

The changing nature of trade on the island of Ireland

EY report for InterTradelreland

Reliance Restricted

24 September 2024





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Glossary of acronyms

ADR UK	Administrative Data Research UK	EIF	European Investment Fund	NIRMS	NI Retail Movement Scheme
AIBM	All Island Business Monitor	EOCIC	European Observatory on Clusters and Industrial Change	NISRA	NI Statistics and Research Agency
AMIC	Advanced Manufacturing Innovation Centre	EU	European Union	NST	North-South Trade
ATA	Admission Temporaire/Temporary Admission	FDI	Foreign Direct Investment	OAT	Overseas Association Decision
B2B	Business to Business	FTA	Free Trade Agreements	OCT	Overseas Countries and Territories
B2C	Business to Consumer	GB	Great Britain	ONS	Office of National Statistics
BCP	Border Control Posts	GDPR	General Data Protection Regulation	PESTLE	Political, Economic, Social, Technological, Legal and Environmental
BTOM	Border Target Operating Model	GVA	Gross Value Added	QNIGs	Qualifying Northern Ireland Goods
C2C	Consumer to Consumer	HMRC	His Majesty's Revenue and Customs	QUB	Queen's University Belfast
CBAM	Carbon Border Adjustment Mechanism	IBEC	Irish Business and Employers Confederation	SFI	Science Foundation Ireland
CITES	Convention on International Trade in Endangered Species	ICT	Information and Communications Technology	SGE	Switzerland Global Enterprise
CSO	Central Statistics Office	IE	Republic of Ireland	SME	Small and Medium Enterprise
CSRD	Corporate Sustainability Reporting Directive	IMF	International Monetary Fund	SNT	South-North Trade
CTA	Common Travel Area	IOI	Island of Ireland	SPS	Sanitary and Phytosanitary
DAERA	Department of Agriculture, Environment and Rural Affairs	IPA	Investment Promotion Agencies	STW	Single Trade Window
DETE	Department of Enterprise, Trade and Employment	LEA	Local Enterprise Agencies	TCA	Trade and Cooperation Agreement
DfE	Department for the Economy	LEO	Local Enterprise Offices	TRACE	Trade Control and Expert System
DRS	Duty Reimbursement Scheme	NAO	National Audit Office	TSS	Trader Support Service
EEC	European Economic Community	NI	Northern Ireland	UK	United Kingdom
EFTA	European Free Trade Association	NIETS	Northern Ireland Economic Trade Statistics	UKRI	UK Research and Innovation
		NI QES	Northern Ireland Quarterly Economic Survey	VAT	Value Added Tax
				WF	Windsor Framework
				WTO	World Trade Organisation

1

Executive summary

Key events, both domestically and globally, have impacted traders across the island of Ireland

Key: Brexit-related development International development

The trade landscape on the island of Ireland has undergone a significant transformation over recent years, shaped by a confluence of international events. Brexit, the Northern Ireland Protocol, and the subsequent agreements and frameworks have created unique challenges and opportunities for local businesses. During Brexit negotiations, the Covid-19 global pandemic further complicated supply chains and consumer demands, coupled with the Russian invasion of Ukraine which has resulted in instability in energy markets and trade sanctions. More recently, tensions in the Middle East have introduced further volatility in the trading landscape. These developments are summarised below; the report will focus on the domestic trade developments, namely Brexit, the NI Protocol, the Windsor Framework and BTOM.

Brexit	Covid-19 Pandemic	Northern Ireland Protocol	Russian invasion of Ukraine	Windsor Framework	Border Target Operating Model	Tensions in the Middle East
<p>After the EU-UK Withdrawal Agreement received Royal Assent on 23 January 2020, the UK left the EU and entered a year-long transition period on 31 January 2020. During this time, the EU-UK Trade and Cooperation Agreement (TCA) was formed. The TCA was provisionally applied as of 1 January 2021 and entered into force on 1 May 2021.¹ While the TCA provides for tariff and quota free trade in all goods, non-tariff measures and rules of origin requirements may result in higher costs for businesses trading on the island of Ireland.</p>	<p>With both IE and NI entering lockdown at the end of March 2020, the island of Ireland experienced a level of disruption to the economy beyond what has been experienced in the last century. In late April, almost 70% of NI firms were exporting less than normal and 60% of importers in NI importing less than normal.² In Ireland, several production sectors such as basic pharmaceuticals and chemical products saw supply chain disruptions due to limited production of immediate inputs from abroad.³</p>	<p>As part of the Withdrawal Agreement, the NI Protocol came into force on 1 January 2021, setting out NI's post-Brexit relationship with the EU and GB. Concerns were raised, including how the Protocol would operate, as well as the checks and controls it would impose on goods moving between GB and NI.⁴ While the Protocol ensured there are no physical checks on goods that move between NI and Ireland, goods coming into NI from GB must provide paperwork to show they comply with EU laws, adding an administrative burden on NI businesses.</p>	<p>On 24 February 2022, Russia invaded Ukraine. In addition to the welfare impact of this, it has indirectly led to adverse effects on household income and living standards across the island of Ireland. Households and businesses saw an increase in commodity prices along with a spike in energy costs.⁵ Severe price shocks to inputs such as oil, fertiliser and animal feed drove inflation across most sectors.</p>	<p>After two years of negotiations, the Windsor Framework (WF) was agreed on 27 February 2023, changing the way the Northern Ireland Protocol operates. One of the most significant changes was the introduction of a new system of checks on goods moving from GB to NI, with goods staying within the UK Internal Market benefitting from simplified customs procedures, whilst goods 'at risk' of leaving NI using a red lane with more comprehensive checks and controls.⁴</p>	<p>On 29 August 2023, the UK government published its Border Target Operating Model (BTOM). BTOM sets out the processes and requirements for importing into GB (excluding NI), with new requirements for importing goods subject to Sanitary and Phytosanitary (SPS) requirements. As of 31 January 2024, Irish (IE) businesses face full customs controls on non-qualifying goods.⁶ From 31 October 2024, IE businesses face documentary and risk-based identity and physical checks on medium risk non-qualifying goods.</p>	<p>The current tensions in the Middle East have significant potential to impact trade dynamics across the globe. There is the potential for disruptions to oil supply should tensions escalate. This would result in an increase in energy prices which would heighten operational costs for businesses on the island of Ireland and ultimately higher consumer prices. Increased tensions may also result in security concerns along maritime trade routes which are essential for the cost-effective transport of goods.</p>

1 <https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf>

2 ulster.ac.uk/epc/pdf/2020/covid-19-business-impacts-in-northern-ireland/UUEPC_The-Impact-of-Covid19-on-Northern-Ireland-Business-Activity_Final-Report_-25_09.pdf

3 https://www.esri.ie/system/files/publications/RS106_2.pdf

4 <https://commonslibrary.parliament.uk/research-briefings/cbp-9548/>

5 [Russia-Ukraine Update – Analysis of trade and economic impacts for Irish business \(IBEC\)](https://www.gov.uk/government/publications/the-border-target-operating-model-august-2023/the-border-target-operating-model-august-2023#section-2)

6 <https://www.gov.uk/government/publications/the-border-target-operating-model-august-2023/the-border-target-operating-model-august-2023#section-2>

The trading landscape has changed, with increases in total values across all trading partners

	Level value (2022)	% Change (2016-2022)
IE-NI (SNT)	£3,531m	+58%
NI-IE (NST)	£6,353m	+90%
GB-NI external sales	£13,125m	+5%
NI-GB external sales	£15,728m	+11%
IE-GB goods exports	€17,222m	+31%
GB-IE goods exports	€23,974m	+54%
IE - UK service exports	€43,552m	+81%
UK - IE service exports	€27,682m	+87%

Headline trade flows, 2016-2022

Overview of developments

- ▶ **The Trade and Cooperation Agreement:** entered into force on 1 May 2021.
- ▶ **COVID-19:** impacted consumer preferences, supply chains and levels of trade across the island of Ireland.
- ▶ **Northern Ireland Protocol:** came into force on 1 January 2021, setting out NI's post-Brexit relationship with the EU and GB.
- ▶ **The Russian invasion of Ukraine:** exerted significant impacts on household incomes, commodity prices and supply chains.
- ▶ **Windsor Framework:** on 27 February 2023 the Windsor Framework was agreed, changing the way the NI Protocol operates.
- ▶ **Border Target Operating Model:** sets out the requirements for importing into GB and Ireland but does not cover Northern Ireland.
- ▶ **Conflict in the Middle East:** further geopolitical tensions have the potential to disrupt global supply chains, impact the cost of overheads (particularly energy) and may lead to increased security measures.

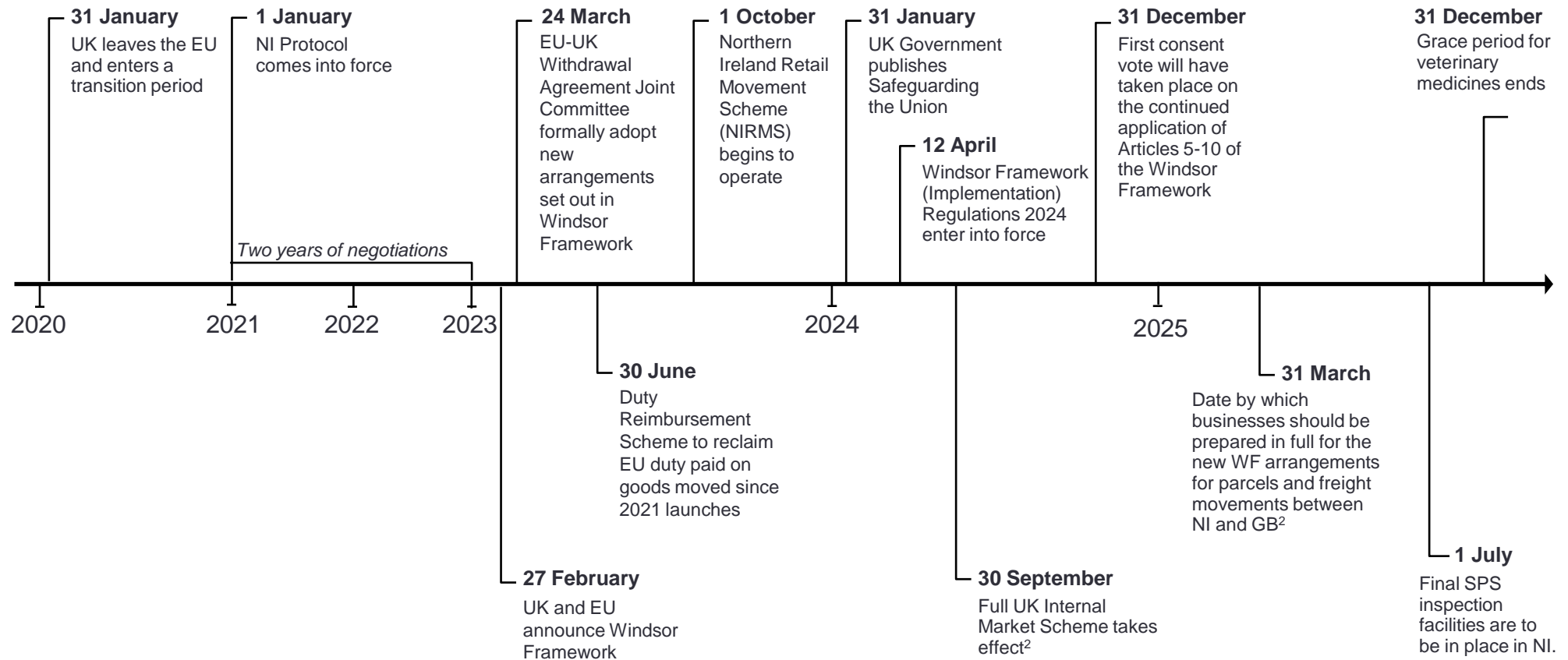
Key challenges to address

Given the uncertainty the island's traders have managed since Brexit, there are notable challenges to contend with.

A complex operating context	Keeping pace with trade developments is only one of the many issues firms are dealing with, alongside rising energy costs and labour availability.
Socioeconomic focus areas	As trade has dominated the agenda in recent years, care is needed to ensure this is not at the expense of social priorities such as sustainability.
Implementation is ongoing	There are pressing logistical challenges to contend with, including the end of the parcels grace period.
Continued uncertainty	Uncertainty and a lack of forward guidance on developments and policies has made business planning difficult and costly.
Regulatory divergence	There is no fixed solution for regulatory divergence. Emerging areas to address include CBAM, CSRD and deforestation.

The Northern Ireland Protocol and Windsor Framework have exerted significant influence on the island of Ireland's traders

The island of Ireland's trade landscape has been significantly impacted by the arrangements set out in the NI Protocol and subsequent adjustments made by the Windsor Framework. This governs both the cross-border trade context, as well as Northern Ireland's sales to and purchases from Great Britain. Onward movement of goods sourced or produced in GB to Ireland via Northern Ireland is also impacted. Another key development is the Border Target Operating Model (BTOM), which governs GB's imports from trade partners, including Ireland. The West Coast port checks on Irish imports into GB will come into force no earlier than 31 October 2024.



¹<https://www.niassembly.gov.uk/assembly-business/brexit-and-beyond/the-windsor-framework/Windsor-framework-timeline/>

² The UK Internal Market Scheme arrangements introduced on 30 September 2024 will not apply to parcel and freight movements between GB and NI, following an extension to the grace period (originally set to end on 30 September 2024), announced in September 2024. 'The new arrangements under the Windsor Framework for parcels and freight movements that were envisaged to come into effect from 30 September 2024 will now not take effect on this date. While we will provide further information on the detailed timeline for the coming into effect of the new arrangements in due course, businesses should be fully prepared for them by 31 March 2025'. See: [Sending parcels to and from Northern Ireland - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/sending-parcels-to-and-from-northern-ireland)

Stakeholders highlighted traders' resilience but drew attention to persistent areas of concern

1

The support landscape is broad-based but can be overwhelming

- ▶ Many of the supports were described positively, with InterTradelreland's reputation and all-island network a feature of this. So too were InterTradelreland's Trade Hub and the UK Trader Support Service mentioned as having assisted businesses in issues of practical difficulties.
- ▶ Despite this, there is a need for clearer assignment of roles within the support system. Centralised information resources would help businesses adapt to the new trade regulations.

2

The landscape in the second half of 2024 is dominated by uncertainty

- ▶ Ambiguity surrounds future regulations and policy, which could lead to changes in customs procedures, tariffs, and non-tariff barriers.
- ▶ Firms involved in buying and/or selling outside of their jurisdiction may reduce their exposure to cross-border trade to mitigate risks, given the prevailing uncertainty.
- ▶ Uncertainty is prompting businesses to seek more predictable trade routes and supply chains.

3

Implementation issues may be impacting East-West and North-South trade linkages

- ▶ The trade links between the island of Ireland and GB require attention to minimise the impacts of new arrangements on business operations, particularly as large elements of the Windsor Framework and Border Target Operating Model are yet to be implemented. Many businesses are reliant on these linkages, developed over decades.
- ▶ Potential disruptions to all-island trade due to regulatory divergence and operational issues such as apportionment, may increase costs and administrative burdens.

4

Non-tariff barriers to trade and other challenges are still impacting firms

- ▶ Businesses on the island of Ireland are not only grappling with immediate trade-related issues affecting margins and operations but also face uncertainty and complexity in future policy measures.
- ▶ Challenges that, if addressed could unlock future opportunities include potential for regulatory divergence, lack of dual recognition of qualifications, procurement restrictions, macroeconomic pressures, geopolitical uncertainty and changing visa requirements.

5

Despite the changing developments, traders on the island of Ireland are proving resilient

- ▶ The consultations highlighted the proactive steps taken by businesses in both NI and IE to preserve and grow cross-border linkages.
- ▶ Having operated with Brexit-related uncertainty since before the 2016 referendum, firms have learned to navigate this and adapt to changing requirements at short notice.
- ▶ Despite the uncertainty, businesses are anticipating growth opportunities in services, tourism, green technology, and digital industries.

6

Improved awareness of dual market access on the island and further afield, is required

- ▶ There is a lack of awareness regarding the implications of trade arrangements for NI firms, their cross-border partners and those further afield.
- ▶ Raising awareness of the advantages of dual market access could unlock large opportunities. As the implementation of the WF and BTOM advances, it will be important to turn attention towards communicating and unlocking these..

Much can be learned from international benchmarks with complex trading relationships

Four benchmarks were considered in detail in the report, with relevant insights for the island of Ireland's trade relationship with the UK and EU.

Benchmark	Rationale	Best practice insights	Page
Gibraltar Non-EU member British Overseas Territory Land border with EU	Gibraltar is a suitable benchmark for both complex EU and domestic trade relationships: <ul style="list-style-type: none"> ▶ Unique trade complexities as a British Overseas Territory and border with the EU. Relies on the UK for negotiation and agreement of international treaties. Decides whether or not to accept the extension of UK trade policy to the territory ▶ Nuanced trade and geopolitical relationship with Spain 	<ul style="list-style-type: none"> ▶ Management of uncertainty to mitigate business impacts: The UK Government does not provide clear guidance for traders in Gibraltar. Rather, the Government of Gibraltar and the Gibraltar Financial Services Commission have taken this role. ▶ Business engagement and advocacy to ensure representation of the region's interests: Gibraltar has maintained open lines of communication and worked to ensure its interests are well-represented. 	p. 62
Greenland Non-EU member Associated via OCT status through Denmark	Greenland is a suitable benchmark for both complex EU and domestic trade relationships: <ul style="list-style-type: none"> ▶ Autonomous territory of the Kingdom of Denmark ▶ Has not been an EU member since 1985 but associated via the Overseas Association Decision ▶ Has home rule over domestic affairs, with Denmark retaining control in areas such as foreign policy 	<ul style="list-style-type: none"> ▶ Recognition of the targeted focus required for sectors of domestic significance: Greenland has applied a tailored approach to its relationship with the EU and Denmark, establishing a specific agreement for fisheries. ▶ The Greenland Business Association ensures stakeholder engagement and representation: this association represents the majority of companies in Greenland (c. 80% of business turnover) ensuring a centralised forum for communicating developments and gathering evidence. 	p. 65
Switzerland Non-EU member Many bilateral agreements with the EU	Switzerland is a suitable benchmark for a complex EU trade relationship: <ul style="list-style-type: none"> ▶ Not an EU member, but is an EFTA member and has extensive bilateral agreements with the EU which have allowed it to become deeply integrated economically with it ▶ Switzerland unilaterally applies Single Market principles where no existing Swiss law exists 	<ul style="list-style-type: none"> ▶ Transparent and accessible business support: Switzerland's Global Enterprise Hub and economiesuisse are cases of best practice for a business support service, providing centralised and transparent support. ▶ Recognition of the value of clarity for businesses: the Cassis de Dijon Principle provides a Mutual Recognition Agreement for regulatory alignment between Switzerland and the EU; harmonising regulatory frameworks. 	p. 68
Turkey Non-EU member Customs union with the EU for industrial goods	Turkey is a suitable benchmark for a complex EU trade relationship: <ul style="list-style-type: none"> ▶ Whilst it is in a customs union with EU for industrial goods, it is not an EU member ▶ It faces practical restrictions on negotiations with third countries where the EU has not negotiated one ▶ EU accession is currently paused 	<ul style="list-style-type: none"> ▶ Customs Union with the EU: Turkey's customs union does not cover all sectors and does not grant Turkey a say in EU trade policy. Therefore, businesses and their support agencies are operating within the context of constraints, similar to NI. ▶ Recognition of the value of certainty via alignment with EU principles: Turkey must align its regulations with EU standards for goods covered by the customs union. Despite representing increased requirements, this ensures that Turkey retains access to this important market for its traders. 	p. 70

At this point in the implementation of Brexit arrangements, there is more clarity surrounding the challenges

Brexit is one part of a complex operating environment

Though trade developments are increasing the difficulties faced by firms, there are many other issues to contend with. Whilst 22% of firms cited Brexit as being a major issue in the Q1 2024 All-island Business Monitor (AIBM) survey, this figure was 64% for rising energy costs.

InterTradeIreland All-island Business Monitor, Q1 2024

Brexit fatigue is pushing important issues down firms' agendas

Despite only 22% saying that Brexit was a major business issue, the real impact of Brexit may be reflected in a lower capacity to focus on medium to longer term strategic priorities, such as sustainability (with 2% citing this as a major issue in the same survey). Similarly, only 2% said they were 'fully informed' of the Windsor Framework, meaning that they may not be fully cognisant of its impact.

InterTradeIreland All-island Business Monitor, Q1 2024

Logistical and proportionality issues remain

Though the NI Protocol, Windsor Framework and BTOM are into their implementation stages, there are several areas of significant logistical difficulty for traders. Examples detailed include the end of the parcels grace period (extended in September 2024 until 31 March 2025) and the difficulties availing of the Duty Reimbursement Scheme. One firm projected a 7-fold increase in staffing requirements to comply with parcels requirements.*

Primary engagement; [gov.uk](https://www.gov.uk)
*See pg.86 and 87 for additional information and case study

Persistent uncertainty and delays impacting business planning

The UK Government has delayed the introduction of full import controls five times since the end of the transition period. In addition, grace periods – which were originally meant to come to an end during 2021 – are still in operation, with a projected end on 30 September 2024. Such uncertainty has impacted business planning, with firms cautious of making sunk cost investments when policies may change.

The National Audit Office¹

At least 257 areas of potential regulatory divergence

There are at least 257 areas where EU Regulations and Directives could diverge between the EU and the UK, potentially affecting Northern Ireland. This is accompanied by 5,077 unique customs codes. Noteworthy emerging areas of potential divergence include the Carbon Border Adjustment Mechanism (CBAM), deforestation and Corporate Sustainability Reporting Directive (CSRD).

The UK Trade Policy Observatory, University of Sussex²

¹ <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period-Summary.pdf>

² <https://blogs.sussex.ac.uk/uktpo/publications/regulatory-intensity-and-the-eu-single-market/>

By support bodies and policy stakeholders addressing the challenges, traders can focus more time and resources on strategically targeting areas of opportunity

1

All-island trade has proven resilient

- ▶ Despite the uncertainties of and from Brexit, the value of all-island trade has increased by 77% between 2016 and 2022 (66% in goods and 132% in services).
- ▶ This growth is outpacing that of East-West trade as well as global trade flows in both goods and services.

2

Awareness raising of NI's unique trading position

- ▶ Given the small market size of NI and the recent, evolving and complex nature of developments, there is a lack of awareness of the benefits of NI's dual market position both on the island and, to a greater extent, across the EU and beyond.
- ▶ Helping NI firms to raise awareness of their advantageous position represents a significant opportunity.

3

Trade in services is a significant growth area

- ▶ Trade in services has been relatively unimpacted compared with trade in goods. There are still certain barriers to trade (such as future GDPR divergence and visa regulations), but services flows enjoy relatively unfettered flows.
- ▶ As such, the growth in all-island trade in services outpaced that of goods, with North-South Trade (NST) being particularly notable (up 148% 2016-2022) compared with South-North Trade (SNT) (up 94%).

4

Aligning coverage and delivery of supports with areas of policy focus

- ▶ In recent years, there has been growing momentum in areas of cross-border collaborations (such as the SFI co-fund and PEACE PLUS), in addition to the >£1 billion investment in the Belfast Region City Deal alone.
- ▶ Collaborations and cross-border business and academic relationships should be encouraged in these areas to harness existing momentum.

5

A rich landscape of growth with domestic strengths in key areas

- ▶ Mapping trade opportunities is not a case of starting from scratch. Rather, there is evidence of progress, potential and momentum in a wide range of sectors, from ICT and cybersecurity to agrifood.
- ▶ Trade agencies should ensure that this diverse range of sectors is catered to by the various supports.

Though many issues impacting traders are outside any one stakeholder's control, this report has found several feasible steps which InterTradelreland and partners could take

This section presents a series of recommendations that stakeholders – including but not limited to InterTradelreland – could take in assisting SMEs on the island of Ireland to thrive and in encouraging cross-border linkages as they navigate the evolving trade environment post-Brexit. The recommendations are organised thematically to address the 7 areas detailed below, each with accompanying action points.

1 **Harness relationships across the island of Ireland and the devolved nations**, to establish clear lines of communication, advocate for forward guidance and ensure that departments North and South are aligned in terms of policy and messaging.

2 **Use the findings of this report to inform an internal working group in InterTradelreland**, that will monitor supports, outreach and delivery to ensure alignment with sectors most impacted by changing trade arrangements.

3 **Maximise the reach and impact of the Trade Hub**, and the data that InterTradelreland collects from it, to continue to inform supports and advocacy efforts.

4 The benefits of the all-island market and its unique trading arrangements should be promoted to international investors to leverage the opportunity to **attract FDI that is channelled both North and South**.

5 The **support landscape requires clarification of roles** to ensure that support provision is in place to address potential regulatory divergence on an all-island basis, as well as addressing remaining operational issues in implementation. Actions should focus on building on and complementing existing efforts, such as the relationships established through the Shared Island Initiative.

6 **Improve data monitoring and support for businesses engaged in services trade on the island**. This includes commissioning of a cross-border taskforce and increasing this focus on services trade in InterTradelreland data.

7 **InterTradelreland should engage with procurement representatives** involved in large-scale public tender opportunities to ensure that any barriers for cross-border bidders are addressed.

2

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2.1

Project overview

Supporting traders in the post-Brexit adjustment period will help the island's businesses to thrive

The productivity dividend of exporting is well-evidenced, with cross-border selling representing an accessible route to exporting for companies seeking to embark on this journey. Recent analysis from ADR UK on the characteristics of exporting firms in NI suggests these firms contribute an additional £26,000 GVA per employee to the economy than non-exporting counterparts.¹ The All-Island Business Monitor (AIBM) shows cross-border sellers and exporters report higher growth, higher margins and more optimistic plans for the future; in Q1 2024 23% of cross-border sellers across the island reported being in high growth mode vs 11% of solely-domestic focussed businesses.

However, despite accounting for 54% of all business turnover in NI, exporting firms employ just over one-third (35%) of the workforce in NI. The benefits of exporting may therefore be concentrated in larger SMEs and large enterprises. Given the predominance of SMEs on the island of Ireland, with over 99.9% of all businesses in NI and 99.8% in IE being SMEs (NISRA and CSO, respectively), it is noteworthy that they are the most vulnerable to changing trade arrangements that may signal additional cost and time requirements.

Given the complexity and uncertainty of the post-Brexit transition, as well as increased barriers to trade (both evident and perceived) globally and domestically, the importance of assisting micro companies and SMEs in navigating uncertainty is clear. This is a strong business case for revising and continuing supports to help existing exporters both maintain and expand their presence, as well as enabling and incentivising the smaller businesses, accidental or non-exporters to come to terms with, and take advantage of, the changing nature of trade in Ireland.

This report aims to demonstrate the evidenced strengths and potential of the island of Ireland's traders, and the areas where they need assistance to navigate challenges and harness opportunities. Such actions are not necessarily within InterTradelreland's remit but are highlighted nonetheless. This report aligns closely with the strategic priorities set out in the organisation's 2023-2025 Corporate Plan, as demonstrated in Table 1, and its overall mission "...to maximise export growth opportunities through greater cross-border collaboration, innovation, entrepreneurship and trade".³

¹ <https://www.adruk.org/news-publications/publications-reports/data-insight-characteristics-of-exporting-firms-in-northern-ireland/>

² <https://cip.ac.uk/publications/characteristics-of-exporting-firms-in-northern-ireland>

³ <https://intertradeireland.com/assets/general/InterTradelreland-Corporate-Plan-2023-%E2%80%93-2025.pdf>

Table 1: Alignment with InterTradelreland's Strategic Priorities, 2023-2025

InterTradelreland strategic priorities	Value-add from this report
1. Growing cross-border exports	<ul style="list-style-type: none"> ▶ The report analyses the growing value of cross border trade in goods and services. InterTradelreland's role in enabling SMEs to grow in their cross-border journeys is analysed, as well as the role in preserving the east-west linkages that remain important for many sectors. ▶ The changing trade context, both domestically and globally, and how it has influenced traders' business decisions and planning, is considered. ▶ Areas where there is notable growth, such as in cross-border services exports, are explored, in addition to areas presenting opportunities for unlocking further growth. These include SNT in many areas, including services, and the role that awareness raising of NI's unique dual market position could play in this.
2. Enabling collaborative innovation	<ul style="list-style-type: none"> ▶ InterTradelreland's reputation as a trusted facilitator in the all-island business landscape is considered throughout this report, both in direct interactions with businesses, as well as in policy discussions, working in partnership with other business and enterprise bodies, and providing a real-time evidence base to support decision making. ▶ The innovative potential and investments occurring across the island, as well as connected capabilities in GB, are explored in the opportunities section. ▶ Both domestic and global lenses are used to examine the legal and technical challenges in place and their impact on the all-island innovation landscape.
3. Supporting cross-border collaboration, clusters and networks.	<ul style="list-style-type: none"> ▶ Many productive clusters fall within the scope of services and/or regulated sectors. Both aspects are considered within the mapping, challenges and opportunities sections. ▶ This will help support the growth of all-island services trade, as well as ensuring that, insofar as possible, the momentum behind the spin-out and innovation landscape, in tandem with programmes such as the NI City and Growth Deals, has the necessary practical supports in place to realise its potential. ▶ Alignment and clear allocation of roles within the support landscape is considered to ensure effective collaboration.

This report will consider both North-South and East-West trade, examining key challenges, opportunities and trends

Structure of this report

This report presents EY’s methodology, findings and discussion from an analysis of the changing nature of trade on the island of Ireland. The remainder of the report is laid out as follows:

- ▶ Section 2 analyses the trade flows that are the focus of this report, being the all-island context (NI exports to Ireland and vice versa) and the east-west flows (NI and IE sales and exports, respectively, to GB, and vice versa). The support landscape in place to support traders on the island of Ireland is also detailed.
- ▶ Section 3 sets out the domestic landscape of trade on the island of Ireland. North-South and East-West trading conditions are examined followed by a PESTLE analysis for both North-South and East-West trading.
- ▶ Section 4 outlines the stakeholder engagement insights obtained from 15 stakeholder consultations. An overview of the consultation process is set out, followed by key themes identified throughout the process.
- ▶ Section 5 looks to international benchmarks to analyse those applicable to the island of Ireland, both in terms of cross-border trade and NI’s nuanced relationship with the EU. This section presents four case studies from which lessons can be taken, these being Gibraltar, Greenland, Turkey and Switzerland.
- ▶ Section 6 brings together the findings of the primary and secondary research phases and translates them into tangible insights for SMEs on the island of Ireland, involved in purchases and/or sales outside of their domestic jurisdiction. This section adopts a three-pronged approach, identifying challenges, opportunities and thematic global and regional trade trends that traders – and the bodies that support them – should be aware of, through the framework of a PESTLE analysis.
- ▶ Section 7 draws together the preceding analysis, research and engagement to provide thematic recommendations for how InterTradelreland and other policy and support stakeholders can seek to maximise their impact, both in direct interactions with and outreach to businesses, as well as in collaboration with each other.

Scope and focus of this report

As detailed, the trade routes focussed on in this analysis are the North-South and East-West linkages involving IE and NI, given the cross-border, Island of Ireland remit of InterTradelreland. However, as this report will detail, the East-West trade landscape is significantly differentiated in its developments and challenges to the North-South one, with the East-West landscape also indirectly influencing the potential and capacity of the all-island market.

Figure 1: Primary trade routes considered in this report



This report covers the pertinent challenges and opportunities presented by the changing trade arrangements. However, further research will be required to fully understand their application.

There are key contextual factors to consider when interpreting the findings of this report.

This report analyses the changing nature of trade on the island of Ireland over recent years, with a particular focus on the post-Brexit factors that have brought about such changes. It is structured to provide a high-level perspective on the trade dynamics between Northern Ireland and Ireland, as well as the trade relationships each has with Great Britain. The report cannot provide detailed rationale behind changes at a sectoral or goods/services level, given the myriad individual factors that may have led to such shifts in trade flows.

The analysis within this report identifies overarching trends and developments that have shaped trade on the island of Ireland, without delving into the granular details of why certain sectors or commodities have experienced change. The report aims to map out the trade landscape, highlighting key movements and tendencies, and to provide a broad understanding of the trade environment as it stands and how it has evolved over time.

The engagement and research conducted provides a rationale and evidence base for highlighting current and emerging challenges and opportunities. However, given the time-lag and methodological limitations of trade statistics (particularly when considering multiple jurisdictions), the report does not attribute causation for the observed changes to specific policies or strategies. Rather, it presents an aggregate view of trade flows, considering the influence of global economic trends, regional developments, and other external factors that have had an impact on trading conditions and practices. This has been introduced in Chapter 2 and is developed further by the PESTLE analysis in Chapter 6.

This report acknowledges the complex operating context presented by devolution and the delineation of powers between reserved and devolved matters. This means several issues, such as international relations and certain areas of regulation (e.g. Financial Services) are outside the remit of InterTradeIreland and its partners.

The overarching intention is to provide stakeholders with a strategic overview that can inform understanding of the current trade operating context and provide an evidence base for future action. It also identifies pertinent opportunities and challenges for support bodies to focus on.

This report identifies several areas which would benefit from further research as InterTradeIreland and partners seek to assist SMEs in navigating the changing trade environment.

- ▶ This report identifies limitations in areas such as published trade statistics, applicable to both tradeable goods and services, but particularly to services. Significant movements, both globally and on the island of Ireland, have been evident in tradeable services, yet remain less explored, less focused on in trade commentary and less understood. Investigating the rationale for these shifts could provide valuable insights into the unique challenges and opportunities across services sectors.
- ▶ Additionally, there is a need to comprehend the non-Brexit related barriers to SNT, including attitudinal factors and perceived disadvantages in the tendering process. These elements warrant a dedicated examination to uncover the broader impediments to trade that businesses face.
- ▶ The implications of potential regulatory divergence under the Windsor Framework are uncharted territory for researchers, SMEs themselves and support organisations, with no existing case studies or precedents to draw upon. Understanding the potential impacts of divergence is essential for businesses navigating the new regulatory landscape but requires collaboration across the island and clear lines of communication.
- ▶ A relatively unexplored area in the post-Brexit all island landscape to date has been that of FDI and the benefits to investors of cross-border projects given the advantages conferred by the Windsor Framework. Raising awareness internationally is one such way in which this opportunity might be harnessed for the benefit of the all-island economy.
- ▶ Finally, there are restrictions to the use of trade statistics when analysing trade across NI, GB and Ireland. Factors include currency fluctuations, time delays and methodological nuances, . The report acknowledges the limitations of these statistics and suggests both closer cooperation between the respective statistical agencies, as well as awareness raising of the value of real time statistics such as the All-island Business Monitor for policymakers.

2.2

Analysis of trade flows

A snapshot of the evolution of North-South and East-West trade flows since 2016 indicates strong cross-border growth

1 **IE → NI**
 Total services exports (2022): £0.56bn
 Total goods exports (2022): £2.96bn
 Change in services (2016-2022): 94%
 Change in goods (2016-2022): 53%

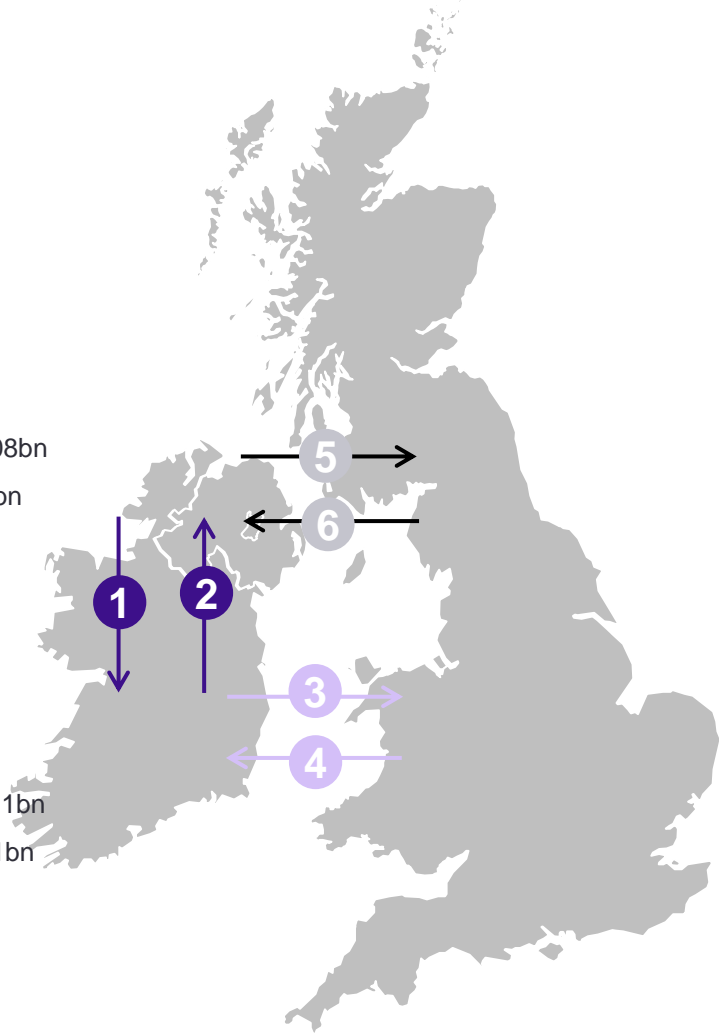
4 **IE → GB***
 Total services exports* (2022): €43.55bn
 Total goods exports (2022): €17.22bn
 Change in services* (2016-2022): 81%
 Change in goods (2016-2022): 31%

2 **NI → IE**
 Total services exports (2022): £1.73bn
 Total goods exports (2022): £4.62bn
 Change in services (2016-2022): 138%
 Change in goods (2016-2022): 75%

5 **NI → GB**
 Total services external sales (2022): £6.08bn
 Total goods external sales (2022): £9.64bn
 Change in services (2016-2022): 73%
 Change in goods (2016-2022): -10%

3 **GB* → IE**
 Total services exports* (2022): €27.68bn
 Total goods exports (2022): €23.97bn
 Change in services* (2016-2022): 133%
 Change in goods (2016-2022): 34%

6 **GB → NI**
 Total services external sales (2022): £2.11bn
 Total goods external sales (2022): £11.01bn
 Change in services (2016-2022): -11%
 Change in goods (2016-2022): 8%



1 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NIETS-Background-Information-November-2022.pdf>
 2 <https://www.cso.ie/en/releasesandpublications/ep/p-gei/goodsexportsandimportsjanuary2024/data/>
 3 <https://www.cso.ie/en/releasesandpublications/ep/p-its/internationaltradeinservices2022/>

4 <https://www.cso.ie/en/statistics/externaltrade/irelandstradeingoods/>
 *Services export data is from IE – UK / UK – IE rather than GB due to differences in data reporting and lack of available disaggregated data on regional service flows

Robust growth has occurred in trade flows between all trading partners

Total cross-border trade in goods and services on the island of Ireland

Over the period 2016-2022, NI has consistently operated a trade surplus with Ireland. Overall, cross-border trade has grown strongly, rising 77% in value, showing the stability of the cross-border economy despite the impacts of Covid and Brexit during this time. The value of trade between NI and IE has increased considerably over recent years, fuelled by a surge in exports in goods and services from both directions. The overall value of exports from NI to IE has increased from £3.34bn in 2016 to £6,353m in 2022, a rise of 90%. Analysing this, the export of services from NI into IE has risen significantly over this period, by 148% to £1.73bn, whilst the export of goods has increased 75% to £4.62bnm.

The reverse trade flows have experienced a similarly positive trajectory, with the overall value of exports from IE to NI increasing from £2.23bn in 2016 to £3,531 in 2022. Growth in services saw exports rising 94% to £0.56bn, and goods exported to NI rose by over £1bn to reach £2.96bn in 2022.

