

Written evidence submitted by the Northern Ireland, Department for the Economy (Arm's length body - Intertrade Ireland), relating to the Investment in Northern Ireland inquiry INI0016

1. Steps the UK Government can take to encourage investment in Northern Ireland, including through the Shared Prosperity Fund, Levelling UP Fund and Internal Market Act.

N/A

2. Steps the UK Government can take to ensure investment, including foreign direct investment, is economically effective.

N/A

3. The economic effectiveness of investment under the New Deal for Northern Ireland and New Decade, New Approach funding.

N/A

4. The potential effect of City Deals on economic growth in Northern Ireland.

N/A

5. Steps that business can take to invest effectively in Northern Ireland.

N/A

6. Steps the UK Government can take to encourage investment that addresses the skills gap and increases employment opportunities for people with few or no qualifications.

N/A

7. The potential impact on investment of GB regulatory divergence from NI.

N/A

8. Steps the UK Government can take to support the decarbonisation of industry in Northern Ireland and stimulate investment in a sustainable economy.

N/A

9. Delivery of the prosperity agenda of the Good Friday Agreement.

INTERTRADE IRELAND

The Good Friday (Belfast) Agreement 1998 was set out under three strands of consideration as noted below:

Strand 1: Pertains to the status and system of government of Northern Ireland within the United Kingdom.

Strand 2: Relates to the relationship between Northern Ireland and the Republic of Ireland.

Strand 3: Concerns the relationship between the Republic of Ireland and the United Kingdom.

The resultant British-Irish Agreement Act, 1999 delivered on Strand 2 of the Good Friday Agreement, with the establishment of the North-South Ministerial Body and the initial 6 of 7 current cross-border bodies. InterTradelreland was established as the North/South Trade and Business Body with the remit to “exchange information and co-ordinate work on trade, business development and related matters, in areas where the two administrations specifically agree it would be in their mutual interest”. Increased economic co-operation and prosperity is a demonstrable outcome of the Agreement that has benefited businesses on both sides of the border.

InterTradelreland Interventions

Since its establishment, InterTradelreland has been helping small businesses in Ireland and Northern Ireland explore new cross-border markets, develop new products, processes and services and become investor ready. InterTradelreland focuses on supports for small to medium size enterprises in Manufacturing and Tradable Services sectors. Services include supports for sales growth and innovation, business funding and business insights to Small to Medium Size Enterprises across the island, North and South, looking to grow their businesses. Through the Brexit Advisory Service established in 2017, the organisation also helps firms to prepare for Brexit through a range of supports and services. The Body also Introduced two Covid-19 supports, a digital sales programme and an emergency business solutions support.

InterTradelreland’s mission is to identify and help realise opportunities to improve competitiveness, generate economic growth and create sustainable, quality jobs in both jurisdictions, through increased levels of North/South trade and co-operation on innovation and business development opportunities.

To date more than 48,000 small businesses have been supported by InterTradelreland to identify and develop trade and innovation opportunities. The organisation has created over 18,000 new jobs and generated more than £1.2bn/€1.3bn in business

development value, with official 2019 cross-border trade value currently sitting at £7.4bn/€8.4bn, its highest level in 20 years. The market has seen substantial change since then, with the end of the EU Exit transition period in December 2020. The Body estimates that trade for 2021 will be approximately £9.7bn¹. This figure is more than double the value of cross-border trade 10 years ago.

Research shows that the majority of trade is undertaken by small and micro firms trading across the border, with many goods crossing the border several times during the production process in highly integrated supply chains. The steady increase in this trade value over time has been of particular importance to the prosperity of firms in both jurisdictions.

Business Performance

InterTradelreland manage a longitudinal all-island quarterly study of business activity, the All-island Business Monitor (AIBM). In the most recent Q3 2021 survey firms were asked a series of questions regarding their 2021 trading experiences, their trading position, profits, and the issues they were currently facing. According to the survey business activity is returning to pre-pandemic levels, and firms trading cross-border on the island have remained particularly resilient.

Businesses that trade with the opposite jurisdiction are seeing a quicker return to profitability than those with no export sales, and they're experiencing faster sales growth. 71% are reporting to be profitable compared to just 38% of those without trade cross-border. 46% that trade across the border are reporting that sales have increased this quarter compared to 35% of their non-exporting peers. This has been a feature of many research studies in recent years which evidence that Small to Medium Size Enterprises that export cross-border on the island out-perform their non-exporting peers.

Business Productivity

InterTradelreland (2018) research on export behaviour of firms showed that goods firms tend to have higher levels of productivity than services firms. The available evidence shows that firm productivity is greater amongst firms that export than those who restrict trade to their local jurisdiction. The findings show that there are considerable productivity differentials on the island and also that cross-border traders have higher levels of productivity than firms that only trade within their jurisdiction. Firms that export to multiple locations have much higher productivity than those that do not export, but the research in the Figure 1 shows that simply exporting across the border on the island is coupled with a substantial productivity boost.

¹ Based on cross-border trade using updated CSO figures for goods trade in year-to-date, and projected average growth levels in to the end of the year. Services trade calculated based on annual average growth of services trade in the previous 4 year period and assuming an NI contribution to UK GVA of 2.1%.

