

IEA Submission: Trade and Investment Strategy

*Irish Exporters Association submission to the Department of
Enterprise, Trade and Employment*

15 July 2021

Overview: The Irish Exporters Association

The Irish Exporters Association (IEA) is the leading independent representative body and voice for exporters based in Ireland. The IEA represents exporters and supply chain operators across the country and works at regional, national, and European level, representing its members in front of legislators to create a regulatory and legislative framework that supports, drives, and fosters Irish exports.

We assist our members to grow their exports to world markets and drive the growth and development of all exporting businesses based in Ireland. We provide a set of highly relevant business services and products to assist our members with international trade.

- We **represent** the needs of members in the development of policy, lobbying, intervention at Government and EU level and in the media. Brexit and the Diversification of Export Markets, Trade Compliance, Climate Change & Sustainability, and their impact on Irish exporters are core to our work.
- We offer **trade services** in the form of practical training, support, and advice right across the supply chain including our Certificate in International Trade, customs awareness, GDP, export and import compliance, Sustainable Supply Chain programme consular, business travel support (visa and export documentation), route to market and general assistance with trade related queries.
- We have created **knowledge networks** among our membership to support our members in exploring new markets, route to market scenario planning, understand customs and supply chain challenges and provide thought leadership through a series of events and webinars. Networking and connectivity remain an important part of membership benefits. Our Export Industry Awards programme is our flagship event that celebrates the achievements of exporting companies and highlights the importance of the export sector to Ireland.

The IEA represents the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland as well as the providers of key services to the sector. The IEA is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

Introduction

We welcome the opportunity to contribute to and support the Department of Enterprise, Trade and Employment's (DETE) work on a renewed trade and investment strategy and acknowledge the Department's commitment to exporters, importers and supply chain actors at this critical time. Since 1951, the IEA has supported members bring their products and services to world markets. Ireland's membership of the European Union (EU) has accelerated Ireland's place as a global trading powerhouse. EU membership is invaluable to Ireland's small open economy and vital to Irish exporters alike. This Association supports the growth and development of international trading businesses based in Ireland and we will continue to support members through the challenges and opportunities ahead. Businesses want to plan and implement their strategies; however, uncertainty is compounding business planning. We hope that a renewed trade and investment Strategy will bring some certainty, however, given global trade developments and world events in recent years, we expect that traders will operate under riskier conditions than normal in the short to medium term.

The work of DETE is timely given the changed world in which we live, primarily due to the global outbreak of Covid-19, but also the consequences of Brexit. The pandemic has changed the way in which we live and work. The operation of supply chains and the nature of trade and investment has and will continue to change. Businesses are beginning to look at how they adapted to Covid-19 and Brexit, what changes they had to make and what adaptations are beneficial and will become the norm to their respective operations. A shift in business models is happening and the trade and investment strategy will need to embrace this.

We have drafted our submission based on our engagement and exchanges with our broad membership through bespoke assistance, our five Regional Network Groups and our National Council. This consultation is an important opportunity for this Association to further support our members in these turbulent trading times.

IEA Recommendations

Chapter 1: The Global Environment

The global environment is a state of upheaval. The outbreak of Covid-19 has brought about a deepening economic recession, of which the magnitude is still unknown. While uncertainty and risks around economic growth are high, the OECD¹ states that "*prospects for the world economy have brightened*" and the European Commission's² 2021 summer forecast reports that the European economy is set to "*rebound faster than expected*". Such forecasts bring optimism, albeit caution must accompany any forecast as the situation can deteriorate quite considerably. Economics and finance will guide Government decisions and policies in the years to come. Trade has a very important part to play in driving economic growth and will be paramount to Ireland's economic recovery.

The intricacies of global supply chains have been exposed throughout the pandemic. The current scarcity of containers, the shortage in supplies of inputs and increased prices for raw material is evidence of how reactive supply chains are and is an indication of the length of time it will take to get back to pre-Covid equilibrium. In the early stages of the Covid-19 crisis, Irish exporters experienced great difficulties in exporting products to countries such

¹ The OCED Economic Outlook: <https://www.oecd.org/coronavirus/en/themes/global-economy>

² Summer 2021 Economic Forecast: Reopening fuels recovery:
https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3481

as China. Containers were offloaded at ports far from the point of destination. This subsequently placed extortionate charges on exporters for the storing of containers at alternative ports through no fault of their own. This activity also exposed the intricacies of global supply chains. The renewed trade and investment strategy should take account of the how insightful global supply chains are and as part of this review to develop a blueprint to ensure the smooth running of trade in the face of any future pandemic or global shock.