Trade flows from NI to IE saw the strongest growth of all trading relationships recorded, outperforming trade flows to GB, rest of EU and the rest of World in value growth across both services and goods exports. The significance of the trading relationship from the NI perspective grew by 8% as a percentage of total exports. The data from the CSO tells a similar story, with the total value of exports to NI rising 147%, or €3.34bn, fuelled by a surge in goods exported of 158% and services exports rising 86%. Again, the growth in total value of exports from IE to NI outpaced that of IE to GB, IE to rest of EU and IE to the rest of World.

Total external sales of goods and services between NI and GB

Trade flows from NI to GB have increased by 11% between 2016 and 2022. A decline of 10% in the overall value of goods sold from NI to GB, valued at just over £1bn, was outmatched by services sales rising 73%, or £2.5bn, to reach £6.08bn in value. There was also strong growth observed within the administrative & support service activities, at 147%, and the information and communication industry, at 72%. As for the export of services from NI to GB, the biggest winners (in relative growth) across the period were water supply & related activities which expanded 260%, gaining £22.5m in value, and administrative & support service activities which grew by 219%, gaining £411m in value.

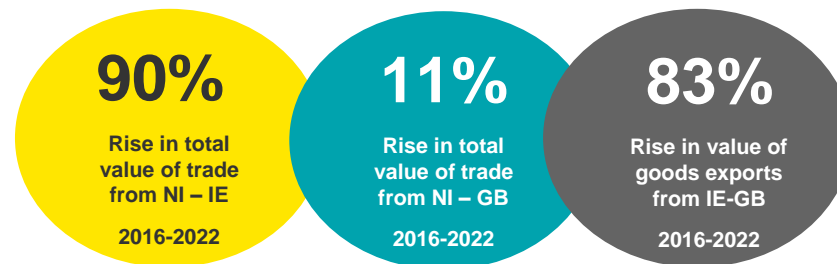
The trade flows from GB to NI also increased across the period, gaining 5% in value, or £0.58bn, despite sales of services falling 11% to £2.11bn. The goods industries which saw the greatest growth across the period were transportation and storage, which boomed 354% to generate an additional £0.47bn in value, administrative and support service activities which grew by £95m, or 191%, and professional, scientific and technical activities which gained over £100m in value as the industry expanded exports by 137%.

In terms of service sales from GB to NI, over £0.25bn in value, or 11%, was lost. This was primarily driven by falling exports in the construction industry which saw exports fall 33%. Particularly strong growth was seen in some of the smaller industries, with mining & quarrying growing by 110% to a value of £9.9m and accommodation and food service activities growing 203% to circa £40m in value.

Total trade in goods and services between IE and GB

Across the period 2016-2022, the total value of goods exported from IE to GB increased by 83%, gaining €14.45bn in value. By 2022, the largest rises were seen in mineral fuels & lubricants and chemicals & related products, each of which saw a rise in export value of 40% across the period. There were no declines in the value of trade across any of the recorded industries between 2016 and 2022.

Services export data from the CSO only reports on exports to and from the UK, as opposed to GB. Service exports from IE to the UK saw growth of 81%, reaching €43.55bn at the end of the period. At the same time, service exports from the UK to IE grew by 133% to reach a total value of €27.68bn by 2022.



*Services export data is from IE – UK / UK – IE rather than GB due to differences in data reporting and lack of available disaggregated data on regional service flows

Though growth has been robust, some areas of performance are particularly noteworthy, as illustrated by a heatmap representation

Over the period 2016-2022, the total value of exports and external sales for IE and NI, respectively, has increased significantly. NI – IE exports (NST) recorded an overall rise of 90%, whilst the value of IE to NI exports (SNT) recorded a rise of 147% fuelled by particularly strong growth in the export of goods. The tables below illustrate the change in value and composition of trade disaggregated by the partner region/country.

Table 2: Change in value (£) of exports by partner, NI, 2016-2022

Destination	Change 2016-2022, total value of sales		
	Goods	Services	Total
GB	(-10%)	+73%	+11%
IE	+75%	+148%	+90%
Rest of EU	+26%	+10%	+23%
Rest of World	(-10%)	+67%	+4%
Total external sales	+6%	+78%	+22%

Source: NIETS02 Trade in Goods and Services

Table 4: Change in share of total exports, NI, 2016-2022

Destination	Change in share of total, 2016-2022, percentage points		
	Goods	Services	Total
GB	(-8%)	(-1%)	0%
IE	+9%	+5%	+8%
Rest of EU	+2%	(-3%)	0%
Rest of World	(-3%)	-1%	(-3%)
Total external sales	+6%	+78%	+22%

Source: NIETS02 Trade in Goods and Services

Table 3: Change in value of exports (€) by partner, IE, 2016-2022

Destination	Change 2016-2022, total value of sales		
	Goods	Services	Total
NI	+158%	+86%	+147%
GB	+31%	NA*	+31%
UK	+47%	+81%	+68%
Rest of EU	+79%	+163%	+119%
Rest of the World	+79%	+107%	+94%

Source: CSO Goods Exports and Imports January 2024 and CSO International Trade in Services 2022
*Sectoral level data to GB from IE unavailable

Table 5: Change in share of total exports, IE, 2016-2022

Destination	Change in share of total, 2016-2022, percentage points		
	Goods	Services	Total
NI	+1%	0%	0%
GB	-2%	NA	-2%
UK	-2%	(-3%)	-2%
Rest of EU	+1%	+6%	+4%
Rest of the World	+2%	(-3%)	0%

Source: CSO Goods Exports and Imports January 2024 and CSO International Trade in Services 2022

*NI export data is from NIETS dataset and recorded in £m, IE - NI trade in goods data uses CSO data and is recorded in €m; NI – IE services data is from NIETS dataset using €m based on historic exchange rate calculations. **These figures are based on the CSO/NISRA 'BPA03 & TSA10/NIETS02' for 2022. However, Ireland's trade statistics are impacted by the activity of multinational firms, particularly in relation to services statistics. A 2021 ESRI [paper](#) on cross-border trade in services attempts to correct for this by focussing on domestically owned firms in Ireland. It states: 'If we exclude the foreign-owned multinational firms that dominate total exports from Ireland, and focus on domestically owned firms, then we find that the shares of exports accounted for by Northern Ireland increases to around 6% of goods exports and 2% of services exports.'

The overall value in goods traded between IE and NI recorded strong growth between 2016 and 2022, rising by over £3bn

South-North export of goods (IE to NI: SNT)

The value of goods external sales from IE to NI saw a significant rise of 53% across the period 2016-2022, reaching £2.96bn. In 2016, exports to NI were dominated by wholesale & retail trade; repair of motor vehicles & motorcycles and manufacturing which together totalled c.80% of total goods exports. These two industries maintained strong growth across the period, however, the changing composition of exports has meant that the share of exports to NI represented by these three industries fell.

The industries which saw the greatest growth across the period were transportation and storage; information and communication; and administrative and support service activities, each of which experienced growth greater than 100% between 2016 and 2022. The wholesale & retail trade; repair of motor vehicles & motorcycles industry also remained strong and grew to £1.56bn, which was an increase of 59%. The industries which saw the greatest decline included the arts, entertainment & recreation industry and mining & quarrying with each contracting over 50%.

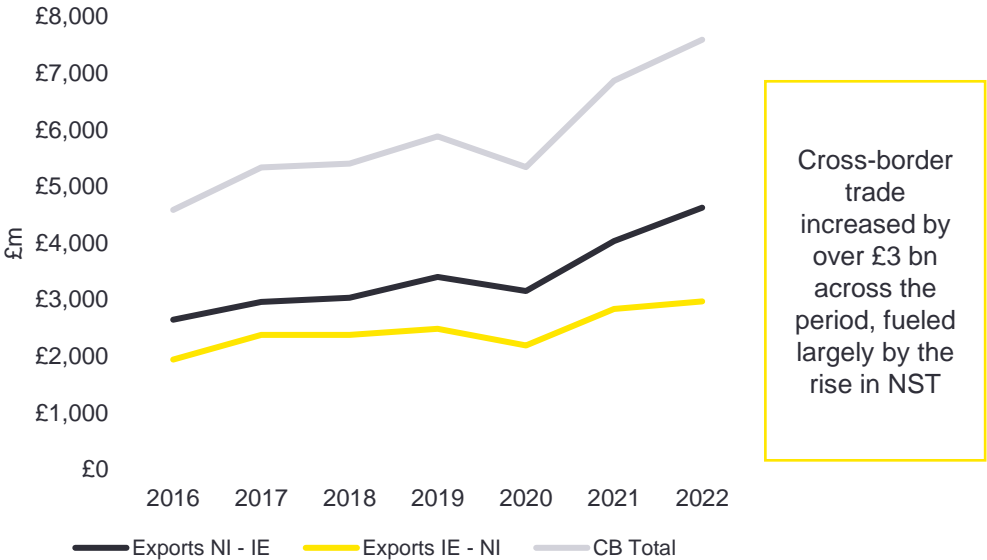
North-South export of goods (NI to IE: NST)

Export of goods from NI to IE also experienced considerable growth across the period, rising 75% to £4.62bn in 2022. The industry concentration was broadly similar to IE-NI flows, with wholesale & retail trade; repair of motor vehicles & motorcycles and manufacturing again being the highest value exports, representing 88% of total trade in 2016. By 2022, the largest industry growth was seen within the water supply; sewerage, waste management & remediation activities which grew 740% to £16.2m, the information & communication industry which grew 221% to reach £52.2m and the manufacturing sector which grew 86% to £2.31bn.

The construction industry exports to IE from NI experienced modest growth of 8% across the period, compared to IE-NI flows which grew by 34%. NI also witnessed a significant fall in exports of professional, scientific & technical activities, with these falling 83% in value across the period whilst this industry grew 24% from the IE-NI perspective. However, there was significant growth across a range of industries with manufacturing sales value expanding 86% to £2.31bn versus growth of 39% IE-NI, and wholesale & retail trade growing 68% across the period versus growth of 59% IE-NI.

IE → NI	NI → IE
+53% Growth in value of goods exported 2016-2022	+75% in value of goods exported from 2016-2022
+216% Largest growth in transportation and storage	+221% Largest growth in water supply-related activities

Figure 2: Cross-border trade of goods, £m, 2016-2022



Cross-border trade increased by over £3 bn across the period, fueled largely by the rise in NST

*See Appendix 2 for more detailed breakdown of trade by industry

Source: <https://data.nisra.gov.uk/>

Trade in services across the island of Ireland also exhibited strong growth, with transportation and storage services remaining the dominant service export

South-North services exports (IE to NI: SNT)

Services exports have increased substantially from 2016-2022, having risen by 94% to reach a total value of £0.56bn; however, the industry composition has undergone some change during this time. In 2016, the dominant services exports from IE to NI were transportation & storage; manufacturing; professional, scientific & technical activities; wholesale & retail trade, and construction. These five sectors have been historically important to the region and constituted 85.7% of total service exports in 2016. Some of the smallest industries exported included human health & social work activities, agriculture, forestry & fishing, and other service activities, representing less than 1% of total services exported**. However, by 2022, manufacturing exports had increased five-fold in value to become the dominant services export. The five largest service export industries were responsible for 85.7% of all service exports from IE to NI in 2022. The smallest service exports in 2022 were real estate activities, other service activities and mining & quarrying. Subdued or negative growth occurred across several industries, with information & communications exports growing by 3.4%, mining & quarrying contracting from £3.74m to £3.71m, real estate activities falling almost 80% from £1.94m to £0.39m and professional, scientific & technical activities falling 29% to £30.8m.

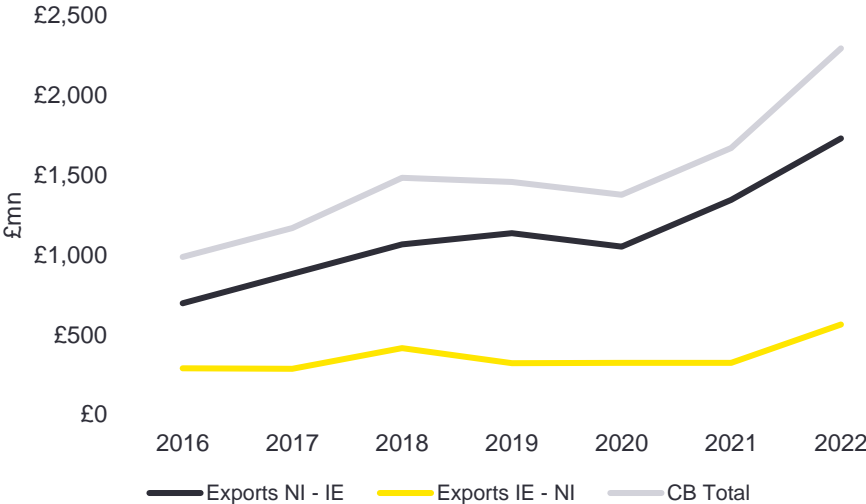
North-South services exports (NI to IE: NST)

In 2016, the value of services exported from NI to IE was £0.69bn. Whilst NST in services were also dominated by the transportation & storage (27.5%) and construction (20.5%) industries, NI exported significantly more services relating to information & communication and professional, scientific & technical activities. These two industries were responsible for £0.2bn in value in 2016, compared with the equivalent figure of £62.3m for IE to NI. By 2022, NI to IE service exports had grown 148% in value to £1.73bn.

NI exported comparatively little in wholesale & retail compared to IE (3% versus 9% of total services exports cross-border). In 2022, the value of services exported from NI to IE had more than doubled to £1.73bn, and the dominant industries were construction (39% of service exports), professional, scientific & technical activities (growing by >200% to represent 14.7% of service exports), information & communication (growing by 86% to make up 12.6% of services trade), transportation & storage (10.9%) and administrative & support service activities (9.6%). Transportation & storage was the only industry displaying a contraction across the period, with services trade falling by 2% over this period.

IE → NI	NI → IE
+94% Growth in value of services exports 2016-2022	+148% Growth in value of services exports 2016-2022
Dominant exports were transportation & storage and manufacturing	Dominant exports were transportation & storage and construction

Figure 3: Cross-border trade of services, £m, 2016-2022



Source: <https://data.nisra.gov.uk/>

*See Appendix 2 for more detailed breakdown of trade by industry
 **NISRA's NIETS/BESES data is survey-based and agriculture is underrepresented in NIABI

Trade in goods between Ireland and GB experienced similarly strong growth across the period

West-East goods exports (IE to GB)

Across the period, the total value of goods exported from IE - GB grew 31% to reach €17.22bn. However, the changing composition of trade meant that share of total exports made up by IE – GB trade fell by 2% points.

The main exports industries in 2016 were chemicals & related products, at a value of €3.99bn, food & live animals, at a value of €3.7bn, machinery & transport equipment, at a value of €2.2bn, and miscellaneous manufactured articles, at a value of €1.13bn. These four industries were responsible for 83% of goods exported in 2016. The smallest industries by export value were animal & vegetable oils at €11m and beverages & tobacco at €220m.

By 2022, the largest rise was seen in mineral fuels & lubricants and chemicals & related products, which each saw a rise in export value of 40% across the period. There were no declines in value across any of the recorded industries between 2016 and 2022.

East-West goods exports (GB to IE)

Total goods exports from GB to IE increased by 54% over the period, from €15.58bn to €23.9bn. The most significant goods exports by value in 2016 were petroleum & related materials, which totalled 9% of all goods exports to GB, miscellaneous manufactured articles which constituted 6% of all goods exports and essential oils & perfume materials at 5%.

The export composition by 2022 was broadly similar, however significant growth was observed across several goods, with organic chemicals expanding to a value of €3.23bn, gas (natural & manufactured) which expanded to a value of €4.51bn, electric current exports which grew to €96m and power generating machinery & equipment which grew to a value of €0.24bn. By 2022, the largest exports by value were gas (natural and manufactured), organic chemicals, petroleum & related products, and miscellaneous manufactured articles which collectively accounted for 50% of all goods exports.

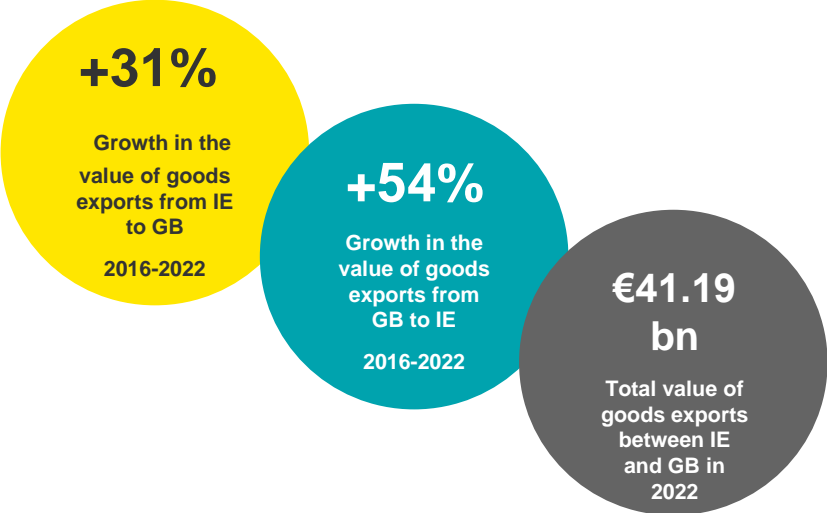
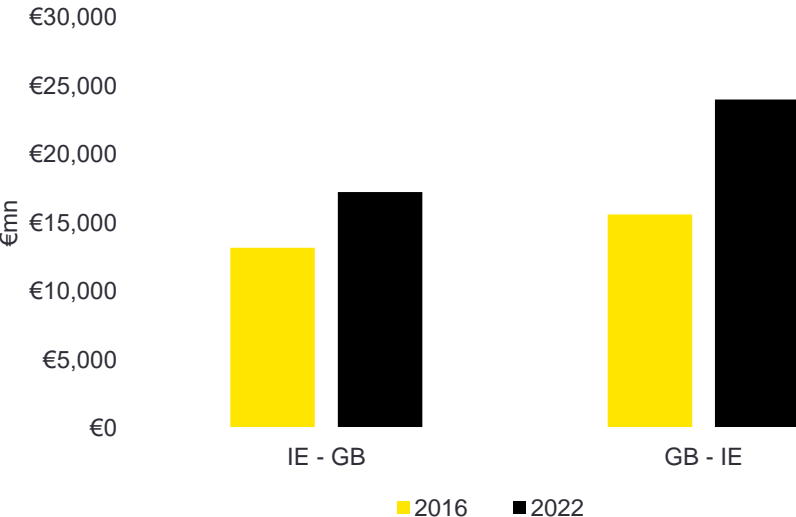


Figure 4: GB and IE trade of goods, €m, 2016-2022



*See Appendix 2 for more detailed breakdown of trade by industry

Source: <https://www.cso.ie/en/releasesandpublications/ep/p-ti/irelandstradinggoods2022/data/>

Services trade between the UK and Ireland also grew considerably between 2016 and 2022, with a combined rise of 83% in value

West-East services exports (IE to UK)

Service exports saw a rise of 81% between 2016 and 2022, rising to €43.55bn euros at the end of the period. The dominant service exports to the UK in 2022 were computer services and financial services, which constituted €18.45bn and €7.06bn in trade respectively. The smallest services exports in 2022 were communications and R&D, totalling €108m.

East-West services exports (UK to IE)

Service imports from the UK reached €27.6bn in 2022. This was a significant increase on 2016, when services imports were €14.78bn. In 2016, the main services exports to IE from the UK were all business services, which was valued at €12.97bn, or 40%, financial services at €3.75bn, or 25%. By 2022 service exports had grown strongly, with all business services growing in value by 118% to represent 47% of all service exports, and financial services expanding 115% to represent 29% of all service exports. The most significant growth occurred within the export of legal & accounting services, which expanded 2344% across the period to a value of €3.64bn.

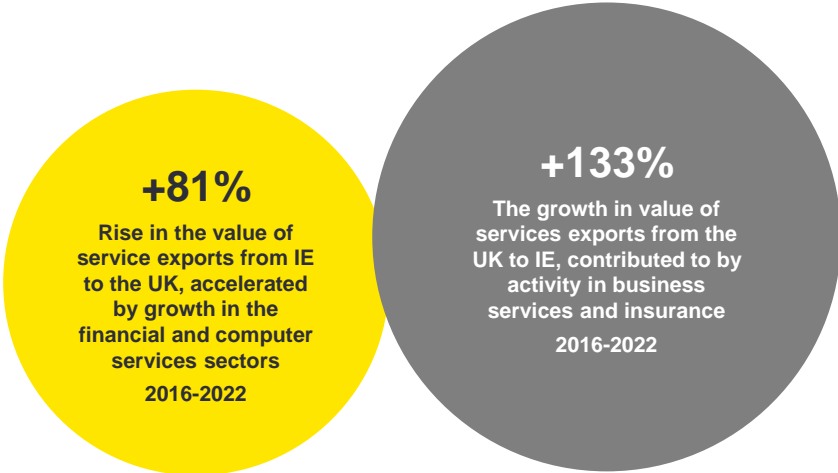
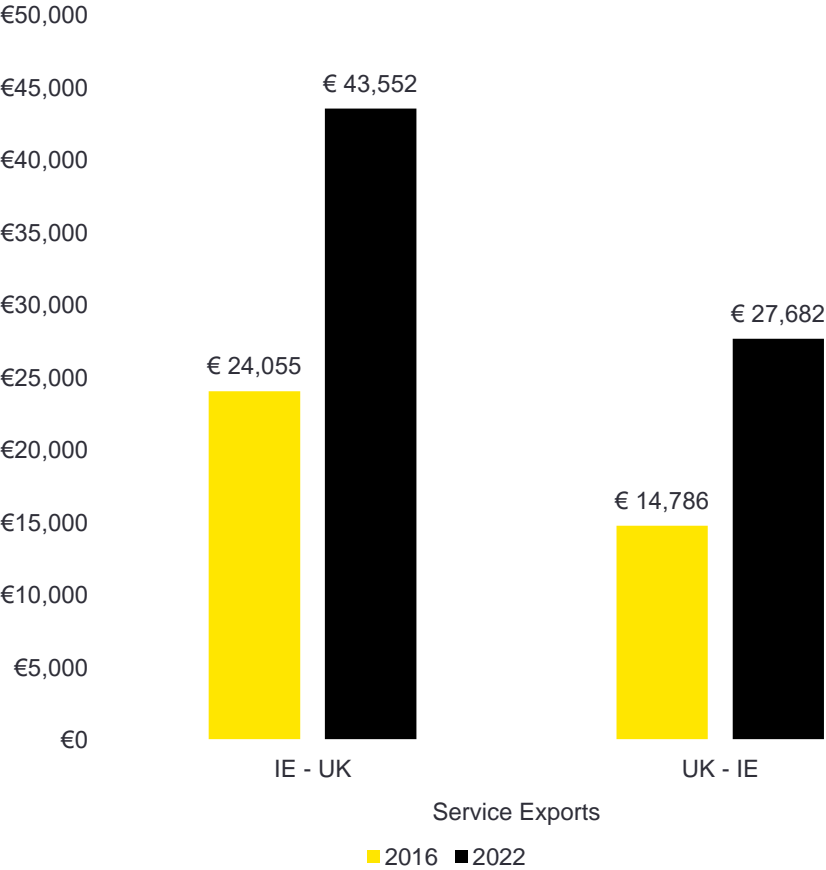


Figure 5: UK and IE trade of services, €m, 2016-2022



Source: <https://www.cso.ie/en/releasesandpublications/ep/p-its/internationaltradeinservices2022/data/>

*See Appendix 2 for more detailed breakdown of trade by industry

Trade in goods between NI and GB recorded a small overall decline in value of goods traded, at -1%, due to a 10% fall in value of sales from NI to GB

West-East external sales of goods (NI to GB)

The value of exports from NI to GB experienced an overall increase between 2016 and 2022, rising by 11% across the period. A decline of 10% in the overall value of goods exported was outmatched by services exports rising 73%.

In 2016 the NI-GB goods exported were heavily concentrated and dependent upon one industry. Manufacturing exports made up over 85% of exports to GB, which totalled some £8.23bn, the next largest industry was construction which was 4% of total exports at just under £0.4bn.

The smallest industry exports to GB from NI in 2016 were other service activities at 0.02% and agriculture, forestry & fishing at 0.09%. By 2022, the composition of trade exports to GB from NI had shifted. Manufacturing was still the dominant export; however, the industry export performance had declined 20% and fallen in value to £6.62bn, representing 69.7% of good exports. The largest contraction was seen in the construction industry, which saw export value decline by £188m, or 47%. Despite the overall value of exports declining across the period, growth was seen within the transportation & storage industry which expanded 4%, the information & communication industry which grew 72% and the administrative & support service activities which grew by 147%. These industries represent a small share of the overall trade composition, at a total of 2.3%.

East-West external sales of goods (GB to NI)

The trade flows from GB into NI have increased across the period, despite a fall of 11% in the value of services exports, the exports of goods from GB has increased by 8% to offset this decline.

In 2016, the key goods exported from GB – NI were concentrated in the industries of wholesale & retail trade; repair of motor vehicles & motorcycles and manufacturing, which constituted 61% and 19% of trade, respectively. GB – NI trade flows were significantly less dependent upon manufacturing versus NI – GB trade. Other industries of significance included construction and transportation & storage, which together exported goods valuing £0.76bn, or 6.9% of total goods exported. In 2022, the composition of the trading relationship remained similar although there was considerable growth in exports across several industries. The largest growth was seen in the transportation and storage industry, which grew by

£0.46bn to represent 5.6% of exports, significant growth was also seen in the administrative & support service activities which grew 191% to £144.9m in value and professional, scientific & technical activities which grew by 137% to reach £184m. Double-digit growth was also seen across information & communication (26%), accommodation & food service activities (22%), manufacturing (16%) and construction (14%). Wholesale & retail trade; repair of motor vehicles & motorcycles declined by 7%, or £0.45bn, across the period.

Figure 6: GB and NI external sales of goods, £m, 2016-2022



*See Appendix 2 for more detailed breakdown of trade by industry

Source: NIETS: Trade in Goods and Services, NIETS02

Trade in services recorded strong growth, with NI services sales to GB rising by 73% between 2016 and 2022

West-East external sales of services (NI to GB)

Service sales from NI to GB increased 73% across the period to £6.08bn in 2022. In 2016 the largest industries by sales value were construction, which represented 23% of trade, transportation & storage at 8.67%, and information & communication at 6.7%. The smallest industries by export value in 2016 were accommodation and food service activities at 0.1% and water supply activities at 0.1%. By 2022, significant growth was observed across several industries. The largest increases were seen across water supply activities, which grew 260% to a value of £31.2mn, administrative & support service activities which grew 219% to a value of £0.6bn, manufacturing which grew 120% to £155.6m, and information & communication which grew 117% to £0.47bn. No declines in industry export values were recorded across the period.

The increase in the value of services sales from NI to GB is in line with the global increase in services trade (explored further in the PESTLE analysis of this report). It may also be reflective of NI's linkages to the all-island, and subsequently, European market, whilst also being a member of the UK internal market; this may have proven attractive to businesses in the aftermath of Brexit, particularly given the number of relocations and uncertainty regarding GDPR recognition.

East-West external sales of services (GB to NI)

The value of service sales from GB to NI declined by 11% across the period to £2.11bn in 2022. In 2016 the largest industries by external sale value were construction, which represented 35.8% of trade, manufacturing, which represented 17.2%, information & communication at 13.2% and transportation and storage at 10.7%. The smallest industries by external sales value in 2016 were mining & quarrying, human health & social work activities, real estate activities and accommodation & food service activities which were responsible for just 1.64% of trade exports.

By 2022, significant growth was observed across two industries. The largest increases were seen within accommodation & food service activities which grew 203% to £40m, and mining & quarrying which grew 110% to £9.9m. The higher value industries of information & communication, transportation & storage and wholesale & retail trade saw modest rises of 19%, 13% and 3% respectively.

A contraction in external sales was seen within the administrative and support service activities industry, which declined 44% to £116.9m and construction which saw a decline of 33% remove over £0.25bn of export value.

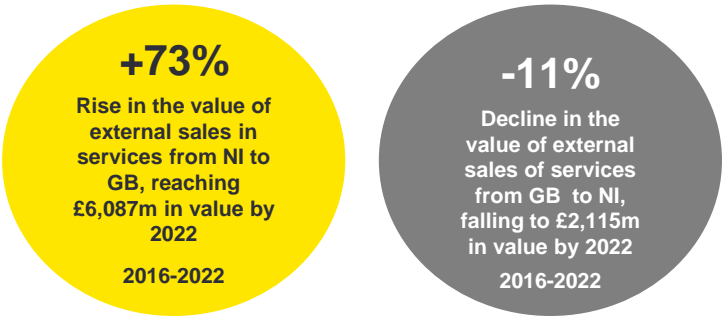
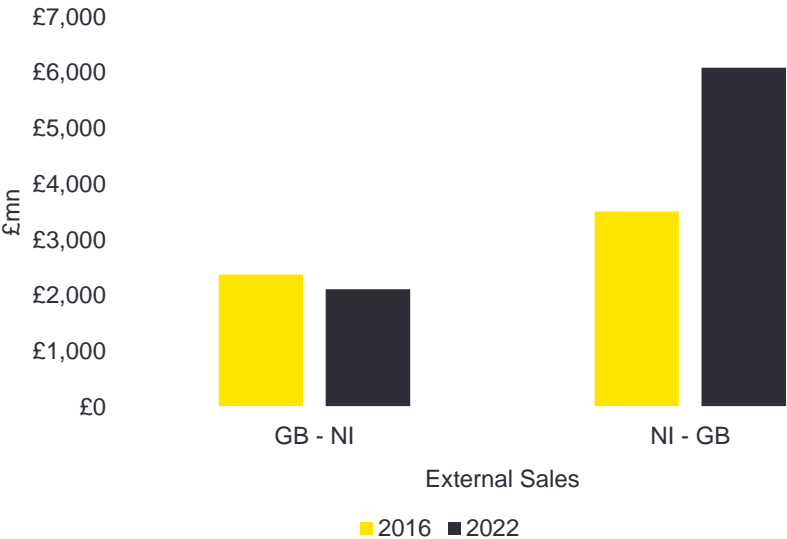


Figure 7: GB and NI external trade of services, £m, 2016-2022



Source: <https://data.nisra.gov.uk/>

*See Appendix 2 for more detailed breakdown of trade by industry

2.3

Support landscape

There is a rich and diverse support network for businesses across the Island of Ireland

The benefits of North South trade extend throughout all parts of the all-island economy. In 2022, total cross-border trade in goods and services was worth an estimated €9.884 billion, a significant increase since 1998. For the Irish SME sector, North South trade provides a valuable opportunity to take their first steps into new markets¹.

However, recent shocks such as COVID-19, the Russian invasion of Ukraine and Brexit have left trade relationships – including those on the island of Ireland - in a state of uncertainty. Along with the cross-border support provided by InterTradeIreland, numerous support bodies are active in Ireland, NI and the UK, that are concerned with how Brexit will affect the trading relationship between NI and IE and the UK. Since Brexit, pre-existing bodies have been providing help and advice on how to prepare for and subsequent navigate unprecedented uncertainty. The bodies range from sector-specific promotion, such as Manufacturing NI and the Irish International Freight Association, to cross-industry promotion of trade, such as Enterprise Northern Ireland, and trade and business services such as NI Chamber.

So too have new support bodies and programmes emerged in response to the heightened attention received by the island of Ireland in the Brexit negotiations and implementation. Examples include the Trader Support Service, funded by the UK Government and open to firms who move goods in or out of NI, and the recently founded InterTrade UK, which is yet to become operational at the time of writing.

Regardless of the categorisation, the shared purpose of trade support bodies in Ireland, NI, and those operating across both jurisdictions as well as the UK is to aid businesses in accessing the benefits of trade and in doing so securing the economic development and productivity benefits. Supports include business development, export promotion, investment attraction, networking and advocacy, skills and education, cross-border collaboration, regulatory guidance and more.

Some support bodies are captured here at a high level. However, it is worth noting this landscape can be crowded and difficult to navigate, particularly in light of the increased activities and representation post-Brexit. Subsequent sections of this report will explore the landscape in more detail; given the number of supports and programmes in operation, it is not possible to conduct an exhaustive mapping exercise.

Select support bodies in Ireland

- ▶ Local Enterprise Offices (LEOs): with 31 dedicated teams across the Local Authority network in Ireland, LEOs are the first-stop shop for seeking information and support on starting or growing a business in Ireland. Services provided by LEOs include direct financial supports to micro businesses, advice on funding options, training, and mentorship. With many roles in supporting growing Irish businesses, one of the LEO's roles is to increase the number of innovative businesses with potential to export.
- ▶ Enterprise Ireland: as the Irish government's enterprise development agency, Enterprise Ireland invests and supports the development of Irish-owned companies on their journey to achieving greater scale. For Irish businesses to become global leaders in their field, Enterprise Ireland supports them by exploring international exporting opportunities. Enterprise Ireland have a range of supports such as helping develop market entry plans, fund market research, and upskill leadership teams. A specific support scheme of note is their Post Brexit Market Growth and Diversification Grant which allows for eligible Enterprise Ireland and Bord Bia client companies to access a fast-track market development programme that provides assistance in formulating a strategy to enter and expand markets outside of the UK.
- ▶ Irish Business and Employers Confederation (IBEC): Ireland's largest lobby and business representative group, IBEC's purpose is to help build a better, sustainable future by influencing, supporting and delivering for business success. IBEC have over 39 trade associations which provide representation, advice, information, research and training to a wide range of industries.
- ▶ The National Enterprise Hub: National Enterprise Hub, created and managed by Enterprise Ireland, is a new business support service designed to place the vast array of grants, funding, loans, training programmes and expert advice available for Irish businesses in one place. Users of the tool can assess options based on goal, type of support, size of business, support agency and industry.

¹ <https://www.gov.ie/en/speech/65c4e-speech-by-tanaiste-micheal-martin-on-the-political-situation-in-northern-ireland/?referrer=https://www.gov.ie/en/press-release/848a0-speech-by-tanaiste-micheal-martin-td-on-the-political-situation-in-northern-ireland/>

Relevant stakeholders in NI include those supported by the UK Government as well as cross border bodies serving businesses both North and South

Support bodies in Northern Ireland

- ▶ Invest Northern Ireland (Invest NI): As part of the Department for the Economy, Invest NI is the region's business development agency, focusing on growing the local economy. Invest NI help both new and existing businesses to compete internationally and by attracting new investment in NI. Invest NI offers professional trade advice, industry knowledge and in-market expertise to help businesses identify and develop opportunities in new markets outside of NI, including Ireland.
- ▶ Northern Ireland Chamber of Commerce and Industry: NI Chamber is a customer-focused business support organisation which enables members to grow locally and international and drive the development of the economy. With regards to trade supports, NI Chamber provides technical expertise and advice specific to the needs of companies trading from and with NI. NI Chamber is a designated authority for the issue of certified export documents. The team of technical experts can process UK Certificates of Origin, UK Eur1 Movement Certificates, ATA Carnets – Passports for Goods, and Document Legislation.
- ▶ Enterprise NI: Enterprise NI lobbies on behalf of self-employed, micro, and small businesses, engaging with more than 3,500 businesses and individuals every week. They support the 27 local enterprise agencies (LEAs) to provide small businesses with access to workspace, development services, access to finance, and the informed support needed to start, sustain and grow their businesses.
- ▶ The Trader Support Service (TSS): A free support service established by the UK government to assist traders with the changes to trade and customs processes between Great Britain and Northern Ireland. The service provides extensive education, training, and advice on the changes in goods movement under the Windsor Framework and can handle customs and safety declarations for GB-NI trade, eliminating the need for businesses to interact with HMRC systems. The service will continue until at least December 2024.
- ▶ The NI Export Forum: The Northern Ireland Export Forum was established in April 2023, with the aim of unifying and enhancing the export support system available to businesses across Northern Ireland. The objectives of the forum

- include understanding and communicating the current export ecosystem, evaluating NI's export performance, setting ambitious 2030 targets aligned with economic ambitions, clarifying roles within the export advisory sector, creating an action plan for economic growth through increased external sales, and facilitating trade discussions and coordination.
- ▶ GoSucceed: Go Succeed is an innovative enterprise support initiative launched in Northern Ireland to bolster potential entrepreneurs, nascent startups, and established businesses in realising their full potential and enhancing their contribution to the regional economy. This service provides bespoke, pragmatic, and readily accessible guidance tailored to businesses at different stages of development, from those contemplating the inception of a venture to those poised for national or international expansion. The programme is orchestrated by Northern Ireland's 11 local councils.
- ▶ Department for Business and Trade: The UK's Department for Business and Trade has overall responsibility for promoting UK trade across the world and attracting foreign investment to the UK economy. It is a specialised government body with responsibility for negotiating international trade policy, supporting business, as well as delivering an outward looking trade diplomacy strategy.

Cross-border support bodies

- ▶ InterTradeIreland: connects and helps businesses across the island to trade cross-border, collaborate, innovate and attract investment. They hold a unique and pivotal position as a cross-border body, established under the terms of the Good Friday Agreement, with a purpose of promoting economic development across the island. InterTradeIreland has gained a profound insight into the regulatory challenges and support requirements of cross-border traders in recent years. The organisation has been actively involved in helping businesses navigate the complexities of Brexit, adapt to the Trade and Cooperation Agreement between the UK and EU, and operate effectively under the NI Protocol.

¹ <https://www.gov.ie/en/speech/65c4e-speech-by-tanaiste-micheal-martin-on-the-political-situation-in-northern-ireland/?referrer=https://www.gov.ie/en/press-release/848a0-speech-by-tanaiste-micheal-martin-td-on-the-political-situation-in-northern-ireland/>

InterTradeIreland's suite of supports is designed to equip businesses with the necessary knowledge, skills and capacity for cross-border trade

InterTradeIreland provides various resources to businesses trading on the IOI, helping them grow through increasing their sales and export business. These resources are aimed at helping businesses gain the knowledge, skills and capability to access this cross-border market and overcome any barriers to trade preventing them from doing so. They are also tailored to the different challenges faced from those at the start of their export journey, to those who are seasoned exporters. These supports include:

1. Trade Export Pathway

This support provides up to £5,000/€5,750 toward specialist support for exporting on the island of Ireland. The overarching aim of this is to help businesses progress along the exporting journey, from being a non-exporter, first time exporter or inexperienced exporter, to an experienced and/or advanced exporter. This is achieved through researching the market opportunity, creating a robust export plan and then implementing the export solutions that are best suited to each business.

2. Trade Hub and Trade Health Check

The Trade Hub is a dedicated portal providing free of charge trade information and consultancy advice for SMEs with the aim of supporting efficient and effective trade between Ireland, NI and (inadvertently, due to integration of supply chains) GB. In addition, this resource provides the option to avail of a Trade Health Check offering either a call from a trade expert to answer a specific query, or up to three fully funded days of consultancy advice to conduct a more in-depth review including customs, regulations and labelling, VAT and employment matters.

