



Department for the
Economy
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TRADE AND INVESTMENT FOR A 10X ECONOMY



PRIORITIES FOR NORTHERN IRELAND'S INWARD INVESTMENT, TRADE AND EXPORTS

MINISTERIAL FOREWARD

I am delighted to present *'Trade and Investment for a 10X Economy'*, the latest in our suite of '10X' papers. It follows the recent publication of the *'Skills for a 10X Economy'* Strategy and outlines the strategic priorities and high level ambitions that will shape our approach to trade and investment. I firmly believe that through trade and investment we can drive our inclusive, green growth agenda over the coming decade.

Northern Ireland has a rich history as a trading and exporting region, built on the innovative and entrepreneurial spirit of its people. As we emerge from the Covid-19 pandemic we will need to apply that spirit with renewed energy and focus. I am committed to working with business to make that happen.

We will be engaging widely to co-develop clear targets around our trade and investment ambitions, and to define the actions that are needed to bring them to life. I look forward to working with you on this important area.



A handwritten signature in black ink that reads "Diane Dodds".

DIANE DODDS MLA
MINISTER FOR THE ECONOMY

1. A '10X Economy' sets out the overall vision for the future of our economy.¹ Achieving the vision set out in that document will require a new approach to trade and investment. This paper represents the first stage towards defining this new approach. It is a statement of intent setting out our strategic trade and investment priorities and principles, which will shape the development of the strategy in collaboration with our delivery partners. It builds on the Economic Recovery Action Plan,² which outlines the interventions and actions we are taking to support investment, trade and exports over the next year. Under the umbrella of 'A 10X Economy' it is intended that the paper will provide a clear direction of travel for investors, businesses and the public as we develop our approach over the coming months. Northern Ireland is open for business.
2. A 10X Economy is focused on the power of innovation particularly in core technologies and clusters to deliver inclusive growth in Northern Ireland. Our approach to trade and Investment therefore must be built around driving innovation in these core areas where we have significant capability and capacity. We want to ensure the resource we allocate to support businesses to trade and invest is targeted and delivers maximum impact for society – and is fully aligned with our 10X priorities. That may involve difficult decisions about prioritisation based on current and future potential to drive our international expansion. Our priorities will be outward looking and growth-orientated; the priorities of the past may not in all cases be the priorities for the future. Our aim is to provide a more nuanced direction for Northern Ireland's international trade, investment and promotion efforts more closely aligned to our strengths, capabilities and technological advantages.
3. As we become more focussed in our strategic approach towards innovation and the core 10X clusters and technologies, it is essential we have the skilled workforce to exploit emerging trade and investment opportunities in these areas. Our *'Skills for a 10X Economy' Strategy*³ outlines our plans to work with skills providers to ensure we have a world class talent offering in that regard. With a skills system that is flexible and plugged into our wider economic priorities, we see a role for government to work with businesses and entrepreneurs of all shapes and sizes to foster a bold, outward-looking and ambitious international mind set.

1 DfE website - [A 10X Economy: Northern Ireland's Decade of Innovation, DfE \(2021\)](#)

2 DfE website - [Economic Recovery Action Plan, DfE \(2021\)](#)

3 DfE website - [Skills Strategy for Northern Ireland: Skills for a 10X Economy DfE \(2021\)](#)

4. To thrive we need to be adaptable and future facing: as a small regional economy we can either adapt to or be left behind by global trends. The relentless shift to new technologies, clean growth, digitisation and automation offer once in a century opportunities which, if embraced, could lock-in economic, social and environmental benefits for generations to come. A 10X Economy explores these issues in more depth, starting an exciting conversation about how we pursue an economic development model fit for the 21st Century. This paper seeks to add to that conversation through a trade and investment lens.
5. The disruption of trade by Covid, and the outworking of the UK leaving the EU give rise to different challenges and opportunities some of which are yet to be fully defined – but we need to act now to set our strategic vision and lay out the roadmap to achieve it. We will work with business to frame the ‘windows of opportunity’ that will deliver our inclusive growth agenda. As we emerge from the Covid pandemic, the pace of recovery will likely be differentiated across global markets and sectors. That is why we are undertaking research and analysis to understand better the potential pathways to growth – the markets, technologies, services and products we should be prioritising as part of our sustainable and inclusive growth agenda. The terms of trade may have changed but the importance of trade and investment for our future prosperity has not diminished. The time is right to take stock and define clearly our strategic priorities.
6. At its core our ambition is to harness trade and investment as a catalyst for inclusive, green growth in Northern Ireland⁴ to support our economic transformation over the next decade. We want to use trade and investment as a key driver to increase wealth, prosperity and living standards in Northern Ireland. With a sharper focus on our target markets, priority clusters and technologies, we will work with our delivery partners and use the policy levers at our disposal to, over the next decade:
 - i. become a magnet for regionally balanced inward investment from high quality new Foreign Direct Investment and follow-on expansions;**
 - ii. increase the number of businesses of all sizes selling goods and services, outside of NI – to GB, RoI, rest of EU and rest of world customers – for the first time;**
 - iii. increase the value of goods and services sold outside of Northern Ireland – as exports to RoI, rest of EU and rest of world customers;**