The impact of the pandemic on Ireland's air connectivity and trading routes has been a major concern for members of the IEA. As an island nation air cargo capacity in the belly-hold of planes is crucial to our ability and capacity to trade. If Ireland is perceived as an uneconomic route for carriers to service, this will compound traders' ability to get goods on and off the island. We have concerns about long it will take to rebuild routes back to pre-pandemic levels. This will evidently impact Ireland's attractiveness as a well-connected place to do business in and from, particularly in the high-value low volume industries such as pharmaceuticals and ICT.

The impact of Brexit will continue to feature as a key issue for Irish exporters, importers and supply chain operators. Irish exporters prepared for Brexit and have shown great resilience in adapting to new trading arrangements with our nearest neighbour. Great Britain will remain a key market for Irish exporters due to the inherent similarities and familiarities that exist - customer taste and indeed the very size of the UK market boasting of a population in excess of 66 million. For this reason, Irish enterprises will continue to utilise the British market and therefore will need to be accustomed to trading formalities. We believe the UK's attractiveness as a source of supply is waning, and business are already in the process of using alternatives.

Tackling climate change must be to the forefront of the trade and investment strategy. The European Commission's Communication on its trade policy review³ puts sustainability to the core of its review by stating that its new trade policy strategy is *"one that will support achieving its domestic and external policy objectives and promote greater sustainability in line with its commitment of fully implementing the UN Sustainable Development Goals (SDGs)"*. We welcome the Trade and Sustainable Development chapter incorporated into EU FTAs as an important step to engraining climate action into trade policy and ensuring that trade partners live up to international agreements on climate action. Ireland's renewed trade and investment strategy must incorporate and be guided by targets and aims set out in the Climate Action and Low Development Carbon (Amendment) Bill 2021⁴, just as the EU's renewed trade strategy policy is guided the EU Green Deal. In the light of these challenges, the strategy should look to highlight how Ireland will position itself globally and how we will seek to work together at to meet these; and of equal importance, how we will create and develop the opportunities that these challenges will bring. We have proven significant advantage to come together as Government and stakeholders to identify risks, develop strategy and drive adaptation. This is on a far grander scale than our most recent challenges.

The EU will continue to drive an open, sustainable, and assertive trade policy on behalf of the member states. This is particularly important for Ireland given the impact of Brexit on trade and the need to look for new markets for Irish goods and services. We welcome the EU's ongoing negotiations on forging updated trade agreements with countries such as China, New Zealand and Australia. The further opening of such markets would be of benefit

³ European Commission Communication on its Trade Policy Review (February 2021):
https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

⁴ Climate Action and Low Carbon Development (Amendment) Bill:
<https://www.oireachtas.ie/en/bills/bill/2021/39/>

to Irish exporters. We support the outcome of the EU-US summit on 15 June 2021⁵ and the efforts made to date to reinvigorate trade relations. The US market should be a primary focus of this strategy given the size and cultural links to the country, as well as our geographical and strategic location

Chapter 2: Ireland's recent performance in trade and investment

Most recent figures from the Central Statistics Office (CSO), at the time of writing, show that in April of this year the value of exports was up 10% compared to April 2020 and the value of imports has also increased by 45%⁶. On the surface, Ireland's exports and imports continue to thrive, however by delving more into the figures we can see that this growth is driven by multinationals which we have attracted to these shores through our foreign direct investment model. Multinationals contribute more to the economy than the trade figures would suggest, they drive innovation, education/skills and opportunities.

In terms of geographical breakdown and in light of the UK's exit from the EU, we can see from CSO figures that the British market will continue to be a major one for Irish exports with these up 42% compared to April 2020, while imports from Britain continue to decline. As part of this strategy, Ireland needs to embed itself further into the EU market and strengthen trade flows with member states. Looking beyond the EU, the US continues to be the biggest non-EU destination for Irish exports, accounting for 29% of total exports in April of this year. We encourage the DETE to continue its work on strengthening relations with US trade counterparts given the opportunities that this market has for Irish exporters.