3. Acumen

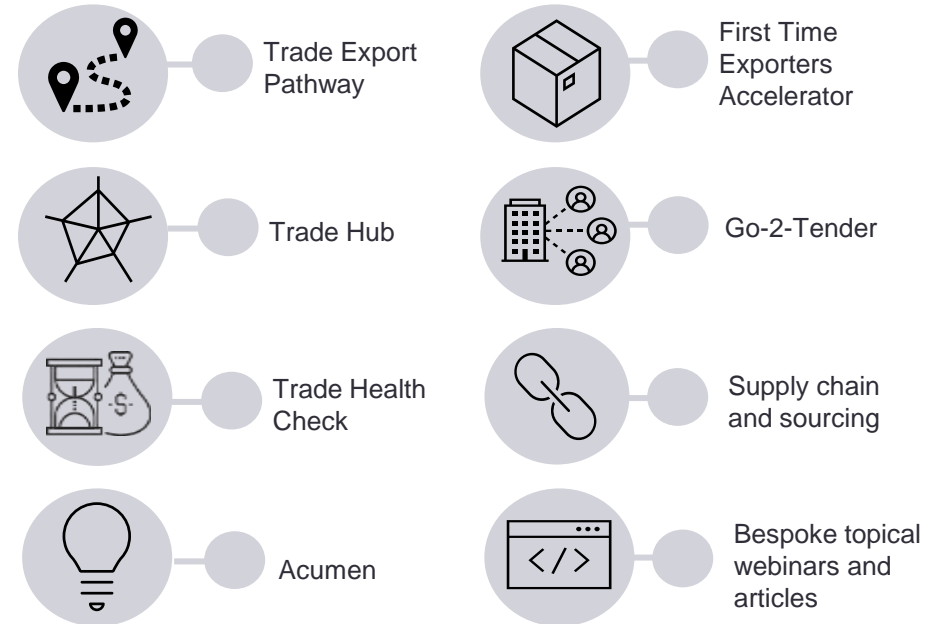
This resource aids businesses in improving their market knowledge, to identify and take advantage of cross-border trade opportunities. This is achieved through InterTradeIreland providing funding towards a skilled sales resource. This funding is up to £17,250/€21,562 for a full-time sales resource or £9,200/€11,500 for a part time sales resource.

4. First Time Exporters Accelerator

SMEs who have little or no experience of exporting and are seeking to do so can avail of this accelerator. Elements featured include a training and mentoring programme designed to accelerate cross-border sales. These are centred around identifying, researching and analysing market segments suitable for selling, understanding export administration and risk management, and focusing on the profitability of the business.

¹ https://intertradeireland.com/assets/general/Sales-Growth-Brochure_2024-04-24-093547_qgsz.pdf

Figure 8: InterTradeIreland supports for sales growth¹



5. Go-2-Tender

The Go-2-Tender programme helps businesses across NI and Ireland become more successful in bidding for and servicing public sector contracts. This is done through one-to-one, sector specific support and guidance and a series of online workshops

6. Supply Chain and Sourcing

InterTradeIreland also helps businesses in Northern Ireland meet their sourcing and supply needs. This is done through introducing them to networks and sector bodies throughout the island, shortening their supply chains, boosting resilience and increasing sustainability

7. Bespoke topical webinars and articles

On an ongoing basis, in response to developments and firms' areas of concern and interest, InterTradeIreland publish frequent articles and holds webinars on a variety of trade-specific topics. Recent examples include Windsor Framework compliance

3

Domestic developments

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3.1

The Protocol and the Windsor Framework

The Brexit Referendum had pivotal implications for traders both North and South, as well as the island's trade partners in GB and Europe

On 23 June 2016, a nationwide referendum was held, resulting in the UK's historic decision to leave the European Union (EU). On 29 March 2017, the Prime Minister of the UK triggered Article 50 and began the two-year countdown to the UK formally leaving the EU, which is now known as Brexit or EU Exit. The initial date for Brexit was 11pm on 29 March 2019 which was ultimately extended to 31 January 2020, due to ongoing negotiations amid efforts to avoid a 'no deal' scenario where the UK would revert to World Trade Organisation (WTO) rules for trade with the EU.¹

The EU-UK Withdrawal Agreement was created during this period to ensure that the UK left the EU in an orderly manner, avoiding such an outcome. In an area of great uncertainty, the agreement brought legal certainty to the following areas:

- ▶ Citizens' rights
- ▶ The financial settlement
- ▶ A transition period which would last at least until the end of 2020
- ▶ Governance arrangements
- ▶ Protocols on Ireland/Northern Ireland, Gibraltar, and Cyprus
- ▶ Other separation issues.²

The original Withdrawal Agreement was published on 25 November 2018 and endorsed by EU leaders. In January and March of 2019, the House of Commons rejected the agreed package, resulting in further negotiations and a revised Withdrawal Agreement. The Revised Withdrawal Agreement was published on 17 October 2019 and was endorsed by EU leaders but was again lost on amendment in the Commons. After further negotiations, the Withdrawal Agreement (also known as the European Union Act 2020) received Royal Assent on 23 January 2020. At 11pm on 31 January 2020, the UK left the EU and entered a transition period.

During the Brexit transition period, the EU and UK entered nearly ten months of negotiations, which featured several shifting deadlines, in order to reach an agreement on the terms of the UK's future cooperation with the EU. The Trade and Cooperation Agreement (TCA), agreed on 24 December 2020, governs trade and

other cooperation between the UK and the EU. The TCA consists of three pillars:

1. **A Free Trade Agreement:** provides for zero tariffs and quotas on all goods that comply with the appropriate rules of origin.
2. **A new partnership for citizens' security:** establishes a new framework for law enforcement and judicial cooperation in criminal and civil law matters.
3. **A horizontal agreement on governance:** a dedicated chapter on governance provides clarity on how the TCA will be operated and controlled to ensure legal certainty for businesses, consumers, and citizens.³

Pillar one of the TCA is of utmost importance for the trading landscape on the island of Ireland. The agreement covers trade in a broad range of areas other than goods and services. These areas include investment, competition, state aid, tax transparency, air and road transport, energy and sustainability, fisheries, data protection, and social security coordination.

The TCA is a starting point for providing clarity on these areas, but certain issues persist with no fixed solution, such as divergence on food standards due to separate EU and UK regulation on SPS measures. It is important to note, however, that in some respects the island of Ireland is the exception to the rule. For example, the TCA ends freedom of movement between the EU and the UK. However, in May 2019, the UK and Irish Governments signed a Memorandum of Understanding reaffirming their commitment to the Common Travel Area (CTA). The CTA is a long-standing arrangement involving the UK, the Channel Islands and the Isle of Man, and Ireland that facilitates the ability of citizens of each jurisdiction to move freely within the CTA. This Memorandum of Understanding clarifies the questions that had been posed concerning whether the CTA would remain in place post-Brexit.⁴

¹ <https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf>

² https://commission.europa.eu/document/download/0fb28265-2204-4492-9b95-399133cb5514_en?filename=slides_the_wa_explained.pdf

³ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2531

⁴ <https://www.gov.uk/government/publications/memorandum-of-understanding-between-the-uk-and-ireland-on-the-cta>

The Northern Ireland Protocol was crafted to address challenges surrounding Northern Ireland's land border with the EU and its unique relationship with Ireland

The Northern Ireland Protocol constitutes an integral component of the Withdrawal Agreement established between the UK and the EU. It was crafted to address the distinct challenges presented by the status of Northern Ireland, sharing a land border with the EU and being deeply integrated with the cross-border market, whilst also being a third country/non-EU member. It aimed to avoid a hard border after the UK formally left the EU and has been applied since 1 January 2021.¹ One of the core components of the Protocol was that the Belfast/Good Friday Agreement was to be protected “in all its dimensions”. This resulted in several compromises between the UK and EU surrounding the movement of goods and people around the island of Ireland and Great Britain.

The Protocol stipulates that while NI is to be included in the UK's customs territory, it will also adhere to a selection of EU regulations to facilitate the unimpeded movement of goods across the border with Ireland. This dual arrangement effectively instituted a regulatory and customs demarcation in the Irish Sea. This translated to no physical checks on goods moving between Northern Ireland and Ireland (and the rest of the EU). This was achieved through applying EU Single Market and customs rules for goods to Northern Ireland.

The Protocol has since its inception undergone a series of developments in response to operational challenges and political pressures. Commercial entities operating in NI encountered complications with the new customs framework, leading to supply chain disruptions for goods originating from GB. To address these challenges, the UK Government extended grace periods for specific checks and administrative processes.

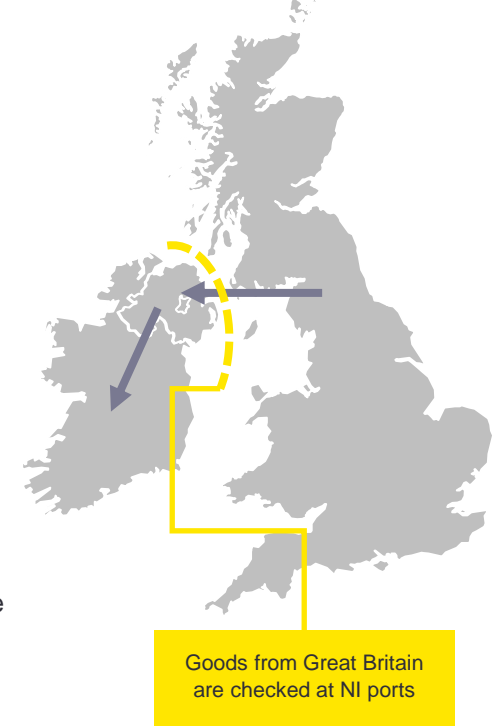
These developments have included increased grace periods and extensions, for example, the grace period for veterinary products and medicines has been extended multiple times with the European Commission publishing an extension on 28 December 2022 to last until 31 December 2025.² This ensures that the supply of veterinary medicines to Northern Ireland from Great Britain and specific EU countries (Ireland, Cyprus and Malta) goes uninterrupted. However, it has been communicated from the Commission that this arrangement will no longer be subject to any further extensions, meaning that a permanent agreement is required.

The extension of the grace period for veterinary medicines is just one such example and many other industries were granted similar grace periods. This principle is particularly applicable to industries with long standing and interconnected supply chains on the island of Ireland and GB. These include supermarkets and their suppliers, human medicines and certain chilled meats such as sausages.³

The ending of these grace periods has been a major concern for companies trading in or with NI. The Lords Committee noted in 2022 that there would be a ‘serious economic impact’ with the ending of the grace periods if they are not replaced.⁴ In addition, they raised concerns over how the ending of the grace periods and the Northern Ireland Protocol as a whole would undermine the Belfast/Good Friday Agreement. Thus, the Committee recommended that the grace periods become permanent rather than extended or ended.

Since inception, the Northern Ireland Protocol has been subject to continuous negotiation between the UK and EU. The UK asked for certain aspects of the protocol to be altered and discussed these potential changes with the EU for 2.5 years, culminating in a February 2023 agreement, known as the Windsor Framework.⁵ This Framework and its easements were designed to ensure lasting certainty and provide a new basis for traders that aims to respect the UK customs arrangements, the EU single market and the Belfast/Good Friday Agreement. In September 2024 an independent monitoring panel was established to report on Framework progress.

Figure 9: Flow of goods from GB to IE, through NI under the NI Protocol



¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-9548/>

² [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52022XC1228\(01\)#:~:text=In%20order%20to%20ensure%20continuity%20of%20supplies%20of,United%20Kingdom%20other%20than%20Northern%20Ireland%E2%80%99%20%282021%20C524%2F02%29.](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52022XC1228(01)#:~:text=In%20order%20to%20ensure%20continuity%20of%20supplies%20of,United%20Kingdom%20other%20than%20Northern%20Ireland%E2%80%99%20%282021%20C524%2F02%29.)

³ <https://commonslibrary.parliament.uk/research-briefings/cbp-9333/>

⁴ <https://www.bbc.co.uk/news/uk-northern-ireland-62311532>

⁵ <https://www.consilium.europa.eu/en/policies/eu-relations-with-the-united-kingdom/the-eu-uk-withdrawal-agreement/the-protocol-on-ireland-and-northern-ireland-explained/#what>

The Windsor Framework aimed to alleviate some of the implementation issues faced by the Northern Ireland Protocol

The Northern Ireland Protocol has aimed to preserve and foster Island of Ireland linkages; and the Windsor Framework is intended to preserve all-island access whilst also addressing any East-West frictions that may have emerged.

The implementation of the Windsor Framework in February 2023 was the result of years of negotiation between the EU and UK. It builds upon the Northern Ireland Protocol and introduces new systems and checks for goods moving from Great Britain to Northern Ireland, as well as new political powers². These included:

1. 'Green lane' reduced checks for goods moving from GB to NI (and remaining within the internal market) and 'red lanes' for goods moving from Great Britain through Northern Ireland, destined for Ireland/EU
2. Simplified checks and controls on food and other agricultural products
3. Changes to customs paperwork for parcels depending on if they originate from an individual or business
4. EU limit on the number of reduced and zero rates of VAT that can be applied to certain goods is dis-applied in Northern Ireland
5. Medicines on the NI market are now subject to UK regulation
6. The introduction of the 'Stormont Brake' mechanism
7. New circumstances whereby the EU can bring action against the UK for subsidies in Northern Ireland.

Under the Windsor Framework, many of the changes that apply to trade between Ireland and GB do not apply between Ireland and NI. Under the Framework, no new checks or controls apply to goods moving between – and remaining on – the island of Ireland, giving Qualifying Northern Ireland Goods (QNIGs) the benefit of free and open access to the EU Single Market.

It is important to emphasise that goods traded from NI to Ireland must **originate** from NI to benefit from QNIG status. The core focus of the Windsor Framework is on the flows (mainly of goods) *to and from NI*, and how this relates to GB, Ireland, and the wider EU. While the Framework works to avoid a hard border on the island of Ireland, as well as in the Irish Sea between GB and NI, many firms are facing

increased compliance measures, particularly if their GB-purchased goods or components are deemed 'at risk' of onward movement to the EU/IE.

The Windsor Framework was updated in late 2023 to extend the benefits to a wider group of goods and eliminate some of the legislative burden. The 'green lane' for goods in Northern Ireland was developed into an 'Internal Market Scheme'³. Goods which are considered at risk of moving into the EU single market (e.g. Ireland) must move through a red lane, where full checks and controls are applied. This new system is based on data sharing, labelling of some goods, and monitoring, so the EU can safeguard its single market.

A further notable aspect of the WF is the 'Stormont Brake', an emergency mechanism which gives the NI Assembly the power to object to EU rulings that apply to NI⁴. This can be triggered if 30 Members of the Legislative Assembly do so (using the same threshold as a petition of concern) and has significant implications for regulatory arrangements.

While the Windsor Framework provides significant detail on the flow of trade of goods, it does not address services trade⁵. While the EU-UK Trade and Cooperation Agreement facilitates trade in services between the EU (including Ireland) and the UK (including NI), British citizens and companies operating as service providers within the EU cannot rely on the EU's Single Market for services.



¹ [gov - Speech by Tánaiste Micheál Martin on the political situation in Northern Ireland \(www.gov.ie\)](https://www.gov.uk/government/speeches/speech-by-tánaiste-micheál-martin-on-the-political-situation-in-northern-ireland)

² <https://commonslibrary.parliament.uk/research-briefings/cbp-9333/>

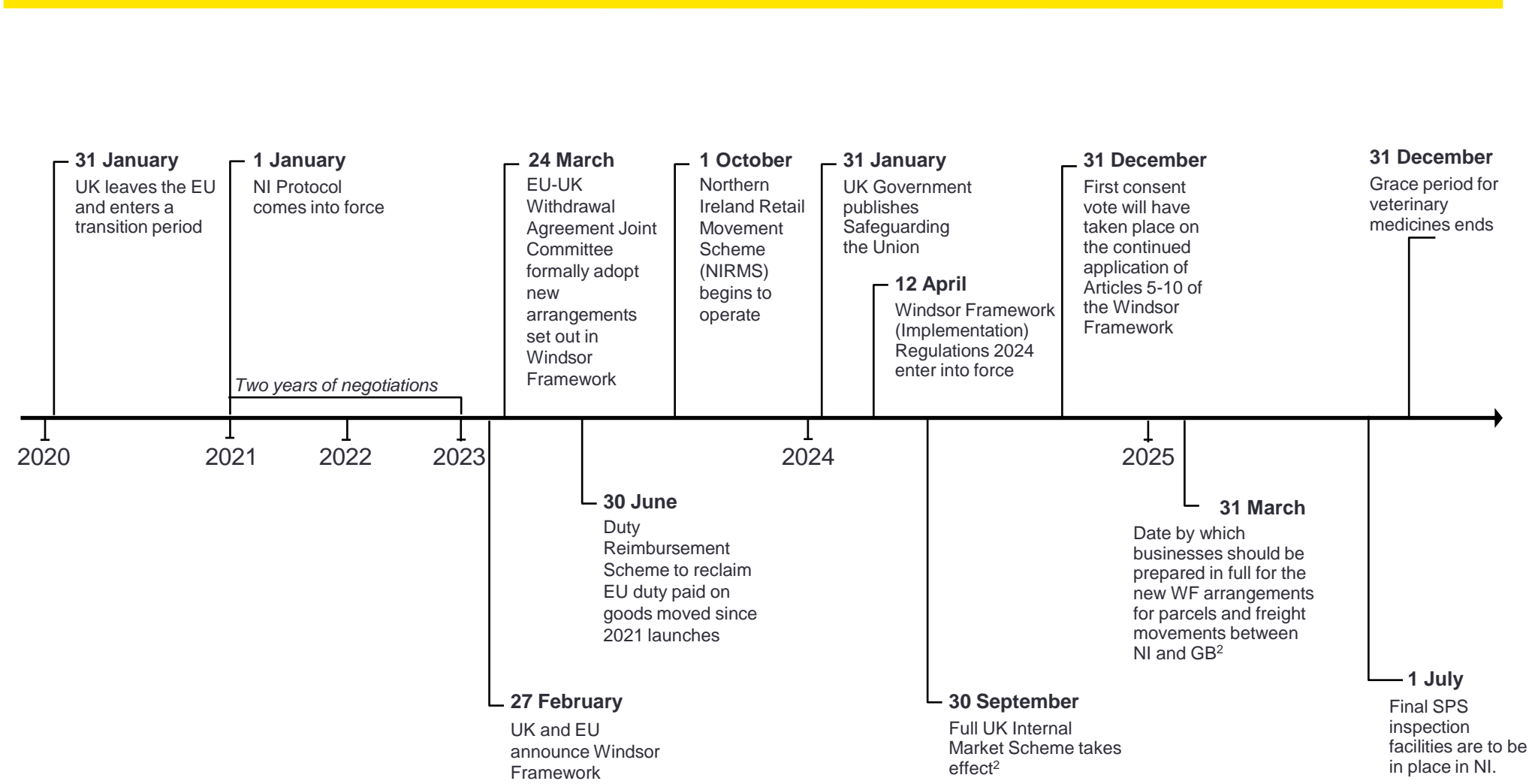
³ <https://www.niassembly.gov.uk/assembly-business/brexit-and-beyond/the-windsor-framework/>

⁴ <https://www.instituteforgovernment.org.uk/explainer/stormont-brake-windsor->

[framework#:~:text=The%20Stormont%20Brake%20is%20a%20mechanism%20that%20gives,UK%E2%80%93EU%20agreement%20that%20changed%20the%20Ireland%20Northern%20Ireland%20protocol](https://www.gov.uk/government/publications/windsor-framework#:~:text=The%20Stormont%20Brake%20is%20a%20mechanism%20that%20gives,UK%E2%80%93EU%20agreement%20that%20changed%20the%20Ireland%20Northern%20Ireland%20protocol)

⁵ <https://www.gov.uk/en/publication/060fdf-northern-ireland/>

Much of the implementation of the Windsor Framework has been concentrated in 2024 or is yet to take place



¹<https://www.niassembly.gov.uk/assembly-business/brexit-and-beyond/the-windsor-framework/Windsor-framework-timeline/>
² The UK Internal Market Scheme arrangements introduced on 30 September 2024 will not apply to parcel and freight movements between GB and NI, following an extension to the grace period (originally set to end on 30 September 2024), announced in September 2024. 'The new arrangements under the Windsor Framework for parcels and freight movements that were envisaged to come into effect from 30 September 2024 will now not take effect on this date. While we will provide further information on the detailed timeline for the coming into effect of the new arrangements in due course, businesses should be fully prepared for them by 31 March 2025'. See: [Sending parcels to and from Northern Ireland - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/sending-parcels-to-and-from-northern-ireland)

3.2

The Border Target Operating Model

The Border Target Operating Model is focussed on simplifying processes and improving the security of the UK border

After a year-long transition period, the UK formally gained autonomy over its borders on 1 January 2021. To prepare for this transition, the UK government published the 2025 UK Border Strategy on 17 December 2020, setting out a vision for the UK border to be 'the most effective border in the world'. The vision for this new border is to embrace innovation, simplify processes for traders and travellers, and improve the security and biosecurity of the UK. The purpose of the strategy is to make provisions for the following:

- ▶ An approach to working in partnership with the border industry and for users of the border to design, deliver and innovate around the border,
- ▶ A long-term Target Operating Model (TOM) for the border that describes the border being created, and
- ▶ The transformations that the UK Government and industry will need to deliver by 2025 and beyond to implement the TOM.¹

The Border Target Operating Model (BTOM) is a key part of delivering this strategy. In April 2023, the UK government published a draft BTOM applicable to imports from all countries into GB including the EU. The draft BTOM proposed a revised approach to security controls to all imports, and sanitary and phytosanitary (SPS) controls on imports of live animals, animal products, plants and plant products at the border. As there is no separate EU-UK agreement in areas such as SPS movements, the measures under BTOM apply.

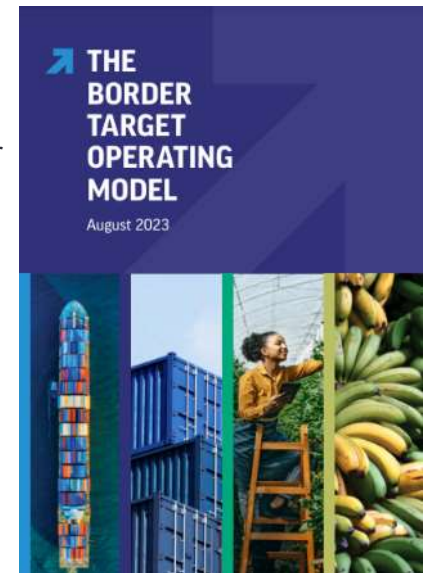
Following the draft publication, the UK Government ran a 6-week stakeholder engagement period. There were over 10,000 registrations for workshops and seminars as well as over 200 stakeholders who provided written feedback during the engagement period. A further 650 responses were received specifically focusing on the draft BTOM Sanitary and Phytosanitary sessions from a wide range of stakeholders. Feedback from businesses and the border industry highlighted where further detail was needed to prepare for the new model as well as key challenges. The key implementation challenges focused on:

- ▶ New complexities and costs that will be introduced into supply chains
- ▶ Timing of introduction of new controls and lack of time for businesses to adapt their supply chains to meet them.

The UK Government incorporated and responded to this feedback from stakeholders where possible, and further collaborated with representatives from across the devolved nations, including Northern Ireland, to publish the final version of BTOM on 29 August 2023.² The final version of BTOM has been designed to set out for importers, the border industry and wider stakeholders the processes they will need to go through to import goods once BTOM is implemented.

A key outcome of the stakeholder engagement period was a revised implementation timeline. By adapting the original implementation timeline published in the draft BTOM, the goal is to give businesses and their supply chains more time to prepare. The new BTOM will be introduced in a phased approach and any required changes to legislation to support the delivery of BTOM will be made. There are three major milestones of BTOM's implementation, with a delayed timeline created for goods moving from Ireland into the West Coast ports of GB. For all goods moving from the EU (except the island of Ireland), the three major milestones were/are as follows:

1. **31 January 2024:** Health certification on imports of medium risk animal products, plants and plant products and high-risk food and feed of non-animal origin are introduced. Pre-notification requirements for low-risk plant and plant products from the EU are removed.
2. **30 April 2024:** Documentary and risk-based identity and physical checks on medium risk animal products, plants, plant products and high-risk food and feed of non-animal origin from the EU are introduced.
3. **31 October 2024:** Requirement for safety and security declarations for imports and reduced dataset for imports.



¹ https://assets.publishing.service.gov.uk/media/5fdb2bccd3bf7f40d85bcfd0/2025_UK_Border_Strategy.pdf

² [The Border Target Operating Model](#)

The Border Target Operating Model will apply to businesses in Ireland (IE) exporting goods to Great Britain

Throughout the Brexit process, the island of Ireland has been a separate focus to the rest of the EU due to its unique relationship with both Northern Ireland and Great Britain. The UK remains the first export market for most Irish companies due to proximity, language, and common legal and business practices. While the UK market has enabled many Irish businesses to further scale,¹ the introduction of BTOM has the potential to make the UK market less attractive for Irish businesses.

Businesses in Northern Ireland

BTOM aims to ensure NI businesses will continue to benefit from unfettered access when moving goods to GB. Qualifying Northern Ireland Goods (QNIGs) will not face any barriers if they are moved directly from NI to GB or indirectly via Ireland. However, new arrangements apply for businesses moving food and feed products from NI to GB. For food and feed products to be considered as a QNIG and therefore exempt from SPS import requirements, the product must be dispatched from a registered or approved food or feed establishment in NI. This focus on fostering unfettered access for NI businesses, specifically for food and feed products, puts NI businesses at a competitive advantage on the island of Ireland (once the BTOM West Coast port checks are initiated); one possible trend that may emerge could be supply chain shifts towards NI production in these areas.

Non-qualifying goods moving directly from NI to GB will need to complete customs declarations, and dependent on the location of arrival in GB, have to manually notify HMRC of the arrival of the good(s) by the end of the working day following their movement. Non-qualifying goods must also follow the relevant SPS import requirements depending on the risk categorisation of the good(s). While this may only affect a small number of NI businesses, these businesses will face higher costs to meet these requirements.

Businesses in Ireland

Businesses moving Irish-produced goods from Irish ports directly to GB will face both the biosecurity/security controls and full customs controls outlined in BTOM. Irish goods are defined in BTOM as “any goods other than QNIGs”, therefore impacting all Irish traders exporting goods to GB or via the UK Landbridge to the rest of Europe.³

Over one-third of Irish exports go to the UK, with the UK remaining the largest single destination for Irish food, drink and horticulture exports. With 47% of Irish beef exported to the UK, and dairy exports to the UK valued at €1.1 billion in 2023, the controls introduced by BTOM are going to significantly impact the Irish agri-food sector.⁴ Supply chains are being constantly examined, as new controls will result in increased costs and administrative burdens to Irish exporters. While BTOM will impact Irish businesses to a larger extent than NI businesses, this impact could likely further strengthen the all-island trade landscape with Irish businesses potentially seeking to shift their supply chains to NI.

Timeline for goods from the Island of Ireland

For non-qualifying goods moving from Northern Ireland or Ireland to GB, BTOM will be implemented through two major milestones⁵:

1. 31 January 2024 (completed):

- ▶ Introduction of pre-notification requirements and full customs controls
- ▶ Introduction of health certification on imports of medium risk animal products, plants, plant products and high-risk food and feed of non-animal origin from the EU.

2. From 31 October 2024 (anticipated):

- ▶ Introduction of documentary and risk-based identity and physical checks on medium risk animal products, plants, plant products and high-risk food and feed of non-animal origin from the EU. It is important to note that the date for the start of physical checks in ports on the west coast of GB has yet to be confirmed, being ‘no earlier than’ the above date.³
- ▶ Requirement for safety and security declarations for imports into GB from the EU or other territories

Further to these milestones, Irish businesses that currently use the UK Landbridge to export or import goods from the rest of the EU must comply with the set of UK import controls that came into effect on 30 April 2024⁵. Please refer to page [40](#) for further details on these controls.

¹ <https://www.enterprise-ireland.com/en/supports/market-access>

² <https://www.gov.uk/guidance/moving-food-and-animal-feed-from-northern-ireland-to-great-britain-england-scotland-and-wales>

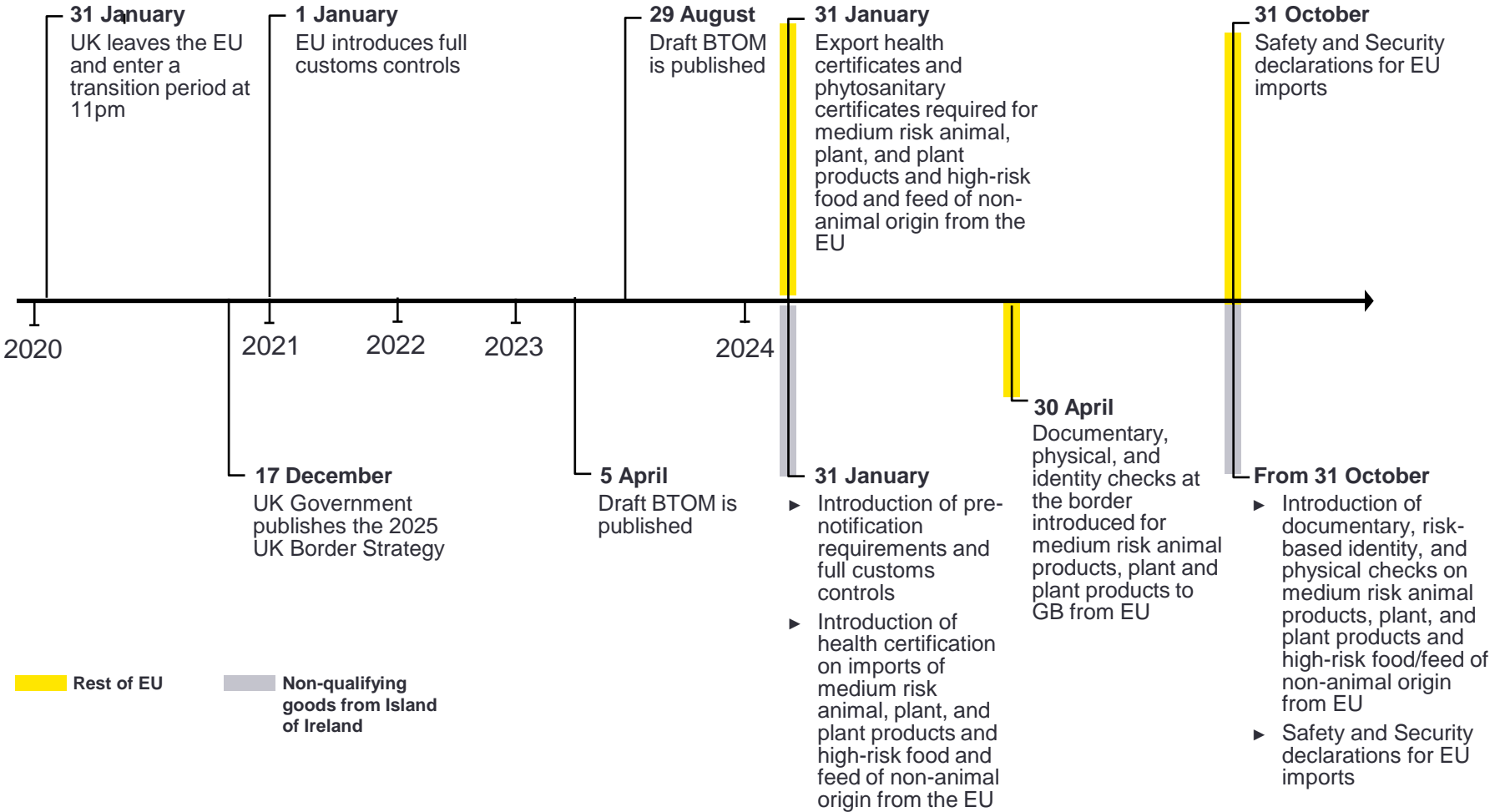
³ <https://www.gov.ie/en/publication/668a0-uk-import-controls-2023-the-border-target-operating-model-tom/>

⁴ <https://www.gov.ie/en/press-release/e134b-government-calls-on-all-irish-exporters-to-get-ready-for-new-uk-rules-from-31-january/>

⁵ [The Border Target Operating Model](#). (Please refer to page [#REF](#) of the same for further details on these controls)

The final implementation date for full checks on Irish goods entering GB under the Border Target Operating Model is yet to be confirmed

BTOM Timeline¹



¹ <https://www.gov.uk/government/publications/the-border-target-operating-model-august-2023#section-2>

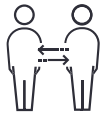
4

Stakeholder engagement insights



Stakeholder consultations were used to gather views and insights from across sectors, drawing on consultees with a broad-based coverage

Following a detailed stakeholder consultation process, a thematic assessment was conducted to identify the common topics that were reported across the discussions. The interviews focused on the evidenced and anticipated impact of the changing trade arrangements on the island of Ireland's SMEs, with a view to identifying the key challenges and opportunities this creates for firms selling (or considering selling) outside of their region. Details of the interviews and businesses covered are detailed below.



Interviews

14 organisations

15 stakeholder organisations were interviewed during this process. They provided a wide range of viewpoints on the changing nature of trade on the island of Ireland, from varying perspectives.



NI coverage

7,600+ businesses

Over 6,000 businesses in NI are represented by the Federation of Small Businesses (FSB), who also represent over 500,000 members across the UK as a whole¹. Over 200 are represented by Manufacturing Northern Ireland², and over 1,400 by the Northern Ireland Chamber of Commerce and Industry³. The Confederation of British Industry (CBI) represent over 170,000 businesses across the UK, including a large number in NI⁴.



IE coverage

7,500+ businesses

IBEC represent over 7,500 companies throughout Ireland⁵. The Irish Exporters Association (IEA) was also interviewed, who provide trader services (among other services) to a wide breadth of industries around Ireland⁶.



Government

4 Government Depts

Government departments from both Ireland and Northern Ireland were interviewed in this process, ensuring that insights from both NI and IE public sector stakeholders have been incorporated.

Consultation findings

In light of recent developments and changes to the trading landscape, stakeholders discussed the high levels of uncertainty for businesses selling outside their region or across the border. Addressing such uncertainty could lead to further increases in the level of cross-border trade, particularly for smaller firms who are less able to bear additional costs.

Despite this, consultees were positive about the opportunities presented by both the all-island market and with dual market access. Many view the all-island market as a settled trade route in times of uncertainty, with traders proving resilient even in heavily impacted sectors such as the dairy industry.

There is a need to clearly communicate the impact of the changing trade arrangements on firms, equipping them with the knowledge to communicate the dual market advantage. While there are many supports in place, consultees expressed the need for clarity of roles as the landscape can be overwhelming for businesses to navigate.

¹ <https://www.fsb.org.uk/>

² <https://www.manufacturingni.org/members/>

³ Information given in consultation

⁴ <https://www.cbi.org.uk/about-us/>

⁵ [About Ibec | Ibec - For Irish business \(ibec.ie\)](https://www.ibec.ie/)

⁶ <https://irishexporters.ie/about-us/>

The consultation process methodology identified priority stakeholder groupings, discussed their views and identified future focus areas

A semi-structured approach was taken to the consultations, recognising that each consultee has unique focus areas and exposure to business and policy dialogue in their respective sector and location. Depending on the consultee, the focus was sector-specific or broad-based in nature, with their remit influencing whether the NI Protocol, Windsor Framework or BTOM featured more heavily in discussions. Potential topics were provided in advance, which included the organisation's operating context and level of engagement with traders; evidenced and potential impacts of relevant trade developments; the efficacy and accessibility of the support landscape; challenges being encountered by businesses, and the opportunities that are emerging as a result of changing trade arrangements.

Prioritisation of stakeholder groupings

The approach to identifying stakeholders required prioritisation, alongside a recognition that individual businesses interactions would reflect their individual commercial objectives, geographical spread and supply chain structure. In light of this, representative bodies who engage with a wide variety of traders from a range of sizes and sectors were prioritised. It was important to incorporate views from stakeholders based in Ireland, Northern Ireland and the UK, given the relevance of both North-South and East-West trade developments. Overall, a broad-based range of views were incorporated in this consultation process. These are illustrated in Figure 10.

Incorporating the views of businesses on the island

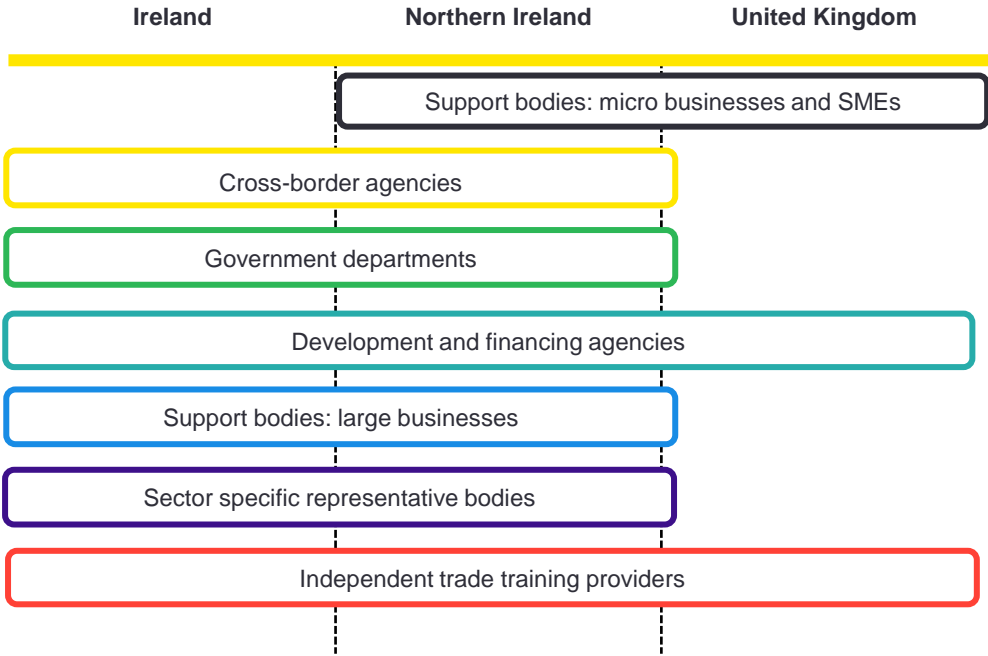
The consultation process was not limited to the workshops/one-to-one conversations. Personnel from the trade, data and research teams within InterTradeIreland were consulted. From these discussions, we were able to incorporate data from the Cross-Border Trade Hub, as well as time series insights from the Quarterly All-island Business Monitor (AIBM). The former platform had collated over 41,000 views in the ten months following inception in June 2023, whilst the AIBM comprises 750 telephone conversations with businesses every quarter. The dual process of primary engagement with stakeholder bodies as well as the findings of these real-time surveys and platforms has helped to ensure an objective view of the trade developments. This is particularly important in the context of a lack of uniformity in the impacts felt by businesses in different sectors, demographics and location.

Areas for future focus

If this consultation was revisited in the future, further groupings to consult would include the following, as well as follow-up engagement with the organisations already consulted as the implementation of the Windsor Framework and BTOM advances.

- ▶ Trade partners in GB, EU and third country markets
- ▶ International Investment Promotion Agencies (IPAs)
- ▶ Local and regional IPAs and development bodies
- ▶ Organisations closely involved with start-ups, such as accelerators and incubator programmes
- ▶ Additional sector-specific lobby groups for priority industries (see Recommendation 1)

Figure 10: Identification of stakeholders consulted in this phase



The findings from the consultation process were grouped into six key themes, with resilience and uncertainty being notable points raised consistently

1

The support landscape is broad-based but can be overwhelming

- ▶ Many of the supports were described positively, with InterTradeIreland's reputation and all-island network a feature of this. So too were InterTradeIreland's Trade Hub and the UK Trader Support Service mentioned as having assisted businesses in issues of practical difficulties.
- ▶ Despite this, there is a need for clearer assignment of roles within the support system. Centralised information resources would help businesses adapt to the new trade regulations.

2

The landscape in the second half of 2024 is dominated by uncertainty

- ▶ Ambiguity surrounds future regulations and policy, which could lead to changes in customs procedures, tariffs, and non-tariff barriers.
- ▶ Firms involved in buying and/or selling outside of their jurisdiction may reduce their exposure to cross-border trade to mitigate risks, given the prevailing uncertainty.
- ▶ Uncertainty is prompting businesses to seek more predictable trade routes and supply chains.

