DÁIL ÉIREANN

AN COMHCHOISTE UM FHIONTAR, TRÁDÁIL AGUS FOSTAÍOCHT

JOINT COMMITTEE ON ENTERPRISE, TRADE AND EMPLOYMENT

Dé Céadaoin, 9 Márta 2022

Wednesday, 9 March 2022

Tháinig an Comhchoiste le chéile ag 9.30 a.m.

The Joint Committee met at 9.30 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Richard Bruton,	Garret Ahearn,
Paul Murphy,	Paul Gavan.
Louise O’Reilly,	
Matt Shanahan,	
David Stanton.	

Teachta / Deputy Maurice Quinlivan sa Chathaoir / in the Chair.

Impact of Brexit on Trade in Ireland: Discussion

Chairman: The proceedings of Oireachtas committees are now conducted without the requirement for social distancing, with normal capacity in committee rooms restored. However, committees are taking a graduated approach to this change. Members and witnesses have the option to attend meetings in the relevant committee room or online, through Microsoft Teams. All those attending the committee room and its environs should continue to wear masks throughout the meeting. They may only be removed when addressing the committee. Members should continue to wash their hands, avail of sanitiser outside and inside the committee room, be respectful of other people's physical space and practise good respiratory etiquette. Those with any Covid symptoms, no matter how mild, should not attend. Members and all in attendance are asked to exercise personal responsibility in protecting themselves and others from the risk of contracting Covid-19.

Members who are participating in today's meeting remotely are well aware that they must do so from within the Leinster House complex only. So far, apologies have been received from Senator Marie Sherlock.

I thank everyone for attending to discuss the impact of Brexit on trade in Ireland. Last year was the first full year of trade following the UK's withdrawal from the EU. Recently published figures appear to indicate that there has been a substantial increase in cross-Border trade in both directions. While imports from Britain have declined, there is a suggestion that some Irish firms that traditionally relied on imports from Great Britain may have switched supply chains last year to firms in Northern Ireland. I am pleased to have the opportunity to consider this matter today. To assist the committee in this regard, I am pleased to welcome, from the Department of Enterprise, Trade and Employment, Ms Anne Coleman-Dunne, Mr. John Hughes, Ms Fiona Kilcullen and, remotely, Mr. Andrew Colgan. I am pleased to welcome from InterTradeIreland, by remote connection to the meeting, Ms Margaret Hearty, CEO, Ms Kerry Curran and Ms Deirdre Maguire.

Before we start I must mention some limitations to parliamentary privilege and the practice of the Houses with regard to references that witnesses may make to other persons in their evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected, pursuant to both the Constitution and statute, by absolute privilege. Witnesses are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. If the witnesses' statements are potentially defamatory in respect of an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative they comply with all such directions.

The opening statements have been circulated to all members. To commence our consideration of the matter I invite Ms Hearty to make her opening remarks on behalf of InterTradeIreland.

Ms Margaret Hearty: I thank the Chairman and members of the joint committee for their invitation to present on the impact of Brexit on trade in Ireland from the perspective of InterTradeIreland.

As the joint committee is aware, InterTradeIreland is one of the six North-South implementation bodies and is mandated by both Governments to promote cross-Border trade and business development initiatives. In doing so, InterTradeIreland provides a comprehensive range of supports for businesses focused on growing trade, innovation and strategic partnerships across the island.

Following the UK's referendum vote to leave the European Union in 2016, InterTradeIreland moved to support existing and new cross-Border traders to protect and grow new trade opportunities in the face of uncertainty. InterTradeIreland was very quick to respond with the development of a Brexit advisory service, which has supported thousands of firms on the island to prepare for Brexit in advance of the end of the transition period. We have significant ongoing demand for our vouchers and advice on areas of customs, rules of origin and understanding VAT regulation and people.

Our extensive efforts in preparing firms trading across the Border resulted in 45% of firms trading in the opposite jurisdiction having plans in place to address the changes in advance of the transition period. That was more than double the level of preparedness of the general business population, of approximately 20%. However, the UK's formal departure from the EU at the beginning of 2021 has resulted in businesses across the island operating in a much-changed market environment.

In 2020, cross-Border trade in goods and services was valued at €7.3 billion, which represents a decrease of 8% on 2019. However, this is set against the backdrop of the Covid-19 pandemic and is 7% higher than 2018. The year 2019 showed an exceptional rate of growth before the pandemic. For 2021, the latest official trade data from the CSO show how trading patterns between Ireland and Northern Ireland, and Ireland and Great Britain, have changed during the year. The figures for cross-Border trade in goods for the full year of 2021 between Ireland and Northern Ireland show an increase of €2.8 billion. Imports to Ireland from Northern Ireland were up 65% to €3.9 billion, a rise of €1.5 billion compared with 2020. The value of Irish exports to Northern Ireland increased by 54% in 2021 to €3.7 billion, an increase of €1.3 billion compared with 2020. Meanwhile, exports from Ireland to Great Britain also increased by 17% during 2021 to €14.4 billion. Imports to Ireland from Great Britain fell by 13% during 2021 to €15.4 billion. The impact on cross-Border trade in services is less clear as those data for the year are less accessible. We will have to wait and see there.