We believe that Ireland has a huge opportunity to reposition as a hugely attractive place for sustainable FDI. We believe that continued flows of FDI will go a long way to reaching the aims and objectives of the UN's SDGs, once the investment is sustainable. Whilst achieving the UN SDG's is a common responsibility for the international community, there needs to be a leader, and Ireland can bring that leadership. Having attracted flows of FDI for some time, Ireland retains its attractiveness and now is the time to build upon our green island international branding and reconfigure our approach to ensure that investments achieve social, economic and environmental objectives. A renewed trade and investment strategy is an opportunity to deliver on sustainability and we believe FDI has an important role here. We call on DETE to continue positioning Ireland as a hugely attractive place for FDI that has sustainability at its core.

Chapter 3: International outlook

The International Monetary Fund's (IMF) World Economic Outlook published in April of this year projected that '6% growth in 2021, moderating to 4.4% in 2022'⁷. This projection is very much based on a vaccine powered recovery however it comes with the caveat that because we are dealing with an unpredictable virus; any economic projection comes with a health warning. Given this uncertainty, the Department's trade and investment strategy may have to be revised when we can better understand its course and how the roll out of vaccines is suppressing its spread.

⁵ EU-US summit, 15 June 2021: <https://www.consilium.europa.eu/en/meetings/international-summit/2021/06/15/>

⁶ CSO Exports and Imports – April 2021:
<https://www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsapril2021/>

⁷ IMF – World Economic Outlook – April 2021:
<https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

In terms of trade agreements, we very much welcome ongoing negotiations at EU level to strengthen trade relations with New Zealand and Australia. Given the size of the markets and historical-cultural links to both countries, these negotiations present an important opportunity for Irish businesses, particularly as businesses try to diversify to new markets in light of Brexit. We welcome Enterprise Ireland's recent three-part webinar series to boost exports to Japan, South Korea and Mexico⁸. We urge Enterprise Ireland to continue this initiative and to explore opportunities in other markets through a similar series. Such events are more important than ever and particularly beneficial as travelling for trade missions is hampered with restrictions.

Chapter 4: Sectoral opportunities for Ireland

Ireland continues to have a diverse economy that attracts businesses to set up, grow operations and thrive in a range of sectors:

- Agri food
- Health Lifesciences / pharma
- International financial services / fintech
- Technology
- Global business services
- High Value manufacturing
- Construction services
- International education
- Tourism (post Covid)
- Creative/arts/film/media

Given the efforts made by previous and the current Government to attract foreign direct investment to Ireland, we believe that Ireland will remain a highly attractive place to do business, for reasons such as quality in education and skilled workforce, our geographical position and a pro-business environment. Going back to the point raised under Chapter 1 on connectivity, we believe that this is a crucial issue to attract and retain businesses in Ireland. As countries seek to become more competitive in attracting businesses, we believe that ensuring national and regional multimodal connectivity is vital. This becomes all the more important given recent discussions on reforming global corporation tax.

Chapter 5: Market opportunities for Ireland

Most exporters in Ireland are also importers and this is where we will see a particular challenge. As supply chains become more regional and localised, for example as we move to source less from the UK and parts of the Far East, the EU and North America will become increasingly more important to Irish supply chains. Companies will need assistance to make these changes, to switch suppliers and to become more integrated into EU, US and Canadian supply chains, and them into us.

In terms of exploring markets, Irish companies need to become more aggressive in their market research and abilities to supply other markets. Educate themselves more on the new markets and requirements to enter them / customer tastes and preferences etc.

⁸ Free Trade Agreements present growing opportunities to boost exports - Enterprise Ireland:
<https://www.gov.ie/en/press-release/4cc7f-free-trade-agreements-present-growing-opportunities-to-boost-exports-enterprise-ireland/>

Spending time in the new markets to understand them better is a key and should feature as part of a company's plans to expand into a market.

Chapter 6: Reaching out globally

Team Ireland at home and abroad do an exceptional job at promoting Ireland and attracting businesses to set up operations. Recent figures released from the IDA show that Ireland remains a key destination for FDI⁹. This is a very much welcomed boost for the economy and will spur us on to continue to attract investment from abroad. We believe that the virtual working environment should be used to its full to reach out to global partners. We believe that trade missions will continue to feature as an important avenue to making connections with partners and once public health rules allow, trade missions should remain a key part of the Department's trade and investment strategy. Ireland's place in the EU is crucial to the success of our trade and investment aspirations and the Department should continue to work closely with colleagues in the European Parliament, European Commission and Council to convey Ireland's trade and investment agenda and seek out areas to work closely with EU counterparts to ensure that aims are realised.

