

From: Victor Dukelow

To: Northern Ireland Trade Data Group

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NEXT STEPS FOR THE NORTHERN IRELAND TRADE DATA GROUP

1. At the last meeting of the Northern Ireland Trade Data Group members committed to providing comments on the remaining data gaps. While progress has been made on illustrating trade flows between these islands and wider markets, we are not yet in a position to robustly test the likely impact on businesses, sectors and communities in a range of negotiated outcomes. Marshalling the available data and, where possible, bridging the gaps with this purpose in mind should guide the next steps of the data group.

I have provided more detail on our understanding of the key issues below.

Deeper Understanding of East/West Trade Flows

2. The available detail on east-west trade flows remains a limiting factor. We know that the UK remains the most important market for businesses in Northern Ireland, but there is a pressing need to unpack this finding. This should include product level data on Northern Ireland's trade with GB across all sectors (i.e. recognising the importance of agri-food but not limited to this sector). It will also be important to place this information within the wider context of NI / IE / GB freight trade via the ports including NI/GB goods using the Dublin-Holyhead transit route, and how these trade flows relate to sales to wider EU and RoW markets. This will help assess the potential impact of any additional controls.

North/South Supply Chains

3. All of the publically stated UKG options for the land border include frictions for components and raw materials that step outside of 'local trade in local markets'. There is, therefore, a need to understand the scale of complex supply chains on the island of Ireland and the scope of the potential rules of origin problem. In addition, work on the island of Ireland's trade flows need to better understand the local aspect of trade, and the extent to which NI-IE trade is local trade facilitated by local proximity.

Tradable Services

4. To date, discussions around NI have focussed on the impacts of a land border on the movement of goods on the island of Ireland. However, the implications of EU

5. exit on the local services sector cannot be overlooked. Data is required on the export of tradable services and the indirect risks to Northern Ireland through a knock-on effect on back-office functions that support EU facing businesses in GB. There is a need for firmer data on the financial services sector in particular.

Overall Economic Impact

6. NI analysts have conducted some work on the economic impact of WTO tariffs using NISRA's Input-Output Tables (IOT) based on Ireland's customs data. Work is also underway on the contribution of EU migrants to the NI economy. There is merit in continuing this work – e.g. using HMRC data to estimate the combined effect of different impacts of EU Exit on NI - e.g. WTO tariffs and quotas on different industries, Supply Chain disruption, importance of trade with GB, trade in services, migrants, etc.
7. It is understood DIT are testing a UK Computable General Equilibrium (CGE) model, which also has the potential for a sub-UK component. CGEs are based on IOTs but can provide a more dynamic model of the impact of different EU Exit scenarios including the second order effects on NI. DIT should be invited to attend the NI Data Group to discuss further, including other options whereby NI data is included in a UK wide CGE to assess such second order effects.

Trade, 'Local Trade' and wider North/South Issues

8. Finally, the work of the group should not be done in isolation or be exclusively 'economic' in its output. This will require collaboration with other groups, such as the EU Devolved Administration Migration Analysis group, and consider trade's role in normalising wider relationships on the island of Ireland.
9. This also takes us into the spatial and community aspects of border life, whereby localised trade and catchment areas between neighbouring villages and towns spread across either side of the border. Data, information and insight is critical here, not least as this is where any hardening of the border could be most visible in all sorts of activities associated with going about everyday life.
10. I would welcome further discussion on how the group can move into assessing the impact in different negotiated outcomes for each of the above themes.



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