3

Implementation issues may be impacting East-West and North-South trade linkages

- ▶ The trade links between the island of Ireland and GB require attention to minimise the impacts of new arrangements on business operations, particularly as large elements of the Windsor Framework and Border Target Operating Model are yet to be implemented. Many businesses are reliant on these linkages, developed over decades.
- ▶ Potential disruptions to all-island trade due to regulatory divergence and operational issues such as apportionment, may increase costs and administrative burdens.

4

Non-tariff barriers to trade and other challenges are still impacting firms

- ▶ Businesses on the island of Ireland are not only grappling with immediate trade-related issues affecting margins and operations but also face uncertainty and complexity in future policy measures.
- ▶ Challenges that, if addressed could unlock future opportunities include potential for regulatory divergence, lack of dual recognition of qualifications, procurement restrictions, macroeconomic pressures, geopolitical uncertainty and changing visa requirements.

5

Despite the changing developments, traders on the island of Ireland are proving resilient

- ▶ The consultations highlighted the proactive steps taken by businesses in both NI and IE to preserve and grow cross-border linkages.
- ▶ Having operated with Brexit-related uncertainty since before the 2016 referendum, firms have learned to navigate this and adapt to changing requirements at short notice.
- ▶ Despite the uncertainty, businesses are anticipating growth opportunities in services, tourism, green technology, and digital industries.

6

Improved awareness of dual market access on the island and further afield, is required

- ▶ There is a lack of awareness regarding the implications of trade arrangements for NI firms, their cross-border partners and those further afield.
- ▶ Raising awareness of the advantages of dual market access could unlock large opportunities. As the implementation of the WF and BTOM advances, it will be important to turn attention towards communicating and unlocking these..

The stakeholder engagement identified that although the support landscape is broad-based, it can be overwhelming for businesses

While consultees reflected positively on the breadth of supports available to the island's traders, they were concerned it can prove overwhelming for those attempting to access resources, particularly first-time and early-stage exporters, who may know not where to begin. Care is needed to ensure support efforts are not duplicated, and that clear lines of communication exist to facilitate transmitting key messages to businesses (such as emerging developments or sector-specific clarifications). One stakeholder cited regulatory divergence and developments as an area requiring efficient channels of communication to transmit information to businesses.

Stakeholders have indicated that the wide range of programmes, initiatives, and organisations can be daunting, particularly for SMEs with limited time and resources to familiarise themselves with the “who's who” and their respective focus. A more streamlined and accessible approach to support services could better enable businesses to harness the assistance available to them. A central source for directing traders to the best supports would also be useful, for example.

Consultees spoke positively of many of the supports available, such as the Trader Support Service (TSS) and InterTradeIreland's Trade Hub. Several reported directing businesses to InterTradeIreland for assistance and recognised that its focus was on cross-border trade. The organisation was described as being approachable and having a rich all-island network of contacts to draw upon for the benefit of their clients. However, there was a lack of understanding regarding the intended role of certain organisations and supports, such as the recently announced InterTrade UK.

There was also a recognition that support bodies are constrained in their awareness raising efforts given a lack of forward guidance from the UK Government, particularly in areas requiring the cooperation of the devolved administrations. There must also be clear dialogue and collaboration between the devolved administrations, both on an intra-UK basis as well as with the Government of Ireland. A key example raised in consultations was that of the Border Control Posts (BCPs). Whilst the construction and operation of these is set out within the Windsor Framework as being key for the administration of internal and single market checks, there is a lack of clarity regarding their delivery, despite the impending implementation date. For example, any BCP at Holyhead port will require consensus from both the Welsh devolved administration and Westminster, which means ongoing logistical uncertainty for Irish exporters selling to GB ahead of BTOM checks being introduced (no earlier than Q4 2024).

“

The first priority is establishing better ways of working with government, including creating a forum for devolved administrations which brings businesses into policy development at an early stage.

NI Chamber Manifesto

“

...businesses don't know what they don't know. There is a huge role for education, in helping companies to understand what they need to do in their specific industry. When you engage on a one-to-one basis with companies, this is where they are saying they are struggling.”

A representative from a trade promotion agency

“

The ecosystem is very busy – a lot of different players are offering a lot of supports. When you access guides, the language is very difficult to understand. It needs to be more business friendly. The focus on issue-based information is also challenging, with micro businesses, first time and small-scale exporters, they will tend to realise issues retrospectively.

A representative from a trade promotion agency

Clarification regarding roles and responsibilities in the support system would be beneficial, with the NI Export Forum an example of progress that should be built upon

Many stakeholders felt that the supports best serve businesses already advanced in their exporting journey, who are comfortable with technical terminology and have a level of awareness sufficient to identify specific logistical problems. On the other hand, many businesses may be unaware that they are not conforming with new, emerging and/or recently introduced administrative requirements. This was cited across the range of business sizes; if firms are unaware that they are not fully compliant in certain areas, they will not be seeking support in these areas to begin with. There is an awareness raising role from public bodies in this regard, with a succinct check-list form (Trade Hub) being cited as a potentially useful addition to resources in some conversations.

Some expressed the opportunity for increased commercial focus in support measures in NI which were independent of policy priorities (particularly in light of the prevailing changing political environment in H2 2024). For example, many supports to date in NI have focussed on DfE's 10x priority clusters (which have now been replaced by the seven priority sectors) with the objective of furthering economic development and prosperity. Whilst this is required from a strategic perspective, many of the practical issues experienced by traders may not fall into pre-defined sectors or meet the eligibility requirements for participation in support programmes.

There is a recognition among stakeholders, which pre-dates this consultation, that action is required to clarify roles and responsibilities in the support system, and subsequently map these to guide businesses accessing services. To aid in such efforts, an NI Export Forum has recently been established, with a support mapping exercise underway.¹ Actions resulting from this, with the objective of clarification of roles in the ecosystem, has the potential to increase the efficiency of the support system. Consultees overall felt this was a positive step, but some cited the need for support bodies in Ireland (IE) to be included in this dialogue, and for it to be action-focussed.

It is also important for partnerships among these organisations to be strengthened; for example, consultation with InterTradeIreland trade managers highlighted the level of East-West trade queries received on the Trade Hub, initially called the Cross-border Trade Hub. InterTradeIreland has demonstrated pragmatism in expanding the scope to include NI businesses selling to or buying from GB. Given the importance of GB as a trade partner for the island of Ireland, it is important that the roles are clarified for dealing with such queries and that they are signposted to the relevant support bodies to deal with their queries (including the recently established InterTrade UK).

“

Placing a sectoral focus on supports can sometimes leave other sectors behind... Supports need to be dynamic and responsive to the changing needs of traders.

A representative from a trade support body

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The ecosystem is crowded and part of the problem is that there is a lack of understanding as to the context in which the ecosystem is operating. A bigger picture of where opportunities and challenges are is required. This would allow departments to articulate a positive, realistic message to businesses based on practical ways in which we can support them. There are plenty of businesses in Northern Ireland that have the capacity to export and don't. The first obvious and most accessible export market is Ireland – and we know that businesses who sell cross-border are more successful and more profitable than businesses who don't and are more likely to then go on to export elsewhere.

A representative from a government department

¹ <https://www.economy-ni.gov.uk/articles/northern-ireland-export-forum>

Stakeholders believe uncertainty will dominate the landscape during the second half of 2024

Consultees spoke openly about the prevailing uncertainty in 2024 and the negative impact this is having on business planning and growth. In 2024, more than half of the world's population will live through an election.¹ This is true for both the UK, with the snap call of a UK General Election, and Ireland, with local and European elections. It is possible the UK election outcome, with a Labour government coming into office, will impact trading arrangements further, potentially making changes to arrangements set out in the Windsor Framework and BTOM. Statistics from market research agency YouGov show Britain's future relationship with the EU is three times more important for Labour voters than for Conservatives.²

In addition to the uncertainty dominating the business operating context in Europe, traders buying from, selling to or with operations in Northern Ireland must deal with an additional layer of complexity. The first Democratic Consent Vote under the Stormont brake is set to occur in Q4 of 2024, with a subsequent vote to be repeated every four years.³ Furthermore, the consent principle in the Windsor Framework means that already complex areas (such as application in Northern Ireland of new EU regulations) will be subject to such a vote every time the need arises.

Consultees were concerned at the lack of guidance underpinning how this would actually work in practice; for example, if CBAM is subjected to a vote in Stormont and is rejected, the subsequent operational realities are unclear. On one hand, this would exclude NI exporters from selling products to the EU, thereby reducing the potential export markets for NI businesses. In particular, this could have significant implications for the preservation of all-island trade links, as any goods purchased from NI exporters may not be compliant with the relevant CBAM legislation. On the other hand, there may be potential for traders to prove compliance on a case-by-case basis. A third possibility, that is currently unclear, is that the UK CBAM will be sufficiently aligned with the EU's CBAM to allow for recognition of NI (and GB) traders' compliance under its terms.

There is prevailing concern that several implementation milestones under the Windsor Framework (such as the end of the parcels grace period⁴) and BTOM (such as the introduction of SPS checks on IE imports to GB) are set to occur during this time of uncertainty. While businesses are calling for clarity and stability to make informed decisions while they deal with economic challenges, and adjust to a changing trade landscape, the fluidity of the political and regulatory situation deters them from investing in preparatory measures.

Overall, consultees felt that the messaging from central government had been marred in uncertainty. Whilst the practical supports offered by organisations such as InterTradeIreland had been positively received, businesses have been constrained in their ability to plan strategically given the lack of foresight even into the short term.

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There is a consensus that the UK has not yet settled on its west coast border policy, with many stakeholders not expecting checks to be implemented until Spring 2025 at least. There is much uncertainty surrounding how checks on non-NI Qualifying Goods, originating in Ireland but moving to GB via NI ports, would be carried out. Likewise, there is no clarity on how NI Qualifying Goods moving to GB via Dublin port, would be exempted from physical checks.

A representative from the agri-food sector

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Businesses are in a constant state of uncertainty. Every time you think you have covered all of the issues, more emerge.

A representative from an NI government department

¹ <https://time.com/6550920/world-elections-2024/> Note that this article was written in December 2023, prior to the calling of a UK General Election

² <https://yougov.co.uk/politics/articles/49594-general-election-2024-what-are-the-most-important-issues-for-v> Which of the following will be the most important issues in deciding who you will vote for at the coming election? Please tick up to three. % The question was asked on 29-30 May 2024. 12% of Labour voters cited Britain's future relationship with the EU, compared with 4% of Conservative voters.

³ <https://www.niassembly.gov.uk/assembly-business/brexit-and-beyond/democratic-consent->

[mechanism/#:~:text=Assembly%20vote%20before%20the%20end%20of%202024&text=If%20the%20Assembly%20votes%20against,the%20necessary%20measures%20or%20alternatives.](#)

⁴ Since the time of the consultations, the parcels grace period was extended until the end of March 2025. Whilst this provides more time to prepare, this was announced at short notice by the UK Government (19th September 2024) for 30 September 2024) and there is still much uncertainty surrounding the final date for the ending of this grace period and the arrangements that will replace it.

Stakeholders believe implementation issues may be disrupting East-West and North-South trade linkages

The importance of maintaining the attractiveness of East-West and North-South trade links was a recurring theme in stakeholder discussions. Targeted interventions may be necessary to safeguard these routes, ensuring trade can continue to flow smoothly and that businesses on both sides of the border are not negatively impacted by the changing trade arrangements.

The concept of supply chain substitution (e.g. businesses who purchase from GB finding alternative suppliers on the island of Ireland) was discussed throughout consultations. Whilst this is a possible consequence of increasing complexities in East-West trade that could increase all-island trade linkages, this is not always possible – or desirable – in practice. Linkages between the island of Ireland (both for IE and NI) and GB have been fostered over decades, with trusted relationships built up over this time. It may not always be possible to find like-for-like replacements on the island, given capacity constraints, as well as the price impact of reducing the potential pool of suppliers. Retail and manufacturing were cited as sectors particularly reliant on NI-GB linkages and, consequently, vulnerable to any additional costs, administration or time delays associated with WF arrangements. IE-GB linkages were also seen as critical by various representatives from business bodies in Ireland.

A lack of proportionality in compliance demands was also raised, with the impact on micro traders and smaller SMEs particularly pronounced. Some consultees felt that this had led to some firms focussing solely on the domestic market, particularly those with a relatively small portion of cross-border sales/exports. Consultees also felt that there was a divergence on the intended impact and practical realities of certain schemes or easements intended to alleviate cost and compliance burdens on traders. For example, the Duty Reimbursement Scheme was reported by several consultees as being difficult to avail of by even the largest businesses, due to a lack of transparency in the application process, uncertainty regarding the outcome and amount of supporting evidence required. Where small amounts of duty claims are concerned, the resources required to complete this process may not be worthwhile from a cost-benefit perspective. This could have the consequence of making GB purchases unattractive to NI businesses, or of forcing smaller traders to absorb unclaimed costs. The end of the grace period on parcel movements was also cited as being a 'cliff edge' for traders, following repeated extensions.¹

Potential disruptions to all-island trade were cited, such as potential regulatory divergence (and caution resulting from this uncertainty), as well as the issue of apportionment. The latter raises the comparative cost for businesses in NI of selling a portion of their goods onwards to Ireland, as this would fall under the increased cost and administrative burden of the red lane. In addition, smaller businesses are more likely to use outsourced haulage services, rather than an in-house dedicated consignment. The solutions to apportionment require significant preparation on behalf of the business, such as the requirements of the Trusted Trader Scheme. The propensity of smaller firms to rely on outsourced logistics providers also makes them vulnerable to cost increases and time delays.

“

Small artisan suppliers don't know what's going on and have given up on exports and are focusing on the single market. Other businesses have taken steps to mitigate potential risks, such as rerouting transport routes around the GB land bridge. Since they don't know what's ahead or what the impact of delays would be, they are cutting ties to avoid these risks. While BTOM is still being phased in, members have already taken these steps.

A representative from the agri-food industry

“

Businesses of all sizes need greater support to access international markets. As well as a series of practical supports, there is a need for government to work with business to tackle near market red tape in trade with Great Britain, Ireland and Europe.

Northern Ireland Chamber Manifesto

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As the NI Protocol was never fully implemented, we have not yet experienced the sting of anticipated elements... Grace periods coming to an end is a cliff edge; ideally, they would have been permanent.

A representative from the manufacturing sector

¹. Since the time of the consultations, the parcels grace period was extended until the end of March 2025. Whilst this provides more time to prepare, this was announced at short notice by the UK Government (19th September 2024) for 30 September 2024) and there is still much uncertainty surrounding the final date for the ending of this grace period and the arrangements that will replace it.

Stakeholders cited non-tariff barriers to trade and other challenges as still impacting businesses, in addition to the changing trade arrangements

Whilst changing trade developments are impacting the island's businesses, they are not the only set of challenges to contend with. Next to issues impacting current margins and operational viability, the uncertainty and complexity surrounding future policy measures is pushing strategic trade planning further down firms' agendas.

Consultations did not solely focus on trade, but also understanding the context that the island of Ireland's traders are navigating. One consultee cited that, as Brexit preparation and implementation was now well into its eighth year, businesses were fatigued with specific issues related to trade and were focussing on the 'here and now' and short-term financial viability. When invited to outline businesses' priorities, many cited a lack of appropriate skills and staff as being at the forefront of concerns. This is made more difficult by the decreased labour pool following the cessation of freedom of movement, but is not the only factor; for example, the rising real wage bill is impacting traders both North and South, whilst the persistently high economic inactivity in NI is a headwind for businesses seeking to recruit the appropriate skills or expand their headcount there.

Given the lack of time and resources firms can devote to Brexit-related issues (which tends to decrease as firm size decreases), this further highlights the need for a clear, easily accessible support landscape with user friendly platforms. It also illustrates why the anecdotal complexities of schemes designed to help businesses, such as the Duty Reimbursement Scheme, are of particular concern.

Similarly, the ending of 'grace periods' in relation to business-to-business parcels was described as a substantial barrier to East-West trade in several conversations. The increased compliance burden signalled by such trade developments could exacerbate the skills shortages and rising wage costs faced by businesses throughout NI and Ireland. This would be particularly challenging for smaller firms, who are less likely to have the in-house skills required and workforce capacity to focus on these issues.

In addition, given the potential of the all-island market to grow if opportunities from the Windsor Framework are understood and harnessed, it is noteworthy that some consultees highlighted the presence of non-tariff barriers for businesses engaged in cross-border trade. Examples of these barriers include regulatory divergence (or the perceived potential for this); the lack of recognition of UK qualifications in Ireland; public procurement restrictions in Ireland, lack of awareness surrounding procurement processes; bureaucracy surrounding business red-tape; the post-Brexit divergence in visa requirements and freedom of movement for EU workers in NI, and a lack of awareness of the opportunities in NI. These barriers are to varying degrees independent of any one trade agreement but may be preventing all-island trade from reaching its full potential. These issues therefore also deserve the attention of support bodies as they seek to equip businesses to unlock future growth by facilitating smoother trade.

“

Non-tariff barriers are impacting all-island trade. A lack of awareness surrounding procurement processes, a lack of recognition of UK qualifications, and bureaucratic hurdles regarding company registrations in Ireland all play a role.

A representative from the manufacturing sector

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The overriding sentiment is one of fatigue: increased costs, taxes, a struggle to access skills, and a lack of stability in NI are all factors impacting traders.

A representative from an NI business body

“

Members are dealing with practical concerns. Skills and people are among their biggest issues, with the increase to the minimum wage at the turn of the financial year. Whilst energy costs may be moving down the agenda, persistently high interest rates and high cost of borrowing, as well as increasing overheads, are still big issues.

A representative from an NI business body

Despite the changing developments, traders on the island of Ireland are proving resilient

Despite the challenges posed by Brexit and its aftermath, traders on the island of Ireland have demonstrated a notable resilience. Adapting to new regulations, finding alternative supply chains where possible, factoring in uncertainty to their business planning and adopting a pragmatic approach to risk are just some of the ways businesses have shown their capacity to withstand and adjust to significant changes in their trading environment.

One consultee described the all-island market as being viewed as settled and relatively low-risk by businesses at a time of prevailing uncertainty (particularly with regard to the remaining Windsor Framework checks and the lack of certainty regarding the operational details and timing on BTOM West Coast port checks). There was optimism regarding future opportunities, particularly in the areas of services, tourism and hospitality, green technology, renewables and digital industries. Services in particular benefit from being (currently) relatively unaffected by trade developments, offering more certainty to all-island businesses.

The resilience and positive outlook of businesses both North and South was discussed. Businesses in NI have benefitted from a lengthy period of preparation for the NI Protocol and subsequently the Windsor Framework. As such, it was felt that they were comparatively well prepared for future trade developments compared with counterparts in GB who are now having to adjust to requirements under BTOM (GB businesses buying from Ireland will not be fully exposed to these until 31 October 2024, at the very earliest).

For businesses in Ireland, consultees on the whole reported on a 'business as usual' approach to all-island trade, with these businesses also benefitting from unfettered access to EU trading partners. Many had taken mitigating steps to future proof against potential uncertainty represented by GB trade links or use of the GB land bridge. Even in the more heavily impacted sectors, such as agri-food, the all-island trade flows have grown since the Brexit referendum despite the negative headlines and uncertainty businesses faced. Consultees spoke of cross-border engagement with their counterpart bodies in the North/South as they seek to find ways to support their respective industries to the best of their ability.

Several supports were mentioned as being impactful to traders during this Brexit journey. The Trader Support Service was referenced by several consultees, as well as InterTradelreland's Trade Hub and Brexit Voucher Scheme. Businesses have engaged with support bodies and initiatives available to them to navigate the known challenges. Where there is a lack of clarity regarding future arrangements, they have approached this pragmatically, attempting to minimise the sunk costs of preparation and either adopting a wait and see approach or future proofing where possible.

Several such areas of known uncertainties were detailed in the consultations; as such, support bodies are aware of them. This illustrates the limitations placed on the supports these agencies can provide; the onus is on overarching policy stakeholders and central government to provide guidance and clarity, with longer lead times, to enable businesses to prepare and the support agencies to carry out their roles efficiently.

“

The dairy industry on the island of Ireland is booming... there are other factors at play in the world that are making businesses focus on the all-island economy, not just the Windsor Framework.

A representative from the agri-food industry

“

We are seeing big demand for funds for global tourism including the hospitality supply chain. There is a clear perceived opportunity there. Green products and green tech within the construction industry are also noteworthy growth areas, as are services and tech-based industries looking to globalise their business

A representative from a UK investment fund

“

One of the best supports from InterTradelreland was to give out vouchers to get consultants to come into their business to talk about either how to cut costs, how to get through COVID or how to improve trading, because you are getting a free expert into their business to get practical support.

A representative from a business lobby group

Stakeholders made practical suggestions as to how this awareness raising might be fostered, including a toolkit of language tailored to impacted sectors

Consultees representing a range of sectors and business size reported that awareness of the practical details and implications of trade frameworks, particularly in relation to NI's dual market access, is lacking. It is difficult to harness opportunities if even businesses on the island of Ireland cannot communicate the advantages conferred on them by this.

There is a consensus among stakeholders that raising awareness of Northern Ireland's unique position post-Brexit is essential to unlocking further trade opportunities. NI's dual access to the UK and EU markets presents a distinctive advantage that, if effectively communicated and leveraged, could attract investment and enhance trade partnerships both on the island and internationally.

This lack of awareness is apparent among NI businesses, whose efforts to date have broadly been focussed on dealing with the emerging requirements placed on them by the NI Protocol and Windsor Framework. Several stakeholders communicated the lack of commercial understanding among NI businesses that would be necessary for NI traders to approach cross-border and prospective European Union trading partners and 'sell' the competitive advantage conferred on them by the trading arrangements. There is an accompanying lack of awareness in Ireland regarding the market opportunities in NI, compared with the comparative ease of accessing EU markets. This is perhaps owing to the reactive/piecemeal nature of developments to date, with much of the support and publicity focussing on mitigating the challenges. On both sides of the border, consultees felt that improving awareness would unlock significant opportunities.

The small market size of NI was also highlighted by several stakeholders; this is a larger challenge for preserving and growing EU and international trade links with NI rather than the all-island market. This will compound any perceived difficulties in doing business with the region, which could deter prospective partners. As EU nations are unlikely to devote significant resources to increasing awareness of NI's dual market position, the onus is on UK and NI stakeholders to equip businesses with the acumen required to sell their competitive advantage to prospective trading partners.

Several stakeholders suggested that a practical toolkit to promote NI's dual market status would lead to increased confidence among NI businesses. Ideally, this could be tailored by industry representative bodies who have a close working knowledge of the sectoral implications of trading arrangements for NI firms. Indeed, one stakeholder reported engaging with members to guide the language being used in business development efforts when approaching prospective buyers overseas. Case studies of the evidenced comparative advantage conferred by NI's dual market position would also help to increase firms' awareness of this advantage (and how best to approach and navigate it).

“

Getting businesses involved with supports can be a challenge – they only engage when they see actual impacts on their business. They are adopting a wait and see approach.

A representative from the agri-food sector

“

Businesses in Ireland are asking questions about trade with GB, rather than NI, when accessing supports. Either they are comfortable with the arrangements and are continuing with business as usual, or they see fewer opportunities in NI than in the EU nations which they have unfettered access to. Looking at the all-island market, the alternative trade options available to businesses in the South are much more open and easy to understand than they are in the North.

A representative from a government department

“

There is a lack of awareness surrounding the ease of dual market access for NI businesses among businesses in Europe, including Ireland.

A representative from a trade promotion agency

5

International landscape

Benchmark identification and approach	56
Analysis of international benchmarks	60
Reflecting on the international benchmarking	72

An international mapping was undertaken that followed five key steps

The trade arrangements as set out in the Windsor Framework, attempt to address the unique circumstances and challenges on the island of Ireland and Northern Ireland's integral place in the United Kingdom's Internal Market. Navigating these new arrangements since the UK left the EU has presented both challenges and opportunities for businesses. Adding to this complexity is NI's special trade relationship with Ireland, and the integrated nature of GB in both the import and export landscape on both sides of the border. As such, the introduction of BTOM is particularly significant for the island of Ireland, concerning movements into the West Coast ports of GB. This benchmarking assesses how other nations or territories' complex trading arrangements with the EU compares with the NI-GB-IE trade relationship, identifies international best practice facilitating trade within the remit of such constraints, and considers how these practices could be applied in the context of the island of Ireland.

INTERNATIONAL BENCHMARKING METHODOLOGY

1 Definition of benchmarking scenarios

Based on a high-level review of challenges faced by traders and regulatory trade requirements, two distinct benchmarking scenarios have been established:

- ▶ **Scenario 1** – trade between NI and IE, defined as a complex trade relationship with the EU
- ▶ **Scenario 2** – trade between NI and GB, defined as a complex domestic trade relationship

2 Definition of international comparators

For each scenario identified in Step 1; suitable international comparators were determined, using parameters such as complexity in trading relationships, diversity in trade sectors and geographic location. This helps to ensure relevance of best practice for the island of Ireland.

3 Definition of benchmarking parameters

For each scenario identified in Step 1; key indicators were defined, alongside parameters to analysis for each of the comparators.

4 Analysis of international comparators

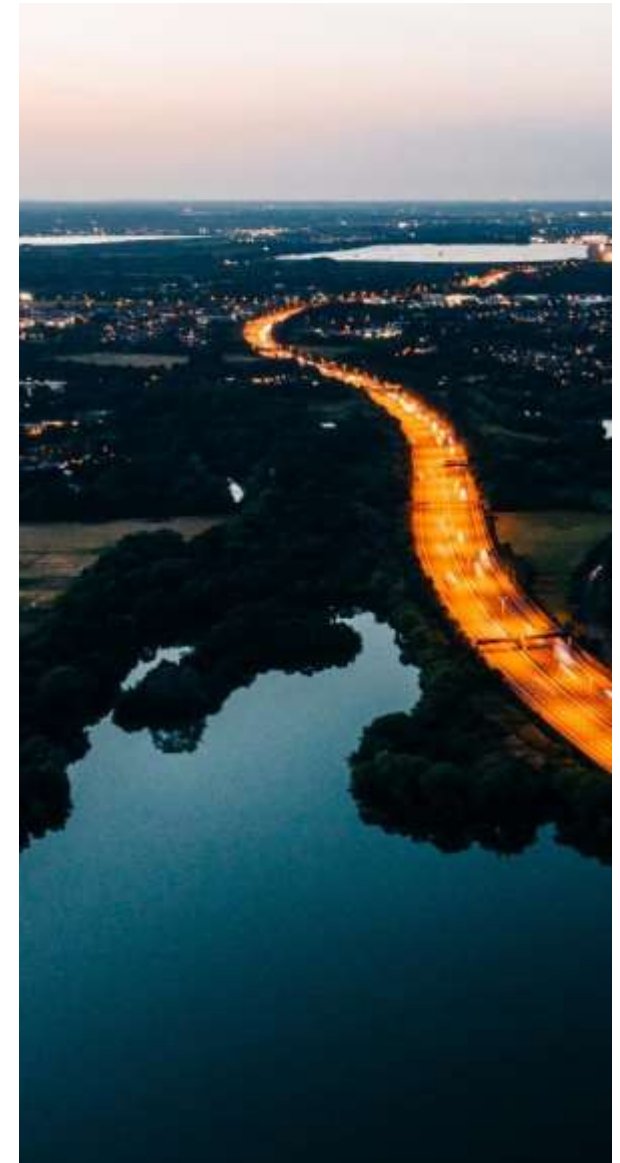
Analysis of international comparators (defined in Step 2) in line with the parameters identified in Step 3, focussing on their trade strategy, adaption to trading conditions and a changing regulatory environment.

5 Comparison of findings and identification of best practice

Assessment and comparison of findings derived in Step 4 and identification of international best practice.

Across steps 1 – 5 – Evaluation of Applicability for the island of Ireland

Assessment of the applicability of international best practice and comparators' approach to trade to the island of Ireland.



5.1

Benchmark identification and approach

Step 1 defined the benchmarking scenarios, these being a complex trade relationship with the EU and a complex domestic trade relationship

Since the UK's exit from the EU, the trade relationship between NI and IE is distinct from that between NI and GB. Traders operating on an all-island basis are subject to different regulatory requirements than those operating solely within the internal market. Cross-border traders on the island of Ireland are effectively trading between the UK and the EU in certain respects, such as where the goods are not QNIGs or where there is a level of regulatory divergence. Similarly, NI-GB traders may be subject to the regulatory divergences within the domestic jurisdiction of the UK Single Market in areas where NI diverges from GB. To effectively benchmark the trade relationship between NI, IE and GB, suitable international comparisons should reflect a similar complex relationship to either the EU or within its domestic jurisdiction.

SCENARIO 1 – TRADE BETWEEN NI AND IE: A COMPLEX TRADE RELATIONSHIP WITH THE EU INFLUENCED BY NUANCED CONTEXTUAL FACTORS

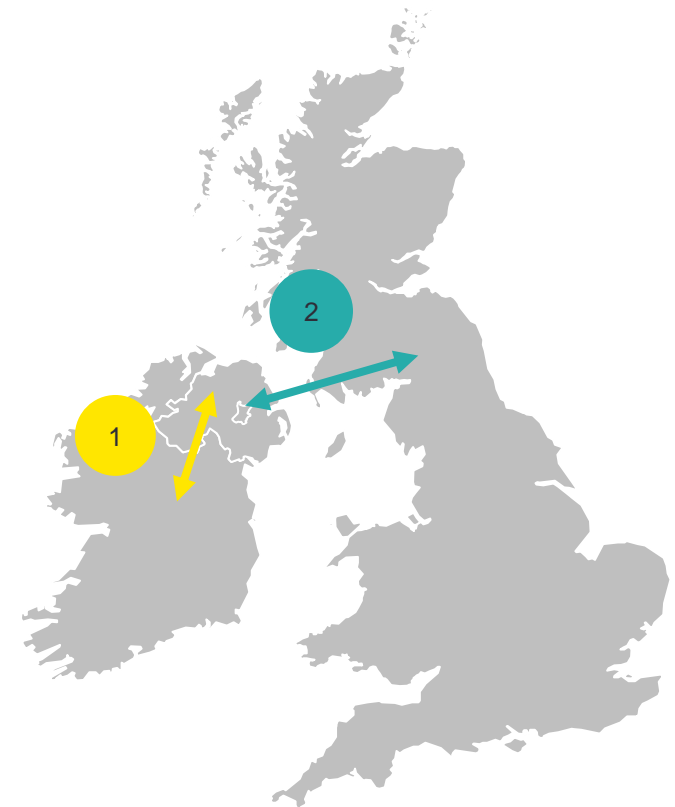
The trade relationship between NI and IE operates under the NI Protocol, with adjustments made by the subsequent Windsor Framework. This signals both the EU and UK's recognition of the special trade relationship on the island of Ireland, and the benefits of unfettered access. This allows NI to apply certain rules of the EU Single Market and customs arrangements for goods, facilitating a smoother trade flow with Ireland. Traders must comply with EU regulatory compliance requirements, cross-border supply chain fluidity and additional administrative costs.

The benchmarking exercise in the context of Scenario 1 will assess international comparators with complex relationships with the EU and the approaches taken by these comparators to help businesses navigate the regulatory complexity stemming from this relationship.

SCENARIO 2 – TRADE BETWEEN NI AND GB: A COMPLEX DOMESTIC TRADE RELATIONSHIP

Traders making external sales between NI and GB are impacted by the same Windsor Framework principles, however this sets out different trade dynamics and regulatory requirements within the sovereignty and Internal Market of the UK. While NI is part of the UK customs territory, checks and controls on certain goods entering NI from GB are necessitated to ensure the integrity of the EU Single Market. These checks and controls introduce an additional layer of complexity for traders who must be cognisant of additional costs and potential delays impacting their competitiveness in the internal market. Where a portion of purchases from GB are then sold onwards to Ireland, this also falls within the 'at risk' or red lane administrative compliance requirements.

The benchmarking in the context of Scenario 2 will assess international comparators with complex regulatory relationships within their domestic jurisdiction and their approach to navigating and helping businesses comply with such complexities and practical challenges.



Step 2 involved the identification of international comparators

Within the context of the complexity of the trade environment for traders operating between GB, NI and Ireland, the diversity in trade sectors and the geographic location of the island of Ireland, the below international comparators have been identified for each of the scenarios set out in the preceding section.

	Gibraltar	Greenland	Switzerland	Turkey
Rationale and applicability to the island of Ireland	Gibraltar is a British Overseas Territory with a land border with the EU. As such, it can provide reflections for both NI and Ireland in navigating changes in trade regulations and cross-border dynamics, particularly given the land border shared with the EU (Spain) and the cross-border nature of worker flows.	Greenland is an autonomous territory within the Kingdom of Denmark and is one of the EU's Overseas Countries Territories (OCT). Having an associated relationship with the EU, Greenland illustrates how Northern Ireland might balance its economic ties with the EU and the UK.	Switzerland is a member of the European Free Trade Association (EFTA). Its relationship with the EU is governed by a series of bilateral agreements which have allowed for a partial degree of economic integration with the EU, providing a model for Northern Ireland to maintain trade ties with both the EU and the UK.	Turkey's Customs Union with the EU demonstrates how a non-EU country's traders can participate in the EU market while still meeting the necessary product standards. It may also shed light on how stakeholders from both Ireland and Northern Ireland might approach potential regulatory divergence.
Scenario (see Step 1)	1 & 2	1 & 2	1	1

Overview of comparators' trade frameworks

Relationship to the EU	Not part of the EU; relationship dependent on UK-EU relationship post-Brexit	Has been outside the EU since 1985 but associated via the Overseas Association Decision	Not an EU member, but has extensive bilateral agreements with the EU	Is in a customs union with EU for industrial goods, but is not an EU member
Trade policy	Relies on the UK for negotiation and agreement of international treaties. Decides whether or not to accept the extension of UK trade policy to the territory	Yes, Denmark handles defence and foreign policy however Greenland has home rule	Independent, unilaterally applies Single Market principles where no existing Swiss law exists	Faces practical restrictions on ability to negotiate Free Trade Agreements where the EU has not negotiated one
Impacted by relationship to sovereign state	Yes, British Overseas Territory with a border with Spain/EU	Yes, part of the Kingdom of Denmark	No, but deeply integrated economically with EFTA/EU	No, but acts independently from the EU and EU accession is currently paused.
Learnings for the island of Ireland	Management of business expectations over prolonged periods of uncertainty	Tailored approach; good EU relationship despite exit	Best practice in the provision of business supports	The advocacy and vigilance required to shape regulatory direction

Step 3 defined benchmarking parameters, including specific SPS arrangements and regulatory requirements

To carry out a benchmarking assessment, it is essential to define specific parameters that will be used to evaluate and compare the approaches to trade policy and supports taken by international comparators. The aim is to identify best practice on a global scale and offer practical recommendations that will assist traders in adapting to the evolving trade environment across the island of Ireland. To this end, the following parameters have been established:



For Scenario 1 – evaluating a jurisdiction’s complex trade relationship with the EU and across borders- the assessment will focus on:

- ▶ The nature of the comparator’s trade relationship with the EU, including the legal foundation of the jurisdiction’s trade relationship with and to the EU.
- ▶ Any specific regulatory requirements that traders must adhere to when moving goods and services between the comparator and the EU.
- ▶ Any specific requirements that apply to the trade of sanitary and phytosanitary (SPS) goods.
- ▶ The comparator’s strategy regarding trade policy and their access to Free Trade Agreements (FTAs).
- ▶ The type of operational support that governments provide to businesses engaged in trade, especially those trading with the EU.
- ▶ Any significant changes that have occurred within the comparator’s trade environment in the **past five years**.

For Scenario 2 – evaluating a jurisdiction’s complex trade relationship with its sovereign state - the assessment will include:

- ▶ The comparator’s relationship with the sovereign state, including the legal basis underpinning this trade relationship.
- ▶ The regulatory requirements for traders moving goods and services between the comparator and other territories of the sovereign state.
- ▶ The specific requirements for sanitary and phytosanitary (SPS) goods within this context.
- ▶ The operational support that the government provides to businesses trading, particularly with the sovereign state.


By analysing these parameters, the assessment will shed light on the trade practices of international comparators and support the development of strategies to enhance trade for businesses operating across the Island of Ireland. For each benchmark, a summary of key metrics is provided, such as the value of exports and export intensity (exports as a share of total economic output). Key elements of the operational landscape are also considered across the benchmarks, these being:





- ▶ **Participation in the EU Customs Window:** the integration of a country’s customs processes with the EU’s centralised customs platform.
- ▶ **Single Trade Window:** a facility that allows traders to submit regulatory documents at a single location, typically electronic, to fulfil all import, export, and transit-related regulatory requirements.
- ▶ **Authorised Economic Operator Programme:** an international trade facilitation measure that certifies businesses as reliable and secure trading partners, granting them privileges such as simplified customs procedures and fewer inspections.

5.2

Analysis of international benchmarks

Step 4 analysed the selected benchmarks and their trade arrangements in detail, including key macroeconomic indicators, regulatory and SPS arrangements



	 Gibraltar	 Greenland	 Switzerland	 Turkey
Relationship with EU (and domestic country if applicable)	Not an EU member; British Overseas Territory of the UK	Not an EU member; associated with EU through OCT status through Denmark	Not an EU member; many bilateral agreements held with EU	Not an EU member; key strategic partner; accession negotiations stalled
Population	0.03 million	0.05 million	8.88 million	87.24 million
GDP	\$2.46 billion	\$3.24 billion	\$938.46 billion	\$1,119 billion
Total exports	\$0.41 billion	\$1.49 billion	\$402 billion	\$262 billion
Export intensity¹	17%	46%	43%	24%
Top export sectors	<ol style="list-style-type: none"> 1. Refined and crude petroleum (77.4%) 2. Transport (10.6%) 3. Machinery (0.83%) 	<ol style="list-style-type: none"> 1. Animal products (80.5%) 2. Foodstuffs (17.4%) 3. Precious metals (0.6%) 	<ol style="list-style-type: none"> 1. Chemical products (33.3%) 2. Precious stones, metals & pearls (29.9%) 3. Instruments (11.4%) 	<ol style="list-style-type: none"> 1. Metals (14.8%) 2. Machinery (14.5%) 3. Textiles (14.0%)
Key support bodies	Gibraltar Chamber of Commerce; Cross Frontier Group	Greenland Business Association	Switzerland Global Enterprise; economiesuisse	Turkey Exporters Assembly

¹ Export intensity is here defined as total exports as a proportion of total GDP and has been calculated as such.

Gibraltar: a British Overseas Territory with an EU land border

Gibraltar is a British Overseas Territory of the UK. Whilst not an EU member, Gibraltar shares a land border with Spain and has a strategic position at the entrance to the Mediterranean Sea. Gibraltar's unique market access and post-Brexit adjustments can provide reflections for Northern Ireland in navigating changes in trade regulations and cross-border dynamics with the EU, particularly in light of the land border it shares with Spain.

Scenario 1 – Gibraltar's relationship to the EU

Legal basis of trade relationship with the EU

- ▶ Whilst there is no trade agreement currently in place between the EU and Gibraltar, negotiations are ongoing for a UK-EU Agreement in respect of Gibraltar.
- ▶ The basis of Gibraltar's trade relationship with the EU historically centred on Gibraltar's status as a British Overseas Territory, but Gibraltar has never been part of the EU Customs Union or the Common Agricultural Policy; this was applicable even when the UK and Gibraltar were in the EU, with more checks on goods moving over the Spanish-Gibraltar border, and Gibraltar's ability to set lower taxes on its imports and exports. However, whilst the UK was part of the EU, Gibraltar was also part of the EU and participated in the EU single market. 96% of Gibraltarians voted to remain in the EU in the UK's EU referendum.
- ▶ Gibraltar is not part of the Schengen area.
- ▶ Gibraltar was not included in the EU-UK Trade and Cooperation Agreement (TCA) and so the EU and Gibraltar are currently working on ad-hoc arrangements whilst awaiting the potential UK-EU Agreement in Respect of Gibraltar.

