the EU. It seems unlikely, particularly in the context of what seems to be an escalating rate of climate change, that this will cease to be something that Europe will not have to contend with over the medium term. We regret that the issue of migration is framed as being a 'societal risk' (albeit there are also significant societal risks associated with an international protection system that can be reasonably characterised as being both dysfunctional and inordinately expensive).

Economic Risks:

Chambers Ireland are not considerably concerned by the direct threats to the Irish economy over the medium term. Since 2007 Irish businesses have been operating through a series of crises and disruptions, with the exception of the brief window between 2013 and 2016 which was a period of stability that was disrupted by the Brexit vote. Irish businesses have faced innumerable issues over those years and have been resilient. With Brexit the opportunities for businesses in Ireland have grown, and this is reflected in our high levels of employment. We are not as concerned by the recent layoffs within the ICT MNC sector in Ireland and see them as being a normal element of the ICT sectors boom and bust cycle, though we regret the private and public resources that were applied to blockchain and cryptocurrencies during their hype cycles.

We do not feel that those cuts should be something that ought to factor into our consideration of state risks.

Far more concerning is ‘Ireland’s enterprise mix’, the concentration of corporation tax receipts that underpin a significant component of our national spending. It is very possible that one of some of the four companies that sustain so much of government spending could be exposed to a technological shock that could undermine their business model. It is for this reason that we have repeatedly argued⁴ that we should be attending to the challenges that exist within the domestic economy with much more alacrity. We should also be insuring that as little of the corporation tax receipts is being used for current account expenditure as possible, and that it is exclusively used for long term infrastructure investments, or saved in anticipation for such usage.

We are less concerned about the supply side constraints than it seems the Department of the Taoiseach is, it is unlikely that supply side shocks will be greater than those that were caused by Brexit, the Covid-19 pandemic, and Russia’s war on Ukraine. Businesses have adapted and have learnt to diversify and deepen their supply chains. This has come with additional costs which has been part of the supply driven inflation effects that have been experienced over the last 18 months. Given that inflation has become a problem globally it is unlikely that this will be an issue that particularly impacts Ireland across sectors, though we are concerned about the effects on the tourism industry as that was already operating from a high cost base. A strong impact on the tourism sector will probably have pronounced regional impacts.

⁴ [Chambers Ireland Submission to the Budget Oversight Committee regarding Chapters 9-12 of the Commission on Taxation’s Report | January 2023](#)

Our economic risks primarily arise out of our housing crisis, though this consultation seems to consider that as a societal risk, which significantly curtails businesses by making it extremely challenging to recruit and retain staff. Irish based staff are leaving the island to find opportunities abroad that can support the quality of life they are seeking, and this is a consequence of the housing crisis. Employees are routinely seeking pay increases to support increased rent payments as they experience accommodation insecurity are forced to move from home to home with rents ratcheting with each move. It has become almost impossible to bring talent from outside of Ireland into the country, as the hurdles to achieving a good quality of life are seen as too high. The consequence of this housing crisis is that Irish firms have to rely on staff with lower skills, who are often at earlier stages in their career, or have little experience within the sector they have been employed within. Then as they develop their skills they are either poached by another Irish based firm that can pay a premium or they leave the country. This is undermining the productivity of our economy both in terms of the cost of unit labour, and the reducing quality of the available pool of talent.

On energy, our energy risk profile has not significantly increased over the last 12 months, while the market price of gas piked a number of times over the year, leading to inflation, our supply has not been compromised. It is unlikely that the price per therm will decline to pre-covid norm as we will be increasingly reliant on US sources LNG piped through Britain. Consequently, our reliance on Britain as our primary supplier of energy and energy inputs is likely to persist until we have either upgraded our electricity grid to the point that we can commence the roll out of deep-water wind turbine fleet, or, build our own terminal on the island. Though if we are to choose the latter course, then we should follow the German model and ensure that all such equipment is future proofed and hydrogen ready⁵. If our vision is to make the island energy secure, then we should do both; reinforce and expand the electrical grid to support offshore wind farm development, and

⁵ [Chambers Ireland Submission to the Department of Environment and Climate Change on the National Hydrogen Strategy | September 2022](#)

invest in a local Green Hydrogen Terminal. Over the longer term, should we – the State, and industry – move towards investing hundreds of billions of euros in the infrastructure and plant that will be needed to exploit out offshore energy potential, we will also be creating a new security risk for the island, and Europe. Should we become a key hub of Europe’s energy network we will also need to be able to defend it from outside interference and this is likely to involve a substantial upgrading of our defence capacity, both at sea and in the air.

Societal Risks:

We have already raised our concerns about many of the cross cutting issues which the Department has framed as Societal risk. We dispute that they are primarily, or even predominantly, Societal Risks. They are multi-factor problems which undermine our way of life in a number of ways. The housing crisis has become a housing disaster, we have long been looking for Government to move away from incremental measures that seek to incentivise housing market operation through nudge-style techniques. The time for timidity is long since past.

