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5 PILLARS OF ENTERPRISE IRELAND SUPPORT

Information guide for Irish exporters to the UK



Enterprise Ireland 5 Pillars of Support:

- 1. Information and Guidance:** Enterprise Ireland will run an information campaign including: practical guides, online information and webinars, an updated UK market access guide and regional seminars in Ireland and the UK. These will provide guidance on issues including: the implications of trading with the UK, improving competitiveness, reducing supply chain costs, accessing funding, finance, foreign exchange, employment regulations and legal issues.

We have set up a dedicated email: ukexporthelp@enterprise-ireland.com and an Enterprise Ireland phonenumber: 01-7272727.

- 2. Market Diversification Support:** Enterprise Ireland will intensify its strategy of supporting clients to diversify into new markets. As part of this strategy, Enterprise Ireland will provide increased internationalisation supports to assist client companies to evaluate new market opportunities. It will also intensify its International Trade Mission schedule for the rest of 2016 to include trade missions to Northern Europe, USA, China, India and other high growth markets. Enterprise Ireland will also host an International Markets week in the first week of October in Ireland, to provide Irish exporters with access to its overseas market advisors.

- 3. International Sector Clustering Strategy:** Enterprise Ireland will expand its focus on promoting Irish sectoral cluster capabilities to international buyers in growth markets including Northern Europe, USA and Asia Pacific in key sectors such as construction, manufacturing, financial services, software, innovation, BPO and food. There will also be sectorally focused buyer engagements in Ireland and in-market in the coming months to connect Enterprise Ireland clients to growth opportunities.

- 4. UK Market Support:** Enterprise Ireland's UK team, based in London, will provide support to clients to help identify key business opportunities in the short and medium terms. They will also provide advice and support on responding to the implications such as improving competitiveness and reducing supply chain costs.

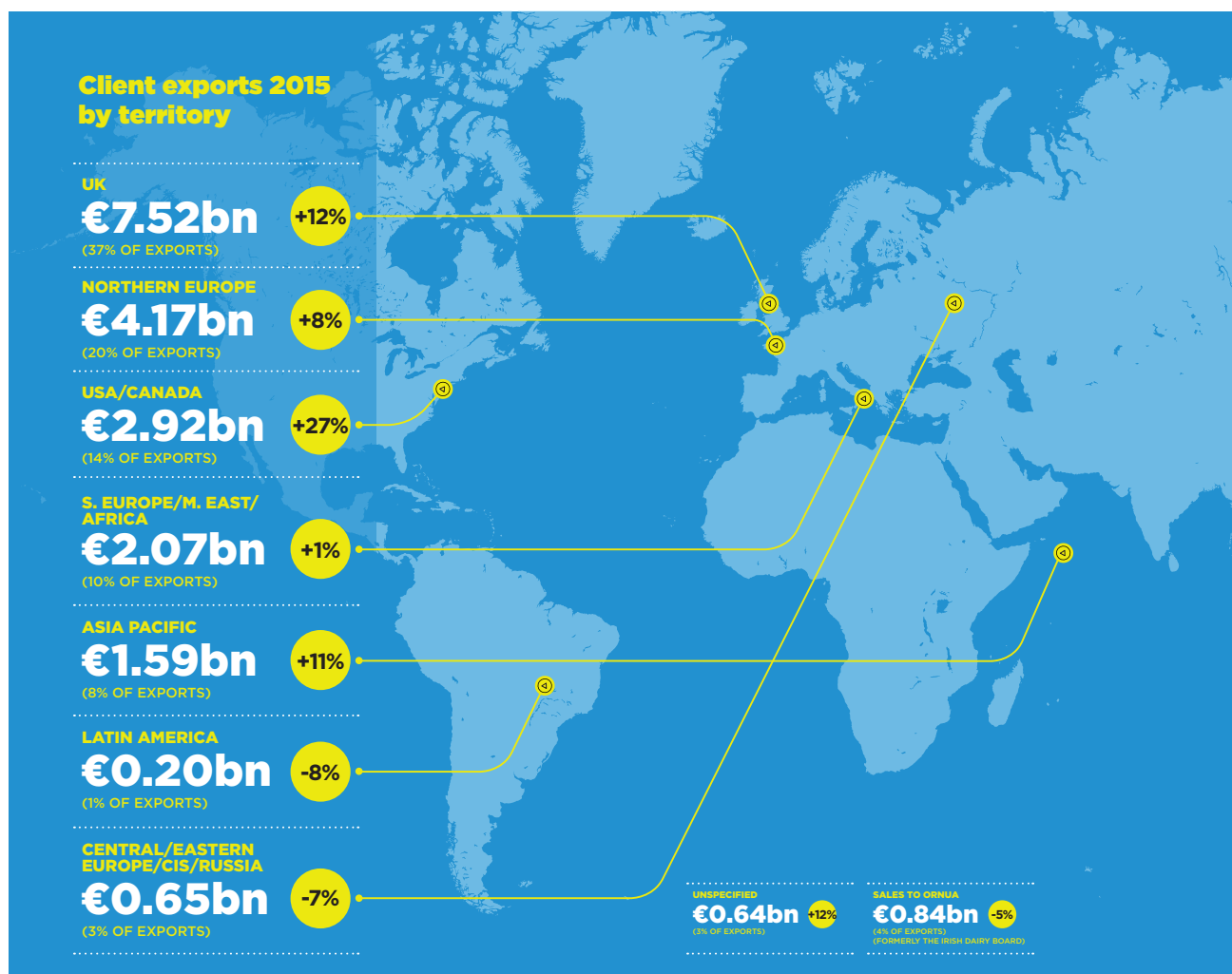
- 5. Competitiveness and Market Development supports:** Enterprise Ireland will intensify its work with clients exporting to the UK by providing support to improve their competitiveness in the market through its management capability and development programmes.