Approach to trade policy and access to FTAs

- ▶ Gibraltar has historically been linked to the UK's trade policy due to its status as a British Overseas Territory.
- ▶ When the UK negotiates FTAs with other countries, it can include provisions that extend the benefits of these agreements to its Overseas Territories, including Gibraltar. For example, all provisions of the UK-Switzerland FTA apply to Gibraltar.

SPS requirements

- ▶ Special certificates are required when importing products from the EU into Gibraltar. For animal products intended for human consumption:
 - ▶ The Trade Control and Expert System (TRACES)¹ should be used when supplying animal products intended for human consumption to Gibraltar. Imports from the EU or European Free Trade Association (EFTA) Member States may be eligible for facilitated customs procedures.
 - ▶ Phytosanitary and veterinary certificates for animal products issued by the EU are recognised in Gibraltar if they contain all information required by the authorities.

KEY STATISTICS

- ▶ **Population:** 0.03 million
- ▶ **GDP:** \$2.46 billion
- ▶ **Total exports:** \$0.41 billion
- ▶ **Export intensity:** 17%
- ▶ **Top export sectors:** Refined and crude petroleum (77.4%); Transport (10.6%); Machinery (0.83%)
- ▶ **Key support bodies:** Gibraltar Chamber of Commerce; Cross Frontier Group

Participation in EU Customs Union	Single Trade Window	Authorised Economic Operator programme
No	No	No

¹ https://ec.europa.eu/food/animals/traces_en

Gibraltar: the government of Gibraltar publishes comprehensive guidance for its businesses, with no tailored information available on [gov.uk](https://www.gov.uk)

Operational support provided to businesses

- ▶ Gibraltar does not have a specific SME or business support hub for traders.
- ▶ Gibraltar's government publishes comprehensive guidance on the jurisdiction's trade relationship with the UK and the EU, including guidance¹ for its citizens in the event of a non-negotiated outcome regarding the EU.
- ▶ Comprehensive business guidance² available to help prepare and scenario-plan for the future Gibraltar-EU relationship. As no progress has since been made, most guidelines were published between 2020 and 2022.
- ▶ The Cross Frontier Group (CFG), composed of business and labour organisations, including the Gibraltar Federation of Small Businesses, in Gibraltar and Spain worked with the governments to prepare Brexit plans.

Recent developments/changes to trade environment

- ▶ On 16 May 2024, a joint statement was released by the UK, European Commission, Spain and Gibraltar on the progress of a UK-EU Agreement in respect of Gibraltar.
- ▶ The aim is for the agreement to allow free circulation of goods and free movement of people between Gibraltar and Spain.
- ▶ Under the proposed deal, Gibraltar's airport would be an external border of the EU and the current land border would become an open border. Currently, the Gibraltar-Spain border is an external Schengen border.
- ▶ If the open border comes into place, Gibraltar may have to align with certain EU single market rules as a result.
- ▶ The primary concern surrounding the fluidity of the Gibraltar-Spain border is the movement of people. Approximately 15,000 people cross the border each day, **predominantly for work**, and there are concerns around the length of time that commuters will face at the border. It is hoped that automated systems and biometric technology could reduce waiting times.

Scenario 2 – Gibraltar's relationship to the UK

Trade relationship between Gibraltar and UK

- ▶ Gibraltar's position as a British Overseas Territory is defined by Article X of the Treaty of Utrecht. The Gibraltar Constitution Order 2006 modernised the UK-Gibraltar relationship.
- ▶ Gibraltar has held several referenda (1967, 2002, 2006), asking citizens their preferences on Spanish or British sovereignty.
- ▶ Throughout the Brexit discussions, the UK and Gibraltar actively engaged in the context of the UK-Gibraltar Joint Ministerial Council.
- ▶ Gibraltar is treated as a separate entity to the UK for customs purposes and customs declarations are required for trade between the UK and Gibraltar.
- ▶ Goods imported into Gibraltar from the UK are treated as goods originating in a third country.

Other specific trade requirements between Gibraltar and the UK

- ▶ As Gibraltar is treated as a third country to the UK for customs purposes, Gibraltar must comply with the UK's SPS requirements for non-EU countries.
- ▶ As the UK implements the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), only specified ports can be used for the import or export of CITES specimens – Gibraltar is not included as a UK-designated port for CITES trade.

Operational support provided to trade between Gibraltar and the UK

- ▶ While Gibraltar's government provides comprehensive guidance on Brexit, the information is not distinctly split between UK and EU trader support.
- ▶ The UK Government does not provide clear guidance for traders via [gov.uk](https://www.gov.uk).
- ▶ The Gibraltar Financial Services Commission provides guidance to Gibraltarian businesses trading with the UK and the EU post-Brexit.

^{1,2} <https://www.gibraltar.gov.gi/brexit>

Gibraltar's businesses have had to navigate persistent uncertainty and engage closely with their support bodies and policy stakeholders during this period

	Key insights	Consideration for InterTradelreland and related support bodies
Continuous and ongoing uncertainty	Gibraltar's position between the UK and the EU post-Brexit is largely unresolved. While parties are looking to forge a deal soon, discussions have been ongoing for years, and businesses have been subject to long-term uncertainty.	As Brexit has created complicated relationships between a range of jurisdictions with many issues unresolved for substantial periods of time, InterTradelreland should manage business and stakeholder expectations and support them in preparing for persistent uncertainty and disruptions to their operations. The trade agreements should not be communicated or viewed as final solutions, but rather focus should be placed on navigating uncertainty and focusing on resilience.
Tailored solutions	Gibraltar's unique position required bespoke arrangements with the EU to ensure fluidity at its border with Spain. A potential new deal tailored to the jurisdiction is expected to alleviate traders and travellers' concerns, facilitating a smooth border crossing.	InterTradelreland and related support agencies should increase engagement with governments and working groups to advocate for continued tailored solutions for priority areas identified (as discussed in the Recommendations), addressing the specific needs of cross-border trade on the island of Ireland.
Government to Government (G2G) engagement and cooperation	Gibraltar has maintained open lines of communication and worked to ensure its interests are well-represented during Brexit discussions, including the agreement of a political framework with Spain, the UK and the EU in December 2020 and in the context of the UK-Gibraltar Joint Ministerial Council.	Effective dialogues between Northern Ireland, Ireland and GB will be essential for the island of Ireland to advocate for its interests, ensuring that the unique, complex challenges the Irish border faces are not overlooked in further discussions.
Stakeholder and business engagement	Gibraltar worked closely with its stakeholders and businesses, conducting extensive campaigns and flagged the risks of Brexit early on; its extensive contingency planning for various Brexit outcomes, including a no-deal scenario, highlights the importance of supporting businesses with relevant information to prepare for all eventualities.	Close engagement with businesses, stakeholders and relevant groups, combined with clear messaging and campaigning as well as sector specific scenario planning helps to ensure businesses' resilience in the face of trade disruptions and in shaping the direction of policy making.
Representation of shared interests	During Brexit, the EU's unified negotiation stance, particularly in protecting the interests of member states most affected by Brexit, demonstrated the strength of negotiating as a bloc. The UK's approach did not result in an even outcome for its constituent nations and territories (reflected in the requirements for adjustments to the NI Protocol, for example).	InterTradelreland should work closely with the Government of Ireland, the UK Government and the NI Executive to ensure IE and NI business interests are represented in trade policy developments, particularly those of micro firms and SMEs.
Latest information and scenario-planning	Throughout Brexit negotiations, the Gibraltar Government provided up to date, comprehensive guidance for businesses on how to scenario plan and navigate potential outcomes.	InterTradelreland should ensure that information provided is up-to-date, even if potential policy issues have not been resolved. It can help stakeholders and firms to be kept abreast of the latest state of play, provide indicative timelines on next steps and help businesses prepare for both upturn and downturn scenarios.

Greenland's businesses must navigate a complex trade relationship with both Denmark and the EU

Greenland is an autonomous territory of the Kingdom of Denmark and is associated with the EU via its Overseas Countries and Territories (OCT) status through Denmark. Parallels can be drawn between Greenland's trade relationship with the EU, despite not being an EU member and being an autonomous territory within the Kingdom of Denmark, and Northern Ireland's economic ties with the EU and the UK.

Scenario 1 – Greenland's relationship to the EU

Legal basis of trade relationship with EU

- ▶ Greenland's relationship with the EU is defined by the Overseas Association Decision (Council Decision (EU) 2021/1764 of 5 October 2021), part of the Overseas Countries and Territories Association.
- ▶ Greenland joined the European Economic Community (EEC) with Denmark in 1973 but voted to leave in 1982 largely due to the impact of common market regulations on the fishing industry in Greenland as fishery and related products constitutes 93% of Greenland's exports¹. The Greenland Treaty² of 1985 allows the free access of fish products from Greenland despite Greenland's non-participation in the EEC common fisheries policy.
- ▶ Greenland and the EU have maintained a bespoke relationship through the OCT Association. In its capacity as an OCT of the EU through Denmark, Greenland is not directly subject to EU law but is able to benefit from its 'associate' status under the Lisbon Treaty³ and has association agreements with the EU as a result.
- ▶ The Fisheries Partnership Agreement⁴ between EU and Greenland allows Greenland to export fishery products to the EU tariff-free subject to quotas and conditions.
- ▶ Greenland and the EU agreed a sector-specific Memorandum of Understanding on sustainable raw materials value chains in November 2023.⁵
- ▶ Greenland is not part of the Schengen zone.

Approach to trade policy and access to FTAs

- ▶ Due to the Act on Greenland Self-Government⁶, Greenland is allowed to set its own trade policies. The country has the authority to negotiate its own FTAs, but often relies on Denmark's diplomatic channels. Negotiations are usually conducted by the Ministry of Foreign Affairs and Ministry of Fisheries, Hunting and Agriculture.
- ▶ Greenland places a large focus on managing and protecting its fishing industry, hence the Fisheries Partnership Agreement with EU. While Greenlandic officials are usually part of the Danish delegation, their role becomes more vital for these trade matters particularly relevant to Greenland.
- ▶ It is not a WTO member on its own but benefits from Denmark's WTO membership.
- ▶ Greenland's defence and foreign policy are under Danish control.

KEY STATISTICS

- ▶ **Population:** 0.05 million
- ▶ **GDP:** \$3.24 billion
- ▶ **Total exports:** \$1.49 billion
- ▶ **Export intensity:** 46%
- ▶ **Top export sectors:** Animal products (80.5%); Foodstuffs (17.4%); Precious metals (0.6%)
- ▶ **Key support bodies:** Greenland Business Association

Participation in EU Customs Union	Single Trade Window	Authorised Economic Operator programme
No	No	No

¹ https://www.fao.org/fishery/docs/DOCUMENT/fcp/en/FL_CP_GL.pdf
² eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:1985:029:FULL&from=EL
³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12007L%2FTXT>
⁴ <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22015A1121%2801%29>
⁵ [Memorandum of Understanding between the European Union and the Government of Greenland on a strategic partnership on sustainable raw materials value chains | Mineral Resources Authority - Naalakkersuisut \(govmin.gl\)](#)
⁶ <https://english.stm.dk/media/10522/gl-selvstyrelse-uk.pdf>

With Greenland's exports being dominated by SPS goods, it must ensure that these exports to both Denmark and the EU comply with the relevant EU rules

SPS requirements

Products imported from Greenland can be placed on the EU market, provided they comply with the phytosanitary rules applicable within the EU. Greenland and Denmark must together ensure that:

- ▶ The consignment of products dispatched to the EU from Greenland comply with the relevant rules on animal health and safety.
- ▶ The relevant rules on animal health and food safety relating to the products are transposed and implemented correctly.
- ▶ The relevant authorities in Denmark and Greenland draw up and keep a list of feed and food business operators.

Operational support provided to businesses

- ▶ The Greenland Business Association (GBA) represents the majority of companies in Greenland which comprises approximately 80% of Greenland's business turnover. GBA provides advice and knowledge to businesses but also helps with lobbying activities and business development. Several services are only available to its members.
- ▶ GBA publishes an annual magazine detailing service providers that can help businesses to develop in Greenland.
- ▶ Faroe Islands' bank BankNordik will provide support to SMEs in Greenland (and the Faroe Islands) through an agreement it has entered into with the European Investment Fund ² (EIF).

Recent developments/changes to trade environment

- ▶ Greenland's economy is heavily reliant on the fishing industry, but the industry has been struggling recently to provide enough jobs to support the population.
- ▶ The government has been exploring offshore hydrocarbon and rare earth element mining in Greenland to help diversify its economy using its natural resources and has concluded a sector-specific Memorandum of Understanding (MoU) with the EU.

Scenario 2 – Greenland's trade relationship with Denmark

Trade relationship between Greenland and Denmark

- ▶ Greenland is an autonomous territory within the Kingdom of Denmark with self-government. The relationship is shaped by a range of bilateral agreements, including the Home Rule Act of 1979 and the Greenland-Denmark Agreement on Fisheries.
- ▶ In the case of Greenland, its sovereign state – the Kingdom of Denmark – is a member of the EU, hence trade requirements with Denmark are aligned with those of the EU.
- ▶ Approximately 95% of cargo entering Greenland goes via Denmark and thus import duties are commonly paid in Denmark to the Greenlandic division of the Tax Agency based in Denmark.
- ▶ Greenland receives a block grant of approximately \$511 million from Denmark each year, accounting for around 20% of Greenland's GDP.
- ▶ The designated Greenland Committee (formed of Greenland, the Arctic and the Danish Commonwealth) addresses topics regarding Greenland and the relationship between Greenland and Denmark, handling matters pertaining solely to Greenland or which are of special significance to Greenland. This includes the Greenlandic products accessing the EU market.
- ▶ Greenland has its own unique visa requirements that differ from those of Denmark and other Schengen countries.

Other specific trade requirements

- ▶ Danish customs law¹ considers Greenland a 'third country' for customs purposes as it is not within the EU. Thus, goods entering Denmark from Greenland are treated as any other non-EU goods entering the EU, including SPS goods.

Operational support provided to trade between jurisdictions

- ▶ No additional support provided as Greenland trading with Denmark is subject to EU requirements.

¹ <https://www.retsinformation.dk/eli/ta/2005/867>

² [Europe supports SMEs and small mid-caps in Faroe Islands and Greenland \(eif.org\)](https://www.eif.org/en/europe-supports-smes-and-small-mid-caps-in-faroe-islands-and-greenland)

Lessons learned from analysis of Greenland’s position include a recognition of local vs nationally controlled issues, akin to NI’s reserved matters

	Key insights	Considerations for InterTradelreland and related support agencies
Priority sectors and tailored agreements	Greenland withdrew from the EU based on concerns for its most domestically significant sectors, e.g. the fishing industry, and established a tailored and industry-specific agreement.	Support agencies representing traders on the island of Ireland should consider identifying the priority sectors of these businesses. Anecdotal and evidenced-based information could be used to engage with local, EU and UK policy makers to seek priority sector specific agreements.
Signposting opportunities	Greenland's autonomy within the Kingdom of Denmark provides it with local control over certain policies while still enjoying the benefits of association with a larger entity.	InterTradelreland should ensure that it continues to raise awareness about the positive impact NI’s dual market position creates for traders and how to harness those, including practical ways of assisting businesses on the island to embrace and communicate these benefits.
Funding	Despite not being an EU member, Greenland receives tailored supports and has access to specific EU funding through Denmark.	Using the UK having recently rejoined Horizon Europe as a recent example, InterTradelreland should ensure it continues to, and increases focus on, signposting traders to relevant funding opportunities, engaging with the EU and the UK Government to advocate for further access to EU programmes for NI businesses, particularly in light of the potential cross-border partnerships likely to result on the island of Ireland.
Diplomacy and advocacy	The Greenland Committee is a designated Committee between Greenland and Denmark discussing Greenland-related matters, including offering trips and webinars.	InterTradelreland should consider supporting its members and traders in actively monitoring and engaging with similar assemblies including the Northern Ireland Affairs Committee.
Local vs national controls	While some of Greenland’s policies are defined by Denmark, others are within the remit of its own authorities; for example, visa requirements.	InterTradelreland should clearly signpost to its traders which regulatory requirements are specific to NI only and how they differ in the IE or GB. This will require ongoing monitoring and is likely to be in partnership with other agencies and working groups, such as the NI Export Forum and DfE/DETE.
Accessibility of information	Some of the Greenland Business Association’s services are only available to its members via log-in. Additionally, the Greenlandic government website is not available in English.	InterTradelreland should ensure its information is available and easily accessible to its users. InterTradelreland should assess what information should only be provided to those businesses within the North/South remit, with clarification of roles to avoid duplication or dilution of supports.
Close EU relationship despite withdrawal	Greenland maintains a close relationship with the EU despite its withdrawal, which allows it to benefit from certain aspects of EU membership without full integration.	InterTradelreland should explore ways to maintain and strengthen the relationship between NI traders and the EU, ensuring that the benefits of close cooperation can continue to be enjoyed despite changes in political and economic ties.

Switzerland, though not an EU member, has negotiated extensive bilateral agreements with the bloc

Switzerland is not an EU member but holds many bilateral agreements with the EU. Switzerland is, however, a member of the European Free Trade Association. Switzerland's bilateral agreements with the EU allow for economic integration similar to EU membership, providing a model for Northern Ireland to reflect on as it seeks to maintain close trade ties with both the EU and the UK.

Scenario 1 – Switzerland's relationship to the EU

Legal basis of trade relationship with EU

- ▶ Switzerland is not an EU member but is part of the of the EU single market. The main basis for Swiss trade with the EU is the 1972 Free Trade Agreement¹ but there are around 20 other main agreements and many other treaties. Switzerland is not part of the EU customs territory.
- ▶ Switzerland is a member of the European Free Trade Association (EFTA), an intergovernmental organisation formed together with Iceland, Liechtenstein and Norway to promote free trade between members – in Europe and across the world. EFTA allows its members to negotiate free trade agreements as one bloc of countries.
- ▶ Switzerland, unlike the other three EFTA members, is not party to the European Economic Area (EEA), and instead has a set of bilateral agreements with the EU (also called the 'bilateral approach'² to its relationship with the EU).

KEY STATISTICS

- ▶ **Population:** 8.88 million
- ▶ **GDP:** \$938.46 billion
- ▶ **Total exports:** \$402 billion
- ▶ **Export intensity:** 43%
- ▶ **Top export sectors:** Chemical products (33.3%); Precious stones, metals & pearls (29.9%); Instruments (11.4%)
- ▶ **Support:** Switzerland Global Enterprise; economiesuisse

Bilateral I agreements (signed 1999, in effect 1 June 2002)

- | | |
|----------------------------|-----------------------------|
| 1. Free movement of people | 5. Technical trade barriers |
| 2. Air traffic | 6. Public procurement |
| 3. Road traffic | 7. Science |
| 4. Agricultural products | |

Bilateral II agreements (signed 2004, in effect gradually between 2005 and 2009)

1. Security and asylum and Schengen membership
2. Cooperation in fraud pursuits
3. Final stipulations in open questions about agriculture, environment, media, education, care of the elderly, statistics and services. This strand established the **Common Veterinary Area**.

Approach to trade policy and access to FTAs

- ▶ While Switzerland usually negotiates FTAs together with EFTA states, it has an independent trade policy, allowing it to negotiate its own FTAs.
- ▶ Switzerland prioritises the 'transparency and involvement of civil society' when negotiating and implementing its FTAs. For example, the public receives regular updates after individual negotiating rounds, and can access factsheets and the agreement texts of agreements once concluded.
- ▶ FTAs form an important part of Switzerland's foreign economic policy. The Swiss Federal Council states four criteria in its foreign economic strategy to select potential FTA partners, including the partner's general compatibility with Swiss foreign policy objectives and its prospects for success.

Participation in EU Customs Union	Single Trade Window	Authorised Economic Operator programme
No	Yes	Yes

¹<https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1474544988881&uri=CELEX:01972A0722%2803%29-20160201>
²<https://www.eda.admin.ch/europa/en/home/bilateraler-weg/ueberblick.html#:~:text=The%20bilateral%20approach%20forms%20the,its%20stabilisation%20and%20selective%20expansion.>

Switzerland’s adoption of the Cassis de Dijon Principle harmonises regulatory frameworks between itself and the EU

SPS requirements

- ▶ The Switzerland-EU Agreement on Trade in Agricultural Products references WTO SPS Agreement¹ and states that the WTO Agreement prevails.
- ▶ The ‘Cassis de Dijon Principle’ allows a product that can be lawfully produced or marketed according to standards applying in the EU to also be lawfully produced or marketed in Switzerland or imported from the EU into Switzerland.
- ▶ The application of the ‘Cassis de Dijon Principle’ for foodstuffs² is subject to approval that is only granted if the food does not pose a risk to consumer health. These foods require approval if they are produced according to EU regulations but do not conform to the Swiss Foods Legislation.
- ▶ Simplified import conditions³ apply when importing animal products and animals from the EU.

Operational support provided to businesses

- ▶ The Switzerland Global Enterprise supports Swiss and Liechtenstein SMEs to export globally. There are over 25 Swiss Business Hubs⁴ globally, providing support including sales pipeline development, SME coaching, market and product analysis, and help in searching for distributors and local representatives.
- ▶ economieuisse is a corporate union campaigning for the best policy conditions for Swiss businesses, with commitments to free trade and sustainable growth.

Recent developments/changes to trade environment

- ▶ The EU and Switzerland launched negotiations to deepen bilateral relations on 18 March 2024. Both parties are exploring a broad package of measures to expand their relationship, including negotiations for agreements on electricity, food safety and health. This includes possible revisions to the overall architecture of the EU-Swiss agreements.
- ▶ Switzerland abolished⁵ all industrial tariffs from 1 January 2024. This affects imports of any origin, including the EU.

¹ https://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm
² https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelsbarrieren/Importplattform0/Schweizer_Produktvorschriften/Lebensmittel_landwirtschaftliche_Produkte.html
³ https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelsbarrieren/Importplattform0/Erleichtertes_Inverkehrbringen.html
⁴ <https://www.s-ge.com/en/offices-around-world?ct>
⁵ https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/warenhandel/aufhebung_industriezoelle.html

	Key insights	Considerations for InterTradelreland and related support agencies
Regulatory alignment	The adoption of the Cassis de Dijon Principle provides a Mutual Recognition Agreement for regulatory alignment between Switzerland and the EU; harmonising regulatory frameworks.	Support agencies and public stakeholders in NI should engage with EU and UK policy makers to seek increased regulatory harmonisation. Clear lines of communication with regulated sectors should be established, with clarity on support agencies’ roles.
Best-practice business support	The Switzerland Global Enterprise (SGE) and economieuisse act as best-practice business support services, providing centralised and transparent support.	InterTradelreland and related support agencies should consider SGE and economieuisse as benchmark approaches to supporting businesses and SMEs when trading, providing a clearly structured platform for industries and target markets.
Transparency and stakeholder engagement	Switzerland has established a clear process to engage stakeholders as part of its trade policy development, setting out clear touch points to obtain the public’s view.	InterTradelreland and related agencies should clearly set out the UK’s FTA process and stakeholders’ opportunities to engage with the UK Government on mandates and policies.
Tailored approach and sector specificity	Switzerland has established a range of bilateral agreements with the EU, tailored to specific sectors and easier to navigate for businesses.	InterTradelreland and related agencies could review Switzerland’s topic and sector-specific approach, providing clear guidance tailored to each industry to ensure critical sectors have clarity on relevant compliance requirements.

Turkey, while not an EU member, has a Customs Union with the EU for the free movement of goods

Turkey is not a member of the EU but is a key strategic partner of the trade bloc. Turkey's Customs Union with the EU allows the nation to participate in the free movement of goods with EU member states without customs restrictions. Turkey's Customs Union with the EU demonstrates how a non-EU country can participate in the EU market and approach regulatory divergence.

Scenario 1 – Turkey's relationship with the EU

Legal basis of trade relationship with EU

- ▶ EU-Turkey trade is based on the 1963 Ankara Association Agreement¹ and the accompanying Turkey -EU Customs Union which entered into force in 1995.

Participation in EU Customs Union

- ▶ Turkey has its own Customs Union with the EU, foreseeing the free movement of goods covered by the customs union and ensuring alignment of preferential arrangements and commercial policy measures.
- ▶ The Customs Union covers all industrial goods and processed agricultural products but does not address agriculture, services or public procurement. It ensures Turkey aligns with EU law in areas such as customs legislation and the removal of technical barriers to trade.
- ▶ Goods wholly obtained or produced in the EU-Turkey Customs Union, or which have been put into free circulation in the Customs Union, can circulate anywhere within Turkey or the EU provided that they are accompanied by an A.TR. movement certificate.

Approach to trade policy and access to FTAs

- ▶ Turkey can negotiate its own FTAs but aims to negotiate these with third countries in parallel with those of the EU due to the Turkey-EU Customs Union. Under the Customs Union, Turkey must ensure that its preferential agreements with third countries are aligned with the EU's Common Commercial Policy.
- ▶ Turkey is continuously extending the scope of its existing FTAs and negotiating new FTAs.
- ▶ Turkey must align its regulations with EU standards for goods covered by the customs union, which facilitates trade but also means Turkey must adapt to regulations without having a direct influence on them.

KEY STATISTICS

- ▶ **Population:** 87.24 million
- ▶ **GDP:** \$1119 billion
- ▶ **Total exports:** \$262 billion
- ▶ **Export intensity:** 24%
- ▶ **Top export sectors:** Metals (14.8%); Machinery (14.5%); Textiles (14.0%)
- ▶ **Key support bodies:** Turkey Exporters' Assembly

Participation in EU Customs Union	Single Trade Window	Authorised Economic Operator programme
Turkey has its own Customs Union with the EU – the EU-Turkey Customs Union	Yes	Yes – Authorised Economic Operator Program of Turkey

¹ https://eur-lex.europa.eu/resource.html?uri=cellar:f8e2f9f4-75c8-4f62-ae3f-b86ca5842eee.0008.02/DOC_2&format=PDF

Turkey's membership of a customs union for goods means it must comply with relevant areas of EU regulation

SPS requirements

- ▶ Under the Customs Union, SPS measures in Turkey are aligned with the EU acquis but the EU has voiced concerns¹ that this alignment has proven to be only partial.

Operational support provided to businesses

- ▶ The Turkey Exporters' Assembly is an umbrella organisation for Turkish Exporters' Associations, representing over 140,000 exporters and providing them with support.
- ▶ AskTurkey (Ask)² is run by the Turkey Exporters' Assembly in cooperation with Turkey's Ministry of Trade, acting as a hub to assist foreign companies in procuring from Turkey. Via Ask, global purchasing experts can connect with Turkish exporters in varied Turkish export sectors, thus facilitating the global promotion of Turkish exports.
- ▶ Turkey's Ministry of Trade website contains trade support for Turkish businesses or businesses seeking to trade with Turkey. The information available provides little operational support to traders and is not specific to trade with the EU.

Recent developments/changes to trade environment

- ▶ Turkey has been seeking to modernise its existing Customs Union with the EU to allow it to freely trade goods with third countries that do not have a free trade agreement with the EU. However, progress has been slow in progressing talks on modernising the Customs Union as the EU cites that Turkey is not complying with the terms of the current agreement, particularly Turkey's partial implementation of tariffs on goods from the EU and the lack of progress in the Cyprus settlement talks.

¹ <https://www.eeas.europa.eu/delegations>.

² <https://askturkiye.com/>

Key insights

Considerations for InterTradelreland and related support agencies

Tailored approach

Turkey's customs union with the EU allows for tariff-free trade for certain products (but not all), including industrial goods and processed agricultural products.

Support agencies on the IOI should advocate for a tailored approach to the trade relationship with the EU and GB; this could focus on priority sectors, trade flows or specific issues.

Partial market access

Turkey's customs union does not cover all sectors (e.g. agriculture, services, public procurement) and does not grant Turkey a say in EU trade policy.

InterTradelreland should ensure businesses are provided with clear market access guidance that is specific to the sectors of most relevance for exports from IE and NI.

Regulatory alignment

Turkey must align its regulations with EU standards for goods covered by the customs union.

InterTradelreland should ensure that businesses are aware of the implications of existing and upcoming regulatory divergences and should actively engage with decision-makers to ensure IOI traders' needs are reflected in regulatory reforms.

Supply chain support for foreign companies

While Turkey does not have a designated platform to support exporters, it provides support to foreign businesses to establish networks and supply chains with Turkish businesses.

Support agencies involved in attracting FDI and exporters from the EU and third country markets, could review 'Ask Turkey' and assess how similar support could be provided to foreign businesses aiming to trade with the IOI.

5.3

Reflecting on the international benchmarking

Step 5 identifies the key lessons and considerations for InterTradelreland across the benchmarks considered

	Key insights	Consideration for InterTradelreland and relevant support agencies on the island of Ireland	Relevant benchmark
Switzerland as an example of best practice	Switzerland's Global Enterprise Hub and economiesuisse are cases of best practice for a business support service, providing centralised and transparent support.	InterTradelreland and relevant support agencies should consider SGE and economiesuisse as best practice approaches to supporting businesses and SMEs when trading, providing a clearly structured, accessible platform for target markets.	<ul style="list-style-type: none"> ▶ Switzerland's Global Enterprise Hub and economiesuisse.
Tailored approach to specific trade areas	International comparators have applied tailored approaches to their relationships with the EU and/or sovereign state, establishing specific agreements for priority sectors or key issues.	InterTradelreland should consider identifying the priority sectors of its traders and engage with EU and UK policy makers to advocate for tailored approaches to key issues or priority sectors. InterTradelreland should further provide topic- and sector-specific approach and to provide clear guidance for each industry to ensure critical sectors have clarity on relevant compliance requirements.	<ul style="list-style-type: none"> ▶ Greenland's Fisheries Partnership Agreement with the EU. ▶ Turkey's Customs Union with the EU. ▶ Switzerland providing sector-specific guidance on its trader support website.
Regulatory alignment is beneficial for traders	Jurisdictions with unique relationships with the EU benefit from regulatory alignment with the bloc. The international comparators have varying approaches to regulatory alignment, ensuring that trade is facilitated by streamlining processes for traders.	InterTradelreland should ensure that businesses are aware of the implications of existing, upcoming and potential regulatory divergences and should actively engage with decision-makers to ensure IOI traders' needs are reflected in regulatory reforms/discussions.	<ul style="list-style-type: none"> ▶ Switzerland's use of the Cassis de Dijon principle. ▶ Turkey's alignment with the EU acquis.
Uncertainty management and scenario-planning	Gibraltar's relationship with the EU remains unresolved since Brexit due to the complex nature of its position. Negotiations can often remain unresolved for long periods of time, leading to prolonged periods of uncertainty for businesses. This is often accompanied by a lack of up-to-date trade support during this time due to ad-hoc arrangements that are subject to change.	InterTradelreland should manage businesses and stakeholders' expectations and support them in preparing for long-term uncertainty and disruptions to their operations (as is confirmed via the periodic Democratic Consent vote, for example). For this, InterTradelreland should ensure that it provides up-to-date information even if policy issues remain unresolved and publish guidance to help businesses scenario-plan for different outcomes.	<ul style="list-style-type: none"> ▶ Gibraltar's government provided guidance for post-Brexit trade arrangements, with businesses facing prolonged uncertainty.
Advocacy and stakeholder engagement	International comparators advocate to and engage with governments and business alike. While maintaining close relationships with the EU (and their sovereign state where applicable) representing the interests of their traders, some comparators work closely with businesses to develop their trade policy.	InterTradelreland should actively engage with relevant policymakers to advocate for IOI traders' needs, focussing on key issues and priorities. It should provide clear, accessible guidance to firms, setting out the UK's policy making process, and seek their views on policy development to formulate a synthesised evidence base for policymakers.	<ul style="list-style-type: none"> ▶ Gibraltar's engagement with business throughout Brexit negotiations. ▶ Greenland's Greenland Committee. ▶ Switzerland's large emphasis on stakeholder engagement as part of its trade policy.

6

Deriving business insights for the island's traders

Identifying the challenges

75

Unlocking the opportunities

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PESTLE analysis

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6.1

Identifying the challenges

At this point in the implementation of Brexit arrangements, there is more clarity regarding the challenges

Brexit is only one part of a complex operating environment

Though trade developments are increasing the difficulties faced by firms, there are many other issues to contend with. Whilst 22% of firms cited Brexit as being a major issue in the Q1 2024 All-island Business Monitor (AIBM) survey, this figure was 64% for rising energy costs.

InterTradeIreland All-island Business Monitor, Q1 2024

Brexit fatigue is pushing important issues down firms' agendas

Despite only 22% saying that Brexit was a major business issue, the real impact of Brexit may be reflected in a lower capacity to focus on medium to longer term strategic priorities, such as sustainability (with 2% citing this as a major issue in the same survey). Similarly, only 2% said they were 'fully informed' of the Windsor Framework, meaning they may not be fully cognisant of its impact.

InterTradeIreland All-island Business Monitor, Q1 2024

Logistical and proportionality issues remain

Though the NI Protocol, Windsor Framework and BTOM are now advanced in their implementation, there are several areas of significant logistical difficulty for traders. Examples detailed include the end of the parcels grace period by 31 March 2025¹ and the difficulties availing of the Duty Reimbursement Scheme. One firm projected a 7-fold increase in staffing requirements to comply with parcels requirements.

Primary engagement; [gov.uk](https://www.gov.uk)

Persistent uncertainty and delays impacting business planning

The UK Government has delayed the introduction of full import controls 5 times since the end of the transition period. In addition, grace periods – which were originally meant to come to an end during 2021 – are still in operation, with a projected end on 31 March 2025, with some exceptions. Such uncertainty has impacted business planning, with firms cautious of making sunk cost investments when policies may change.

The National Audit Office²

At least 257 areas of potential regulatory divergence

The number of EU Regulations and Directives where there could be regulatory divergence between the EU and UK, which would impact Northern Ireland. This is accompanied by 5,077 unique customs codes. Noteworthy emerging areas of potential divergence include the Carbon Border Adjustment Mechanism (CBAM), deforestation and Corporate Sustainability Reporting Directive (CSRD).

The UK Trade Policy Observatory, University of Sussex³

¹ [Windsor Framework: Some customs processes have been delayed - BBC News](https://www.bbc.com/news/business-64444444)

² <https://www.nao.org.uk/wp-content/uploads/2021/11/The-UK-border-Post-UK-EU-transition-period-Summary.pdf>

³ <https://blogs.sussex.ac.uk/uktpo/publications/regulatory-intensity-and-the-eu-single-market/>




Trade complexities are but one of the many challenges on firms' agendas

Trade across the island of Ireland is characterised by a unique and complex set of challenges arising from its political, economic and geographical landscape. The interplay between NI's place in the United Kingdom and Ireland's membership of the EU creates a multifaceted trading environment. Businesses operating in this context must navigate a web of customs regulations, tariff regimes and regulatory standards, all while ensuring seamless supply chain operations.

The Northern Ireland Protocol and subsequent Windsor Framework, designed to facilitate seamless trade between IE and NI while preserving the integrity of the EU single market, introduces a distinct regulatory framework. Navigating this framework requires businesses to remain adaptable, adhere to regulatory standards, and adopt a forward-thinking approach to managing the changing aspects of trade. Such vigilance is essential for sustaining their market position and operational effectiveness.

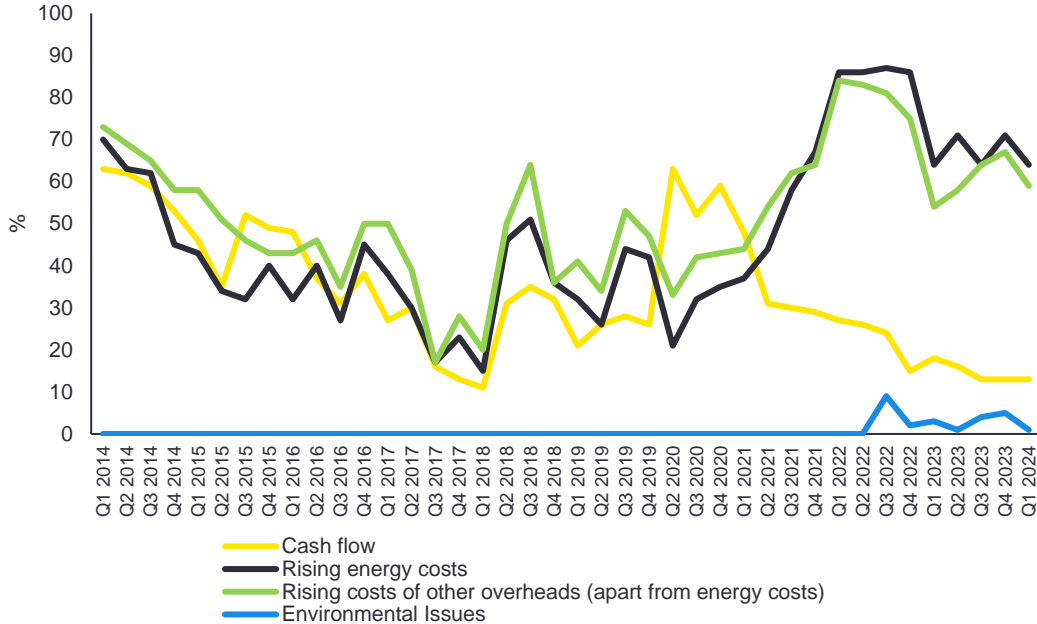
Operational difficulties are not limited to trade

The All-Island Business Monitor (AIBM) is a comprehensive economic and business survey conducted on a quarterly basis across the island of Ireland to provide insights on aspects such as business confidence, economic outlook, trade performance, investment intentions, and the impact of external factors on business operations. One of the key questions concerns businesses self-reporting the main challenges they are facing. This data is available on a time series basis over the past decade. Responses from the most recent survey (Q1 2024 at the time of writing) indicate that the top three issues businesses are currently facing are:

 64% Rising Energy Costs	 59% Rising Costs of Other Overheads	 26% Recruiting Appropriate Skills
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Share of respondents citing the factor as a business issue, AIBM Q1 2024

Figure 11: Top 3 business challenges and sustainability, Q1 2014 - Q1 2024



Source: AIBM time series data provided by InterTradeIreland, Q.A13 Issues for businesses (scoring 3-5)

Figure 11 broadens this analysis to the past decade, a period during which the island's businesses have navigated significant macroeconomic, geopolitical and trade-related unrest. Taking average self-reported scores, the top 3 issues facing businesses in the decade to Q1 2024 are Energy costs, Other overheads and Cash flow. The share of businesses reporting these as issues averaged 52%, 48% and 34%, respectively.

Changing trade arrangements are only one item on firms' agendas

Among the myriad issues impacting businesses' margins and viability, more strategic areas of socioeconomic importance may be falling down agendas. For example, environmental issues have consistently been reported as the least concerning issue throughout the period, averaging 1%. This illustrates the challenges and, conversely, the opportunity presented by providing businesses with practical supports in areas of evidenced need, potentially freeing up resources for them to focus on other areas.