At a broad sectoral level, Irish imports and exports to and from Northern Ireland are up across all categories. Substantial growth can be seen in Irish exports of minerals, fuels and lubricants, which are up 118% on 2020, and in machinery and transport equipment, which are up 106% on 2020. By value, the food and live animals sector has had the largest growth with a €435 million, or 47%, increase in exports to Northern Ireland in 2021. Within this category, dairy products made the largest contribution towards growth. These large rates of growth are unprecedented in some sectors. However, it must be noted that the changes taking place in cross-Border trade value in 2021 are the result of a complex mix of factors. Contributory factors to rising value include, but are not limited to: the de-risking of supply chains in response to Brexit and the Covid-19 pandemic; logistical moves and changes in warehousing practices post Brexit; the rising cost of energy and its inflationary impact; and a shortage of supply due to global demand and supply pressures, such as on timber. There are also demand-side pressures. For example, plastic exports from Ireland to Northern Ireland are up 68%.

On a positive note, the latest InterTradeIreland all-island business monitor survey, released just last week, found that 85% of firms on both sides of the Border are currently either stable or in growth mode, which is welcome. This is an indication that the resilience of firms has been maintained in both economies within the new trading environment as they emerge from the Covid-19 pandemic. However, the pandemic and the rising costs of energy and overheads continue to present significant issues for most firms on the island. The impact of Brexit is still being felt by a number of businesses on either side of the Border, with 46% of businesses in Ireland reporting it as an issue.

Our top priority as an organisation is to continue to help businesses adjust to the new trading environment and potential impacts on supply chains. Work in this area cuts across a number of supports aimed at increasing the growth of exporting firms. We know from our research that 73% of indigenous SMEs that trade off-island began their exporting experience with trading cross-Border. InterTradeIreland's Brexit advisory service will transition to a new cross-Border trade information service in 2022, with work under way to ensure the service continues to meet the needs of businesses in both jurisdictions as the new rules and regulations evolve.

Considering all of this, and in the context of the impact of Brexit on trade in Ireland, it is important to recognise that the rise in trade value across the Border does not all result from new sales or supply chain activity. Many firms trading across the Border on the island, particularly those with complex and integrated offshore supply chains, are finding adjusting to the new market rules challenging. Continued uncertainty with regard to the final agreement on the protocol on Ireland and Northern Ireland is having a dampening effect on investment. The removal of Northern Ireland from the EU's Single Market for services is also having an impact on firms with an all-island outlook or aspirations. Many firms are continuing to work through the impacts on service delivery and it is likely that further challenges will arise in a number of areas for services firms in the coming months and years. These challenges will likely be centred on areas such as market access, data sharing and skills. Looking to the future, our research shows that while there are challenges, there are also significant opportunities to grow cross-Border trade and innovation opportunities for the benefit of both economies. Our efforts during the coming months and years will be focused on realising these opportunities for firms throughout the island.

I thank the committee and our sponsor Department in Ireland, the Department of Enterprise, Trade and Employment, for the opportunity to present on InterTradeIreland's work, as well as our perspective on supporting trade and business development on the island throughout this Brexit process.

Ms Anne Coleman-Dunne: We are delighted to be here to speak to the committee this morning. One of my areas of policy responsibility was Brexit preparations for the Department, its offices and its agencies and we continue with the implementation of those preparations. I am joined by Mr. John Hughes and Mr. Andrew Colgan from our trade policy area. Both colleagues have policy responsibility for the broad trade agenda, ranging from the EU level to the multilateral level. Joining us online is Ms Fiona Kilcullen from our access to finance unit. She had particular responsibility for the Brexit loan schemes.

It has been almost 15 months since the first trade impacts of Brexit took effect following the entry into force of the trade and cooperation agreement, TCA. Throughout this period, businesses have managed to navigate the increased administrative burdens and non-tariff barriers that Brexit has presented, and to carry on trading. In large measure, Brexit was not the calamitous event we all feared. This can be attributed, in no small measure, to the level of preparedness of Irish businesses for the changed trading relationship with the UK in the aftermath of Brexit. This is a huge tribute to the determination, hard work and resilience of Irish businesses, at a time they also faced the enormous challenges of Covid-19.

While the seamless trading relationship that existed prior to Brexit has certainly come to an end, businesses have faced the realities of the new trading relationship to continue trading with Great Britain, and to diversify into new markets. Businesses were actively assisted in their Brexit preparedness by the Government through advance Brexit contingency planning, involving a range of State agencies and bodies, which provided support for businesses and traders throughout. Support came in the guise of advisory clinics, targeted customs training and upskilling, as well as a range of enterprise supports, including voucher schemes like the one InterTradeIreland just mentioned. Financial loan schemes such as the Brexit loan scheme and its successor, the Brexit impact loan scheme, were introduced to provide financial assistance to businesses and assist them with liquidity. InterTradeIreland played a key role as part of the Government's wider Brexit response with initiatives such as its Brexit Advisory Service to assist companies, both North and South, to prepare for Brexit. ITI's Brexit Voucher scheme was also used extensively to assist Irish SMEs in areas such as tariffs, currency management, regulatory and customs issues.