Introduction

Now that the UK has voted to leave the EU, it is likely that there will be a period of uncertainty, including market volatility, at least in the short term, facing Irish exporters.

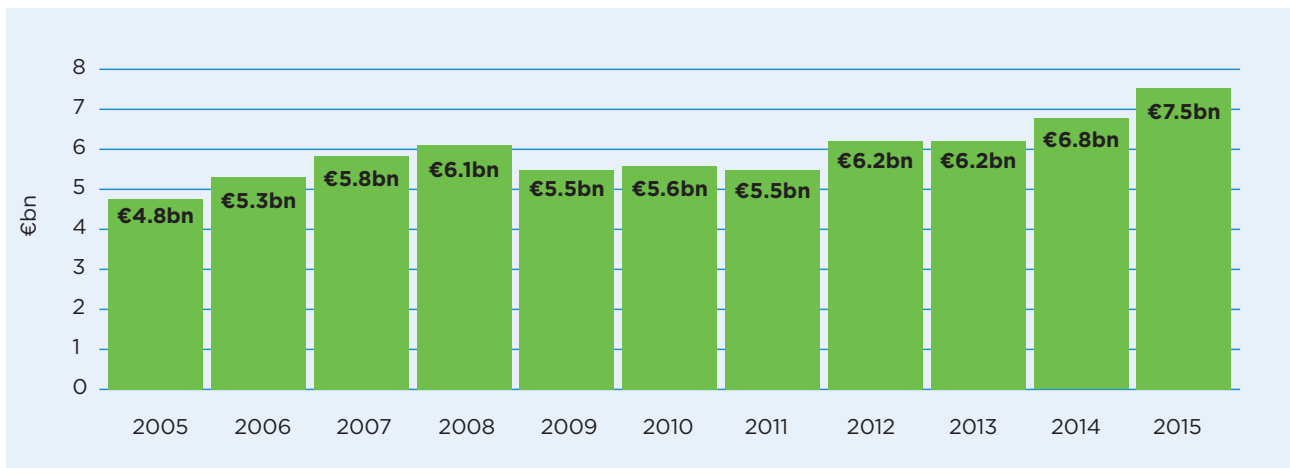
It is important to remember that there will be at least a two-year period of negotiation before there are changes introduced in terms of trading with the UK. Article 50 of the Lisbon Treaty provides for a two-year exit period, during which there would be no change to trade arrangements.

It is also worth noting that Enterprise Ireland clients recorded a 10% increase in exports globally, surpassing €20bn for the first time in 2015. The highest growth market was the USA. Exports to Northern Europe surpassed €4bn for the first time and over €2.5bn was recorded in high growth markets. Enterprise Ireland is well placed, with its 32 international offices, to support companies to diversify into new global markets.



