

# Hope on the Horizon

## Irish Businesses across the United States can Emerge to Lead in the New World, by Ian Hyland, Founder & President Ireland INC

### Building on Strong Foundations

The relationship between Ireland and the United States has existed for centuries and, over time, the true symbiosis of those transatlantic bonds have become clear. Ireland is now the ninth largest source of foreign direct investment to the United States with over 900 companies exporting to their shores. Over 600 Irish companies operate in locations across the US in sectors as diverse as agri-food manufacturing, building materials, construction and services. Indeed, there are almost as many people employed in the US by Irish-owned companies as there are people employed in Ireland by US companies.

Since 1970, increased globalisation has seen the value of FDI grow globally by over 1,500 percent. This, helped in no small part by the strong ties Ireland has maintained with successive US administrations and the unceasing efforts of State agencies operating in both countries, has helped develop what was once a burgeoning Irish-US economic relationship into a strong partnership. Currently, Ireland's FDI into the US is valued at \$235.7 billion.

Of course, travel has been on hold for the time being but once a type of normality returns, the daily direct flights between both countries will give Irish companies access to a 22 trillion dollar economy where there are business and partnering opportunities in almost every sector.

### Steady Progress in Volatile Times

Irish companies exporting to the US have faced a particularly difficult set of circumstances over the last year and a half with concerns over Brexit, the introduction of US tariffs in October 2019 and the economic lockdown caused by the ongoing Covid-19 pandemic from March of this year.

The Airbus tariffs, a result of a WTO ruling, meant that Irish food and beverage products were to be hit with a 25% tariff by the US. Ornuia, Ireland's largest dairy company and the owner of butter brand Kerrygold, said the new tariff would mean an additional annual cost of €60 million in duties for the No. 2 butter brand in the US.

In late 2019, we convened an Ireland INC delegation to Washington. Our group of 15 Irish executives, former Taoiseach Enda Kenny and members of industry bodies including IBEC held constructive discussions with Speaker Nancy Pelosi, Secretary of Commerce Wilbur Ross and Congressman Richard Neal, Chair of the House Ways & Means Committee.

The delegation raised a number of important issues, including the Airbus tariffs and the disproportionate burden they placed on Ireland regarding butter imports. The group received positive responses during the meetings from Secretary Ross, Congressman Neal, Congressman Brendan Boyle and Congressman Mike Kelly, who all committed to raising the issue with US trade officials and house colleagues.

Meanwhile, the implications of Brexit will continue to play out. Speaking at an Ireland INC US-Ireland Economic Roundtable in November, Congressman Richard Neal shared his views on whether Brexit would have a long-term impact on how Ireland and the US do business, considering the close relationship between both Britain, Ireland and the US. He said:

"No, I don't think so. I think that the relationship between the US and Ireland, much of it is related to the European Union but it goes beyond that, it's the cultural links, history, commonality of purpose, and the understanding that Ireland really is the gateway to Europe, We both have a vested interest in ensuring that relationship only continues to grow. The marvel and resiliency that is the Irish economy is similar to the optimism of American economics."



Even with these obstacles, trade between Irish companies and the US has continued to increase steadily and Irish companies have successfully mapped out and executed impressive growth and expansion plans resulting in presences across the states of America. Equally, the continued investment in Ireland by large US companies including Microsoft, Amazon and Tik Tok, has helped form part of our cutting-edge, internationally traded goods and services economy and accounts for 20% of employment in Ireland. Collectively, US investment here is valued at \$444 billion.

Irish Minister for Finance Paschal Donohoe elaborated on US FDI into Ireland during an Ireland INC roundtable discussion, describing it as an absolutely essential element of our economic success. He said that Ireland acted as a bridge for American companies selling into Europe and across the world and the nature of that investment meant 160,000 jobs either directly or indirectly created by US companies in Ireland.

"For those of us that want to make the case for trade as a driver of an improvement in living standards for our citizens, we need to ensure it delivers more against that premise. We need to ensure, as trade begins to develop post-Covid, that we engage very honestly with each other to ensure it is mutually enriching and that we do acknowledge the issues and concerns that are there about whether the further development of global trade is to the benefit of many. If we can address that concern, it offers another building block for how we can drive the relationship between Ireland, the US and the EU to an even higher and more positive level now and in the years to come."

In the same Ireland INC US-Ireland Economic Roundtable, Secretary of Commerce Wilbur Ross spoke with great warmth about the relationship between Ireland and the US. He also noted his concern around the restrictions on the freeflow of data following the Court of Justice ruling in the Schrems II case saying the decision had negative implications for the

viability of using standard contractual clauses and other mechanisms for EU US data transfers. He said: "Those underpin our 7.1 trillion dollar transatlantic relationship."