While for many businesses, Brexit is done, this is not the case for those in the agrifood sector and businesses in this sector need to continue preparing for the UK import controls. The UK postponed import checks on goods from Ireland due to come into effect from 1 January 2022. For this reason, the full impact of our new trading relationship with the UK has not truly been felt yet as full customs controls are not yet in place. This temporary reprieve, and it is temporary, for goods from Ireland allows for the ongoing technical discussions between the EU and the UK on the protocol on Ireland and Northern Ireland. These discussions continue. There was a meeting yesterday of the Specialised Committee on the implementation of the Protocol on Ireland and Northern Ireland. These discussions are focused on finding durable and realistic solutions under the protocol to difficulties that present for businesses and citizens in Northern Ireland.

As the committee will know, Ireland has very significant economic ties with the UK, our closest neighbour and one of our most important trading partners. With the UK now outside the EU Single Market and customs union, inevitably trade with the UK is not now as frictionless as it once was. In 2020, which was the final year of trading as partners in the EU, Ireland exported €49.8 billion in goods and services to the UK with total imports of €40.4 billion. The UK accounted for around 11% of total Irish trade in 2020. This is a very significant share and for certain sectors of the economy, our trading relationship with the UK is even more important. For example, approximately 40% of Irish trade in food and beverages takes place with the UK.

Brexit has changed forever the trade relationship between the UK and Ireland and the full extent of these changes will only become fully evident over time. The EU introduced customs and border procedures and checks under the trade and co-operation agreement from the beginning of 2021 and the resulting impact on EU-UK trade has been substantial. There was a significant fall in Irish goods imports from the UK last year decreasing by 4% with imports from Great Britain specifically down 13%, primarily driven by a reduction of 36% in food imports from Great Britain. On the other hand, as the UK has delayed implementation of customs checks, Irish exports have yet to see the same negative impacts and indeed Irish exports to the UK actually rose by 23% last year mainly driven by an increase in exports of chemicals, which were up by 40%.

A further phenomenon was that trade with Northern Ireland increased last year as both exports and imports recorded very strong growth of around 55% and 65%, respectively, although it should be noted this is from a very low base. Trade has increased across virtually every sector. These increases are likely the result of trade with Northern Ireland not being subject to the new customs and regulatory checks and the possibility that businesses on the island sourced new supply chains outside of the UK, which would be encouraging for the all-island economy.

Overall, the trade data for 2021, particularly on exports to Great Britain and on trade flows North-South, is encouraging. However, uncertainty for the future of the UK-Ireland trading relationship remains. Some notable shifts in trade patterns were evident in 2021. What jumps out is that chemicals exports to the UK increased by €1.5 billion or 40% to €5.3 billion. Imports of food and live animals from Great Britain declined from €3.1 billion in 2020 to €2 billion in 2021, which is a 36% decline. Imports of mineral fuels, lubricants and related materials increased by 69% or by €1.1 billion from €1.9 billion in 2020 to €2.8 billion in 2021. This increase is due mainly to gas. It is not clear if these shifts represent a trend or if they are more linked to global issues such as energy supplies in the case of gas imports.

To get the measure of the full ex-post impact of Brexit, it would be optimal to conduct research at the point at which agreement on the implementation of the Northern Ireland protocol has been reached and full UK import controls are operational on an EU 27-UK wide basis. In December 2021, the Department of Finance and the ESRI jointly published some early analysis of the impacts of Brexit using monthly trade data up to August 2021. It noted some early effects, including the increase in North-South trade and the asymmetric decline in imports from Great Britain. The study confirmed the increase in trade between Northern Ireland and Ireland but concluded that product substitution away from Great Britain by Northern Ireland firms cannot be estimated without data on trade between Northern Ireland and Great Britain. As trade between Northern Ireland and Great Britain is internal UK trade, it is not captured in the collection of international trade statistics. Furthermore, firm level activity data for Northern Ireland that identifies sales to Great Britain is collected on an annual basis. This means that the question of product substitution and the impact of the Northern Ireland protocol on trade is a potential avenue of further research once such data becomes available. The Department of Finance leads on monitoring the overall macro-economic relationship between Ireland and the UK and the Department of Enterprise, Trade and Employment will liaise closely with the Department of Finance regarding future research on the impact of Brexit.

I think we have covered the issues of logistics, transport and routes to market so I will skip over them. The analysis of trade data available at this point indicates the asymmetric impact of Brexit on imports and exports. This divergence between exports to and imports from the UK suggests that the divergent non-tariff barriers to trade have had an impact on bilateral trade. Brexit is still unfolding and the phased implementation of UK import controls means that the full impact of Brexit has not yet been felt. The years 2020 and 2021 gave rise to unprecedented changes due to Covid-19 in terms of supply chain issues, depressed demand and inflationary costs as a result of Covid-19. The final outcome of the protocol on Ireland and Northern Ireland will also be a determining factor on the manner on which this impacts on trade in Ireland.