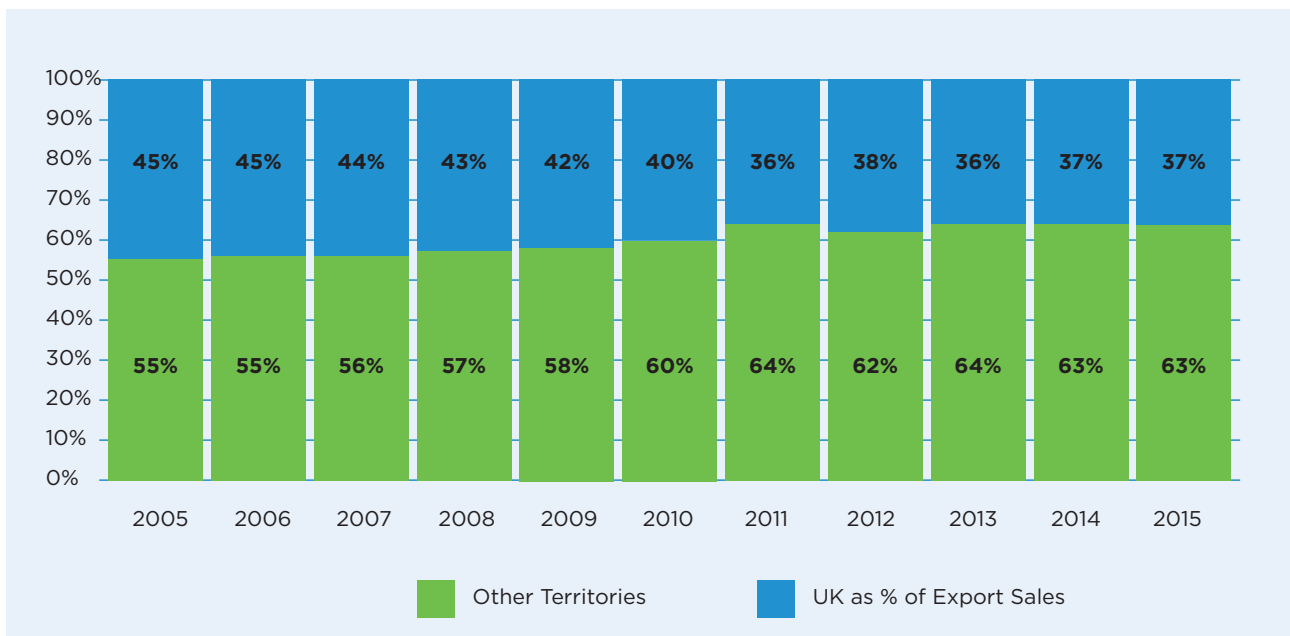
In relation to the UK, Enterprise Ireland client exports totalled €7.5bn in 2015 having grown from €4.8bn in 2005. Enterprise Ireland is currently working to support our clients to exceed last year's achievements. The UK remains a key market of opportunity for Irish companies.

Enterprise Ireland Client Exports to the UK



The level of UK exports as a percentage of total exports has reduced from 45% to 37% over the same period, 2005 to 2015. This reflects Enterprise Ireland's strategy of supporting clients to win more business in the UK while at the same time diversifying the overall export base through targeting other existing markets and the emerging high growth markets. This is consistent with the ambition outlined in the Government's Enterprise 2025 strategy which targets a 50% increase in exports to non-UK markets.

UK as % of Total Export Sales



The UK is and will remain a key market for Enterprise Ireland clients. The Irish market will also no doubt remain a key market for UK exporters.

Enterprise Ireland already has a strategy in place based around additional supports and activities for international market diversification; and strategies for clients in the UK market. Supports around meeting new requirements (e.g. customs, brokerage) can only be fully established when such arrangements are finalised through negotiation between the EU and the UK.

€550mENTERPRISE IRELAND CLIENTS EXPORT OVER **€550m A MONTH** TO THE UK**€1bn**IRELAND'S TRADE WITH THE UK TOTALS APPROXIMATELY **€1bn PER WEEK****77m**ACCORDING TO EUROSTAT, THE UK IS SET TO BE THE **LARGEST COUNTRY IN EUROPE BY 2050** WITH 77m PEOPLE**3rd**UK IS THE **THIRD LARGEST INVESTOR** IN IRELAND**€1.2bn**IRISH EXPORTS TO BRITAIN WORTH MORE THAN **€1.2bn A MONTH****400,000**TRADE BETWEEN THE UK AND IRELAND DIRECTLY SUPPORTS **400,000 jobs**, APPROXIMATELY HALF OF WHICH ARE IN IRELAND

Trade Negotiations

As trade policy now stands, each Member State (MS) is part of the EU as a customs union. A common tariff is applied on goods entering from outside the EU and there is no restriction on their movement among MS in the EU. When the UK leaves the EU, its continuing trade relationship with the EU will be the outcome of negotiation.

