



Chambers Ireland Submission on “Trading Better”- Trade Tourism and Investment Strategy 2017-2025

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Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses from all areas in the country and represent their views. Chambers Ireland works not only to represent the views of Irish business nationally, but we also work with a network of European Chambers of Commerce to ensure that the interests of Irish business are represented at European level, particularly in the areas of trade and investment.

We welcome the opportunity to contribute to the work of the Department of Foreign Affairs and Trade and Department of Jobs Enterprise and Innovation as you draft the successor Trade, Tourism and Investment Strategy, “Trading Better”.

Objectives of Strategy

From the perspective of the Irish Chamber Network, in order for the revised Trade, Tourism and Investment strategy to be successful, it must be implemented holistically across all relevant departments. Setting targets to grow investment, tourism and our export capacity will rely on steps taken by all Government agencies, not just those with trade, investment and tourism related portfolios, to make Ireland a good place to do business and to ensure that Ireland can compete internationally when it comes to attracting investment and competing in foreign markets.

Therefore, we are of the view that Government needs to prioritise the following three objectives as part of its new strategy.

- Cost Competitiveness- Ensuring Ireland Remains Internationally Competitive
- Investing in our Infrastructure
- Promoting the Need for Open Markets and SME Friendly Trade Agreements

Cost Competitiveness- Ensuring Ireland Remains the Best Country to do Business

Ireland is a small open economy and our businesses are competing in a global marketplace. We are already a relatively high cost economy, particularly for wage costs, and Ireland needs to be able to demonstrate value for money in order to access international markets and attract inward investment. Ireland must remain focused on maintaining cost competitiveness across a number of business costs to ensure that our exporters can access markets, that we remain an attractive location for investment, and that our tourism proposition remains viable. This ability to compete internationally could be threatened into the future if Government does not exercise caution when it comes to public sector pay increases, as one example. A trend towards rising costs must be tempered by the realities of potential ongoing domestic and international uncertainties, such as Brexit, currency fluctuations against Sterling and the dollar, instability in the Eurozone and increases to interest rates in international markets. In areas where the State can act to arrest rapidly increasing costs, it must do so. For example, childcare, housing and public sector all require robust Government led policy interventions.

Investing in our Infrastructure

Investment in infrastructure is needed not only to ensure our indigenous economy can continue to grow but also to protect our ability to attract investment and support tourism. The proposed “Trading Better” strategy must not be drafted in a vacuum. If Ireland is to continue to attract investment and grow tourism, it is crucial that Government ensures our infrastructure system is able to meet the needs of a modern economy. Increased investment in our transport, broadband and water services is essential to meet the needs of a growing economy. We are competing against the top countries in the OECD for investment and for international market share. Failing to adequately invest in our infrastructure will put us at a distinct disadvantage. Current levels of capital investment are not sufficient to support our growth into the next decade and must be increased.

We are of the view that the proposed new trade, tourism and investment strategy must adequately reflect this. In particular our transport network and international connectivity is vital for trade and tourism policy. Projects such as the second runway at Dublin airport and increasing capacity of ports should be recognized as being of national importance.

Promoting the Need for Open Markets and SME Friendly Trade Agreements

Trade and investment has never been more important for the Irish and European economy, and have shown their worth as stabilising forces for the EU, softening the recession considerably when domestic demand remained weak. The European Commission reports that over the next ten to fifteen years, 90% of world demand will be generated outside

Europe. It is essential for future trade that Ireland remains in the heart of Europe and the global economy. If the European Union is to remain competitive on the international stage, it must both pursue trading relationships with new markets and renew existing trading agreements so that they are fit for purpose. Chambers Ireland supports the development of an ambitious trade agenda that will open new markets to Irish business (CETA, TTIP, new proposed treaties with the ASEAN countries).

The proposed “Trading Better” strategy must include commitments to support the European Commission’s trade agenda that aims to advance ambitious trade and investment agreements with markets in the Americas and Asia Pacific.