We need to do more to help Irish businesses to export to the EU. Replacing the UK as a familiar and relatively "easy" place to do business is a difficult challenge. The practicalities of entering for example, our next nearest neighbouring market, France, is just not the same as entering the UK. Many companies are focused on entering the USA rather than the EU.

If we look at the successful footprint of entering the UK, notably: familiarity, common language and media space, multiple semi-formal private networks and programmatic Government assistance (via EI and the Embassy Network) we need to find some way of encouraging the less formal Government assisted aspects of this model in EU countries (whilst maintaining and building formal capacity). How do we, less formally, forge networks in communities in France and other countries that create familiarity and will give access to Irish companies to these markets?

This becomes increasingly more important as we look to encourage and build our indigenous (home-grown) businesses and help them to export, and as we look to integrate our supply chains more closely with those within the EU.

Chapter 7: Strategic Priorities and Targets

Below is a list of the long-term and short-term priorities and targets to be considered as part of the trade and investment strategy to cover the period 2021 to 2026:

- Tackling climate change and sustainability should remain a pillar of the Government's work and should feature highly in Ireland's new trade and investment review, just like it has in the EU's renewed trade policy. We support the concept that increasing sustainability in supply chains can further contribute to increasing their resilience, but all supply chain actors, including exporters and importers, need more information on what changes they must make in the months and years ahead.
 - For this reason, we reiterate our call for the establishment of a cross-government business focused stakeholder group that is led by the Department for Trade Enterprise and Employment (DETE) involving the

⁹ IDA – Investment Flow Strong in First Half of Year: <https://www.idaireland.com/newsroom/ida-investment-flow-strong-in-first-half-of-year>

Department of Environment, Climate and Communications (DECC), the Department of Transport (DoT) with input from relevant departments and agencies. This group should bring together business representative bodies from across the sectors. The establishment of such a stakeholder group would be beneficial to both businesses and the country's overall efforts towards carbon neutrality by 2050. This should be key a remit of the new Trade and Investment Council, preferably, or a separate sub group if necessary.

- We need to focus on developing Ireland as the best location to set up and grow an internationally focused sustainable business both in our FDI proposition and indigenous enterprise development strategies. This requires an embracing of sustainable business practices.
- Reinforcing Ireland's place as a global and connected hub for businesses to remain and set up here is crucial to any trade and investment strategy.
- Building a formal and informal infrastructure to support indigenous Irish business on their export journey, and to encourage greater integration with EU supply chains. This will require a wider set of non-state actors than we currently have.
- Forging a strong and lasting relationship with the US at political level is extremely important for exporters on both sides of the Atlantic. Sound trade relies heavily on the political interactions between the blocs. We call on the relevant Ministers and DETE to continue to strengthen relations between Ireland and the US and welcome the positive developments between the EU and the US in recent months. Leveraging our key links and positioning between the EU, US and UK should be an important focus.
- We have long called on the Government to introduce a State backed export credit scheme. The introduction of State backed export credit schemes in member states may place Ireland at a disadvantage if such a scheme is not introduced here. We encourage the DETE to consider our call as part of its new strategy.
- A well-functioning, authoritative and competent WTO is in the interest of all trading partners. We urge that through the EU, DETE facilitate the strengthening of the WTO as much as possible.
- In our submission to the European Commission's review of its trade and investment policy In November 2020, we highlighted, that in the aftermath of the UK's exit from the EU, Ireland's peripherality and isolation on the fringes of the EU will need to be taken account of in the Commissions trade agenda going forward, we make the same call on the Department to ensure that this consideration is made throughout the process of drafting a new trade and investment strategy.

Conclusion

We look forward to further contributing to Ireland's trade and investment Strategy through participating in the new Trade and Investment Council under the patronage of the DETE. We believe that the effects of Covid-19 will continue to show far beyond the roll out of an effective vaccine programme. The financial and economic impacts will influence key decisions by Governments across the globe and we must make sure that trade, as it always has, drives and strengthens Ireland's economy. The development of this strategy is a key step to ensuring Ireland's future economic prosperity.

On behalf of the IEA,

Simon McKeever
Chief Executive

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