

## **[DRAFT] Discussion paper: Engagement with small business**

1. Engagement with businesses is an important component of government's preparations for the UK's exit from the EU. It is particularly valuable in filling the gaps where existing sources do not collect and were never designed to collect information on estimating the impacts of EU Exit to the Northern Ireland economy.
2. The intelligence gathered so far has been primarily sourced from large businesses. While this has been key to shaping policy there is a risk that this analysis may not accurately reflect the interests of small businesses in Northern Ireland. Filling this gap is important as small businesses make up a significant proportion of the businesses engaged in external sales and purchases.

### **Engagement objectives**

3. A refreshed business engagement exercise is now required to target micro (employing less than 10 people), small (employing 10 to 49 people) and medium (employing 50 to 249 people) businesses in the Northern Ireland economy.
4. This exercise should walk through businesses' supply chains, processes and trading relationships to build a map of their activity and behaviours (also see suggested themes at Annex A). This detailed picture can then be overlaid with potential trade models to identify where trade frictions may be created. In particular, the exercise should test the potential impacts of possible negotiated outcomes, including:
  - a) the technical model trailed in the joint report whereby NI goods could retain unfettered access to the UK market, but controls may be applied to GB goods entering NI;
  - b) the cross border trade exemption for small traders and mitigations for larger businesses in the 'highly streamlined arrangement' model;
  - c) the 'new customs partnership' model; and
  - d) the impact on tradable services where (i) NI maintains regulatory alignment with the EU but GB diverges and (ii) the whole of the UK diverges from the acquis.

### **Target business profiles**

5. A series of business profiles are set out below to frame the type of business activity we are keen to explore.

#### *Testing the joint report model*

- Wholesale and retail businesses (and others reliant on the GB market) purchasing products from GB. The businesses should include those importing EU and non-EU products via GB and business purchasing products that are of GB origin, therefore providing a sense of NI's

immediate exposure to trade barriers and the medium-to-longer term risk of regulatory divergence creating intra-UK frictions.

#### *Testing the highly streamlined & cross border trade exemption model*

- Medium sized businesses potentially outside of the trade exemption model engaged in high levels of cross border trade.
- Small businesses within scope of the exemption whose product enters a larger all island supply chain (to test the point at which the exemption is activated).
- Small businesses that do not export but are part of a supply for a larger exporting business in NI.
- Businesses that are exporting via Ireland and GB to the EU26 and non-EU country.

All of the above profiles should include businesses in border council areas to test the evidence that these businesses are more likely to be engaged in cross border 'local trade in local markets'.

NISRA's Supply Chain Survey may also provide a useful starting point in identifying businesses for follow-up engagement.

#### *Testing the new customs partnership model*

- Businesses directly importing non-EU goods into NI and businesses that are importing non-EU goods via GB.

#### *Testing the regulatory environment for tradable services*

- Businesses structured and/or trading on the island of Ireland that reflect the narrative of 'local trade in local markets'.
- Businesses providing support functions to EU facing businesses in GB.
- Businesses trading services with the EU26.
- Businesses trading services with non-EU countries.
- Embedded services in the NI economy providing inputs to the manufacturing of goods for external sales.

### **Identifying businesses**

6. Trade bodies, local councils, InterTradeIreland and Invest Northern Ireland (INI) can all be used to help to identify businesses that meet these profiles. In addition, NISRA and HMRC data can (subject to data protection principles) help to target the search. When engaging with businesses every effort should be made to avoid duplication of effort and repeated questioning, particularly in relation to the current intelligence gathering exercise being led by INI.

7. Unless stated the businesses should be selected on the extent to which they meet the above profiles. As an indication we suggest the pool of sectors from which businesses could be drawn should include: Advanced Manufacturing (including Aerospace), Construction, Medical and Life Sciences, Food and Drink, Professional Business Services, Legal Services, Financial Services, Digital / Computer Services, Retail, Transport and Creative.

### **Next steps**

8. We'd welcome an early discussion on the profiles of businesses presented in this short paper to confirm they appropriately target the policy questions being considered by NICS colleagues and Whitehall departments.

**Department for the Economy officials**  
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## Annex A – Themes to explore with businesses