Opportunities for Ireland

Sectoral Opportunities

In prior strategies outlined by Enterprise Ireland, sectors such as agri-food, software, clean-tech, manufacturing and construction were all identified as exporting sectors of high growth potential. These areas continue to present enormous opportunities for Irish exporters globally, particularly in the North American and Asia-Pacific markets. These opportunities have also been identified in studies outlining the potential benefits for Ireland should an US-EU trade agreement be finalised. An economic study by Copenhagen Economics, commissioned by the Department of Jobs, Enterprise and Innovation, predicts that if an EU-US trade deal (TTIP) were introduced today, it would increase Ireland’s GDP by 1.1%. Using 2013 GDP of €175 billion as the base, this would mean an increase of €2 billion. The report claims that this would add between 5,000 and 10,000 jobs in export industries. Should an ambitious trade deal be negotiated with the United States, Ireland is predicted to benefit more than double the EU average. Similarly, the EU-Canada trade deal (CETA) which is to be ratified by the European Parliament in the new year, offers significant opportunities for growth in trade, particularly for SMEs, who will benefit from dual recognition of product standards and certification, thereby saving on “double testing” and administrative burdens on both sides of the Atlantic. Studies and predictions such as this demonstrate that Ireland’s economic strengths are particularly suited to increased trade and closer trading relationships globally. Should trade agreements like the Transatlantic Trade and Investment Partnership (with the United States) and the Comprehensive Economic and Trade Agreement (with Canada) come to pass, the aforementioned sectors are projected to grow in the years to come, benefiting not just larger multi-nationals but also SMEs operating in these sectors.

Furthermore, we see opportunities for Ireland in the area of supply chain integration. Ireland should position itself as a location for important final stage manufacturing or services provision for UK companies. This can facilitate UK companies meeting the origin

requirements necessary to access the EU market with no or reduced tariffs. This will require careful analysis of sectors and supply chain characteristics in order to identify specific firm level opportunities for value added processes to be undertaken in Ireland for UK companies.

It is also worth noting that Ireland's digital economy has the potential to benefit from export opportunities within the EU's Digital Single Market. With an increasingly knowledge-based economy, Ireland stands to benefit significantly from an effective European Digital Single Market. Driving the completion and enforcement of the EU Single Market in digital services and e-commerce must be a priority for this Government, as this would greatly facilitate ease of doing business online for SMEs. A fully functional Digital Single Market would bring many benefits to European businesses and consumers. It would promote innovation, contribute €415 billion to the EU economy each year and create hundreds of thousands of new jobs. However, the Single Market, both digital and otherwise, is not working as effectively as it should be and more must be done at European and national level to ensure that it is working in the interests of business, particularly SMEs. Gaps in the Single Market need to be addressed if the EU Digital Single Market is to help Irish business maximise opportunities. Ensuring that the Digital Single Market works for businesses across all 28 member states will be hugely important in the coming years, as the cross border trade of digital goods and services becomes a much larger part of all of our economies. We recommend that Government in the proposed "Trading Better" strategy includes commitment to supporting the completion of an ambitious SME-friendly Digital Single Market.

Shifts in FDI following Brexit

There is a sense within our network of chambers that Brexit may provide some opportunities for Ireland. As the sole English speaking country remaining within the UK, following the British exit, Ireland may become an attractive destination for any UK based companies wishing to relocate. While Ireland cannot control the negotiations or the effects of Brexit, we can ensure that we are an attractive location for investment and that Ireland continues to be an excellent environment in which to do business.

Threats for Ireland

Brexit- Knock on impacts for Irish trade and competitiveness

In parallel to potential opportunities arising from the UK's exit from the EU, there are also likely to be a number of threats to our economy. Interruption and likely reduction in trade between Ireland and the UK will have a disproportionate impact on our indigenous firms, especially our exporting SMEs who are hugely reliant on the UK as their primary market. Larger multi-nationals, who trade in international markets, are likely to be much better insulated from the consequences of a UK exit from the European Union. Smaller firms will

feel a much more profound impact and will be less capable of absorbing it. The UK's from the European Union may also impact on our attractiveness as a destination for foreign direct investment.

We have already noted that remaining cost competitive is crucial if the proposed "Trading Better" strategy is to be successful. This becomes even more important when faced with our closest neighbour leaving the European Union. While there has always been healthy competition within and between EU member states, this was predominately on a level playing field, as all had to operate within a common regulatory and legal framework. This may no longer fully apply in the event of Brexit. This relates not only to our attractiveness as a location for foreign direct investment, but it also impacts on how Irish companies will be able to compete in international markets with UK companies

Infrastructural Weaknesses

While the UK's exit from the EU presents Ireland with opportunities to attract investment from companies who may wish to leave the UK in order to retain access to the Single Market, it conversely threatens our economy. Current levels of investment are not sufficient to meet the demand of a growing economy. A lack of investment in Ireland's infrastructure since the start of the economic downturn has led to the depreciation of the existing infrastructure stock. At the same time, demographic changes are placing ever greater pressure on our infrastructure system and new infrastructural needs are emerging. This shortfall in investment becomes even more troubling if we hope to compete for foreign direct investment with other EU member states in the aftermath of the UK's exit from the Single Market. There is currently a shortage of prime commercial space in key urban areas. Similarly, a shortage of housing is not just limited to Dublin, but is impacting all urban areas around the country. The IDA has achieved enormous success in recent years in attracting investment around the country. In 2016 employment levels in IDA backed foreign multinationals reached record highs with more than half of all jobs created by IDA clients (52%) created outside of Dublin. Although this success looks likely to be impacted by events outside of the control of Government (for example, market uncertainty and Brexit), but this can be offset by concerted efforts from Government to ensure that investment into necessary infrastructure is increased in the short and medium term.