Deputy Louise O'Reilly: I thank the witnesses for the information they supplied, which is certainly very interesting. This is a tiny bit off topic but it is a bit current so I would not mind getting the view of the witnesses. If it is not possible here, perhaps we can talk afterwards. Does Ms Coleman-Dunne think there is any value at some point in the Department and specifically the Tánaiste reissuing the work from home advice given the rapid increase in the cost of fuel and the likely impact on the pocket of people going in and out to work but also given that we read in the newspapers that there is a possibility, however remote, of fuel shortages? Does Ms Coleman-Dunne think this should be on the agenda? I know the advice was lifted in line with the restrictions, which is fair enough, and we are working on the remote working Bill as well. That Bill will come but what about the here and now? If it is too far off topic, that is fine. We can discuss it afterwards but it has been in my head since I was driving in this morning. I knew I was going to be talking to officials from the Department so I thought I might just throw it out there.

Ms Anne Coleman-Dunne: In truth, it probably is a bit off the subject. I was driving in the same traffic. I think we all see the benefits of working from home, particularly now with the cost of fuel. All I can say is that the Tánaiste is pushing forward with the working from home initiative. I am sure that the Government is looking at it. Obviously, some announcements are due today regarding excise duty so that is as much as I can say.

Deputy Louise O'Reilly: That is fine. It came into my head and I knew I was going to be here so I thought I would not let the opportunity go. I will pick it up with the Tánaiste in any event. In her statement, Ms Coleman-Dunne indicated that Brexit was not the calamitous event feared, which is good news, due to the preparedness of businesses. Is there now a concern among businesses and the Department about how the current crises - inflation and energy and fuel prices, shortages of goods and raw materials and the impact of the war in Ukraine - will interact with Brexit? I appreciate the optimism, which is good as is the analysis, but while we have survived that one, another one is here so how will that impact us along with Brexit, which, as Ms Coleman-Dunne noted, is ongoing?

Ms Anne Coleman-Dunne: It is a very fair question. Initially there were the Brexit short-term and long-term loan schemes, which have now been overtaken by the Brexit impact loan scheme. We saw that it morphed into that. In our enterprise forum where we met with businesses and stakeholders, originally it was all about Brexit. We were meeting with them throughout to 2018 and 2019. Suddenly, in 2020, that was subsumed by Covid-19 and the committee became about looking at that. The Brexit supports the Department offered then morphed into Covid and Brexit supports. The committee members may see the data we published on the website, which are about Covid and Brexit.

Again, who anticipated the current situation in Ukraine? In that way, our Department and the Tánaiste are always looking at reviewing the schemes we have and asking whether they are responsive to the particular needs of the day. That is as much as I can say on that at this stage. The Deputy will see that, in the trajectory from Brexit to Covid, the Department has made the quantum leap to assist businesses in that way as well.

Deputy Louise O'Reilly: Is it Ms Coleman-Dunne's belief that this puts the Department in a much better position to assist with the current fallout?

Ms Anne Coleman-Dunne: I believe so. I am sure colleagues in the Department and in that enterprise area will be looking at what revisions are needed. We saw that the Brexit supports changed to Covid during the course. Again, as the Deputy has said, the Government is reacting with regard to excise duties and other ways in which businesses can be helped, including with direct supports.

Deputy Louise O'Reilly: My next question is for Ms Hearty. The Minister for the Economy in the North is still refusing to bring forward an economic strategy to maximise the dual market access that is afforded by the protocol. What benefits does Ms Hearty believe a plan like this could bring if it were published and implemented?

Ms Margaret Hearty: Currently InterTradeIreland is funded one third by the Northern Ireland Executive. As the cross-Border trade body, our *raison d'être* every day is to promote cross-Border trade and economic development. This aligns very much with the Department for the Economy in Northern Ireland, and its 10X Economy strategy to grow exports and innovation and the policies to support cross-Border trade development. We all help to bolster organisations like ourselves and trade. We enjoy good continued support from the Department for the Economy in Northern Ireland. Northern Ireland firms, as supported by the statistics, are achieving a significant increase in cross-Border trade. We see the opportunity for that continuing as we go further.

Deputy Louise O'Reilly: I was not suggesting there was a lack of support. I was asking for Ms Hearty's view on whether the economic strategy that possibly should be published would have a positive impact if it were implemented with regard to maximising the benefits from the protocol. If it is Ms Hearty's view that the benefits are as maximised as they can be, that is fair enough, but I am not disputing in any way the support that is there. I feel, however, there is a piece of the policy missing in delivering those benefits. While Ms Hearty has outlined some of the benefits, there could be increased benefits. I was not suggesting there was any difficulty with the funding. I feel there is a little area of the jigsaw missing, which could be quite big, if Ms Hearty sees what I mean.

Ms Margaret Hearty: Absolutely. I appreciate what the Deputy is saying. Yes, the publishing of any policy is always beneficial. Businesses, however, are always one step ahead of policy. Businesses in Northern Ireland are taking full advantage of the opportunities the Northern Ireland protocol is presenting. The one thing that really impacts on business is uncertainty. Uncertainty is not good for business. The greater clarity and certainty businesses can get will only help to grow the economy and support the wider business base. Yes, that is a fair point.