4 University of Strathclyde website - [Inclusive Growth in Northern Ireland, University of Strathclyde \(2020\)](#)

- iv. strengthen our presence in established markets and diversify into new overseas markets with high growth potential, aligned with our areas of competitive strength;**
 - v. maintain the level of goods market access with our main trading partner, Great Britain, and increase external sales in that key market.**
7. In relation to maintaining and building our trading relationship with our largest market in Great Britain, the Protocol has impacted on our businesses and consumers with additional burdens which are neither proportionate nor sustainable. These additional burdens, including the friction in the movement of goods from GB to Northern Ireland must be addressed by the UK Government and the European Union. Trade and investment will be vital to Northern Ireland's recovery and future prosperity, in all circumstances we will seek to exploit opportunities to deliver our 10X vision.

Why Focus on Trade?

8. Trade can support the ambitions of our '10X Economy' across the board: inclusive, green growth; diffusion of technology and innovation; and increased competitiveness. That is because trade is an engine of growth, without which the ability of our economy to grow would be constrained by its relatively small domestic market. Put simply, the more we trade the more competitive and prosperous we become. Our tradeable sector is too small relative to our international comparators, only by growing it can we hope to achieve our ambition of becoming one of the most successful small advanced economies in the world.
9. It is widely accepted that external sales, exports and imports deliver prosperity through improved productivity, more high paying jobs and greater consumer choice. For consumers trade provides a more diverse and affordable range of imported products especially benefiting middle and lower-income families.⁵ Moreover, the distribution of both export activity and intensity across Northern Ireland suggests that trade – and the benefits associated with it – can be a driver of the regionally balanced and inclusive growth we are striving for.⁶ We want the benefits of the economic transformation outlined in 'A 10X Economy' to mean something to people, to be widely felt – alongside upskilling and reskilling, growing our tradeable sector is how we can achieve that. However, we also recognise the potentially disruptive consequences of trade which can be concentrated in specific sectors and smaller geographic areas. An inclusive, balanced and joined-up approach to trade and investment will be central to the development of our new strategic approach.
10. Trade also supports our broader economic ambitions around innovation,

5 For UK evidence, see: 'Passing on of the benefits of trade openness to consumers' Francois, Manchin, and Norberg, 2007.

6 Northern Ireland Broad Economy Sales and Exports, 2019 (Fig. 6/ Fig. 7)

technology and competitiveness: access to national and international markets drives business performance and scale, and facing international competition incentivises business innovation and productivity growth. In turn innovative businesses are more likely to export and the experience of exporting can then be a strong driver of investment in innovation and R&D as businesses compete in new markets. The benefits of trade are also felt through the diffusion of new technology over time, increasing competition, investment and exploitation of economies of scale, and ultimately resulting in higher productivity.⁷

11. Like many other areas of our society, the impact of the Covid-19 pandemic on tourism has been significant. Tourism is an important export for Northern Ireland, one where our success has been built around the warm and welcoming spirit of our people, our world class hospitality and stunning natural landscapes. As we emerge from the pandemic we are committed to rebuilding tourism as a key enabler of our international, outward-looking trade and investment strategy.
12. 'A 10X Economy' sets out the case for an innovation-led economic transformation. Trade will contribute to and benefit from that transformation as we become more competitive in international markets. We also know that businesses and economies operating across a range of markets will tend to be more resilient and less vulnerable to economic shocks. It is for these reasons, and more, that driving the internationalisation of the Northern Ireland economy through trade is so important, and we want everyone to feel the benefits. Through trade we can magnify and distribute the benefits of our innovation-led economic transformation, supporting our ambition to become one of the most competitive small advanced economies in the world.