The perceptions of businesses on the island of the implications of Brexit and their preparedness has fluctuated in recent years and must be considered in context

Drawing on other evidence

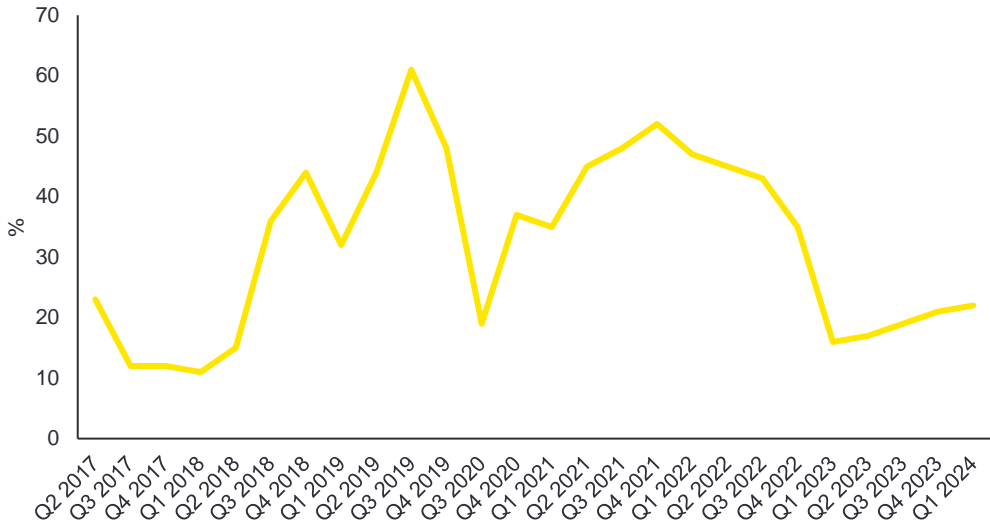
The evidence from InterTradelreland’s AIBM aligns closely with both anecdotal and published findings for other surveys. One such example is the Northern Ireland Quarterly Economic Survey (NI QES)¹, a business survey conducted on a quarterly basis to understand sentiment in NI. Like the AIBM, it can be used to understand sectoral nuances and the extent to which the changing trade arrangements, and general business operating context, may be impacting some sectors more than others.

The findings from the Q1 2024 NI QES suggest a mixed trading environment, with manufacturers facing ongoing challenges while the services sector experienced a relatively strong quarter. Although inflationary pressures are easing, they remain a significant concern, alongside increasing labour costs. Other key business challenges indicated by respondents include weak demand, rising business costs e.g. energy costs and wages, slow payments and challenging supply chains, both from an access and cost perspective. Many of these issues align closely with those identified in the AIBM, highlighting the cross-border issues faced on the island of Ireland. They also shed light on the potential and capacity within the NI market, with more than three-quarters (77%) of businesses reporting that they are trading well.



¹ <https://www.northernirelandchamber.com/services/influence/quarterly-economic-survey/>

Figure 12: Impact of Brexit as a business challenge, Q2 2017 – Q1 2024



Source: AIBM time series data provided by InterTradelreland, Q.A13 Issues for businesses (scoring 3-5)

Figure 12 illustrates the percentage of respondents to the AIBM that indicated Brexit as being a significant issue from Q2 2017 to Q1 2024. The trend shows distinct phases:

- ▶ **Initial concerns** relating to Brexit impacts surfaced in early 2017. At this stage, concerns remained low, with 20-30% of businesses citing Brexit as a challenge.
- ▶ The **peak** of businesses citing Brexit as an issue was in Q3 2019 at 61%. This spike corresponds with the heightened uncertainty as the Brexit deadline approached. Political negotiations were in a critical phase and headlines were dominated by deal/no-deal discourse.
- ▶ **Concerns reappeared** in 2020 albeit to a lesser extent, as firms were grappling with a pandemic, many being unable to trade under lockdown rules.
- ▶ The share of businesses citing Brexit as a major issue reached a **5-year low** in Q3 2021 (20%), as firms reacted to the relative certainty signalled by the Windsor Framework.
- ▶ Brexit **rose again** as an issue in Q4 2021-Q1 2022 during the period when the NI Protocol was being negotiated.
- ▶ Although the level of concern has steadily declined, there has been a **slight uptick** since, possibly owing to traders approaching the end of grace periods, although this is still far below prior highs at 22%.

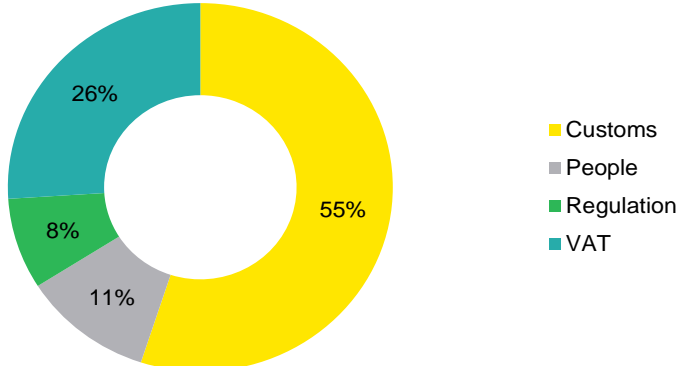
Evidence from InterTradelreland’s Trade Hub shows that concerns are concentrated in customers and VAT. However, there may be a lack of awareness in other areas.

InterTradelreland’s Trade Hub is a comprehensive resource platform developed to support businesses engaged in, or planning to engage in, trade between Ireland, NI, and GB. The Trade Hub began collecting queries from traders in June 2023. In the period since its inception to April 2024 the Hub has had over 40,000 views and 30,000 sessions. To be eligible for 1:1 support, traders must be based in or have operations on the island of Ireland, servicing both North-South and East-West trade routes. The Trade Hub provides up-to-date information, guidance and assistance on various aspects of cross-border trade, helping businesses navigate the complexities of trading across these regions. The Trade Hub Knowledge Base releases frequent topic-based articles in line with the nature and subject of queries being received, as well as the accumulated knowledge of InterTradelreland’s trade personnel. Some of the most popular articles in 2023/2024 have included:

- ▶ Trading in Northern Ireland and the Windsor Framework
- ▶ A guide to commodity codes
- ▶ About the Cross-Border Trade Hub
- ▶ A guide to Incoterms
- ▶ The Border Target Operating Model

The Hub provides practical advice to traders on a wide range of topics which can be categorised broadly into four areas, namely: customs and border control; VAT and tax regulations; regulatory compliance and standards, and employment laws and practices.

Figure 13: Categorisation of queries received by the Trade Hub



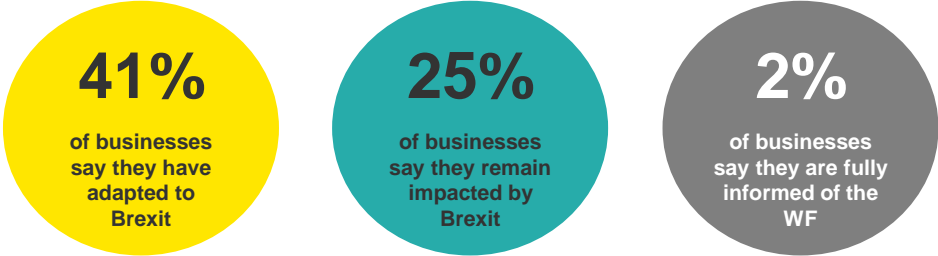
Source: InterTradelreland Trade Hub, June 2023 – April 2024

The queries from traders that have been submitted to the Trade Hub in the first ten months since its inception have identified several key logistical issues, including:

- 1. Customs and border delays:** new customs procedures post-Brexit can lead to delays and increased processing times at borders. For example, one early-stage cross-border seller based in NI was ‘...uncertain about the process that we must go through for customs declarations’.
- 2. Increased costs:** rising energy and transportation costs strain business operations, with additional costs linked to compliance with new regulations. One business is ‘...experiencing challenges with suppliers and customs. Due to the substantial increase in costs we require customs and financial expertise to assist in acquiring new suppliers, development of robust financial budgets’.
- 3. Regulatory complexity:** adapting to new regulations and ensuring compliance requires significant time, resources and forward planning, adding complexity to logistics management and business planning, particularly if trading across multiple jurisdictions. One business interacting with the Trade Hub cited needing ‘...specific help around regulation and standards and the UK CA marking’.
- 4. Labour shortages:** difficulties in recruiting skilled workers can impact supply chain efficiency and operational capacity. One business has stated: ‘The number of jobs we are working on in the Republic of Ireland is increasing. We will need a lot more labour to meet the demands of the new projects’.

Lack of awareness of the Windsor Framework and post-Brexit trading conditions

Although over 40% of businesses surveyed for AIBM Q1 2024 indicated that they have adapted in full or to a large extent to the new trading conditions post-Brexit, two thirds of traders said they have no knowledge at all of the Windsor Framework and the requirements it places on their business. This rises to 82% and 85% in the construction and hospitality sectors, respectively.



There are emerging operational and proportionality issues across the island which will impact traders

Key areas of logistical difficulty have yet to be implemented and will tangibly impact traders

While the Windsor Framework has introduced certain easements to the NI Protocol, traders still face practical difficulties in several areas. These span aspects with a confirmed outcome, such as parcel movements, as well as areas of uncertainty. In both these areas - and owing to the repeated delays that have materialised in the UK's post-Brexit strategy - businesses are reluctant to make upfront investments in preparing for developments that may take not force for years or be removed altogether.

The evolution of grace periods in the aftermath of the Trade and Cooperation Agreement

Initial implementation

The NI Protocol came into force on 1 January 2021.

- ▶ Grace periods of between three and twelve months were announced for various goods movements between NI and GB.
- ▶ Similarly, a temporary easement approach was implemented for parcels, with the majority not being subject to customs declarations.

Extensions and simplification efforts

- ▶ In October 2021, the EU proposed simplified customs checks to reduce declarations and SPS checks on goods not at risk of moving to the EU; existing grace periods were extended.
- ▶ Parcel movements continued being subjected to simplified procedures.

Introduction of the Windsor Framework

- ▶ Announced in 2023, the WF contained information regarding the eventual arrangements for parcel movements.
- ▶ There are to be no routine checks or controls for parcels between private individuals (C2C) or moved within the Internal Market system.
- ▶ By 30 September 2024 full implementation of new parcel movements (B2C and B2B movements) was set to take hold. However, this has been extended until 31 March 2025.²

The end of the grace period on business to business (B2B) parcel movements

Under the Windsor Framework implementation timeline and at the time of writing, the grace period on parcel movements between GB and NI has been extended until 31 March 2025. This has been a key issue throughout the negotiations on the NI Protocol and subsequent adjustments, with the Protocol initially announcing a three-month grace period for online retailers sending parcels to NI. The European Commission had referred to this as a 'temporary solution'.¹ This issue is particularly pertinent in NI, with many SMEs reliant on the unfettered movement of parcels for their supply chain (rather than larger-scale freight movements). As this grace period has been extended repeatedly, and the associated uncertainty this has introduced to business planning and mitigations, the eventual impact on businesses is difficult to determine. Nonetheless, this issue was a concern expressed by many of the NI stakeholders consulted. The projected changes to parcel movements which were initially set to come into play on 30 September 2024, but have been extended until 31 March 2025, are:

- ▶ Consumer to consumer (C2C): respective parcel carriers will provide the required data to HMRC. This relies on the accuracy and preparedness of carriers to fulfil such requirements.
- ▶ Business to consumer (B2C): GB businesses sending goods to NI consumers will not need to provide or generate any commodity codes. However, as with C2C movements, the parcel carriers will need to provide commercial information to HMRC. This will be under an 'authorised carrier' scheme.
- ▶ Business to business (B2B): these movements, such as those involving NI businesses purchasing components/supplies from GB, will follow the green and red lane processes. The latter, applicable for goods deemed to be at risk of onward movement to the EU single market, would be subject to increased administrative requirements. NI businesses, or businesses with a presence in NI, who sell on any portion of goods to the EU (including Ireland) would fall under this reporting requirement, alongside the associated time and cost burden.

¹ <https://researchbriefings.files.parliament.uk/documents/CBP-9333/CBP-9333.pdf>

² [Windsor Framework: Some customs processes have been delayed - BBC News](#)

One case study demonstrates the gravity of the end of the business to business parcels grace periods on a manufacturing business

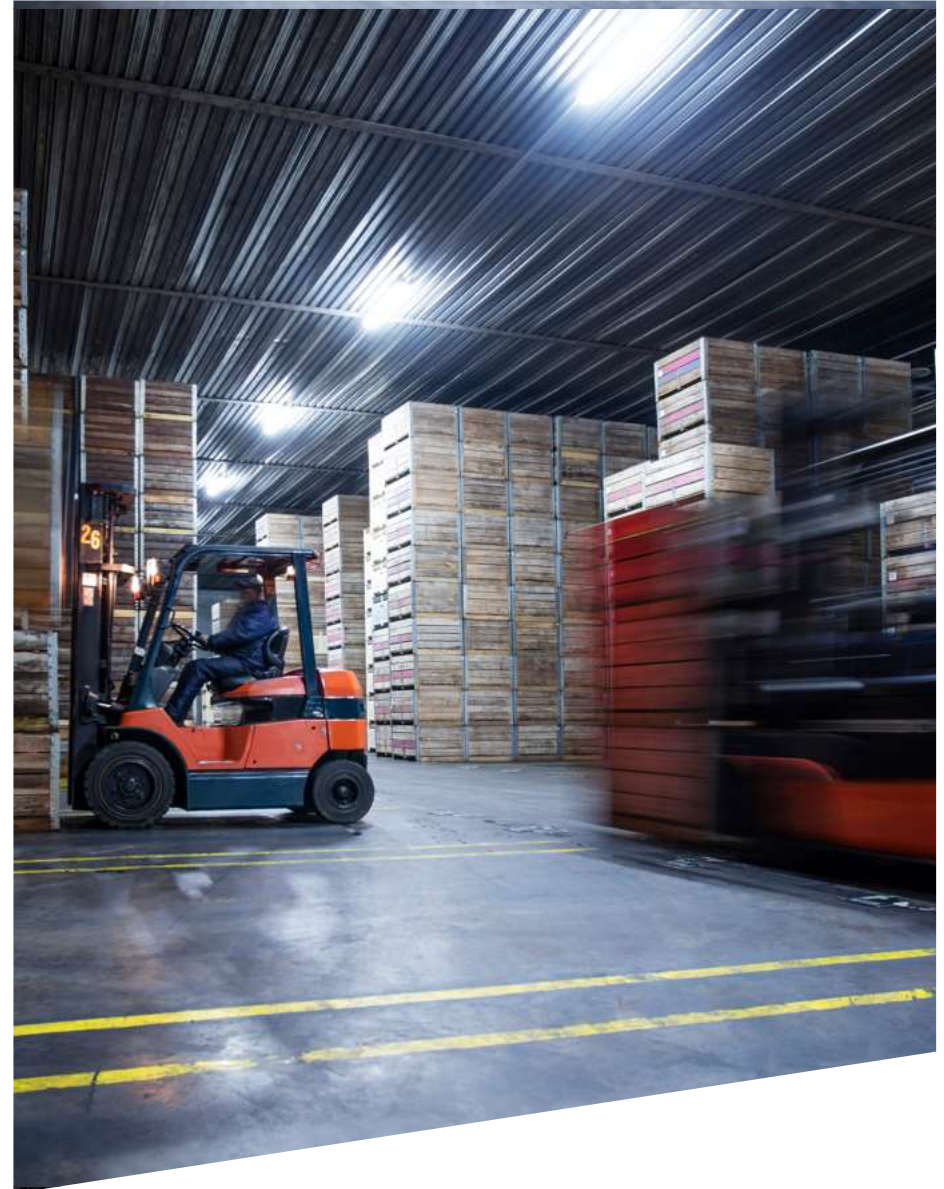
Case study: projected impact of the cessation of the parcels grace period on a manufacturing business with operations in NI

Geographical and trade impacts: Both Northern Ireland and Ireland, both East-West and North-South trade routes.

During the consultation process, a business body illustrated the evidenced and potential impact of increased compliance and uncertainty by using a real-life case study of a manufacturing business with operations in both Northern Ireland and Great Britain, with a small level of onward sales to Ireland.

- ▶ **Current impact:** this large business has invested in a dedicated in-house trade compliance team consisting of 3 full time employees who fulfil the administrative tasks associated with the trade arrangements under the Windsor Framework.
- ▶ **Projected impact:** the firm has projected an additional requirement of 18 FTEs when the grace period ends, to fulfil the additional administrative burden created by the red lane requirement which their goods would encounter. This seven-fold increase in skilled trade staff within a short timeline would be challenging from both a cost perspective as well as the availability of the correct skills, particularly in light of other businesses needing to take similar action.
- ▶ **Proportionality of compliance burden:** whilst this business has historically only sold 3% of its goods onwards to Ireland (IE), it still falls within the 'at risk' categorisation (or expects to under current guidance). As a result, it will face 100% of the red lane compliance costs.
- ▶ **Potential consequences:** disproportionate costs of doing business with Ireland, or of being located in NI, could lead to disinvestment in NI or a lack of incentive to build cross-border trade links. A targeted support/policy intervention may be prudent to preserve the attractiveness of cross-border selling for impacted businesses; in lieu of this, such traders may conduct a cost-benefit consideration of whether the low level of cross-border sales merit the increased costs of the red lane assessment.

Examples of the disproportionate impact being felt by certain firms engaged in East-West and North-South trade (or both, as is commonly the case) illustrate the requirement for a tailored approach towards assisting these firms. In many cases, it is not possible to source a similar volume and/or quality of the input on an all-island basis at short notice in supply chains that have been developed over the course of decades.



The Duty Reimbursement Scheme is an example of where the benefits of an easement scheme have not been realised fully by traders

The Duty Reimbursement Scheme (DRS) is an example of an initiative designed to assist traders and remove market distortions that may not be having the desired impact.

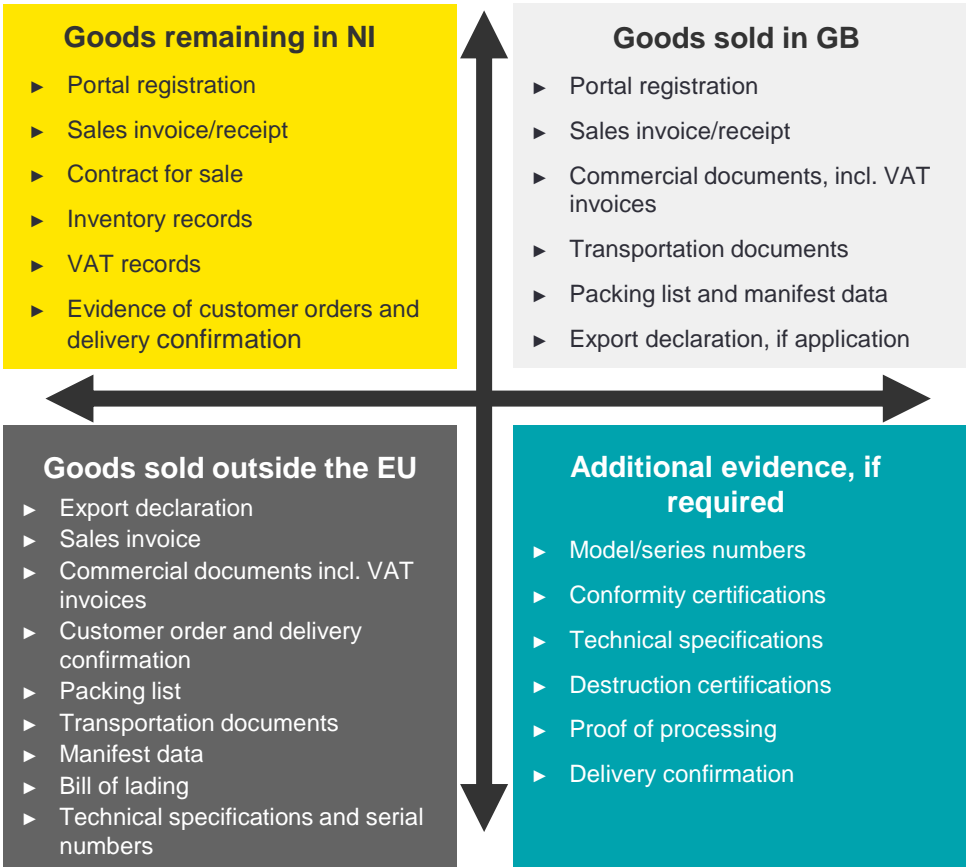
Whilst the ethos underpinning the NI Protocol and Windsor Framework adjustments was to preserve trade links between NI and GB, there is an awareness of operational difficulties that disincentivise such trade. The UK's Duty Reimbursement Scheme, launched on 30 June 2023, is a proposed solution to one such unintended competitive disadvantage for businesses with a presence in NI. The scheme's objective is to allow traders to reclaim EU duties paid on goods moved into NI from GB that are subsequently used or sold within the UK or exported outside the EU. This aims to alleviate financial burdens on businesses by ensuring that goods not entering the EU are not subject to EU tariffs.

- ▶ **Eligibility:** NI-registered businesses or those conducting substantial operations there are eligible for the scheme. Impacted sectors include retail, manufacturing, and agriculture, where linkages with GB are particularly prevalent.
- ▶ **Operational process:** to claim reimbursement, traders must provide detailed evidence such as sales invoices, contracts, VAT records, and transport documentation regarding "at risk" movement of goods - those that could potentially enter the EU market - into NI from GB. Claims can be backdated to 1 January 2021.
- ▶ **Impacted sectors and geography:** the scheme significantly impacts the manufacturing and wholesale sectors, which frequently handle goods with complex supply chains. Businesses across Northern Ireland benefit, particularly those that ensure goods do not enter the EU market. Cross-border sellers in NI, with IE business operations, relationships and/or customers closely integrated into their supply chains or business models, may be particularly affected by this scheme and its accessibility.
- ▶ **Proof required:** businesses must show that the goods remained in NI or were sold or used outside the EU. Acceptable proof includes commercial documents, inventory records, and specific transport documents showing the movement and final use of the goods. Emerging regulatory requirements from both the EU and UK, and the extent to which NI and GB compliance diverges, may also impact this scheme in future.
- ▶ **Uptake:** to date there has been no interim evaluation of DRS take-up. In lieu of

¹ <https://www.gov.uk/guidance/apply-to-claim-a-repayment-or-remission-of-import-duty-on-at-risk-goods-brought-into-northern-ireland>

this, anecdotal reports of difficulties, lack of transparency, and a high burden of proof point to the need for revisions or targeted support to assist eligible businesses. These issues were reported during the engagement phase of this project, with even the largest traders finding the requirements difficult to fulfil, alongside the associated costs. In practice, many businesses are delaying this via noting it as a debtor in their balance sheet, given the uncertainty of the process and outcome. This is a particular concern for smaller firms, who may be less able to devote resources to fulfilling the requirements.

Figure 14: Evidence required by the Duty Reimbursement Scheme



Persistent uncertainty and delays have proven costly, making business planning difficult, with many areas still lacking an implementation strategy

The post-Brexit trade frameworks leave several areas of uncertainty that businesses must navigate and attempt to factor into business planning with minimal guidance on what eventual arrangements will be. Many have become fatigued with costly preparations for measures such as BTOM-related compliance, given the introduction of import controls under BTOM has been delayed five times.¹ At the time of writing, traders are still uncertain regarding the date by which BTOM checks will be phased in, with the current messaging being 'No earlier than 31 October 2024'.² Traders who prudently invest in BTOM preparations for this date may find that the checks are delayed well into 2025, or that the arrangements are altered significantly by the new UK Government following the General Election.

The National Audit Office (NAO) underscores the difficulties inherent in establishing an effective trade border, a task compounded by the unique geographical and political landscape of the IOI and its connection to Great Britain (GB). For example, connectivity between IE, NI and GB is a cornerstone of trade for the region, and in many instances, businesses depend on the logistical trade routes developed over decades. Traders in Ireland, selling onwards to GB or the EU, may use NI ports if closer in proximity (applicable to the Northwest of Ireland, for example). The reverse is true of NI firms using IE ports to access GB. This geographical reality means that rerouting to bypass Northern Irish or Irish ports may not be feasible, due to cost or time implications. Any disruptions to connectivity are likely to negatively impact supply chains and trade flows. It is currently uncertain how BTOM checks could be facilitated at NI ports servicing IE-GB exporters, or how such checks could be avoided on NIQGs at Irish ports.

This uncertainty is increased by the requirement of the Devolved Governments in Wales and Scotland to agree on an eventual solution. For example, the absence of a Border Control Post (BCP) at Cairnryan, a critical route for trade between NI and Scotland, and the lack of certainty surrounding the capital and operational details of such a facility, introduce significant uncertainty for the traders relying on this route. The NAO's recommendations are clear: by September 2024, a collaborative plan should be forged between the Cabinet Office, Border Force, and Northern Ireland authorities to ensure adherence to the new rules set forth by the Windsor Framework. This plan is imperative for providing the necessary clarity and structure to navigate the post-Brexit trade landscape. The National Audit Office (NAO) has recommended that *'The Cabinet Office should ensure it has published in good time clear guidance for traders on the arrangements necessary to implement the next phases of the Windsor Framework and the Command Paper (and)...by September 2024, the Cabinet Office should agree with Border Force and with the Northern Ireland authorities a plan for ensuring compliance with new rules being introduced through the Windsor Framework and the Command Paper'*.² It also encourages UK stakeholders to work with the NI Civil Service to develop solutions for ensuring the continuity of ongoing supports and advice. Much of the responsibility for realising this rests on the UK stakeholders most involved in developing and understanding the trade arrangements.

Costing the uncertainty

5

The number of times the introduction of full import controls has been delayed since the end of the transition period

£531 million

Forecast cost of the Trader Support Service, December 2020-December 2024

31 March 2022

The original three-month grace period for GB-NI parcel movements under the NI Protocol. Following several delays, the cessation date is now 31 March 2025

Up to £100k

The potential cost to businesses of new regulatory tests per product range if regulatory divergence occurs in NI²

¹ [https://www.nao.org.uk/reports/the-uk-border-implementing-an-effective-trade-border/#:-:text=This%20report%20focuses%20on%20the,border%20control%20regime%20\(Part%20Two](https://www.nao.org.uk/reports/the-uk-border-implementing-an-effective-trade-border/#:-:text=This%20report%20focuses%20on%20the,border%20control%20regime%20(Part%20Two)

² <https://www.gov.uk/government/publications/northern-ireland-protocol-the-uks-solution/northern-ireland-protocol-the-uks-solution>

Regulatory divergence is a significant challenge that businesses trading on the island of Ireland will have to contend with

Regulatory divergence has become a challenge due to the unique post-Brexit trade arrangements

The regulatory frameworks within which traders on the island of Ireland operate and must comply with had been in alignment prior to Brexit, meaning traders had clear guidance and expectations regarding their regulatory obligations. This landscape has become significantly more complex since the UK's departure from the EU; NI is particularly impacted by such potential divergence given its dual market position.

Historically integrated within the EU single market and customs union, the Northern Ireland Protocol now ensures NI's alignment with certain EU rules to maintain seamless trade with Ireland and the broader EU. This arrangement avoids the need for a hard border on the island while allowing NI businesses continued access to the EU market. Ireland remains a full EU member state, adhering to EU regulations across all sectors. This includes standards for goods, services and agriculture, enforced at ports and airports for non-EU imports, including those from NI. The divergence in regulatory frameworks introduces complexities, impacting sectors reliant on cross-border trade, such as agriculture and manufacturing. Businesses in NI must navigate dual regulatory environments – EU-aligned under the Protocol and UK-wide regulations – potentially increasing compliance costs and administrative burdens. Future negotiations and agreements will play a crucial role in shaping these regulatory frameworks, requiring ongoing adaptation and clarity to support economic stability and cross-border cooperation between NI and IE.

Table 6: Sectors with high (>10) number of regulations

Sectors with sales to EU greater than £50m
Liquid milk and cream production
Processing and preserving meat
Butter and cheese production
Manufacture of soft drinks; production of mineral waters and other bottled waters
Production, processing and preserving of poultry meat

Source: DfE Research Bulletin: Northern Ireland's Unique Market Access Position

Regulatory obligations in the EU have steadily increased since the 1990s, with an increase in the number of regulations per product and the number of products covered by regulation. An analysis conducted by The UK Trade Policy Observatory¹ details 5,077 unique products mapped to 257 regulations. The agri-food, advanced manufacturing and life & health sciences sectors are the most intensely regulated, with these also being sectors of significant domestic importance in the all-island economy. At the time of writing, there is no EU-UK agreement on SPS movements or alignment; this demonstrates the scope of regulatory divergence that traders in NI impacted by dual market access could face.

¹ <https://blogs.sussex.ac.uk/uktpo/publications/regulatory-intensity-and-the-eu-single-market/>
² <https://www.bbc.com/news/uk-northern-ireland-60259342>

Regulatory divergence in focus

257

Number of EU Regulations and Directives, as such representing potential areas of regulatory divergence¹

8

Average number of regulations per product, rising from less than 2 in the 1990s¹

Agri-food

Sector with most intensely regulated products¹

69

Number of regulations impacting the flow of 'Products of chemicals/allied industries'¹

5,077

Unique product codes mapped to the 257 Regulations¹

There are already several emerging areas of potential regulatory divergence

Divergence in emerging areas has the potential to impact both NI and IE traders

The Carbon Border Adjustment Mechanism is a notable regulatory development by the EU aimed at levelling the playing field for EU producers by imposing a carbon price on imports from countries with less stringent policies. The EU began the transitional period of its Carbon Border Adjustment Mechanism (CBAM) on 1 October 2023, with the details underpinning the UK's own CBAM not yet confirmed, and a later implementation date of 1 January 2027.¹ The degree to which the EU and UK CBAM regulations align (as well as the interim arrangements pre-2027) will have significant implications for trade dynamics across the island of Ireland:

- ▶ **Northern Ireland:** given the cross-border linkages, if the EU CBAM is not applied in NI, traders could face increased compliance costs, particularly those exporting to the EU (including Ireland), as they must meet the CBAM requirements, leading to higher operational costs. Without a similar UK mechanism, NI businesses might face a competitive disadvantage in the EU market, where importers may prefer goods complying with CBAM, thereby reducing NI exporters' market share. Additionally, the introduction of CBAM adds complexity to trade logistics, necessitating documentation and verification of carbon content, which could impose further administrative burdens and slow down the trade processes.
- ▶ **Ireland:** given the strong linkages between Ireland and traders in NI and GB, a significant divergence between the UK and EU CBAM could have substantial implications for Irish businesses. If the UK CBAM diverges from the EU's or is not recognised as meeting EU requirements, Irish businesses purchasing from or operating in the UK will need guidance on addressing this regulatory divergence. This will involve understanding additional measures and costs necessary for compliance, such as implementing carbon accounting systems, renegotiating supply contracts, and investing in low-carbon technologies. Such divergence could increase operational complexities and costs, making it essential for Irish businesses to seek detailed guidance from regulatory bodies and trade organisations like Trade Hub and InterTradeIreland to ensure compliance and maintain their competitive edge in both markets.

Tracking regulatory divergence

CBAM is one area of potential divergence that is garnering attention. However, as outlined there are hundreds more (circa 257), with any emerging areas representing additions to this figure. Areas of divergence within sustainability-focussed disciplines (both social and environmental) are among those likely to increase in significance over the coming years, such as in relation to deforestation and CSRD (Corporate Social Responsibility Directive).

Tracking the regulatory divergence impacting NI traders requires engaging simultaneously with legal and policy developments across multiple contexts on a regular basis. Any comprehensive attempt to monitor the nature and extent of divergence is likely to be inherently complex and time-intensive. A 2024 Queen's University Belfast paper on Mapping Post-EU Exit Regulatory Divergence in Northern Ireland² sets out a step-by-step guide to monitoring divergence in NI and provides guidance on monitoring developments across three categories:

1. GB and EU + NI divergence in areas covered by the Protocol/Windsor Framework
2. Intra-UK divergence in areas not covered by the Protocol/Windsor Framework
3. UK (including NI) and EU (including IE) divergence in areas of established North/South cooperation

¹ https://assets.publishing.service.gov.uk/media/65fc11fef1d3a0001132ac6f/Introduction_of_a_UK_carbon_border_adjustment_mechanism_from_January_2027.docx.pdf

² <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/mapping-post-eu-regulatory-divergence-northern-ireland.PDF>

There is no set solution for regulatory divergence; rather, the Stormont Brake and lack of precedence increases uncertainty for all stakeholders.

Addressing regulatory divergence and its impacts on traders

As outlined, continuing the regulatory divergence mapping work carried out by Queen's University Belfast this year represents progress in identifying regulatory divergence; however, there is no simple solution for addressing the implications of such divergence on traders in NI. This is especially relevant given the Stormont Brake mechanism outlined in The Windsor Framework.



Are you aware of any government attempts to track instances of regulatory divergence from the Windsor Framework? If so, how would you assess them? Do you think that areas of regulatory divergence should be centrally logged to the Government or another body?

As far as I understand it, government departments individually track instances of divergence, but to varying degrees. One of the problems in this context from a business perspective... is the fact that, as a business, you would need to go out and look up change after change on the government website, trawling through hundreds of pages of government websites and documents to be able to identify how particular regulatory requirements may differ for you. That is a problem. It introduces complexity in the regulatory system, which needs to be dealt with. Improving transparency around changes and how divergence impacts business would be a very welcome step to be taken by government. A central register of those changes in a way that allows government to monitor what is happening and improves transparency would certainly be useful.

This... goes back to the Stormont brake. If such a mechanism were to be implemented, it relies on the presumption that the Northern Ireland Assembly would be able to identify future regulatory changes early on.

Exchange between Lord Empey and Anton Spisak, oral evidence on Regulatory divergence and the Window Framework.¹

The Stormont Brake in focus

This is a feature of the Windsor Framework, designed to allow the Northern Ireland Assembly to participate in decision making regarding the application of certain EU laws in Northern Ireland.

- ▶ **Triggering the Brake:** if 30 members of the Stormont Assembly (from at least two different parties) object to a new EU rule, they have the option of triggering this legal clause.
- ▶ **Process:** the UK Government will then act as an arbitrator between the NI Assembly and the EU to voice the former's concerns and attempt to find a resolution.
- ▶ **Outcome:** if no resolution is found, the UK Government can decide to veto the application of the EU law, directive and/or regulation in NI, preventing it taking force.

Impact of the Stormont Brake

The consultations revealed that for over eight years, firms on the island of Ireland have navigated Brexit-related uncertainty with considerable resilience, maintaining 'business as usual' or proactively mitigating potential risks without clear guidance.

Regulatory divergence remains an uncertain area, especially as the Stormont Brake lacks precedent for guiding arbitration. There is no clear understanding of the consequences should the UK veto an EU regulation's application in NI, which could complicate trade for NI and the wider island.

Support agencies and the businesses they represent should concentrate on controllable aspects of regulatory divergence, such as impact mapping and identifying sector-specific divergences, to facilitate evidence collection and sector consultations on vulnerable or affected areas.

Despite concerns over regulatory divergence and supply chain complexities potentially discouraging investment, limited evidence of negative impacts and firms' resilience suggest ongoing robust trade. The dairy sector exemplifies this, flourishing amidst Brexit challenges. Yet, firms should remain vigilant about 'reach back' issues in EU-UK-NI supply chains, an issue that InterTradeIreland, other support organisations and policymakers should highlight in their interactions with SMEs.

¹ committees.parliament.uk/oralevidence/13834/pdf/

6.2

Unlocking the opportunities

Despite the challenges, firms have proven resilient and there is much room for optimism, particularly among current and potential exporters/cross-border sellers

1

All-island trade has proven resilient

- ▶ Despite the uncertainties of and from Brexit, the value of all-island cross border trade has increased by 77% between 2016 and 2022 (66% in goods and 132% in services).
- ▶ This growth is outpacing that of East-West trade as well as global trade flows in both goods and services.

2

Awareness raising of NI's unique trading position

- ▶ Given the small market size of NI and the recent, evolving and complex nature of developments, there is a lack of awareness of the benefits of NI's dual market position both on the island and, to a greater extent, across the EU and beyond.
- ▶ Helping NI firms to raise awareness of their advantageous position represents a significant opportunity.

3

Trade in services is a significant growth area

- ▶ Trade in services has been relatively unimpacted compared with trade in goods. There are still certain barriers to trade (such as future GDPR divergence and visa regulations), but overall services flows enjoy relatively unfettered flows.
- ▶ As such, the growth in all-island trade in services outpaced that of goods, with North-South Trade (NST) being particularly notable (up 148% 2016-2022) compared with South-North Trade (SNT) (up 94%).

4

Aligning coverage and delivery of supports with areas of policy focus

- ▶ In recent years, there has been growing momentum in areas of cross-border collaborations (such as the SFI co-fund and PEACE PLUS), in addition to the >£1 billion investment in the Belfast Region City Deal alone.
- ▶ Collaborations and cross-border business and academic relationships should be encouraged in these areas to harness existing momentum.

5

A rich landscape of growth with domestic strengths in key areas

- ▶ Mapping trade opportunities is not a case of starting from scratch. Rather, there is evidence of progress, potential and momentum in a wide range of sectors, from ICT and cybersecurity to agrifood.
- ▶ Trade agencies should ensure that this diverse range of sectors is catered to by supports.

Despite the ongoing uncertainties in global trade and domestically, cross-border trade in both goods and services has flourished in the post-Brexit era

The April 2024 World Trade Organisation (WTO) report¹ cites a decline of 5.6% in the value of global goods exports, compared with a 9% increase in services. Many traders are implementing a “wait and see” approach, as well as dealing with frictions caused by geopolitical unrest and supply chain shocks. Notwithstanding this, there is reason to believe that the cross-border trade landscape on the island of Ireland is displaying resilience amidst such volatility, with the potential to outpace global growth significantly. Indeed, some of the reasons for the lagging trade performance globally may stand to benefit the cross-border trade landscape, such as ‘Concerns...about the possible fracturing of the world trade system due to deglobalisation’.²

Comparing global trade figures with the island of Ireland context reinforces the resilience of the island’s traders and the embedded nature of the cross-border trade landscape. The period from 2018-2022 (used for reference as the NIETS statistics³ are not available for 2023 at time of writing) was one marked by upheaval in the island of Ireland and UK trade landscapes, with uncertainty surrounding the potential outcomes of a No Deal, a pandemic, the introduction of the Northern Ireland Protocol and associated objections, and the subsequent adjustments made by the Windsor Framework. Despite this, cross-border trade outpaced global trade growth by 13.5 percentage points, with the figure even higher for services, at 35.6 percentage points.

This growth has been achieved despite the myriad headwinds faced by the island’s traders. Were these to be addressed, the potential for future growth could be further increased.

+40.5%

The growth in value of cross-border goods trade, 2018-2022 (vs +27.0% globally)

+54.7%

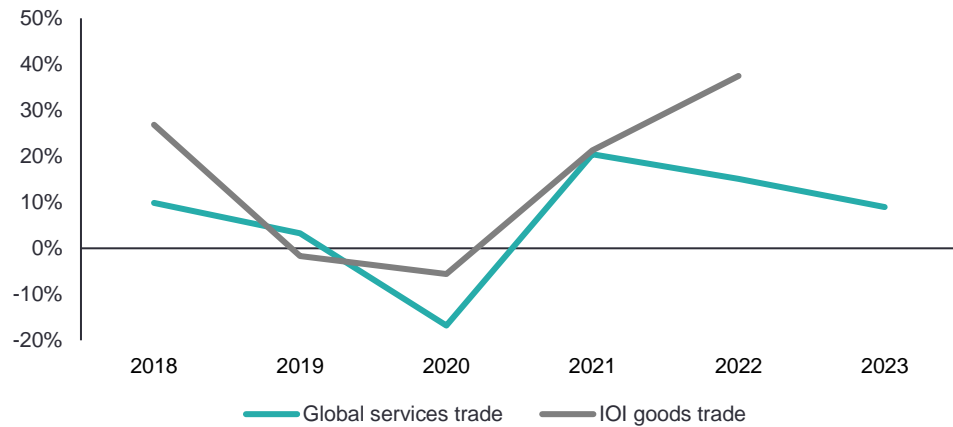
The growth in value of cross-border services trade, 2018-2022 (vs +19.1% globally)

Figure 15: YoY change in the value of global goods trade, global and island of Ireland (cross-border)



Source: NIETS: Trade in Goods and Services, NIETS02, WTO Trade Outlook April 2024

Figure 16: YoY change in the value of global services trade, global and island of Ireland (cross-border)



Source: NIETS: Trade in Goods and Services, NIETS02, WTO Trade Outlook April 2024

¹ https://www.wto.org/english/res_e/publications_e/trade_outlook24_e.htm
² 'Global: Stagnant outlook for world goods trade. Research Briefing.' Oxford Economics, 6 September 2023.
³ <https://www.nisra.gov.uk/statistics/business-statistics/broad-economy-sales-and-exports-statistics>

To unlock the benefits afforded by dual market access, greater awareness across the island is necessary

Whilst there is a lack of awareness of NI's dual market position - and of how this translates into a competitive advantage for the region – this could also be seen as an opportunity. In many aspects, businesses on the island accept the fact that uncertainty will remain due to arrangements such as the Stormont Brake and ongoing potential for regulatory divergence. InterTradelreland and its partners have limited scope to address issues that are under the remit of the European Commission and UK Government.