Deputy Louise O'Reilly: On the instability, does Ms Hearty have a view on the implications of the walkout by the DUP from the Executive and the DUP refusal to attend the North-South meetings? Is this having an impact on co-operation and trade? I am interested in Ms Hearty's view.

Ms Margaret Hearty: We are operating to full capacity. The Executive has been down in the past and we have continued to operate. I go back to my previous point, which I mean wholeheartedly, that business continues to fight despite what happens within politics and we continue to support businesses. Demand has never been higher for our products and services. We have never been busier, which is a good place to be. Businesses must rise above whatever is happening in politics. They do that daily, and we are there to support them daily.

Deputy Louise O'Reilly: My next question is for the Department. It is about the decrease in imports. The Department has outlined some of them. Looking at the Central Statistics Office, CSO, data, we can see food, live animals, beverages, machinery and some other categories have decreased. If they are decreasing, is there an indication of where this is being fulfilled now? Is it coming from imports from the North, is it coming from the EU, or is it a mix? I am aware that not all of the data are available but perhaps the Department has a sense of where it is coming from. I know there is a difficulty recording the cross-sea data.

Mr. Andrew Colgan: On the main changes in food and live animal exports, on an east-west basis we have had a decline of about 8%, or €288 million, in exports from Ireland to Great Britain. These went from €3.7 billion in 2020 to €3.4 billion in 2021, which is a decline of €288 million. On the other hand, our exports North-South have increased by €435 million, which is 47%, from €919 million to €1.4 billion in 2021. This is higher than the decline of €288 million in exports and live animals. Overall, our food and live animal exports are up 3% in the year to the UK. There does seem to be some reorientation of food exports to the UK, but it is not possible to know if this is a trend that is going to continue. It is too early in the application of the trade and co-operation agreement, especially given that the full import controls on an east-west basis are not fully in effect at this time.

Deputy Louise O'Reilly: I appreciate that it may be early days for some of the data, but it is helpful to get a handle on the trend.

Does Ms Hearty have an idea of how many companies in the South have diverted supply chains from Britain to the North? Has there been a consequent benefit of that in reduced transport costs, because people are not travelling as far, reduced emissions, or an increase in trade and jobs? Does InterTradeIreland have a view on that and what the implications have been around percentage and contribution to trade?

Ms Kerry Curran: I will take that question for InterTradeIreland, if I may.

Ms Kerry Curran: That data is not available to us yet. It is difficult to understand in the year the changes that individual businesses are making within their supply chains. We know from our all-island business monitor that many businesses are telling us that during 2021 they increasingly started to trade outside of their jurisdiction as a result of the restrictions and difficulties they had in getting supplies they need to fulfil their business needs. We are seeing greater cross-Border trade in the business monitor as a result of that. With regard to statistics, it is not possible to give a figure for the number of businesses that have adjusted their supply chains accordingly. The changes that took place in 2021, which has seen a substantial uptick in cross-Border trade, is part of a trend that began in 2016. Over the past two decades the average cross-Border trade grew at a rate of 4% per annum but since 2016 this upticked significantly. We have seen substantial growth in 2016, 2017, 2018 right up to 2021, which in itself has seen a 65% increase in the value of trade North to South, and a 54% increase in trade South to North. Businesses are undoubtedly adjusting their supply chains and this is reflected in those values. It is not the only issue that is increasing the value of cross-Border trade of course. There are inflationary pressures within certain sectors and factors that are very particular to our times. The growth in pharma across the Border has contributed significantly to the growth in cross-Border trade value. Much of that is in vaccine and in Covid-19-related products that are particular to the pandemic and not necessarily a feature of cross-Border trade going forward. However, aside from having strong figures that outline the number of businesses that have adjusted their supply chains we can see in the trade data that it is a strong number and a high value being reflected in the CSO's figures released recently.

Deputy Louise O'Reilly: I thank Ms Curran.

Deputy David Stanton: I apologise for being late but I have read the presentations. I have just one question for our guests. I have been told that some companies are finding it difficult to get export credit insurance as a result of Brexit. Has the Department looked into this? Is there an ongoing review? With regard to the impact of difficulties with getting export credit insurance, this would put some Irish companies under pressure. If they did not have this, they would take a big risk. If they cannot get it, and need it, then they are going to be under pressure for obvious reasons. If a response is not available today, I would appreciate a written response to the committee on this issue later.

Ms Anne Coleman-Dunne: I cannot give the up-to-date position but I know that this issue was being reviewed. The last time I had sight of it, this issue was with the Department of Agriculture, Food and the Marine, presumably because of the nature of the exports. I do not know where the review currently stands. It was not moving very fast. I will take that back and check with the relevant Department, which I believe is the Department of Agriculture, Food and the Marine.

Deputy David Stanton: My understanding is that the Department of Enterprise, Trade and Employment is carrying out the review but I would appreciate a detailed note on this from the Department when it is available. I have been told by some companies that they are under pressure and it is a very serious matter. We are one of the few countries in this part of the world that does not have a state-backed export credit insurance scheme or, in fact, a strong private scheme either. A briefing on that would be useful. I am told that Brexit is having an impact on this and, therefore, more information would be useful. Have any of our guests anything to say on this?