⁷ 'Trade and Employment in a Fast-Changing World', OECD 2012.

Recent Performance on Trade

13. External sales, exporting and importing is a big opportunity for Northern Ireland – as a region we have historically underperformed the rest of the UK. Northern Ireland’s external sales⁸ increased year on year from 2011 (£20.5bn) to 2016 (£23.8bn) but have since stagnated through to 2019 (£22.9bn). Conversely, the value of Northern Ireland’s exports⁹ have increased annually since 2016, standing at £11.7bn in 2019. Interestingly, in 2018, for the first time in recent years the value of Northern Ireland’s total exports was higher than the value of its total sales to Great Britain, which continued into 2019, (£11.7bn total exports; £11.3bn total GB sales).¹⁰
14. Like many other small trading countries, Northern Ireland sells a limited range of goods and services to a relatively small number of countries. To some extent that is the nature of efficiency through specialisation that underpins trading relationships, but there is space to grow. The top 5 sectors account for almost all (around 90%) of our external sales value.¹¹
15. The number of businesses selling to destinations outside Northern Ireland stagnated at around 11.5k between 2011 and 2016, reaching a record peak of 13.8k in 2018 before dropping off to below 13k in 2019.¹² When examining Northern Ireland’s export performance compared to other small advanced economies it becomes clear that NI’s share of exports as percentage of GDP is comparatively low at around 23%. Including NI sales to the rest of the UK raises the share to 44%, however, even on that basis NI still lags behind other small advanced economies such as: Croatia (52%); Latvia (60%); Estonia (73%); Denmark (58%) and Ireland (127%).¹³ We are keen to understand and apply international best practice in terms of trade promotion and education. Examining our export performance in the context of GDP stresses the current importance of and reliance on the GB market, which remains our biggest and most important trading partner, but also the scope to grow our trade with other potential high growth markets.

8 External sales are comprised of those sales made outside Northern Ireland, that is, sales to Great Britain, Ireland, the Rest of the European Union and the Rest of the World.

9 Exports consist of all sales made outside the United Kingdom.

10 NISRA website - [NISRA - BESES 2019 data tables 2011-2019](#)

11 NI External sales (2018): Manufacturing (51%); Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles (16%); Construction (12%); Transportation And Storage (5%); Information And Communication (5%).

12 NISRA website - [NISRA BESES Internet Tables](#) Table 1.8: Number of businesses selling to destinations outside NI (External sales) by industry section 2011 - 2018

13 The Worldbank website - [Worldbank exports as % of GDP](#); NISRA - BESES 2019 data tables 2011-2019; ONS website - [ONS GDP](#)

16. Our key areas of export strength include advanced engineering & manufacturing (our largest export), agri-food, construction, life & health sciences, digital and creative technologies and financial, professional & business services. Overall, goods account for an estimated 70% of external sales from Northern Ireland, with services accounting for around 30%. While most of our services are consumed domestically, external sales are increasingly important for the services sector, increasing from £3.3bn in 2011 to £6.5bn in 2018.¹⁴ External sales of services are also becoming increasingly important to the NI economy. External sales and exports of services have doubled between 2011 and 2018 while external sales and exports of goods have remained level, or fallen, within the same period.
17. On a global scale, services account for more than two-thirds of global economic output, attract over three-quarters of foreign direct investment (FDI) in advanced economies, employ the most workers, and create most new jobs.¹⁵ With research suggesting that global services trade could increase by 250% in the next decade (to \$12.5tn in 2030)¹⁶, it is important that Northern Ireland businesses are well positioned to contribute to, and benefit from, such growth. For a small economy like Northern Ireland, even a small slice of that growth could be very impactful in terms of supporting our long-term economic ambitions.
18. In terms of trading patterns, Great Britain remains Northern Ireland's most important trading market representing 15.4% (£10.6bn) of total sales (£68.4bn), and 29% (£13.4bn) of total purchases (£45.9bn) from NI businesses in 2018. The Republic of Ireland is our single largest export market representing 6% (£4.2bn) of all sales by NI businesses. NI exports to rest of the EU (excluding RoI) were £2.5bn in 2018 and exports to the Rest of World £4.5bn in the same period. In 2018, NI businesses imported £7.9bn of goods and services, split between: Ireland (£2.8bn); Rest of EU (£2.6bn); and Rest of World (£2.4bn).¹⁷
19. In the markets where our businesses have performed well, we need to ensure we maintain and increase sales from their current base. In the markets where we perform less well, we need to aim to increase sales. We need to help more businesses enter new markets. This work will need to be informed by our competitive strengths, global demand and our long term economic vision. Our approach will consider how we support and grow trade across all markets, including: GB, Ireland, the EU and 'Rest of World'.