Growing support for protectionist policies

Chambers Ireland is a firm believer that Ireland's economic future can only be secured if we continue to build strong trading relationships globally. Our place in the EU is central to this objective as our membership of the EU that will ensure Ireland can trade feely and easily with markets all over the world. Research shows that open economies grow faster than closed ones. In an age of growing protectionism (2015 saw the biggest rise in protectionist activity since the onset of the financial crisis in 2009—with an estimated 40% rise in trade barriers introduced), it has never been more important to make the case that trade matters

and that trade supports sustainable economic growth. We suggest that the proposed “Trading Better” strategy includes commitments from Government to continue to support ambitious trading policies. This should be supported by increased communication and awareness raising campaigns on the part of government agencies that make the case for increased trade and open markets.

Our Strengths

Our Diaspora

Ireland has a broad Diaspora scattered all over the globe. This international network is an enviable advantage as we seek to grow our tourism, trade and investment potential. This potential was highlighted in the last strategy for tourism, trade and investment, where it was noted that this community of business networks with Irish connections could support the priorities and targets of government. While a great many of those who have emigrated since 2007 have returned in recent years, many have not and possibly will not. Ireland must continue to develop strong and structured cultural and commercial links with our Diaspora abroad. Strengthening these links will help develop a robust international network that will support Irish business men and women both at home and abroad.

Connectivity-Ireland as a gateway to the UK/US/EU

Ireland has benefited in the decades past from its geographical location between continental Europe and the United States. Our location, supported by our favourable corporate tax rate, highly skilled workforce and the fact that English is the commonly spoken language, has meant that Ireland has been able to position itself as the ideal headquarters for multinationals, particularly US companies, who want access to the EU Single Market. While the UK’s decision to leave the European Union poses considerable risks to the Irish economy, our geographical position may also support new opportunities to attract inward investment that may be diverted from the UK in future years.

As the BEPS process evolves, Ireland is well positioned to offer multinationals a base for substantive operations. Ireland’s position will allow it to potentially act as a hub between the EU, US and potentially the UK.

Ireland as a Reputable Place to Do Business

Ireland, for the second year in a row has been listed as a one of the top countries in the world to do business, retaining its ranking of 4th place.¹ Ireland follows Hong Kong, New Zealand and Sweden. The criteria analysed as part of compiling the rankings include a

¹ <http://www.forbes.com/sites/kurtbadenhausen/2016/12/21/sweden-heads-the-best-countries-for-business-for-2017/#16b7caa81cdc>

country's GDP growth, its GDP per capita, trade balance and population. The international recognition of Ireland's reputation as a good place to do business should be highlighted as a strength when developing priorities as part of the revised strategy on trade, tourism and investment.

What can Government do to improve?

Increased Co-Operation

While we recognise that co-operation is ongoing, between the three departments with responsibility for delivering this strategy (Department of Foreign Affairs and Trade, Department of Transport, Tourism and Sport and the Department of Jobs, Enterprise and Innovation), stakeholders would like to see greater co-operation and collaboration between all three departments and their relevant agencies. As mentioned, while policies to attract investment, promote tourism and grow trade are to an extent independent, the success of the "Trading Better" strategy will be determined by how well Government considers its targets and priorities in the context of the broader Programme for Government, so that there is sustainable economic development across the economy as a whole.

Diversification of Markets

Although diversification of markets was identified as a goal in the existing *Trading and Investing in a Smart Economy*, in the wake of Brexit, priority and increased resources should be allocated to the objective of diversification of export markets in the short term. Ireland's exporters are reliant on a relatively small number of countries, and with increased uncertainty as to trading conditions in the future, it is crucial that the objective of market diversification for SME exporters is both given attention and resources by Government in this strategy.

Supports for SME Exporters

The proposed "Trading Better" strategy should also incorporate specific supports for SMEs who wish to begin exporting their products and services. There has long been a need for a generic export support for SMEs that do not constitute High Potential Start Ups. Some lessons could be learned from the Trading Online Voucher and how it has supported SMEs in getting their business online and enhancing export potential. Furthermore, one practical step that Government could take to both support SMEs to expand their export potential, and mitigate against the risk of Brexit, would be to introduce a form of Export Working Capital Scheme. The introduction of an Export Working Capital Scheme would mean offering increased support to allow SMEs to access new customers overseas. Through such a scheme

the State can help protect jobs in export based industries which are exposed to the UK market and face uncertainty and risks from the recent Brexit referendum result. Chambers Ireland proposes that the Scheme would target SME exporters who have reached the limit of their credit facilities but require additional trade finance or working capital to process new orders or service new clients. Post-Brexit, there is an increased imperative to support SME exporters to expand to new markets, as access to UK market will become more challenging. Ireland is among a minority of OECD countries who do not currently have some form of state backed credit guarantee for SME exporters. We are of the view that given the severe impact a Brexit will likely have on our SME exporters, now is the appropriate time to introduce such a programme.