Britain's vote to leave the EU means that, as an EU member, Ireland could not unilaterally negotiate a bilateral trade agreement with the UK. Therefore, any UK deal on trading with another country including Ireland would need every single one of the other 26 countries to agree to it.

The widely assumed options after Britain's exit are:

- The UK retains membership of the European Economic Area (EEA). Countries like Norway and Iceland are members.
- The UK negotiates membership of the EU's Customs Union, which means that its goods are subject to tariffs that apply equally throughout the bloc and one set of documents is required for inter-EU transit.
- The UK enters into a series of limited bilateral agreements with EU countries (where allowed) and non-EU countries / trade blocs covered by EU treaties (likely to take many years).

Potential Short-Term Implications for Irish Exporters

The key challenge is exchange rate volatility. A sharp depreciation in sterling could impact Irish exports.

A sharp depreciation in sterling will require Irish exporters to be even more competitive.

In the past Irish exporters have responded to exchange rate movements by adjusting their profit margins and assessing their supplier/partner arrangements to improve competitiveness. A key focus will now be on helping Irish exporters who are exporting to the UK to improve their competitiveness and diversify into new markets where appropriate.

Risk-Mitigation Strategy

- A key focus of Enterprise Ireland will be signposting and providing information to clients on accessing expert advice on their currency exchange strategies and working with financial institutions to provide products and working capital to manage the associated currency impacts.
- Enterprise Ireland is also supporting clients with access to expert advice and information. It is important for companies to establish their Currency Risk Management Strategy and to decide on risk exposure and budget parameters.
- Enterprise Ireland will also be working with clients to help them improve their competitiveness and to develop their businesses in the UK.

Potential Medium-to-Longer-Term Implications for Irish Exporters

Article 50 of the Lisbon Treaty provides for a two-year exit period for member states, during which there will be no change to trade arrangements. That will provide time for Irish exporters to review their internationalisation strategy.

ESRI research suggests that a British exit could result in a reduction in trade flows between Ireland and UK by 20% or more, equating to a value of about €10 billion annually.

This is likely to have a negative impact on exporters, particularly the agri-food sector. A recent report by Teagasc suggested that agri-food trade with the UK would not collapse in the case of a British exit, because the UK has a very large agri-food import requirement, due to its low level of food self-sufficiency.

Increase in costs

It is likely that costs for Irish exporters to the UK will increase. Complying with rules-of-origin checks, import licences and other documentation requirements will raise the cost of trade between the UK and the EU. The larger the regulatory differences between the EU and UK become, the larger these non-tariff costs might be.

Non-tariff barriers such as customs controls could be reintroduced and specific tariffs could be levied which could have implications for Irish exporters.

Britain's exit from the EU could lead to the re-imposition of border controls and customs between the UK and Ireland.

The full implications of the above is all subject to negotiation.

There are a number of risks for Irish exporters over the medium to longer term which include a loss of competitiveness, potential reductions in trade flows due to a weakening in demand for products/services, sustained currency volatility and overall threats to profitability.

There could be additional costs including:

- Tariffs and Levies
- Border control
- Customs
- Regulation
- Distribution
- Energy Costs
- Company Law
- Transport
- Recruitment
- Tax

Medium-Term Risk Mitigation Strategy

- Enterprise Ireland will support clients on intensive engagement around international market diversification strategies.
- Enterprise Ireland will support companies to develop their exports in the UK and will also focus on key sectoral clusters that it can promote in other international markets.
- Enterprise Ireland will run a series of seminars regionally and in the UK on Doing Business in the UK which will cover the new arrangements relating to trading in the UK, once they have been agreed.
- Enterprise Ireland's UK team provide practical support including increased business development support in specific areas of demand including infrastructural investment and urban renewal in the north of England.
- Enterprise Ireland can provide international funding supports to client companies evaluating new market opportunities.
- Enterprise Ireland will provide greater access to its programmes on Lean/Supply Chain efficiencies.
- Enterprise Ireland will provide access to international markets for clients through its international office network. This will include planned Trade & Investment Missions over the rest of 2016 to Northern Europe, China, India and the USA.

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Enterprise Ireland UK export help contacts

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