Chairman: We will get a briefing note from the Department and I will make sure that is passed on to the members. I call Deputy Bruton.

Deputy Richard Bruton: We should congratulate both enterprises and the agencies for the way in which the calamity we all feared has been avoided. It shows extraordinary resilience for a country that is the most export-exposed and the most energy-exposed country in Europe that we have been able to demonstrate the adaptability to deal with Covid-19 and Brexit. Now we face into another challenge. What do both InterTradeIreland and the Department believe have been the most effective tools that they have developed in the face of Covid-19? Following on from that, what has been learned about tools that help enterprise to adapt in these very uncertain times? I am aware that supports such as vouchers, loans and online trading vouchers were used. There have been supply-chain diversification initiatives, de-risking supplies and energy and commodity arbitrage as companies have sought to come to terms with these changes. Have the tools that are more effective than others and that might arm us for the next period been identified? Specifically, is work under way on lean energy mechanisms so that new enterprise can look at its cost base in terms of the energy dimension? For example, in food, which is a major sector, 20% of food is wasted through the supply chain beyond the farm gate and probably more within. To what extent could resilience be developed to avoid that level of wastage in our supply chains, that could help fortify us against the challenge ahead? Specifically on Brexit, leaving aside the politics of this, which I acknowledge is intense on all sides, are there any messages or experiences from what the witnesses have seen that we should convey to those who are negotiating the next phase of the protocol? What are the lessons that we have seen so far that could perhaps be useful input into what is obviously going to be a tricky period but, as Ms Coleman-Dunne said, carries significant risk for the Irish food sector as import controls come in?

Ms Anne Coleman-Dunne: I will do my best to cover the aspects the Deputy mentioned. InterTradeIreland may also have an input on this. In regard to the question on what the most effective tools are, it is horses for courses when looking at the small enterprises that are well serviced by LEOs. There was quite a way to go in building awareness and education. We found that one of the most effective tools was probably the customs upskilling because for 30 years, unless they were trading with other third countries, it has not been a big aspect of the way in which businesses do business. We found that was one of the keener and most-needed interventions. Ms Kilcullen might want to say something about the loan schemes that were brought in to assist with liquidity. On the Brexit journey we were lucky. We had a couple of years and, therefore, we started building the awareness, the education and the softer skills and working with businesses. The harder interventions would have been in terms of the customs intervention. Enterprise Ireland, EI, operates the lean initiative, which aims to get companies to diversify away from the UK. We can take it back to the enterprise side of the Department to see if it learned or looked at the lessons. I am not sure it has had an opportunity to do so because we moved directly from Brexit into Covid. However, I certainly agree it would be a good look-back to do.

We were informed by the needs of businesses through the Enterprise Forum, which was initially chaired by the Minister, Deputy Humphreys, and subsequently chaired by the Tánaiste. That was a great focus for us to hear at first-hand the immediate needs of businesses and how we could best address those. The retail forum chaired by the Minister of State, Deputy English, was a great sponsor of online vouchers to get businesses online. In the Covid situation, that has really helped businesses to manage, survive and, more than that, to do well.

I will have to go back to the Department on lean energy. In our Department, the climate action plan has been recently launched and I know that different sectors have different targets to meet, no more than I suppose in the food sector. I will need to come back to the Deputy on that issue, if that is okay.

As regards the messages and experiences from the negotiating period for the protocol, again, we are on the sideline. Obviously, the negotiation is between the EU and UK. Every member state is informed by the Commission as to what is going on. It is fair to say that the Commission has given a great ear to the interests of Ireland and the particular persuasions and influences as to what would work. For example, if one looks at the Commission paper from October last, when it came forward with four papers in different areas, it had very good input from all member states but particularly Ireland. This was shown in the case of medicines. A real issue for citizens in Northern Ireland was accessing medicines they would be able to get if they were on mainland UK. We have had fantastic support over the years from all of the EU members and we still have a very good listening ear in the Commission. However, at the end of the day, it is the EU, specifically the Commission and the UK service, which now forms part of the Commission, and the UK that are actually doing the negotiation. We will influence where we can.

Perhaps InterTradeIreland will add to that. Ms Kilcullen from the Department may also wish to speak about the loan schemes and how they have assisted.

Ms Fiona Kilcullen: I apologise as my connection is not very good. In terms of supports assisted to small and medium enterprises, it is early days yet, so we will have reviews and evaluations in time. However, it would seem at this stage that a good array of supports - grants, loans and equity - have been popular and availed of across the different sectors.

In terms of Brexit, what occurred was that there was planning and preparation for Brexit and then firms with hit with the dual impact of Brexit and Covid. That was why the Brexit loan scheme was replaced was with the Brexit impact loan scheme, which provided for longer terms and some element of refinancing. When the Brexit journey started Covid was not on the horizon. We are seeing that, depending on sectors, some are availing of grants and then topping these up with a loan, be it either a Brexit or Covid loan, and others are looking to equity as well. It would seem at this stage that a combination of supports has been very helpful and there are sector-specific needs depending on the nature and size of the business, in terms of its exposure to Brexit.