If cross-border trade in goods and services had increased by 77% in the six years following the Brexit Referendum (NIETS), amidst all the uncertainty, the potential if traders were equipped with the tools to sell their competitive advantage, coupled with a growing awareness both at home and abroad of the practical advantages of dual market access, is substantial.

Supply chain substitution

One opportunity stemming from perceived or actual increased barriers to trade, and the perceived or actual certainty offered by the all-island market, is that traders based in IE and NI may seek to find alternative suppliers on the island. There is evidence of a growing awareness of the all-island market's capacity and potential to meet business needs; in the 2024 Q1 AIBM, of the 9% of businesses on the island who reported having difficulty sourcing products or services, 40% were confident it could be sourced from the all-island market (with an additional 10% being unsure). Similarly, in InterTradelreland's Trade Pulse Survey, issued in Q4 2023, whilst half of businesses surveyed had no or low level (<7%) of cross border sales, 9 in 10 of those who did not currently have such sales were interested in exploring the market.³

This aligns with the available trade statistics evidencing activity to date in response to changing trade arrangements. Whilst the value of goods exports to Ireland from NI increased by 75% between 2016 and 2022, the value of goods 'external sales' to GB from NI declined by 10% over this period. Whilst GB still represents the dominant destination for NI external sales of goods (representing 49% in 2022), this declined from a 58% share in 2016. The corresponding share of Ireland as a destination for NI goods rose from 14% to 24% over this same period.⁴ Regarding exports from Ireland to NI and GB, change is also evident. An increase in the value of external sales from IE to NI of 53% was observed, whilst the value of exports to GB from IE rose by 31%. For Ireland, the dominant export destination in 2022 was NI, which had risen 147% since 2016 according to the CSO data, whilst the value of exports to the UK had increased 68%.⁵

The localising (or shortening) of supply chains is not a trend specific to the island of Ireland or Brexit-related developments. This megatrend is, however, particularly evident in the UK and Europe, with 62% and 58% of construction supply chains, respectively, shifting towards more local, domestic procurement.⁶ The rising cost of logistics, increasing the attractiveness of nearshore market sourcing, presents an opportune time for the island of Ireland to market the unique advantages of doing business locally. The evident potential to grow further, from both trade statistics and survey data, demonstrates the potential return that awareness raising initiatives could have for cross-border trade, particularly in the context of persistent global uncertainty.

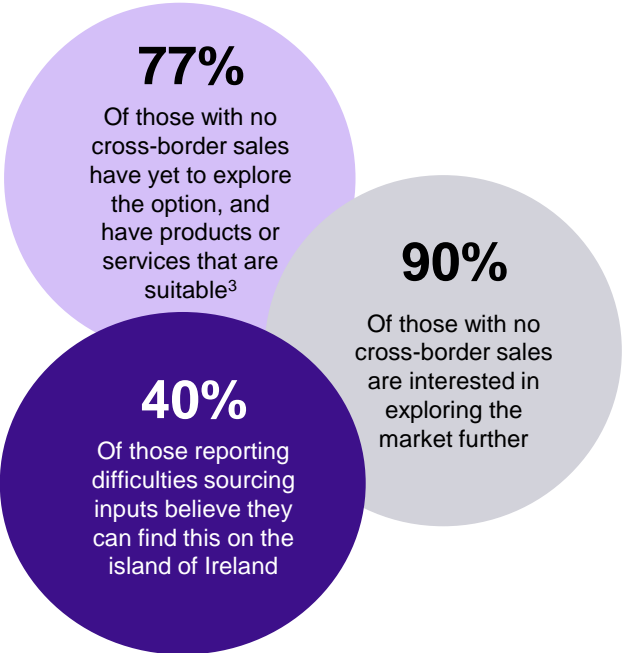
¹ <https://www.investni.com/media-centre/features/engineering-innovation-and-dual-market-access-make-northern-irelands-agri>
² <https://www.linkedin.com/feed/update/urn:li:activity:7204090755143888897/>
³ InterTradelreland Trade Pulse Survey, Q4 2023
⁴ <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NIETS-Background-Information-November-2022.pdf>
⁵ <https://www.cso.ie/en/releasesandpublications/ep/p-gei/goodsexportsandimportsjanuary2024/data/>
⁶ <https://www.pinsentmasons.com/out-law/analysis/localisation-of-major-construction-supply-chains-likely-to-accelerate>

“

Northern Ireland is the only jurisdiction in the world where companies can trade freely with both GB and EU market...

Dual Market Access means businesses in Northern Ireland can export goods to both Britain and the European Union free from customs declarations, rules of origin certificates and non-tariff barriers. This presents a golden opportunity for our businesses to tap into this expansive market.^{1,2}

Invest Northern Ireland.



Efforts should focus on continuing the momentum of cross-border services flows

The discourse surrounding the changing nature of trade has largely focused on the flow of goods. There is still much uncertainty surrounding the extent to which the trade of services between the UK and EU will be impacted, such as through:

- ▶ Regulatory divergence: any regulatory divergence over the coming years would likely lead to a large impact on trade flows for businesses with operations in the UK and several EU member countries, for example.
- ▶ A lack of dual recognition of qualifications: UK professionals need to seek the approval of the relevant EU member state for such recognition, and vice versa.
- ▶ An end to freedom of movement: work permits and visas will now be required for EU nationals to work in the UK and vice versa.
- ▶ Data transfers: the UK equivalent legislation governing data protection aligns closely with the EU's GDPR and has been granted adequacy status. This is, however, subject to review and could change in the future.

The island of Ireland's services structure, particularly in sectors such as Professional Services, depends heavily on mutual understanding on the dual recognition of qualifications (for example the all-island Chartered Accountants Ireland body), alongside the free flow of personal data between IE and NI. Any emerging divergence in these areas could disproportionately impact NI and the long-standing connections created.

Conversely, there are opportunities present in the all-island services trade. For example, the UK and Ireland benefit from the Common Travel Area, granting access to a larger pool of skilled labour at a time when barriers have been raised elsewhere in the form of visas and work permits. This is particularly encouraging given the high productivity nature of jobs within the priority clusters identified in this section (such as Life and Health Sciences and Cybersecurity).

Services growth has also accelerated following the Brexit Referendum, with the value of all-island flows growing by 132% between 2016 and 2022, compared with a 66% increase in the value of goods traded. However, the value of NI services exports to IE significantly outpaced that of IE to NI, both in absolute and growth terms. In 2022, services sales from NI to IE totalled £1.73 billion, having grown by 148% between 2016 and 2022 and representing 27% of total NST. In contrast, in 2022 services sales from IE to NI totalled £0.56 billion, growing 94% since 2016 but representing a comparatively smaller 16% of SNT. The potential for increased SNT in services is further highlighted by only 1% of Ireland's services exports going to NI (increasing to 2% when multinationals are excluded).³

¹ NIETS02 Available at: <https://www.nisra.gov.uk/statistics/business-statistics/broad-economy-sales-and-exports-statistics>

²These figures are based on the CSO/NISRA 'BPA03 & TSA10/NIETS02' for 2022. However, Ireland's trade statistics are impacted by the activity of multinational firms, particularly in relation to services statistics. A 2021 ESRI [paper](#) on cross-border trade in services attempts to correct for this by focussing on domestically owned firms in Ireland. It

states: 'If we exclude the foreign-owned multinational firms that dominate total exports from Ireland, and focus on domestically owned firms, then we find that the shares of exports accounted for by Northern Ireland increases to around 6% of goods exports and 2% of services exports.'

³Of the sectors of services trade for which data was available for both 2016 and 2022 from NIETS:

Services trade in focus¹

+132%

Growth in cross-border services trade 2016-2022

18% (51%)

Ireland as a share of NI services external sales (as a share of NI services exports i.e. not including GB sales)

0.23%

NI as a share of Ireland services exports²

1. **Construction**
2. **Professional, Scientific & Technical**
3. **ICT**

Top three NST service sectors, 2022 These sectors also displayed the highest value additions to trade in the 2016-2022 period.²

Top SNT tradeable services	Fastest growing sectors
1. Manufacturing	1. Manufacturing
2. Transportation & storage	2. Accommodation & food services
3. Construction	3. Other services

Whilst tradable services exports from IE to NI grew by 94% between 2016 and 2022, Manufacturing and Accommodation & Food Services outpaced this, growing by 429% and 137%, respectively.

Buoyant activity in high potential sectors across the island makes it an opportune time to encourage cross border linkages

InterTradeIreland and its partners are not operating in isolation when identifying sectors to strategically target. Rather, there is significant momentum building across the island in key areas. This is supported by overarching strategic frameworks, namely the Department for the Economy (DfE) seven priority sectors in NI, detailed here, and the National Smart Specialisation Strategy (S3) for Innovation in Ireland.

The Centre for Cross Border Studies mapped the potential for sectors to progress to higher performing levels on a cross-border basis by 2030,¹ using the methodology established by The European Commission's European Observatory on Clusters and Industrial Change (EOCIC) framework. It measures cluster strengths in size, specialisation and productivity, alongside the prevalence of high-growth SMEs and of innovation leaders across 51 trading/exporting industry sectors. The clusters were selected based on both regional potential (across NI and the three NUTS2 IE regions) and the opportunity for all-island collaboration to enhance the sectors' potential.. This resulted in 9 all-island clusters of focus by 2030:

Table 7: potential cross-border cluster areas

Ranking aim (2030)	Broad sector
High	Life sciences Software/Digital business services Production engineering
Medium	Agrifood Financial services Hospitality and creatives
Low	Construction products and services Energy/Environment Education and care services

Source: the Centre for Cross Border Studies, 2023

Table 8: DfE seven priority sectors

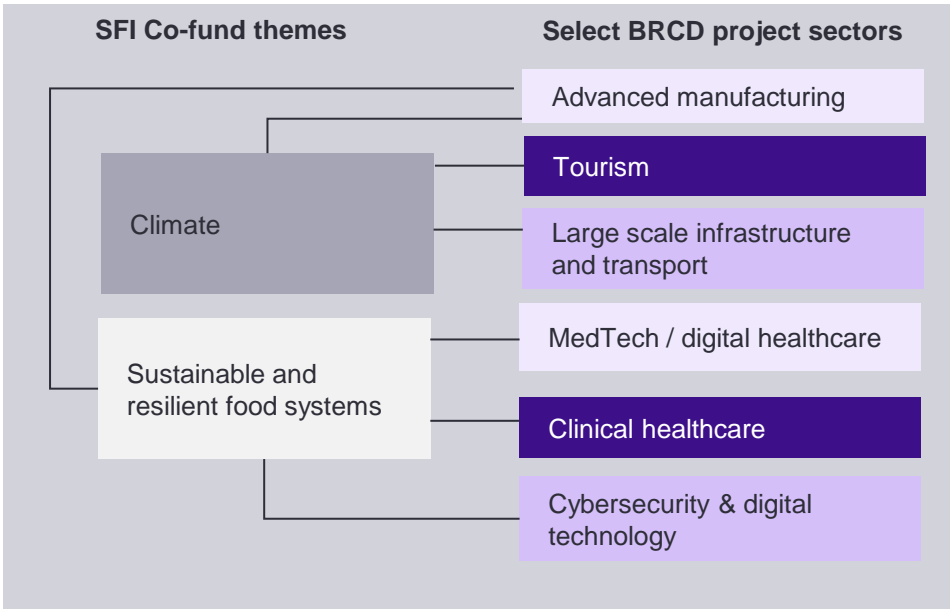
Priority sector
1. Agri-Tech
2. Life and Health Sciences
3. Advanced manufacturing, Materials and Engineering
4. FinTech/Financial Services
5. Software/including Cyber)
6. Screen Industries
7. Low Carbon (including Green Hydrogen)

Source: Department for the Economy Northern Ireland, 2024

Momentum is already evident in certain key sectors across the island. One such programme is the SFI co-fund, announced in 2022 and jointly supported by Science Foundation Ireland (IE), DAERA (NI) and UK Research and Innovation (UKRI) alongside industry. This aims to 'build strategic collaborative partnerships across Ireland, Great Britain and Northern Ireland through the formation of a Co-Centre'.² The sectoral focus of this programme is:

- ▶ **Climate:** this includes areas of socioeconomic importance, from agriculture, agri-food and forestry, to sustainable transportation and urban regeneration. It also encompasses low carbon technologies and improving water quality.
- ▶ **Sustainable and resilient food systems:** secure sustainable methods of food security and nutrition for future generations. It covers fields such as personalised nutrition, changing dietary trends, sustainable food production including energy efficiency, and sustainable food processing and data.

Given the potential for spin-outs, start-ups and new cross-border business relationships, the confirmed funding embodied by these initiatives provides reason for optimism in these areas. In addition, the NI City and Growth Deals, comprising large-scale investment programmes across the region, represents significant public and private support. The 20 projects within the Belfast Region City Deals alone encompass more than £1 billion of investment.³ Much of the focus areas of these initiatives align closely (see below); support bodies on the island of Ireland should monitor and align activity and initiatives with such sectoral efforts.



¹<https://crossborder.ie/newsite/wp-content/uploads/2023/11/2023-Accelerating-Growth-Donnellan.pdf>
² <https://www.sfi.ie/funding/funding-calls/co-centres/>
³ <https://belfastregioncitydeal.co.uk/overview>

Across the island, there are growing areas of opportunity and momentum

As outlined, there is significant overlap between public and private investment in target sectors across regions and nations. Analysing target fields within the UK Government's five critical technologies¹, the seven priority sectors as outlined in June 2024 by the Minister for the Economy in NI² and their accompanying action plans³, and Ireland's S3 Strategy for Innovation priority areas⁴ demonstrates this. The overlapping areas outlined in these policies are already attracting significant policy support and investment, harnessing a building momentum. Such areas of overlap include the following:

- ▶ **Life and health sciences:** a priority in both NI's priority sectors and Ireland's S3 areas, closely aligning with the UK's focus on engineering biology, emphasising biotechnology and healthcare innovations. These are areas of growing collaboration given the niche skills demanded and mutually beneficial nature of advances, as showcased during the Pandemic.
- ▶ **Advanced manufacturing and engineering:** this is a shared focus between NI's seven priority sectors and Ireland's S3 areas, supported by the UK's emphasis on quantum technologies and semiconductors which play a critical role in advanced manufacturing. There is alignment between BRCD's Advanced Manufacturing Innovation Centre (AMIC), collaborative research centres in Ireland such as iForm and IMR, and UK Catapults such as the High Value Manufacturing centre.
- ▶ **Agri-tech and agri-food:** the agri-food sector, and the productive potential represented by agri-tech advances, is increasingly being prioritised across the island of Ireland as integral for both economic growth and sustainability, as linked to the circular bio-economy. This aligned with the UK's designation of engineering biology as a priority technology, as well as being one of NI's seven priority sectors.
- ▶ **ICT and software:** in line with global megatrends, ICT and its subsectors (including IoT and cybersecurity) are being prioritised in NI, Ireland, and GB. The focus on AI and future telecoms (5G and beyond) by the UK government supports advancements in these sectors, with BRCD's 'Momentum One Zero' and Queen's University Belfast's designation as a cybersecurity Centre of Excellence reflective of this high growth potential and commitment.
- ▶ **Low carbon and renewable energy:** the emphasis on low carbon technologies and renewable energy in NI and Ireland aligns with global sustainability goals and both Ireland and the UK's broader innovation strategies. Both Ireland and NI's Circular Economy Strategy illustrate the mutual drive towards embedding sustainable practices across industries, including advanced manufacturing and engineering. All five of the UK's critical technologies (AI; quantum; engineering biology, semiconductors, and future telecoms) align with the drive for sustainability in varying ways, with low carbon (including Green Hydrogen) being one of NI's seven priority sectors. Business representative bodies are aware of firms' drive to achieve such aims and the potential across the island (particularly in areas such as off-shore wind, carbon capture and storage).
- ▶ **FinTech:** across the IOI, FinTech is a high growth area, particularly given the comparatively unfettered nature of trade in services post-Brexit between the UK and Ireland. In NI, the sector is estimated to have contributed £2.5bn to GVA in 2022, according to DfE, translating to an increase exceeding 100% over the past decade. This sector holds significant potential for FDI attraction in both NI and IE, but so too for all-island linkages, particularly given the mobility and unfettered access to labour. Within DfE's sectoral action plan, InterTradelreland is highlighted as a key delivery partner in promoting the sector as well as developing these cross-border opportunities.⁵
- ▶ **Screen industries:** building on the momentum in Northern Ireland's screen industry, such as through the BRCD-supported Studio Ulster and Belfast Stories projects, the region has ambitious plans for this sector. In its sectoral action plan, the ambition is 'For Northern Ireland to have the strongest Screen Industry outside of London in the UK and Ireland and to deliver an economic return to NI of £431 million over a 4-year period (2022-26)'. To achieve this, it is recognised that aligning and working alongside the all-island screen industry, skills and projects will play an integral part in its success. The participation of stakeholders across the island of Ireland will be required, with the Irish Language Broadcast Fund and Ulster-Scots Broadcast Fund both cited as key partners.⁶

¹ <https://assets.publishing.service.gov.uk/media/65c9f67714b83c000ea7169c/uk-science-technology-framework-update-on-progress.pdf>

² <https://www.economy-ni.gov.uk/news/minister-murphy-launches-plans-grow-seven-priority-sectors>

³ <https://www.economy-ni.gov.uk/publications/sectoral-action-plans>

⁴ <https://enterprise.gov.ie/en/publications/publication-files/national-smart-specialisation-strategy-for>

[innovation-2022-2027-executive-summary.pdf](https://www.economy-ni.gov.uk/sites/default/files/publications/economy/innovation-2022-2027-executive-summary.pdf)

⁵ <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/fintech-financial-services-sectoral-action-plan.pdf>

⁶ <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/screen-industries-sectoral-action-plan.pdf>

Select sectoral spotlights

Life sciences	Advanced manufacturing	AgriTech	Agri-food and dairy	Green energy	ICT and cybersecurity
€80bn exports (IE)	+£4.45bn additional investment (UK)	+19.8% increase in productivity (IE)	+89% global growth in value of high value dairy products	80% of NI's gas needs could be met by biomethane	£85,920 average GVA per worker (NI)
Value of Ireland's (IE) annual Life Sciences exports. This makes Ireland the world's third largest pharmaceuticals exporter, a direct employer of 40,000 people and home to nine of the world's top 10 pharmaceutical companies.	This is the projected increase in manufacturing investment, in real terms, in the UK across the period 2023 to 2030.	The projected increase in agricultural productivity in Ireland 2023-2030. As agri-food plays a dominant role in cross-border trade (with Ireland accounting for 53% of NI's exports in the sector) ² , technological advances could lead to significant spillover benefits.	The projected global growth of high value dairy nutrition products in the decade following 2023 amounts to an additional \$17.8bn, or an 89% growth.	It is projected that biomethane gas, produced in NI, will be able to meet at least 80% of the region's gas needs by 2030.	The GVA per worker in cybersecurity in NI, 2023. This is 79% higher than average GVA per worker, indicating highly productive roles.
IDA Ireland ¹	ONS, Haver Analytics	CSO, Oxford Economics; based on average GVA per worker in the agriculture and forestry sector ¹	Persistence Market Research ⁴	The Centre for Advanced Sustainable Energy, Queen's University Belfast	Perspective Economics, BRES, Oxford Economics

¹ <https://www.idaireland.fr/latest-news/insights/ireland-a-global-center-for-life-sciences>

² https://assets.publishing.service.gov.uk/media/5a81c056e5274a2e8ab55a0c/Additional_Data_Paper_-_Northern_Ireland_Trade_Data_and_Statistics_2_.pdf

³ Based on a measure of productivity based GVA per worker in the agriculture and forestry sector

⁴ <https://www.persistencemarketresearch.com/market-research/dairy-nutritional-and-nutraceutical-ingredients-market.asp>

Untapped opportunities include leveraging the potential for all-island Foreign Direct Investment and awareness raising among Ireland's SMEs to bolster South North trade

The current levels of South North Trade (SNT) indicate significant potential for growth, particularly as policymakers and support bodies turn their focus to harnessing the positive aspects of the changing trade landscape.

Trading arrangements have evolved more for Northern Ireland post-Brexit than for Ireland. Given the latter's continued membership of the EU and subsequent access to the remaining 26 member countries, Ireland's SMEs have not been subject to the same level of disruption, uncertainty and instability as counterparts in NI. As a result, much of the research and advocacy conducted in the trade space has centred on Northern Ireland. This report, by virtue of detailing and analysing the key changes post-Brexit and their implications for SMEs, also discusses NI's trade context in depth. However, there is room for optimism when considering the potential for SNT to increase, particularly when coupled with awareness raising of NI market capacity and opportunities by trade support bodies.

In contrast, Irish SMEs have been operating under conditions closer to "business as usual". As such, now that Brexit is progressing through the implementation stages and conditions are stabilising in NI, there is significant potential for awareness raising measures and interventions to boost SNT. An analysis of the trade statistics illustrates this potential. SNT (from Ireland to NI) in services is 0.2% of Ireland's total trade in services, with goods sales being 2.2%.* This means that only 1.1% of Ireland's total sales in goods and services are directed towards NI. Considering the proximity and shared linkages, this is a challenge that requires attention. This illustrates a significant opportunity to build on the successes of the all-island economy and open up new opportunities for Ireland's SMEs.

To address this disparity, there is potential for initiatives like those which have supported Northern Ireland's SMEs to be implemented in the South. Such initiatives would require research to understand the impediments to SNT, the scope for market development/capacity and the formation of strategic approaches to enhance cross-border trade in goods and services. By embarking on this path, the cross-border economy could be significantly strengthened, contributing to a more balanced and prosperous trading relationship across the island. The goal is to not only advance Ireland's economic interests but to also create a more cohesive and economically integrated island of Ireland, where the flow of goods and services across the border is optimised.

The unfettered access to the all-island market could be used to further promote the island's attractiveness to FDI investors.

FDI activity has been buoyant in Ireland, both prior to and following Brexit. FDI activity in Northern Ireland is more muted but is growing, with significant potential. This is demonstrated by the results of EY's 2024 Attractiveness Survey.¹ In 2023, Ireland secured 100 Foreign Direct Investment projects, which represented a decline from the previous year's 184. However, its European ranking remained relatively stable, at 11th for most appealing investment locations in terms of project numbers, compared with 10th in 2023. As geopolitical conditions stabilise and the cost of capital reduces, there is reason to believe that FDI activity will rebound as European levels recover.

Certain sectors have recorded particularly strong activity, such as being 4th in Europe for MedTech, 7th in finance, and 8th in both software & IT services and pharmaceuticals. There is a growing sense of optimism, with 66% of survey participants anticipating an enhancement in Ireland's FDI attractiveness over the next three years, up from 46% in 2023. Furthermore, 79% of international investors intend to initiate or expand operations in Ireland over the coming year, up from 53% in 2023. Meanwhile, NI's share of total UK FDI projects has remained relatively stable, consistently around 3%, which is broadly aligned with its population share.

The resilience of the FDI landscape represents a significant opportunity for businesses across the island. NI enjoys a unique trade position, being the only economy offering dual market access; awareness of this should be raised among investors, given the comparatively low marginal cost of expanding operations into NI once established in IE (and vice versa). The expected growth of FDI projects in NI would also benefit businesses in IE, as these firms seek to build their supply chains and avail of the island's rich supply of talent.

The trajectory of the Northern Ireland economy supports this opportunity. A gradual increase in productivity has led to a narrowing of the gap with the rest of the UK, decreasing by 6.2 percentage points from 2022 to 2023 to an unprecedented low of 11%. Moreover, NI has the highest rate of tertiary education in the UK, indicating its highly skilled workforce.² These developments help signify an educated, vibrant and growing economy offering much potential to incumbent and prospective FDI investors and multinational firms.

A 2021 ESRI [paper](#) on cross-border trade in services attempts to correct for this by focussing on domestically owned firms in Ireland. It states: 'Exclude foreign-owned multinational firms that dominate total exports from Ireland, and focus on domestically owned firms, then we find that the shares of exports accounted for by Northern Ireland increases to around 6% of goods exports and 2% of services exports.'

¹ [FDI attractiveness surveys | EY Ireland](#)

² [NI-Productivity-Dashboard-2023-241123.pdf](#)

*These figures are based on the CSO/NISRA 'BPA03 & TSA10/NIETS02' for 2022. However, Ireland's trade statistics are impacted by the activity of multinational firms, particularly in relation to services statistics.







6.3

PESTLE analysis

The PESTLE framework has been used to analyse factors impacting the island of Ireland's traders

This report has established that traders on the island of Ireland are navigating changing developments and uncertainty not only due to domestic factors, but also owing to fluctuations and trends in the international arena. The PESTLE analysis detailed in this section structures these factors, grouped according to whether are Political, Economic, Social, Technological, Legal, or Environmental in nature, alongside the corresponding impact on the island's businesses and likelihood of this being realised.

The table below provides a definition of each of the themes being considered and an introductory application to the island of Ireland. The following page outlines the approach used to assess trends, and the process used in their ranking. During this PESTLE, the evolution of the trading landscape on the island of Ireland in the period since the Brexit referendum will be considered, with particular focus on the current operating context and anticipated developments in H2 2024 and H1 2025.

<p>Political</p>  <p>A political context marked by negotiations, trade frameworks and nuanced relationships between the Government of Ireland and the Stormont Assembly, as well as the UK Government and the devolved nations, presents significant complexities to navigate. So too is significant uncertainty being caused by the myriad elections occurring in H2 2024.</p>	<p>Economic</p>  <p>Traders across the island have been operating under difficult economic circumstances, marked by the rising cost of living, difficulty in accessing skills and a high cost of capital. Many firms are focussing on preserving margins and ensuring viability in H2 2024. Cross-border trade is also subject to currency fluctuations and divergence in economic conditions.</p>	<p>Social</p>  <p>Evolving business preferences are impacted by geopolitical uncertainty, with supply chain localisation and a search for certainty impacting the trade landscape both on the island and further afield. Consumers may also be adjusting expenditure patterns in response to macroeconomic conditions and geopolitical events.</p>	<p>Technological</p>  <p>Technological innovation continues to drive business transformation, offering opportunities for SMEs to enhance efficiency. This will require up-front investment by firms to achieve such advances. The ability of trade-related compliance requirements to become automated, with time and cost implications being minimised, will be key in determining the impact on firms.</p>	<p>Legal</p>  <p>Changing legal requirements, relating to both island of Ireland-specific legislation in the wake of Brexit, as well as global developments, impact the island of Ireland's SMEs. These include changing employment and visa laws post-Brexit, regulatory developments and the potential for divergence, and trade-specific red tape.</p>	<p>Environmental</p>  <p>Environmental considerations are increasingly central to trade, with SMEs needing to align with evolving sustainability regulations (CBAM, CSRD and deforestation) and consumer expectations in relation to environmental conscientiousness. Elections and political developments may also impact these considerations.</p>
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The methodology underpinning the PESTLE analysis incorporates the impact category, impact and likelihood assessments, and the time period for this to be realised

Key factors impacting traders on the island of Ireland, identified throughout the mapping and engagement phases of the project and framework by the PESTLE process are set out on the following slides. The table below defines the process used to assess trends, and the process used in their ranking.

Trend	Trend designation	Trend description	Impact score	Likelihood Score	Impact period
<p>The trend column defines a trend, whether international or regional/domestic, that has been observed to impact traders on the island of Ireland.</p> <p>e.g.</p> <p><i>International: an increase in trade agreements and customs mutual cooperation agreements.</i></p> <p><i>Domestic: legal processes introduced by the NI Protocol and Windsor Framework.</i></p>	<p>The trend key illustrates whether an identified trend is likely to have a positive or negative impact on IOI traders, or whether both a positive and negative impact could materialise, depending on how traders adapt or what exogenous circumstances take place.</p> <p>e.g.</p> <p><i>The elections taking place globally could have a positive and/or negative impact on IOI traders, depending on the subsequent legislation and policy focus adopted.</i></p>	<p>The trend description summarises the trend, who the relevant stakeholders are, the application to NI/IE/the island of Ireland and how it emerged.</p> <p>e.g.</p> <p><i>Governments increase cooperation with likeminded countries - concluding trade agreements that lift barriers to trade and increase cooperation between traders.</i></p>	<p>The impact RAG rating defines how a trend is scored against the magnitude of its potential impact on traders, be that positive or negative.</p> <p>An expansion on the RAG rating is detailed below.</p> <p>e.g.</p> <div style="background-color: red; color: white; text-align: center; padding: 5px;">Negative impact on traders</div>	<p>The likelihood RAG rating sets out how likely it is that a trend will impact traders.</p> <p>An expansion on the RAG rating is detailed below.</p> <p>e.g.</p> <div style="background-color: orange; color: black; text-align: center; padding: 5px;">Could possibly occur</div>	<p>The impact period defines how long the trend is expected to impact traders.</p> <p>The impact period is defined as long, medium or short-term.</p> <ul style="list-style-type: none"> <i>Long term – the trend is likely to impact traders for at least the next 10+ years</i> <i>Mid term – the trend is likely to impact traders for the next 6 years.</i> <i>Short term – the trend is likely to impact traders for the next 2 years.</i>

The RAG system used to assess the trends' impact and likelihood of impact on traders allows them to be ranked in an order where relevant trends can be addressed first. This approach enables traders to structure decision-making in a way that alleviates immediate risks.

The table defines likelihood and impact scoring matrix, as well as the trend designation for type of impact.

Trend designation	Positive	Undetermined	Negative
Trend – what type of impact would the factor have?	Would have a positive impact on traders	Positive and negative aspects of the impact, or yet to be determined	Would have a negative impact on traders
Impact score	1	2	3
Descriptor	Low	Medium	High
Impact – how much impact would the factor have?	Would have a low impact on traders	Would have a moderate impact on traders	Would have a large impact on traders
Likelihood score	1	2	3
Descriptor	Unlikely	Possible	Likely
How likely is the factor's impact to materialise?	Unlikely to occur	Could possibly occur	Likely to occur

The impact of global and domestic political trends on traders

A summary of how domestic and global political trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.

Trend	Trend Description	Location	Impact RAG	Likelihood RAG	Impact period
Elections	Globally, more voters than at any point in history will head to the polls, with at least 65 countries (plus the European Union) representing a combined global population in excess of 50%. This is true both in the UK and Ireland, with the latter also undergoing the EU elections. This could lead to changes in trade policy and regulatory environments, impacting SMEs by potentially altering cross-border supports and business conditions on the island	IOI	●	●	Short
Increase in trade agreements and customs mutual cooperation agreements	Many nations, including the UK, are seeking to broker trade and mutual cooperation agreements to lift barriers to trade and increase cooperation between traders. Clarifying the applicability of EU and UK FTAs in NI will assist traders in leveraging any benefits.	IOI	●	●	Long
Lack of propensity for international cooperation/deglobalisation	There are instances of countries developing new regulations and standards in siloes, or through regional cooperation - reducing global interoperability and exacerbating geopolitical challenges and the responsiveness of multilateral organisations. To alleviate this, governments should cooperate closely with regional government bodies and countries in geographic proximity to secure supply chains and reduce disruptions. Preserving linkages between GB, NI and Ireland plays an important role in maximising these benefits.	IOI	●	●	Long
Geopolitical uncertainty is disrupting global trade	Countries are increasing safety and security requirements, particularly at the border, in response to geopolitical uncertainty caused by COVID-19 and Russia's invasion of Ukraine.	IOI	●	●	Medium
Increase in trade remedies cases	The number of trade remedies cases initiations reached its highest peak in 2020, with 36.1 initiations per month (WTO). This signifies an increasingly complex trade landscape where third country trading partners are considered (particularly non-EU in the IOI context), pointing to the need for increased awareness and practical, issues-based support mechanisms for traders navigating these routes.	IOI	●	●	Medium
Imposition of trade barriers related to governments' environmental agendas	The increasing importance of sustainability on policymakers' agendas may lead to the imposition of import restrictions or duties on the import of high-emitting goods or goods that do not meet specific environmental criteria. This may impact traders in traditionally high-emitting industries or accelerate the move towards circularity.	IOI	●	●	Long
Political attitudes and cooperation on the island of Ireland and UK	Political sensitivities and the policy agenda of the Government of Ireland, the Stormont Assembly and the UK Government with regards to facilitating and supporting North-South and East-West trade exert significant influence on IOI trade. This includes new and existing policy measures designed to facilitate trade, with the former including the establishment of InterTrade UK. Clarity will be required surrounding the remit of support bodies and the resources granted to them in their efforts to encourage traders to thrive.	Primarily NI	●	●	Long
Political levers and processes under post-Brexit arrangements	The post-Brexit trade developments, particularly those within the NI Protocol and subsequent adjustments in the Windsor Framework, directly impact IOI traders; in many areas the impact of these has not been realised, given that they are still in the implementation phase. The Stormont Brake is one such measure that could introduce significant uncertainty.	IOI	●	●	Long

The impact of global and domestic economic trends on traders

A summary of how domestic and global economic trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.

Trend	Trend Description	Location	Impact RAG	Likelihood RAG	Impact period
Increase of trade in services	Services constitute more value in global trade than goods, meaning traders generate less revenue through tariffs for governments. Globally, trade in services grew at 15% in 2022 (WTO), whilst NST in services on the island of Ireland grew at 148% in this period (NISRA).	IOI	●	●	Long
Inflation and the cost of capital	Global inflation in 2022 is estimated to have reached 8.7%, the highest annual increase in inflation since 1996. (IMF) In Ireland, inflation surged to 6.3% in 2023 (CSO), with the figure being 7.3% in the UK (ONS).	IOI	●	●	Short
Increasing cost of living	Energy prices and food prices have increased in the aftermath of the pandemic and owing to several different factors, such as policies to combat the use of fossil fuels and geopolitical conflict, causing the cost of living to increase and consumer behaviour to change accordingly.	IOI	●	●	Short
Increase in e-commerce	The rise of e-commerce has been accelerated through the pandemic – including the use of technologies to facilitate the secure use of e-commerce platforms. E-commerce has led to the reduction of bricks and mortar retail stores – enabling businesses to deliver direct to consumers or in bulk to distribution warehouses.	IOI	●	●	Long
Supply chain disruptions and increased need for supply chain resilience	COVID-19, climate events, and increases in global conflicts are currently all negatively impacting the capabilities of global value chains, enhancing operational inefficiencies and delays. Businesses tend to review and diversify their supply chains and suppliers to mitigate risk and increase supply chain resilience. There has been evidence of the desire for supply chain localisation to de-risk operations from such volatility and potential for economic shocks. Nearshore markets, such as the UK and cross-border landscape from an IOI perspective, are increasingly attractive as traders look for certainty.	IOI	●	●	Medium
Increased efforts for public and private sector collaboration	Countries recognise the need for increased collaboration between the public and private sector, including SMEs. This extends to including private sector companies in policy roundtables and steering groups.	IOI	●	●	Long
Increased use of Authorised Economic Operator systems	Traders recognise the opportunities associated with automated processes, including the AEO, to ensure smoother trade and increased security. This will positively impact NI traders/the cross-border landscape, if shorter turnaround times and decreased compliance costs materialise.	IOI	●	●	Long

The impact of global and domestic social trends on traders

A summary of how domestic and global social trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.

Trend	Trend Description	Geography	Impact RAG	Likelihood RAG	Impact period
Changing consumer preferences	An increase in living standards across emerging and developing countries has increased the global demand for high-quality products, while consumers place increasing emphasis on food safety, medicines integrity, and local and organic produce. An additional change in consumer behaviour, particularly post-COVID-19, is the shift toward online shopping, increasing the potential market and geographic area available to many of the island's traders.	IOI	●	●	Long
Access to labour and skills	Public authorities impose additional staff screening and training courses to protect against external operational threats. In the context of a tight labour market, prospective employees may factor this into their assessment of opportunities; if additional red tape is presented by certain public and/or semi-state entities, they may opt for alternative opportunities. In addition, the availability of skilled labour will be determined by the labour market composition and indicators such as economic activity and social attitudes towards workforce retention of those with caring responsibilities. There is disproportionately high economic inactivity in Northern Ireland, as such any increase in this will have a negative impact on the availability of labour on the all-island basis. It does, however, represent a sizeable pool of labour which could potentially be activated.	IOI	●	●	Medium
Attitudes towards cooperation on the island of Ireland	Collaboration, dialogue and the state of community relations in the nuanced island of Ireland context can impact the ease of doing business for domestic companies and their propensity to engage with and grow cross-border trade linkages.	IOI	●	●	Long
Social cohesion and stability	The relative stability of Ireland and Northern Ireland are factors that potential trade partners and FDI investors will factor into their business decisions. This element of social cohesion is distinct to the political stability and post-Brexit mechanisms considered under the 'Political' pillar of this analysis.	IOI	●	●	Long
Attitudes towards immigration / multiculturalism	The availability of a skilled workforce and the mobility of labour across borders are crucial for businesses to operate effectively, harness the opportunities available to them and expand their trade activities. The accompanying social attitude towards immigration plays a determining role in growth patterns of this indicator.	IOI	●	●	Medium
Demographic changes	Aging populations or emigration patterns of young people can impact the availability of skilled labour, demand for consumer products and services, influencing trade in various sectors.	IOI	●	●	Medium

The impact of global and domestic technological trends on traders

A summary of how domestic and global technological trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.

Trend	Trend Description	Geography	Impact RAG	Likelihood RAG	Impact period
UK Single Trade Window	The UK has an ambition to have the world's most efficient border, phasing in integrated systems and interfaces as a one-stop-shop for its users. This should make BTOM-related requirements easier to navigate and information more easily accessible for users, reducing the risk of human error. It facilitates data collection as trade information is centrally inputted via the window. This should reduce both the time and costs required to fulfil compliance requirements, but will require a significant implementation and adjustment period, given the scope of technology involved and breadth of application.	IE	●	●	Long
Automation and digitalisation of processes	New tech developments enable the automation of internal processes of traders. Traders implement the required infrastructure and equipment to automate and streamline their processes, for example through specific customs software.	IOI	●	●	Short
Lack of interoperability of new laws and regulations	With new technology emerging, Governments develop regulation and standards to address their use. Often, this takes place in isolation and without international alignment, leading to fragmentation and additional administrative burden for traders.	IOI	●	●	Short
Increasing risk of cyber threats and digital fraud	With digital applications on the rise, cyber threats and the risk of digital fraud increase. Traders are required to put in place necessary safety walls, data protection mechanisms and security checks to prevent or counteract attacks on digital assets or systems.	IOI	●	●	Long
Increase in e-commerce and associated compliance	The rise of e-commerce has been accelerated through the pandemic and technologies facilitating the secure use of e-commerce platforms. E-commerce reduces the need for retail stores, leading to many smaller parcels directly delivered to consumers or bulk stored in warehouses. This will play a role in determining the impact of changing requirements relating to both B2C and B2B parcel movements and labelling in GB-NI movements.	Primarily NI	●	●	Short
Advances in trade technology	The development and take-up of trade technology has increased, which facilitates the way trade takes place. Traders utilise technologies such as blockchain, digitalisation and Artificial Intelligence to streamline their processes, optimise trade flows and reduce security risks.	IOI	●	●	Long
Technological and STEM skillsets	The availability of skilled personnel in areas such as technology, cybersecurity and other STEM-related areas will influence the extent to which developments such as high growth /value sectors, clusters and areas attracting investment (such as the City and Growth Deals in Northern Ireland) are able to generate economic benefits and harness future growth for businesses on the island of Ireland.	IOI	●	●	Medium

The impact of global and domestic legal trends on traders

A summary of how domestic and global legal trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.