Ireland as a Destination for International Students

Post-Brexit, Ireland may well be the sole EU country with English as the primary language of education. This puts Ireland in an extremely strong position to attract international students. Brexit may provide an opportunity for internationalisation of Irish education services. Many programmes being offered by educational institutions overseas involve multi-location delivery within the EU. For example a student might divide their overseas programme between campuses in two or more EU countries. If visa free access between the UK and EU is no longer possible post-Brexit, Ireland will look like an increasingly attractive option for multi-location overseas programmes.

Supporting the Tourism Sector

With regard to progressing tourism related targets, we recommend that Government address gaps in our current tourism and hospitality education and training programmes. Many of our members have highlighted that there is a requirement for a more vocationally focused training programme for those who wish to work in the tourism and hospitality sector. This could usefully be addressed via the new set of apprenticeships being developed by the Apprenticeship Council. Additionally, chamber members from across our Network have highlighted that if Government is to commit to ambitious targets for growth in overseas tourism, it is essential that marketing budgets are increased. Chamber members from the hospitality sector also recommend including commitments to maintain the short-stay waiver scheme and the British-Irish Visa Scheme.

Supporting Trade and Investment in the Americas/Asia Pacific

Chambers Ireland has consistently advocated for support for EU trade agreements with Canada, the US, and with ASEAN countries. As Ireland is a small open economy, our exporters and investors will only grow if the EU continues to pursue ambitious trade and investment agreements that will give increased and cheaper access to growing markets.

When such agreements are finalised, Irish business will only reap the benefits if they are aware of such agreements and the provisions within them that will support their ability to buy and sell from new markets. Therefore it is crucial that Government allocates resources for information campaigns targeting at Irish businesses, particularly SMEs, on the benefits of these trade deals. For example, the sectors there are opportunities in, guides to completing trade documentation to avail of preferential treatment and SME-friendly market access information.

One such area of the Asia-Pacific that would be worth increased attention from Government would be Australia and New Zealand. In late 2015, the European Commission opened negotiations with Australia and New Zealand. Both of these trade deals will open up new opportunities for Irish exporters. New Zealand is consistently ranked number one in terms of market openness and rule of law in the world. Additionally, the EU is one of the primary markets for Australia, with trade between Ireland and Australia totalling almost €19 billion. As part of our own efforts to build stronger links with business communities in strategic markets, on the 19th May 2016 Chambers Ireland and the Irish-Australian Chamber of Commerce signed a memorandum of understanding to strengthen the links between the two organisations and the Irish and Australian business communities. Through this collaboration Chambers Ireland and the Irish Australian Chamber of Commerce aim to offer access and support to members hoping to increase the trade and investment between Ireland and Australia. From the perspective of building stronger trading relationships with markets in the Asia-Pacific, it is our view that stronger trading relationships with both Australia and New Zealand will have potentially large benefits for growing the Irish market share across the region, as both of these countries will act as ideal “hubs” or gateway for Irish exporters and investors into the rest of Asia.

As noted, the Irish Diaspora, particularly those active in the global business community has the potential to be an enormous strength, as Ireland seeks to expand and develop its trade investment and tourism strategy. Our recommendation to Government, in respect of building Ireland’s profile in the Asia-Pacific region, would be to actively leverage relationships with the Irish Diaspora abroad. This is a suggestion that has been repeatedly emphasised at gatherings such as the Global Irish Economic Forum, where participants noted that, particularly in areas where awareness of Ireland’s brand may be more limited, using local networks of Irish people would help diplomatic missions and organisations like Enterprise Ireland to improve Ireland’s profile. This would be particularly useful in markets with high growth potential; (For example, Indonesia, Vietnam, etc). Additionally, we see opportunities to build stronger relationships with Diaspora business networks in Australia and New Zealand. With the EU opening negotiations for a trade deal with both of these countries, we see countless opportunities for Irish businesses and investors. Building better and stronger links with our Diaspora all over the world should continue to be among the top priorities of Government in the coming years as Ireland looks to build new trading relationships.

We additionally recommend that embassies and state agencies operating in the Asia-Pacific region prioritise building strong relationship with local members of the Irish business community who may already be established in that region/country. This will have the two-fold benefit of building stronger relationships with the business community locally who may already have established relationships local authority and government officials, while additionally, it will better inform Irish government/agency representatives of any opportunities/risks locally of interest to Irish business.