Ms Margaret Hearty: I will give an InterTradeIreland perspective, after which I will invite colleagues to add comments. On Brexit support, it was mentioned earlier that uncertainty is one of the main factors that negatively impacts business. There was much noise around in terms of Brexit and Covid. Businesses need good information and tailored advice. Under our Brexit voucher scheme, a company can avail of tailored specialist advice which was matched to the company by InterTradeIreland. The scheme gives unique advice bespoke to the individual business and situation and demand for it continues. It has been evaluated and proven to be very effective. It also allowed us to then signpost to the loan schemes and the various other schemes the Government had in place. That, too, was very effective. However, businesses needed somebody to talk to who understood their specific needs.

In terms of Covid, we were focused on cross-Border traders, so when Covid struck and many channels to market closed down we introduced another voucher scheme. This was focused on getting help in businesses to access new channels to markets online. What we all realised was that there was a low level of awareness in companies. They had websites and an online presence but did not actually have the mechanisms in place to trade. Covid has certainly accelerated that experience.

The other agencies focus on lean energy. In terms of feeding into the negotiations, both our policy team and Brexit advisory team feed into both Departments and Brexit teams on an ongoing basis.

I invite my colleagues to add to that, whether Ms Maguire from the Brexit advisory service or Ms Curran from a policy perspective.

Ms Kerry Curran: I just want to touch base on the most effective learning tools, which was the Deputy's first point. As Ms Hearty described, the key theme in respect of the supports we have put in place both for Brexit and Covid-19 is that they have been business-led. We asked businesses what they needed and we responded flexibly. We have received positive feedback from businesses that have availed of our services on the individual support and solutions we have provided to the problems and concerns they are experiencing in their business. We have not told them what they needed; they have told us what the problem is and we have found a solution. That is the recurring theme here.

If I may, I will touch briefly on the engagement with the UK and the EU in the current negotiations and the build-up to where we now. As the cross-Border body representing SMEs across the whole of the island, since 2016 we have been deeply engaged at the policy level with the ongoing work on the development of the EU-UK Trade and Cooperation Agreement and the Northern Ireland protocol. We have certainly been given every opportunity to feed in the extensive research we have undertaken on the potential impact of Brexit into a wide variety of forums. We have engaged with the Irish Government directly with the Minister, Deputy Coveney, and his work, but also with ministers in Northern Ireland and the Cabinet Office in London. We sat on the Joint Customs Consultative Committee in the UK and we have been working very closely with the Trade Remedies Authority and Her Majesty's Revenue and Customs, HMRC. We have hosted ministers and MEPs from across Europe at our offices in Newry in recent years to support the dissemination of information on the potential impacts of Brexit and different outcomes and scenarios on businesses on the island of Ireland. We certainly have had the opportunity, which we have taken, to feed into the evidence base in order that the outcomes of the negotiations will not be without the evidence to support them.

Deputy Matt Shanahan: I thank our guests. I would not say we should have feared Brexit less than we did but I agree with colleagues that it has turned out to have been managed very well for a whole range of reasons. The Department and InterTradeIreland must be commended on that. I want to highlight a few points, to which the departmental witnesses might respond.

I have a particular concern about the agrifood space. In their submission, the departmental officials highlighted that the agricultural cross-Border checks probably are not yet being fully implemented. For instance, we send milk from the South to the North to be processed, which then goes back to the South. We send meat up to the North to be slaughtered and processed before it returns here. As the protocol gets further defined and the agricultural checks become expansive, will the witnesses say what they are doing in this regard? This issues has two effects. First, it has a potential impact on supply in that it will change our route pathways to market and, second, it definitely will have a price impact. How is that being examined?

Another issue I ask the witnesses to address is that of transport links. When I came into the Dáil two years ago, the discussion was about the loss of the UK land bridge and how we were going to manage it. I have to say the Government response at the time was very tardy. It was largely left to private operators to look at getting routes out of Rosslare, which has been done successfully. It appears the land bridge is not coming back into play any time soon. The officials said they are liaising with the Department of Finance on macroeconomic issues. Are they promoting further expansion of the likes of Rosslare and Waterford ports, the former having ro-ro facilities and the latter having lo-lo capability, to try to develop further export and import pathways?

Ms Anne Coleman-Dunne: I will take the Deputy's last question on the land bridge. We are seeing from the trade statistics that there is quite a move away from that. The traffic using the UK land bridge to Europe, and *vice versa*, is down by approximately 20% and does not seem to be going back to, say, the 2019 levels. The Deputy said the Government was tardy in this matter. It is the case that our colleagues in the Department of Transport at the time were working with the shipping operators, logistics companies and so on that were using the land bridge. In advance of any change, they were trying to get operators to move over to other options. Shipping companies will not put on services unless there is a reason, that is, where there are volumes of traffic to justify them. Once that became a reality, the shipping operators responded very quickly and we now have 13 services, compared with six back in 2019, with some 60 sailings a week directly to Europe. It has been a good success. Sometimes, people will not vote with their feet until the need is there to do so. The additional checks, controls and delays involved in going through the UK land bridge have put people off that route. Our understanding is that drivers really are finding the benefits of the new routes in terms of well-being, having the rests they should be having and so on.