The evidence would indicate that work undertaken by InterTradeIreland to increase cross-border trade activity in the context of increasing Small to Medium Size Enterprises productivity would contribute towards the attainment of productivity goals in each jurisdiction.

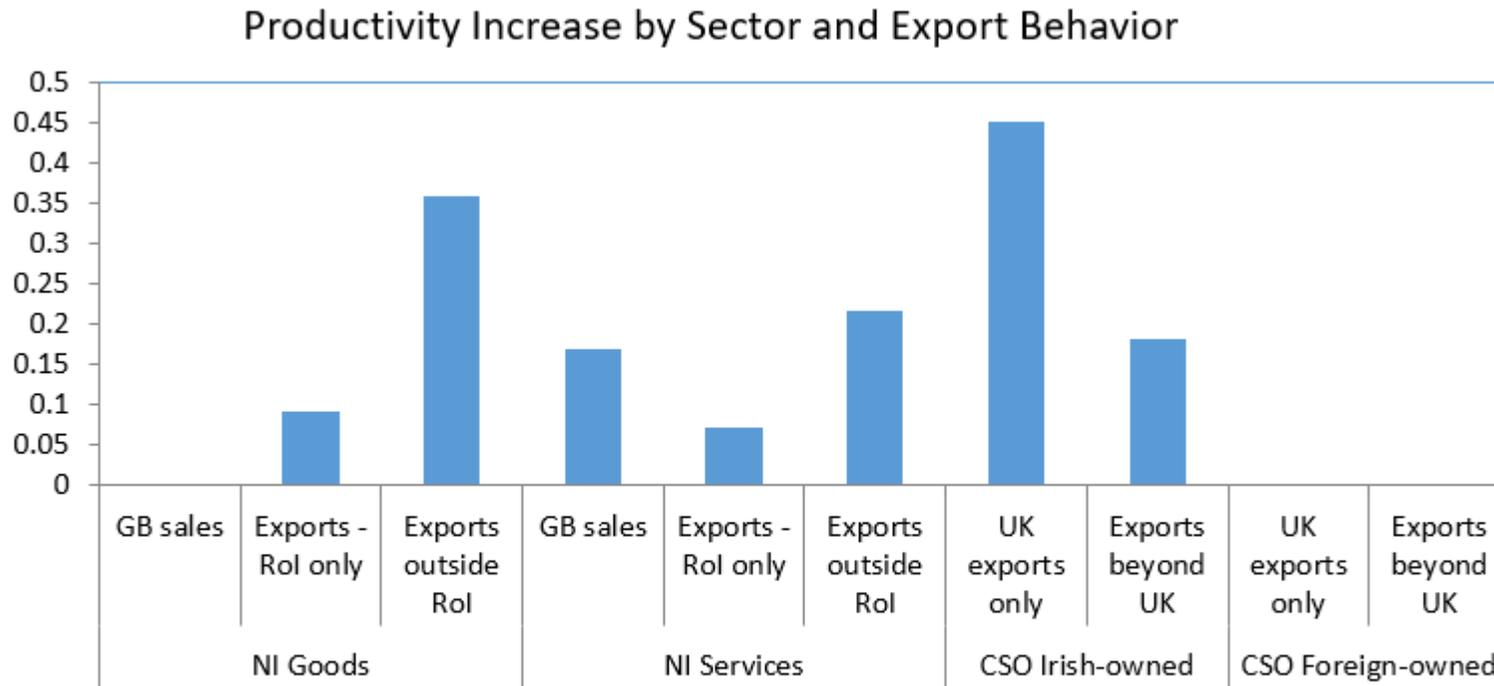


Figure 1. Productivity Increase by Sector and Export Behaviour

Trade Trend Data

Over the past 20 years, cross-border goods trade has been growing at an average annual rate close to 4%. That pattern shifted in 2016, and using Northern Ireland's NI Statistics & Research Agency Broad Economy Scales and Export Statistics export data and

2015 as a base year, we see that Northern Ireland sales to Ireland are up £1.1bn/35% in the period 2016-2019. As the Broad Economy Scales and Export Statistics Export data is only available up to 2019, projections on trade in 2020 and 2021 can be drawn from the CSO data on external goods trade, which records imports into Ireland from Northern Ireland. The most recently available data shows imports from Northern Ireland are up 60% in Jan-Sept 2021, over the same period in the previous year.

Conclusion

All of the currently available data suggests that the prosperity agenda of the Good Friday Agreement is delivering for firms, and for the communities within which they are established. However, the continued uncertainty with regard to implementation of the Protocol on Ireland and Northern Ireland, new barriers to services trade on the island resulting from the UK leaving the single market for services, and the high potential for regulatory divergence of UK goods, add additional burdens for firms seeking to grow their cross-border trade in the near future. This emphasises the need for broader cooperation on the island to ensure a positive policy environment for businesses and the associated prosperity this can bring.

10. Relationships between schools and local Universities.

N/A

11. Assessments of the understanding of the importance of education.

N/A

12. Status of technical, vocational education and apprenticeships.

N/A

13. Identifying sectors of investment and employment potential

N/A

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