Trend	Trend Description	Location	Impact RAG	Likelihood RAG	Impact period
Inconsistent advancements in data governance law	Governments recognise the need for laws to manage data flows, usage and governance. With some countries having progressed the matter further than others, collaboration is required to establish interoperable laws and rules. This is particularly applicable to trade of services.	IOI	●	●	Short
Inconsistent advancements in sustainability (social and environmental) obligations	Governments recognise the need for laws to manage the environmental crisis. With some countries having progressed the matter further than others, collaboration is required to establish interoperable laws and rules.	IOI	●	●	Short
Deregulation to address red tape	Governments are implementing 'deregulation agendas' to eliminate legislative complexity – supporting productivity, investment and cross-border efficiency. This includes streamlining processes and the utilisation of digitalisation to centralise the input of information.	IOI	●	●	Long
Adoption of legislation to support the digitalisation of trade	International governments gradually develop policy and legislation to digitise trade and customs processes (incl. technology, encryption, digital signatures, and authentication protocols). With countries' legislative developments at different stages of maturity and implementation, law makers build on Model Law and best practice, reducing the uncertainty for stakeholders affected by the legislation.	IOI	●	●	Long
Increasingly complex regulatory landscape	The evolving and complex regulatory environment in IE and NI post-Brexit, can impose significant compliance burdens on SMEs, necessitating specialised legal expertise and resources to navigate potential and confirmed areas of regulatory divergence as they emerge.	Primarily NI / CB traders	●	●	Long
Immigration policies	Immigration policies and eligibility for visas influence the labour market and access to talent for businesses, with changes in policy potentially affecting workforce availability and business growth opportunities. The UK's departure from freedom of movement means that NI firms now have a smaller potential labour pool (or face higher costs associated with sponsoring such employees).	Primarily NI	●	●	Medium
Legal processes introduced by the NI Protocol / Windsor Framework	The legal processes established by the NI Protocol and the Windsor Framework govern trade and customs arrangements, directly impacting SMEs by defining the legal framework for cross-border trade between NI, IE, and the UK. An example of one such lever is the Stormont Brake and the Democratic Consent Vote.	Primarily NI	●	●	Long
Legal remit of support bodies	The legal authority and scope of support bodies in IE and NI determine the extent of assistance and guidance available to SMEs, influencing the extent to which they can support traders in addressing identified challenges, in what sectors and sizes. The establishment of InterTrade UK is an example of where clarity in remit could benefit the support ecosystem, given InterTradeIreland's links with NI businesses trading with GB.	IOI	●	●	Short

The impact of global and domestic environmental trends on traders

A summary of how domestic and global environmental trends may impact traders is detailed below. The process summarises trends, their potential impact on traders and the likelihood of a trend occurring. The summary also includes a timeframe in which trends are likely to occur.







Trend	Trend Description	Location	Impact RAG	Likelihood RAG	Impact period
Laws and regulations incentivising reduced trade of polluting goods	Governments introducing additional duties, taxes or tariffs for imports of high-emitting goods. Traders are required to put stipulated processes in place to calculate, monitor and collect those tariffs. (e.g. Carbon Border Adjustment Measure (CBAM) – is a European Union devised tool to place a price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries). Effective 1 October 2023, carbon intensive goods consist of cement, iron and steel, aluminium, fertilisers, electricity and hydrogen. The UK's CBAM is also set to apply from 1 January 2027.	IOI	●	●	Long
Increase in environmental duties and taxes	Ports and traders imposing a range of duties on high-polluting traders and their means of transport. This may influence the decisions of IOI traders considering whether to use the GB land bridge when accessing EU markets, or whether to avoid this through longer shipping or aviation routes. They may also factor this into their business development plans given the cost implications associated with these measures.	IOI	●	●	Medium
Imposition of legal emission targets	Governments set environmental targets to reduce emissions and global warming. This will impact global demand and the kind of goods traded to meet these targets. Any divergence between UK and EU targets will require contextual consideration for NI traders, or those doing business with firms located there.	IOI	●	●	Medium
Shift to green energy and increasing trade in green energy related goods	Due to regulatory shifts towards environmental policies and changing consumer behaviour, demand is shifting away from fossil fuels to hydrogen, renewable or nuclear energy. Traders are experiencing an increase in trade of green energy related goods.	IOI	●	●	Medium
Changing demands due to changing climate	Changing weather will affect consumers' demands as the need for safe and clean products (e.g. clean water, temperature regulating systems, waste management tools) will increase. Traders are required to anticipate changes in the goods traded through respective ports of entry.	IOI	●	●	Long
Circular economy	Government policies incentivise a circular economy, increasing trade regionally and of different types of products (e.g. more raw materials, partly-finished or refurbished products, waste, but fewer new end products). Both NI and IE have specific Circular Economy Strategies in place.	IOI	●	●	Medium
Adapting operations to increase climate change resilience	Due to the increase in climate-related risks, such as drought and flooding, traders are adapting their operations to enable them to respond effectively to these challenges through better climate-adaptivity. This may require a monitoring of emerging opportunities, as certain industries, products and services may become more attractive in the IOI context.	IOI	●	●	Long
Potential environmental regulatory divergence	Post-Brexit, there is potential for regulatory divergence between the UK and EU in several areas, with NI in the position of voting on a case-by-case application where such divergence occurs. This is particularly applicable to sustainability regulations, with CBAM and CSRD being notable examples. Whilst this impacts NI traders primarily, so too does it impact IE traders who export to NI or GB.	NI	●	●	Medium

Key conclusions from the PESTLE analysis

This PESTLE analysis has reflected on the in depth primary and secondary research conducted throughout the preceding sections of the report. Traders globally are being impacted by myriad trends across the six pillars considered. It is clear that in many areas the impact is undetermined, and as such require careful navigation by policymakers, support bodies, business representatives and business themselves if negative impacts are to be mitigated insofar as possible, and opportunities to be harnessed. Despite the changing nature of trade globally, it

is also clear that there are key factors unique to the island of Ireland that are projected to (or are already) impacting the island's traders.

The graphic below highlights the most prominent trends on the island of Ireland resulting from this analysis, though it is not exhaustive and should be considered in tandem with the preceding analysis.

Political	Economic	Social	Technological	Legal	Environmental
 <p>Political levers and processes under post-Brexit arrangements, such as the Stormont Brake and Democratic Consent Vote, mean traders must assume a level of uncertainty for the foreseeable.</p> <p>The myriad elections in H2 2024 will bring with it changing attitudes towards trade arrangements, changing policies and ways of working. In the short to medium term, it will increase uncertainty for traders given the potential to adjust, delay or divert from current or planned arrangements.</p>	 <p>The global increase in the trade of services is highly relevant to the island of Ireland, particularly given the comparatively unfettered nature of services trade post-Brexit compared with goods trade.</p> <p>Supply chain disruptions and the increased need for supply chain resilience, given continued geopolitical uncertainty, is likely to lead to continued localisation of supply chains and greater transparency. This may positively impact cross-border and near shore linkages.</p>	 <p>Changing consumer preferences in relation to the standards they expect of the goods and services they purchase, as well as the way in which they prefer to procure them, will have a significant impact on the island's traders.</p> <p>Attitudes towards cooperation on the island of Ireland is a key domestic trend that will impact the degree to which cross-border trade flourishes, benefits of the Windsor Framework are realised, and other current and prospective trade partners continue this relationship with the IOI.</p>	 <p>The development of the UK Single Trade Window, reflective of the advances being made in trade technology globally, holds the potential to increase efficiency for traders from Ireland exporting to GB under the scope of BTOM, subject to implementation and awareness raising.</p> <p>The increase in e-commerce and associated compliance requirements, specifically in NI with the end of the B2B parcels grace period, is likely to negatively impact traders, specifically smaller businesses.</p>	 <p>An increasingly complex regulatory environment and, connected to this, legal processes introduced by the Windsor Framework, will increase red tape, administrative requirements and uncertainty for traders on the island of Ireland.</p> <p>In addition, increasing legal requirements in relation to data governance, immigration and environmental obligations, are impacting businesses globally. The end of the freedom of movement post-Brexit in the UK, including NI, is a noteworthy domestic trend.</p>	 <p>Regulatory developments and potential divergence in relation to environmental and social sustainability, with CBAM, deforestation and CSRD regulation being current topics to contend with, is a large area of uncertainty for traders.</p> <p>An increase in environmental obligations, targets and penalties, coupled with the evolving expectations of social and policy stakeholders of businesses in this area, will impact traders throughout the IOI to varying degrees.</p>

7 Recommendations



Though many issues impacting traders are outside any one stakeholder's control, this report has found several feasible steps which InterTradelreland and partners could take

This section presents a series of recommendations that stakeholders – including but not limited to InterTradelreland – could take in assisting SMEs on the island of Ireland to thrive and in encouraging cross-border linkages as they navigate the evolving trade environment post-Brexit. The recommendations are organised thematically to address the 7 areas detailed below, each with accompanying action points.

1 **Harness relationships across the island of Ireland and the devolved nations**, to establish clear lines of communication, advocate for forward guidance and ensure that departments North and South are aligned in terms of policy and messaging.

2 **Use the findings of this report to inform an internal working group in InterTradelreland**, that will monitor supports, outreach and delivery to ensure alignment with sectors most impacted by changing trade arrangements.

3 **Maximise the reach and impact of the Trade Hub**, and the data that InterTradelreland collects from it, to continue to inform supports and advocacy efforts.

4 The benefits of the all-island market and its unique trading arrangements should be promoted to international investors to leverage the opportunity to **attract FDI that is channelled both North and South**.

5 The **support landscape requires clarification of roles** to ensure that support provision is in place to address potential regulatory divergence on an all-island basis, as well as addressing remaining operational issues in implementation. Actions should focus on building on and complementing existing efforts, such as the relationships established through the Shared Island Initiative.

6 **Improve data monitoring and support for businesses engaged in services trade on the island**. This includes commissioning of a cross-border taskforce and increasing this focus on services trade in InterTradelreland data.

7 **InterTradelreland should engage with procurement representatives** involved in large-scale public tender opportunities to ensure that any barriers for cross-border bidders are addressed.

Harnessing relationships across the island, both on a peer-to-peer basis North and South, as well as advocating for underrepresented issues on an upward basis to policymakers

1 Harness relationships across the Island of Ireland and the devolved nations

This will establish clear lines of communication for raising awareness among businesses and best practice, advocating for forward guidance for the island's businesses from policymakers, and ensuring that departments North and South are closely aligned in areas like SPS, retail and manufacturing.

1.1 This report has established that uncertainty regarding the complex trading arrangements is impacting business planning. This applies not only to future development but also to current arrangements, often announced at short notice. To address this, relevant Departments in Northern Ireland, Ireland, and Great Britain should establish an all-island formal engagement forum to be convened by InterTradeIreland, in partnership with other agencies (including, potentially, InterTradeUK), to mitigate sectoral risks arising from regulatory divergence. Under defined terms of reference, this forum could discuss an all-island approach to UK and EU CBAM, Deforestation, Anti-slavery, and similar regulations, future Windsor Framework implementation, mutual recognition of qualifications, cross-border labour mobility/remote working, sectoral interests, and the interests of trade infrastructure (ports and airports).

This forum would provide a platform for sector-specific mentorship/peer networks, facilitating peer-to-peer learning, dissemination of best practices, and understanding regarding compliance and application to specific businesses and locations. It would also identify proactive measures to ease the adjustment process. Additionally, it would offer a streamlined channel of communication for updates and developments, such as those from the monitoring committees proposed under Recommendation 5. Stakeholder consultations conveyed that public departments and business bodies were unclear regarding how best to communicate developments like regulatory changes. Such networks, which could initially be in the form of a newsletter distributed to an opt-in mailing list, would address this by offering a clear method for communicating authoritative guidance (including signposting to relevant experts for technical areas such as regulatory change) and providing a point of contact for businesses to ask questions in areas requiring clarification. This would provide a forum through which businesses can escalate issues and a single source of authoritative information.

1.2 A schedule of quarterly meetings should be established to facilitate direct liaison between departments North and South whose sectors may face potential disruptions from the challenges identified in this report or are currently being impacted. Examples include sectors which are highly regulated, such as SPS fields. These are vulnerable to potential regulatory divergence and any potential delays caused by increased trade frictions such as BTOM checks. For example, the stakeholders served by DEFRA and DAERA are both highly impacted by changing trade arrangements, implementation measures and any future regulatory developments. As such, they should have cross-island departmental ongoing engagement, through joint/specialised committees. Stakeholders such as the NIO, TEO, InterTradeIreland, the Dairy Council NI and the National Dairy Council attending these quarterly meetings would help to ensure that policy and industry insights are being incorporated into policy discourse. The exact composition and objectives of the committees should be agreed at the outset by the departments involved and monitored on an ongoing basis in response to policy developments..

1.3 InterTradeIreland should engage with the European Commission and the UK Government to advocate for further access to EU programmes for NI businesses, and inclusion of businesses in Ireland (and/or those engaged in cross border trade) in future UK programmes. This would harness opportunities for synergies in collaboration between IE and NI firms and universities.

A priority sectors internal working group could assist InterTradelreland in supporting the sectors most impacted by changing trade arrangements

2

Priority sectors outreach and support

InterTradelreland could use the findings of this report, as well as its internal data from sources such as the Trade Hub and All-Island Business Monitor to inform an internal working group. This group would, on an ongoing basis, monitor and provide direction on the coverage and alignment of supports with identified areas of need in light of the changing trade arrangements impacting businesses North and South. Retail and manufacturing are two areas where stakeholders spoke of the acute impact being faced by SMEs, as well as highly regulated sectors across the island.

2.1

InterTradelreland should consider the merits of convening an internal working group to determine priority sectors and assess support coverage, to be reviewed on an ongoing basis (quarterly and in response to key policy developments). This should draw on expertise from across InterTradelreland, including Innovation & Entrepreneurship, Funding for Growth, Research & Strategy, Data and Trade. This working group should consider the findings of this paper, particularly the challenges and opportunities, as well as the trends projected as having a high impact in the PESTLE analysis. Identifying priority sectors is subjective and should be aligned with InterTradelreland's objectives and remit. It will need to adapt to the evolving nature of all-island trade, the macroeconomy and operating context. The following approaches could be taken by the internal working group when considering where to focus outreach efforts.¹

- ▶ Highly regulated sectors, as identified in the challenges section and through in-depth published mappings;
- ▶ Areas where arrangements are yet to be phased in or determined, such as veterinary medicine, or which have been impacted by multiple delays in implementation of final arrangements, such as retail and manufacturing;
- ▶ Areas experiencing notable increases/decreases in trade volumes, notably tradable services, and
- ▶ Areas generating most queries from and interactions with SMEs (in both absolute and growth terms).

2.2

Engage with retail, manufacturing, and agri-food bodies in Northern Ireland to understand the accessibility of post-Brexit support schemes, such as the Duty Reimbursement Scheme. Business representative bodies in Ireland, such as Enterprise Ireland and Bord Bia, should also be consulted regarding insights and areas of best practice in these support schemes. Where appropriate, this may lead to the commissioning of external experts or internal specialists to fulfil the administrative burden of applications and evidence provision, thereby reducing the cost and time burden for SMEs and setting a process in place for future applications. It may be suitable for InterTradelreland to provide this funding, depending on the geographic application of the support scheme.

2.3

Produce a factsheet for SMEs of key points to use when approaching potential/current trade partners. This should provide guidance around the language and information businesses should use to communicate the benefits of dual market access in a clear, accessible manner. This could be tailored by business bodies/advisers to the specific sector in question. InterTradelreland should consult bodies such as Manufacturing NI, the Irish Export Association, IBEC and NI Chamber when developing these guides.

2.4

The internal working group on priority sectors should provide direction - in tandem with the data and research teams - on the sectors to be prioritised in the AIBM and pulse surveys. For example, using the potential framework for identifying priority sectors, stakeholders should reflect on whether the AIBM permits insights on SPS businesses, highly regulated sectors and services businesses.

¹ This is explored in more detail in Appendix 3, including initial observations of what sectors might be explored in further detail under each approach.

The Trade Hub should be harnessed as a data source and valuable point of contact with businesses who have self-selected to receive InterTradelreland's guidance

3

Maximise the reach and impact of the Trade Hub

Recognising the value of the Trade Hub as a means of communicating with the island's SMEs and of generating a rich source of data that InterTradelreland can draw on, with the potential to better inform the design of supports and the evidence base for advocacy.

3.1

Use the Trade Hub as an opportunity to raise awareness of key issues for businesses, both current and anticipated. This would recognise that SMEs are unlikely to be cognisant of all areas of potential compliance concern, opportunity, support scheme, and funding or reimbursement scheme at their disposal. This should be tailored to the business's sector and stage of export journey and would be via a pre-populated series of prompts ('Have you thought of?') to highlight areas of focus and draw attention to/ signpost areas and resources which may be currently overlooked. This could also incorporate asking the top challenges and areas of development for the business. This would help to inform the activities of the internal working group on sectoral prioritisation and monitoring.

3.3

To aid the user-friendliness and accessibility of the Trade Hub for those businesses at the start of their export journey, accidental and non-exporters, the trade team should review Switzerland's best practice resources outlined in chapter 4 to consider design, language use and content.

3.2

Continue signposting to supports and provision of relevant contacts, tailored to the information provided by the users, is an operational improvement that the Trade Hub should incorporate. This could incorporate pre-existing information on platforms such as the National Enterprise Hub.

3.4

Consider designing and distributing a survey to businesses (e.g. via users of the Trade Hub or those engaged with InterTradelreland in other supports) to gauge their experience of the platform, areas to adjust/improve upon, and other resources and content they would find helpful on this platform. Learnings from the AIBM could also be used to support businesses seeking guidance.

The evidenced and potential benefits of cross-border linkages should be publicised by stakeholders when engaging in trade missions to attract FDI on an all-island basis

4

Promoting the benefits of the all-island market to FDI investors

The benefits of the all-island market and its unique trading arrangements should be promoted to international investors to leverage the opportunity to attract FDI that is channelled both North and South. In turn, this would further encourage the development of cross-border business and employment linkages.

4.1

Export and FDI missions should include material, prepared by InterTradelreland following consultation with partners in DETE, DfE, IDA, Invest NI and DBT, on the unique advantages presented by dual market access on the island of Ireland. KPIs should measure the amount of all-island FDI being attracted. This could be via individual pre and post-follow ups with investors by Invest NI and IDA Ireland to measure the incremental impact of these missions (i.e. the amount of cross-border FDI leveraged from investors who were previously focused only on investing in either Northern Ireland or Ireland).

4.2

InterTradelreland, working with Invest NI, Enterprise Ireland, IDA Ireland, should launch a joint marketing campaign to highlight the benefits of investing in the cross-border market. This should emphasise their shared strengths, the growth of cross-border linkages, and unique selling points such as the high standard of human capital, Windsor Framework dual market access, the Common Travel Area, representatives and initiatives involved in funding, supporting and growing the cross-border market and initiatives, and the quality of the island's infrastructure.

The support landscape for traders can be overwhelming. Clarification of roles and prioritising cross-border representation and communication in its design and outreach could help to streamline messaging and reduce duplication.

5

Maximise the operational efficiency of the support landscape by building on pre-established relationships and existing efforts, such as the Shared Island Initiative

InterTradelreland and other support stakeholders should address inefficiencies or gaps in the support landscape, including clarification of roles, ensuring that support provision is in place to address potential regulatory divergence on an all-island basis, and addressing the remaining operational issues in implementation.

5.1

The Northern Ireland Export Forum is currently concluding research and mapping the support ecosystem. As part of the outworkings of this research the Forum should give consideration to a similar platform to Ireland's National Enterprise Hub. This would be most effective if it could be a central forum that businesses on the island can access, with supports tailored to the business location, showing only supports for which they are eligible.

5.3

Given the complexities of IE-NI-GB trade flows and supply chains, UK Government departments and agencies, including HMRC, should work closely with their NI counterparts regarding the technical interpretation of regulatory requirements. This needs to be clear, timely and shared effectively with Irish Government officials and the support agencies on the island. This will help decomplexify the support landscape for businesses while meeting shared policy objectives of sustainable economic growth. Co-ordinated supports to help raise the competency of SMEs in navigating all-island trade matters should also be considered.

5.2

All trade-focused panels and working groups, such as the Northern Ireland Export Forum and the Responsible Business Forum in Ireland should include InterTradelreland and other cross-border representation to raise awareness of cross-border matters and to help develop collaborative solutions to trade challenges. This would ensure that best practice from across the island is informing outreach and action. To provide tangible guidance for such forums, an expert working group should be formed, consisting of representatives from key stakeholder groups.

5.4

Enterprise Ireland, Invest NI, the Department for Business & Trade, and InterTradelreland should formalise the referral mechanisms between agencies for opportunity-driven support, in particular relating to dual market access and exports. This referral process should be clear and well-communicated to businesses to maximise engagement.

Regulatory divergence is a pertinent example of where close collaboration between stakeholders on a cross-border basis is required.

5

Maximising the operational efficiency of the support landscape by building on pre-established relationships and existing efforts, such as the Shared Island Initiative.

5.5

Regulation is an area where the support landscape must collaborate closely in its efforts to assist the island's businesses. There was a lack of awareness from consultees regarding the lines of communication and where the onus lies for regulatory developments to be delivered to businesses. Given the impact any such divergence could have on businesses who sell to or source products or services across borders, it is vital that the island's SMEs know where to turn to for authoritative guidance, and that there is consensus between stakeholders North and South on this.

In highly regulated sectors such as human medicine, veterinary medicine and SPS, awareness raising should be conducted by the relevant government bodies (North and South) in tandem with regulators and central government, business representative bodies and general marketing campaigns. Regulatory preparation and monitoring committees comprising representatives from applicable government departments and business representative bodies should be involved, with potential for additional attendance of large private organisations where applicable (e.g. dairy cooperatives who have significant membership of individual farmers). These committees should prepare a preparatory briefing document for businesses within the respective sectors on:

- ▶ Potential areas of regulatory divergence¹
- ▶ An 'as is' assessment of current arrangements, including the main areas impacting the sector,
- ▶ How to prepare for any such regulatory divergence (such as assessing your supply chain and customer base and resultant exposure, whether business as usual i.e. maintaining regulatory compliance with both EU and UK law regardless of the minimum standards required, the supports available and the main points of contact for authoritative advice).

These committees should agree a clear line of communication with sectoral representatives so that any emerging or confirmed areas of regulatory change or divergence can be communicated succinctly to businesses, without the potential for messaging being lost in translation due to the complex nature of the support landscape.

¹This should include the research produced for the Department for the Economy by Queens University Belfast and the Centre for Inclusive Trade Policy

Cross-border services trade merits focus from InterTradeIreland and partners to harness the significant potential it represents

6 Data monitoring and support for businesses engaged in services trade

This report has established services trade as a significant area of growth potential on the island. However, there is comparatively little research conducted in this area, less focus on services trade by support bodies, and less coverage in published statistics, despite the increased potential for these to be skewed by intangible elements.

6.1

The data gaps in services trade between NI, IE and GB should be addressed if growth potential is to be understood and realised. Multiple stakeholders have a role to play in this across the UK and Ireland. NISRA and CSO (and where appropriate, UK stakeholders such as HMRC and ONS) to revisit their categorisation of trade statistics. Much value could be gained from aligning the reporting standards and categories across these statistics to allow for analysis of growth and challenges areas. Currently there is a large disconnect between the NISRA NIETS and CSO trade statistics in terms of structure and detail. In particular, this is a lack of shared data reporting standards on tradeable services, with GB-NI trade in services not available on the sectoral level.

InterTradeIreland could play a role in improving data coverage of tradeable services. For example, a specific pulse survey focussed on businesses engaged in services trade (or specific high growth sectors) to investigate the extent to which they are engaged with InterTradeIreland currently, their areas of need, main trade partners and future sentiment. The body should consider commissioning a research report on all-island services trade, with a particular focus on SNT and the attitudes of SMEs in Ireland engaged in services trade, given the scale of the opportunity to increase SNT volumes.

6.2

There is no voice for services trade on the island of Ireland, which is a missed opportunity given the significant growth and capacity potential of tradeable services, but also due to the comparative lack of data and research in this area. The NI Executive and Government of Ireland should commission a joint North-South body to represent services firms, gather information and views from members, and act on their behalf. A services working group should be initiated within InterTradeIreland to complement this, with possible involvement from partners including Enterprise Ireland, British Business Bank, Invest NI, IBEC and others.

6.3

A noteworthy opportunity in this report is the potential of SNT to increase significantly. Services exports to NI from IE currently comprise 0.2% of total services exports, whilst goods exports are 2.2% of total*. Consultees felt that the awareness among IE stakeholders and businesses of the opportunities, potential and market capacity in NI is a reason for this. There is a significant role for InterTradeIreland to play in raising this awareness and several ways it may do so. An internal trade working group should consider the merits of options to achieve this, such as regional interventions and awareness raising measures. Methods could include roadshows, townhalls and virtual events hosted in partnership with the regional assemblies, local councils and chambers of commerce.

*These figures are based on the CSO/NISRA 'BPA03 & TSA10/NIETS02' for 2022. However, Ireland's trade statistics are impacted by the activity of multinational firms, particularly in relation to services statistics. A 2021 ESRI [paper](#) on cross-border trade in services attempts to correct for this by focussing on domestically owned firms in Ireland. It states: 'If we exclude the foreign-owned multinational firms that dominate total exports from Ireland, and focus on domestically owned firms, then we find that the shares of exports accounted for by Northern Ireland increases to around 6% of goods exports and 2% of services exports.'

Non-tariff barriers to trading across the island are equally deserving of attention, to ensure that evident and perceived barriers are monitored and addressed by stakeholders

7

Proactively addressing non-tariff barriers

The post-Brexit trade arrangements are not the only challenge faced by the island's SMEs when seeking to embark on their cross-border trade journey. Whether perceived or actual, there are many non-tariff barriers that should also be addressed by support bodies such as InterTradelreland.

7.1

Where significant public or semi-public contracts are out for tender or anticipated, such as City Deals in the North or various hospital constructions in the South, an InterTradelreland representative should engage proactively with procurement teams in the applicable tendering organisation to ensure that non-tariff barriers are addressed for any cross-border firms seeking to bid. InterTradelreland should also engage in business outreach and awareness raising of the availability of these opportunities is carried out when these opportunities arise. They could leverage the alumni network of the Go-2-Tender programme, for example, as these businesses have self-selected into participating in, or aspiring to participate in, competitive tender processes.

7.2

InterTradelreland should maintain a database of instances of non-tariff barriers to all-island procurement opportunities, such as lack of freedom of movement for EU workers employed by IE firms, who are seeking to bid for large scale contracts in NI and provide access to partners when necessary. It may also include the lack of dual recognition of qualifications or specific administrative requirements e.g. a company director being resident in that jurisdiction. This should be used to lobby the Government of Ireland/NI Executive to raise awareness of these non-tariff barriers, who can then either remove or make adjustments to these (of course this may take a long time horizon to be actioned), or who can use this to influence discussions and future negotiations between the European Commission and UK Government.

Appendices

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Appendix 2: Composition of trade flows (Northern Ireland to Ireland and GB)

The below table provides a breakdown of external sales from NI to GB and exports to IE by industry, shown in value terms

Table 9: Change in value of trade 2016-2022 by industry

Destination Industry	NI – GB		NI - IE	
	Value 2022 (£mn)	Change 2016 – 2022	Value 2022 (£mn)	Change 2016 - 2022
(A) Agriculture, Forestry And Fishing	8.87	-21%	11.09	509%
(B) Mining And Quarrying	96.98	3%	44.26	44%
(C) Manufacturing	6,908.03	-17%	2428.04	86%
(D) Electricity, Gas, Steam And Air Conditioning Supply				
(E) Water Supply; Sewerage, Waste Management And Remediation Activities	116.61	238%	26.30	362%
(F) Construction	2,609.07	43%	767.02	253%
(G) Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	2,421.26	27%	1904.93	69%
(H) Transportation And Storage	859.37	37%	203.19	2%
(I) Accommodation And Food Service Activities				
(J) Information And Communication	956.03	113%	270.39	102%
(L) Real Estate Activities	27.93	-51%	2.38	69%
(M) Professional, Scientific And Technical Activities	1,022.61	100%	263.82	92%
(N) Administrative And Support Service Activities	649.41	212%	354.41	195%
(P) Education	8.68	-242%		
(Q) Human Health And Social Work Activities				
(R) Arts, Entertainment And Recreation			4.68	36%
(S) Other Service Activities			7.23	97%
Total	£15,684.86	11%	£6,287.73	90%

Appendix 2: Composition of trade flows (Northern Ireland to GB)

The below table provides a breakdown of external sales from NI to GB by industry, shown in % terms

Table 10: Change in composition of trade 2016-2022 by industry (NI to GB)

Composition	NI - GB			
	Industry	Composition 2016	Composition 2022	Change 2016-2022
(A) Agriculture, Forestry And Fishing		0%	0%	0%
(B) Mining And Quarrying		1%	1%	0%
(C) Manufacturing		59%	44%	-15%
(D) Electricity, Gas, Steam And Air Conditioning Supply		0%		0%
(E) Water Supply; Sewerage, Waste Management And Remediation Activities		13%	1%	-12%
(F) Construction		14%	17%	3%
(G) Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles			15%	15%
(H) Transportation And Storage		4%	5%	1%
(I) Accommodation And Food Service Activities				
(J) Information And Communication		3%	6%	3%
(L) Real Estate Activities		0%	0%	0%
(M) Professional, Scientific And Technical Activities		4%	7%	3%
(N) Administrative And Support Service Activities		1%	4%	3%
(P) Education		0%		0%
(Q) Human Health And Social Work Activities		0%		0%
(R) Arts, Entertainment And Recreation		0%		0%
(S) Other Service Activities		0%		0%

Appendix 2: Composition of trade flows (Northern Ireland to Ireland)

The below table provides a breakdown of exports from NI to IE by industry, shown in % terms

Table 11: Change in composition of trade 2016-2022 by industry (NI to IE)

Composition	NI - IE			
	Industry	Composition 2016	Composition 2022	Change 2016-2022
(A) Agriculture, Forestry And Fishing		0%	0%	0%
(B) Mining And Quarrying		1%	1%	0%
(C) Manufacturing		40%	39%	-1%
(D) Electricity, Gas, Steam And Air Conditioning Supply		0%		0%
(E) Water Supply; Sewerage, Waste Management And Remediation Activities		0%	0%	0%
(F) Construction		7%	12%	6%
(G) Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles		34%	30%	-4%
(H) Transportation And Storage		6%	3%	-3%
(I) Accommodation And Food Service Activities			0%	0%
(J) Information And Communication		4%	4%	0%
(L) Real Estate Activities		0%	0%	0%
(M) Professional, Scientific And Technical Activities		4%	4%	0%
(N) Administrative And Support Service Activities		4%	6%	2%
(P) Education		0%	0%	0%
(Q) Human Health And Social Work Activities		0%	0%	0%
(R) Arts, Entertainment And Recreation		0%	0%	0%
(S) Other Service Activities		0%	0%	0%

Appendix 2: Composition of trade flows (Ireland to Northern Ireland)

The below table provides a breakdown of exports from Ireland to Northern Ireland, shown in value terms

Table 12: Change in composition of trade 2016-2022 by industry

Composition	IE - NI	
Industry	Value 2022 (£mn)	Change 2016 – 2022
(A) Agriculture, Forestry And Fishing	5.64	83%
(B) Mining And Quarrying	15.22	-47%
(C) Manufacturing	1,057.53	71%
(D) Electricity, Gas, Steam And Air Conditioning Supply	28.99	
(E) Water Supply; Sewerage, Waste Management And Remediation Activities	38.90	74%
(F) Construction	205.25	37%
(G) Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	1,617.96	57%
(H) Transportation And Storage	218.96	101%
(I) Accommodation And Food Service Activities	67.67	
(J) Information And Communication	37.99	46%
(L) Real Estate Activities	0.76	
(M) Professional, Scientific And Technical Activities	44.26	-18%
(N) Administrative And Support Service Activities	179.72	134%
(P) Education		
(Q) Human Health And Social Work Activities	1.25	
(R) Arts, Entertainment And Recreation	5.29	-7%
(S) Other Service Activities		
Total	3,525.40	61%

Appendix 2: Composition of trade flows (Ireland to Northern Ireland)

The below table provides a breakdown of exports from Ireland to Northern Ireland, shown in percentage (share of total trade) terms.

Table 13: Change in composition of trade 2016-2022 by industry

Composition		IE - NI		
Industry	Composition 2016	Composition 2022	Change 2016-2022	
(A) Agriculture, Forestry And Fishing	0%	0%	0%	
(B) Mining And Quarrying	1%	0%	-1%	
(C) Manufacturing	28%	30%	2%	
(D) Electricity, Gas, Steam And Air Conditioning Supply		1%	1%	
(E) Water Supply; Sewerage, Waste Management And Remediation Activities	1%	1%	0%	
(F) Construction	7%	6%	-1%	
(G) Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	47%	46%	-1%	
(H) Transportation And Storage	5%	6%	1%	
(I) Accommodation And Food Service Activities	3%	2%	-1%	
(J) Information And Communication	1%	1%	0%	
(L) Real Estate Activities		0%	0%	
(M) Professional, Scientific And Technical Activities	2%	1%	-1%	
(N) Administrative And Support Service Activities	4%	5%	2%	
(P) Education	0%		0%	
(Q) Human Health And Social Work Activities	0%	0%	0%	
(R) Arts, Entertainment And Recreation	0%	0%	0%	
(S) Other Service Activities	0%		0%	

Appendix 3: Potential methods of identifying priority sectors

Recommendation 1 details the approaches that a Priority Sectors Taskforce might take in assessing which fields merit focus and outreach from InterTradelreland and relevant partners.

Various approaches should be considered and a balanced assessment from cross-departmental representatives, combining interactions and feedback from businesses with analysis of data and statistics should be taken. Caution is required, as priority sectors should not solely be decided based on trade statistics, given that they span various statistical bodies, methods and jurisdictions. They do not provide a holistic view and are time lagged in nature. Overall growth (in tradable services and goods) is valuable from these statistics, but individual sectors may be skewed by categorisation or standards adjustments.

Some potential sectors of focus, alongside an accompanying rationale, are outlined below.

Priority Sector	Challenge / Opportunity	Rationale	Points to consider
Liquid milk and cream production	High regulation	These sectors have been identified in recent mapping exercises as having the highest regulatory intensity. They are important features of the all-island economy and just in time supply chains, with many falling under the SPS umbrella. Perceived and any future regulatory divergence is likely to be disruptive to established all-island supply chains.	Strengthening relationships with these sectors, leveraging contacts within sectoral representative bodies and the respective government departments (such as DAERA/DAFM) to raise awareness of the supports offered by InterTradelreland in these areas. It is not feasible for InterTradelreland to offer in-house expertise in such specific, highly regulated areas; rather, the role should be forging connections with third party experts (public and private) in applicable areas. Consider a grant for preparation for regulatory alignment in impacted sectors (linked to the mapping exercises carried out in 2024), with higher levels of funding offered should an instance of regulatory divergence emerge.
Processing and preserving meat	High regulation		
Butter and cheese production	High regulation		
Manufacture of soft drinks; production of mineral waters and other bottled waters	High regulation		
Production, processing and preserving of poultry meat	High regulation		
GB-NI Services: Overall	Contraction of -11%	Growth observed in service exports in other trading directions	Identify and address causes of contraction; consider whether service exporters from GB to NI have sufficient understanding of the opportunities available. Consider also the role of supply chain substitution in this trajectory (i.e. GB domestically)

Appendix 3: Potential methods of identifying priority sectors

Priority Sector	Challenge / Opportunity	Rationale	Points to consider
NI-GB Services: Administrative and support activities	Increase of 219%	Significant increase in value	Further research is required; consider how internal resources, AIBM and pulse surveys could be used to explore this. Continue to monitor trade statistics to establish whether it is a sustained trend.
GB-NI Services: Accommodation and food services	Increase of 203%	Significant increase in value	
NI-GB Goods: Manufacturing	Significant area of external sales falling by 20% in value	In part this may be due to administrative difficulties resulting from Brexit / implementation issues of support schemes	
NI-GB Goods: Construction	Significant area of external sales falling 47% in value		Further research is required, particularly to understand where goods and services tradeable external sales/exports differ within these sectors.
GB-NI Goods: Professional, scientific and technical services	Increase of 137%	High-value, scalable industry	Further research is required, including via AIBM/pulse surveys.
GB-NI Goods: Overall	Concentrated in manufacturing, motor vehicles, construction, and transportation & storage.	Historically important sectors for the NI economy	
IE-NI Goods: Arts, entertainment & recreation	Contraction of > 50%	Significant fall in value	Identification of export barriers and drivers of this fall.
IE-NI Goods: Mining and Quarrying	Contraction of 50%+	Significant fall in value	Identification of export barriers. Note that these figures should not be considered in isolation, but so too in tandem with the overall share they represent in SNT and NST.
NI-IE Goods: Manufacturing	Dominant goods export	Exposure risk	Reflect on the extent to which these sectors are sufficiently covered by InterTradeIreland (i) in theory (ii) whether this aligns with the Corporate Plan and (iii) in practice – is a significant number of businesses from this sector currently engaged with InterTradeIreland?

Appendix 3: Potential methods of identifying priority sectors

Priority Sector	Challenge / Opportunity	Rationale	Points to consider
NI-IE Goods: Motor vehicles	Dominant goods export	Exposure risk	Reflect on the extent to which these sectors are sufficiently covered by InterTradelreland (i) in theory (ii) whether this aligns with the Corporate Plan and (iii) in practice – is a significant number of businesses from this sector currently engaged with InterTradelreland?
IE-NI Services: Professional Services	30% contraction	High-value sector under contraction whilst expanding in other trading directions	Further research is required to understand this, particularly in light of the comparative NST growth. If perceived barriers play a role, awareness raising among Ireland's business community should be undertaken (and aligns with the broader action point of awareness raising of NI capacity among Irish stakeholders and businesses).
IE-NI Services: Manufacturing	Five-fold rise in manufacturing as a percentage of total service exports		Examination as to whether this growth can continue and how this can be supported. Analysis of the composition of SNT tradable (i) goods and (ii) services in manufacturing.
GB-IE Goods: Overall	Four industries (gas, organic chemicals, petroleum and miscellaneous manufactured articles represent 49.6% of GB-IE goods exports		Ensure close relationships with these sectors and their representatives. A key area to promote the potential of NI capacity for Irish importers where possible.
IE-GB Goods: Overall	Four industries (organic chemicals, meat, medicinal & pharmaceutical products, miscellaneous articles) represent 44% of GB-IE total exports		Ensure that these Irish exporters are aware of InterTradelreland supports as BTOM measures take force
IE-UK Services: Overall	Increase of 81%		Further research is needed to understand this. Figures should be treated with caution in the interim, given the less tangible location-based nature of services.
UK-IE Services: Legal and Accounting Services	Increase of 2344%		Further research is needed. This may be owing to Brexit-related administration and relocation, for example.
As identified from InterTradelreland internal data, interactions with businesses through support programmes and platforms (such as the Trade Hub) and via discussions with partners.		Offers a real time, contextualised view of the landscape that is not captured by official statistics.	



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