I might call one of my colleagues to come in on the Deputy's question about the agrifood space. On the cross-Border point, the whole issue about the protocol is that we are not anticipating that there ever would be any checks. I do not know whether the Deputy is getting into the issue of rules of origin in terms of products moving north with inputs.

Deputy Matt Shanahan: Yes.

Ms Anne Coleman-Dunne: I ask my colleague, Mr. Hughes, to talk about that. To be clear, the whole intention with the protocol is that we will not have any regulatory checks or controls on the island of Ireland. That has been very hard fought for by us, feeding into the Commission etc. There is an issue around goods inputs from both parts of the island and whether they can meet the origin requirements under the EU-UK Trade and Cooperation Agreement and benefit from EU free trade agreements. Mr. Hughes is better able to speak to that.

Mr. John Hughes: On the rules of origin issue, where that is having an impact at the moment is in regard to the trading relationships with third countries such as Canada, Japan, Singapore and so on, under the EU free trade agreements from which Ireland benefits. They key issue that has arisen at this time is that in respect of those third-country trades, significant inputs from Northern Ireland can take us below the threshold needed for a product to be deemed an EU-origin product. That is impacting on the dairy and beverage sectors in particular. We are engaged with the European Commission on possible solutions in regard to free trade agreements we are currently negotiating at Commission level with, for example, New Zealand and Australia, to see whether the existing approach on rules of origin can be adapted to accommodate an all-island approach as distinct from the 26-county aspect.

That requires engagement with third countries, of which I namechecked a couple, which obviously would be looking for a concession in return. It requires a new approach in our relationships and trade with third countries. We are engaged with the Commission on that at the moment but we do not yet have a solution. We have potential landing zones that could assist us, but that does not have any impact on Ireland-UK or Single Market trade. It is about third countries with which we have a free trade agreement. We are looking to work with the Commission to see whether there is a way of having Ireland considered on an all-island basis within those third-country agreements. Ultimately, that will require an engagement with those third countries to see what concession they may be looking for as a normal *quid pro quo* in negotiations.

Deputy Matt Shanahan: There is another issue that strikes me. We have all heard Prime Minister Johnson speak quite a lot about the ability of the UK to go off and make future trade deals once Brexit is done. Has the Department been looking at forward game-planning for what might happen in this regard, particularly for our agrifood sector? The UK still is our largest export market. What happens if it does a significant deal with, say, New Zealand and we start to find a lot of beef or lamb from that country coming into Ireland? Is the Department doing any kind of war gaming in terms of advising the Irish farming sector? That sector is very challenged at the moment but prices are up because of market demand, which will lead, we hope, to further productivity. Is the Department advising farmers of what could happen in the future if the UK gets a trade agreement whereby it pivots to taking in far more meat from other countries than it does from Ireland?

Mr. John Hughes: This is an area we are watching as closely as we can. As the Deputy knows, it technically relates to other jurisdictions but it is creating increased competition. In a recent meeting An Tánaiste had with the Irish Farmers Association, IFA, there was dialogue on preparing for the increased competition in the UK marketplace and how we can assist in working with the sector, principally through the Department of Agriculture, Food and the Marine, to prepare for that situation. The competition will not arise from day one because most concessions in free trade agreements in the agriculture sector tend to be in the form of quotas introduced over a number of years. There is a lead-in time to get ready for that. However, work in which the likes of Enterprise Ireland and Bord Bia are engaged as to where we position ourselves on the market in terms of green production and moving up the value chain is part of the preparatory work we are doing, anticipating the challenges that the UK's free trade agreements with third countries will present for us. That is some of the preparatory work ongoing with the agencies and cross-departmentally to raise awareness in the first place and then to try to respond to that competition. It is coming, it is a reality and we have to prepare for it because, clearly, we have no influence on what concessions are agreed between the UK and third countries. What we need is information and knowledge, and we need to work between the agencies and the stakeholders to prepare for that competition.

Chairman: Nobody else seems to be indicating to speak. I wish to put on the record my thanks to InterTradeIreland and the witnesses from the Department for attending. I sat in this room six years ago, when we were really worried about Brexit. I think we were the first committee to do a report on Brexit. We called for special status for the North, which is basically the protocol we have now. That has protected the island economy as best we can. Nobody would have sat here two or two and a half years ago and thought that Brexit would not be the biggest issue we would be dealing with. We have since had the Covid pandemic and the war in Ukraine. We have done particularly well to protect our economy, so I congratulate both organisations, the Department and InterTradeIreland. I visited InterTradeIreland's outfit in Newry a couple of years ago, and a very impressive outfit it was. I thank InterTradeIreland for its help and its presentation to the committee.

That concludes our consideration of this matter and concludes the committee's business in public session. I propose that the committee goes into private session to consider other business. Is that agreed? Agreed.

The joint committee went into private session at 10.42 a.m. and adjourned at 10.50 a.m. until 9.30 a.m. on Wednesday, 23 March 2022.