State bodies are distorting the private marketplace for housing. In many parts of the country what is being built isn’t coming onto the market because Affordable Housing Bodies and Local Authorities are buying up everything off plans. This is having such an effect that some of our larger employers have already begun buying property so that they can guarantee their staff places to live. We note the low level of state funding that is projected within Housing for All and are concerned that that will not be sufficient to meet the housing demands, particularly as the cost of capital is rising which will make relying on private funding far more challenging.

To emphasise how these many risks are inter-related and compounding the migrant crisis which is emerging is also a housing issue, and one of misinformation that has arisen out of an ineffective Cyber Security national policy. With net migration running at less than 2% there is no good

reason as to why 60k people seeking international protection would cause a crisis, it merely amplified the effect of public policy failures in other areas.

This is why, in this document, we are seeking to highlight the institutional capacity failure within the provision of public services, the traditional process of making minor, incremental, ineffective responses until a public policy problem fades away is likely to amplify the effects of the problems that we experience “in a world that has become so susceptible to unforeseen shocks”⁶. To quote Minister Donohoe “[t]his more shock-prone world highlights why we must continue to build on, and to enhance, our capacity to absorb these shocks”. This means that we have to engineer spare capacity into our physical and social infrastructure if we are to have the resilience to function well through these unplanned events. At least some of the issue here is that we left a period of global economic and political stability in the early 2000s and our institutions have not yet learnt that we need to be much more proactive if Ireland is to be a success in a more volatile world. Arguably, we ought to be in a better position than most states given our small size. This size should allow us to adapt quickly to the changes that are occurring internationally, but while our private sector adapts our public institutions are increasingly sclerotic.

Environmental Risks:

Ireland is not in a position to make a direct difference to the course of climate change through altering our own behaviour, however we can significantly contribute to the decarbonisation of the EU if we rapidly accelerate the greening of our electricity networks and introduce the infrastructure, we will need to export this energy to continental Europe. We therefore have an opportunity to be an exemplar nation when it comes to the carbon transition.

⁶ <https://www.gov.ie/en/press-release/e80a5-ned-2022-scene-setter-economic-and-fiscal-context-opening-remarks-by-minister-for-finance-paschal-donohoe-td/>

We agree with each of the concerns that have been highlighted, though we have to point out that our national biodiversity cannot be reasonably called a ‘unique and priceless natural resource’. Our biodiversity has been devastated in recent decades, particularly our water networks, but also through land clearance, and horrendous hedgerow, insecticide and herbicide policies at the Local Authority level. We⁷ have been vocal on some of the issues that we need to address when it comes to biodiversity, but find it challenging to have institutions draw together the necessary cross cutting plans of action that link up reforestation, with Biodiversity, flood defences, and environmental services. There is either a distinct lack of imagination, or the Department of Agriculture’s reticence to face up to the environmental damage of the practices it promotes, which lies behind the inaction that we see in the area of ameliorating out environmental risks, but we are not in a position to assess the cause.

Technological Risks:

In this submission we led out on how Cyber Security is an example of an issue which compounds and amplifies other risks. Again, our sense is that the greatest risk re: Data flows, storage and security are Cyber Security risks. It is an area which has been considerably neglected, despite the efforts that are being made to improve the National Cyber Security Centre. Chambers Ireland’s position is that the national policy on Cyber Security is far too narrow and that both the resources and the remit of the institution needs to be greatly expanded if they are to have a useful effect. With so many of the world’s leaders in ICT present in Ireland we have an enormous opportunity to benefit from their learning, if we introduce appropriate knowledge sharing channels. It is hard to see how data flows are a considerable threat to Ireland. It is unlikely that the US will introduce reciprocal data borders to the EU, and for as long as the EU demands that personal data be restricted to regimes that treat it with appropriate legal care it is unlikely that

⁷ [Chambers Ireland Submission on the National Biodiversity Plan – | November 2022](#)

Ireland will cease to be a home for much of the world's private data. Indeed that is an opportunity for us, should we regulate data appropriately. We could make Ireland the gold standard for personal data which would afford customers security over how their data is managed.

From our perspective, the most direct technological risk to the state is one which undermined the business models of the big corporate tax-paying companies. These ICT and pharma firms all rely on core products that constitute the vast majority of their revenue. Each of these products are vulnerable to substitution, though each would also have their own idiosyncrasies. It would be useful if as part of this process if the department did carry out a risk analysis for each of the major corporation tax firms to gauge how they are likely to respond to such a threat and what this is likely to mean for the state. To an extent the concentration of these firms in ICT is itself a risk, but only a marginal one. ICT tends to benefit from change in the rest of the economy, whether that is a positive or negative change rarely matters over anything other than the immediate term. While the stock prices and hiring practices of the major firms are correlated, it is not likely that a disrupting technology would replace both Facebook and Google overnight. However, it is possible that an improved version of ChatGPT could fundamentally affect Google in a way that is unlikely to disrupt Apple.

Chambers Ireland persistently calls on all the windfall tax receipts that come from the excess corporation tax receipts should not be used within current spending that all such receipts should be ringfenced for long-term infrastructure investments, but for as long as we are in receipt of them it would be useful if resources were dedicated to monitoring the economic well-being of these firms individually to ensure that we are acting with as much foreknowledge as possible.

Arguably, the greatest threat to our own economic well-being are amendments to the US domestic tax code that leads to a restructuring of such MNCs.