Danny McCoy, CEO Ibec also spoke during the roundtable about the importance of recognising that when it comes to trade, there is no Irish US trade policy, it's an EU policy. As an important member of the European Union, it's necessary to consider that context. He spoke about the need to see the future as much about data and services and capital movements as goods.

"Europe is well capable on the tariff front themselves to engage with it. We've seen that from the Boeing Airbus, we need to ramp that back down because in terms of world order it's important that the US and the EU are actually together. Goods are a major contributor but we're increasingly talking about services, data and we need that agreement to set the new world order for this intangible economy that we've discussed before and the Minister is at the vanguard internationally in that conversation."

Martin Shanahan, CEO of IDA Ireland has spoken about the importance of positioning Ireland as the best option for US companies.

"The US continues to be IDA Ireland's most important source market for FDI with 63% of Ireland's FDI coming from the US last year. Notwithstanding the economic downturn caused by the Covid-19 global pandemic, US companies will have a continued need to have an international presence, and IDA Ireland will continue to position Ireland as the number one location from which US companies can internationalise their business."

## Looking Forward - Hope on the Horizon

I am very hopeful about the new year and what it might bring. With vaccines for the coronavirus almost ready for shipping and roll-out here, I'm hopeful that a semblance of normality is just a few short months away.



Across the Atlantic, an Irish-American will become the 46th President of the United States. November saw Democratic Presidential candidate Joe Biden become US President-Elect. The Scranton, Pennsylvania native has spoken many times about his depth of feeling for Ireland and his Irish roots in Counties Mayo and Louth. Visiting Ireland in 2016, as vice president during the Obama administration, he met with then-Taoiseach Enda Kenny TD to discuss trade and economic recovery, amongst other topics.

We also saw Congressman Richard Neal's re-election as Chairman of the Ways & Means Committee, a committee that wields incredible authority in Congress. We value our friendship with Congressman Neal and look forward to his involvement in Ireland INC events in the coming year.

As a participant in our Ireland INC US-Ireland Economic Roundtable, Congressman Richard Neal spoke about the strength of the Irish US relationship and the unyielding support the US had for Ireland, particularly around the Good Friday Agreement. He reiterated his resolve that there would be no trade deal between the US and the UK if the Good Friday agreement was compromised. He noted that America is a guarantor to the Good Friday Agreement, saying:

"If there is any threat to the Good Friday Agreement there will be no bilateral trade agreement between UK and US and more importantly, any argument that would reestablish that border would be ill-met by Congress."

We know that the business landscape has changed and the very fabric of our lives has been altered but I feel positive about the possibilities that lie ahead. Mark Little, Co-founder and CEO of Kinzen spoke at The Business Show's inaugural webinar in June on that very topic. He emphasised the potential benefits of the disruption caused by Covid, saying:

"And what a great opportunity [...] for someone who has been carrying around in their rucksack that great idea. In a moment of disruption, when

everything in your world is changing, is a perfect time to start thinking about that business."

Sarah Clarke, CEO of Intuition (New York) also participated in that panel discussion. She too spoke of the positives and said it was a good time for Irish companies to research opportunities in the US:

"In terms of offering insights to Irish businesses, I would say that [they] potentially have never had such a strong advantage of doing business in the US because there is no advantage right now to being here to do business because we are all at home.

John Jordan, CEO of Ornuu, participated in an Ireland INC webinar in April which discussed the theme 'Navigating Uncharted Waters'. He spoke about the challenges the tariffs presented to Ornuu, the country's largest dairy company and Ireland's first ever billion dollar food brand exports 90% of the butter from Europe into the US.

"Part of the challenge is that we'd invest more and faster for growth but are hampered by tariffs. That dispute around support for Airbus resulted in additional tariffs being brought in this time last year on European goods. Butter got hit by a 25% additional tariff. Ornuu exports 90% of the butter from Europe into the US so it's not a tariff penalising Europe, it's a tariff penalising Ornuu and ultimately penalising Irish farmers. That tariff is an additional 60 million dollars a year."

With so much achieved in 2020, Ireland INC is excited to continue promoting the interests of Irish companies and engaging with US entities in 2021. We have many plans including the launch of the Ireland INC Index US 250 Index 2021 which features the most exciting and innovative Irish companies currently investing in the US. We will hold the second US-Ireland Economic Roundtable, following our successful inaugural roundtable in November this year. Ireland INC will continue to be active in the US with meetings in Washington DC and New York and ideas for growth across the US. We look forward to 2021 with a renewed optimism and hope for better times ahead.