14 NISRA website - [Broad Economy Sales and Export Statistics 2011-2018. NISRA, 2020](#)

15 OECD-ilibrary.org website - ['Services Trade Policies and the Global Economy' OECD, 2017](#)

16 Oxford Economics website - [Unlocking the Growth Potential of Services Trade. Oxford Economics](#)

17 NISRA website - [Broad Economy Sales and Export Statistics 2011-2018. NISRA, 2020](#)

Why focus on investment?

20. Inward Foreign Direct Investment (FDI) can provide significant and cumulative economic benefits in the shape of capital, employment and supply chain effects.¹⁸ In addition, the indirect benefits of access to management expertise, skills, technologies and world class R&D capability are widely recognised. Like trade, FDI will support our ambitions for an innovation-led economic transformation, but will require a more targeted strategic approach.
21. Attracting inward investment has been an important part of NI's economic development model since the restoration of devolved government in 1998. It has brought significant value to our economy, both in terms of the direct benefits accruing from job creation, but also the wider economic spill-over benefits associated with technology and knowledge transfer, agglomeration and capital investment in R&D. Our value proposition has been built around a young talented workforce, advanced telecoms infrastructure, high skilled business clusters, a pro-business environment, proximity to major markets and competitive operating costs.
22. We will need to enhance our offer further over the coming decade. Our ambition is that Northern Ireland becomes a magnet for inward investment over the coming decade, consistent with its position as one of the most successful small advanced economies in the world. That will require a strategic reset in our approach to FDI, including how we prioritise our resources and the conditions we attach to our support, which we will not shy away from.

Recent Performance on Investment

23. Notwithstanding areas of world class strength in clusters such as Digital, ICT and Creative Industries, Financial Technology and others, Northern Ireland attracts a small share of the total inward investment that comes into the UK – broadly in proportion to its share of the UK economy (c.2%). In the most recent year, 2019-20, 2,351 jobs were created as a result of inward FDI to NI, an increase of 59% on the previous year and accounting for 4% of UK FDI jobs. Over the five-year period between 2015 and 2020, 170 new FDI projects created 8,767 new jobs.¹⁹ Over the decade (2011-20), 335 greenfield FDI projects were recorded, with the United States (50%) and Ireland (25%) the main source markets. In terms of sectors, Software & IT (40%), Business Services (18%) and Communications (5%) accounted for almost two-thirds of projects.²⁰
24. Research has shown that while the volume of FDI Northern Ireland attracts is

18 Assets publishing service.gov.uk website - [Understanding FDI and its impact in the UK for DIT's investment promotion activities and services](#). Dept. for International Trade, 2021

19 Gov.uk website - [DIT Inward Investment Results 2019-20. DIT, 2020](#)

20 FDI Markets.com website - <https://www.fdimarkets.com/>

proportionate to its size, the returns we drive from it in terms of productivity gains are significant – the average spillover from FDI in NI is greater than the average effect for the UK.²¹ This spillover effect captures benefits for indigenous firms through the strengthening and deepening of supply chains, and the transfer of technology and knowledge from investors into local firms, for example.

25. The Covid-19 pandemic triggered a dramatic fall in global foreign direct investment flows in 2020 (-42%) and its effects are anticipated to linger.²² There is also evidence that the pandemic has prompted investors to think differently in terms of their delivery models, especially in services, with a number now moving away from centralised physical offices to a distributed model of remote workers across Northern Ireland, thereby creating job opportunities across the region and contributing to our balanced growth agenda. The extent to which the change in our working practices can be leveraged in favour of our trade and investment objectives, and our wider economic ambitions, is an area we will be considering carefully.
26. As with trade, there are opportunities and challenges for NI but it is clear that in a post-Covid world securing inward investment is likely to be more challenging than ever. We will need to double down on investment promotion, with a well-defined and well-articulated pitch for investors
27. That is why alongside its own internal analysis, the Department is working closely with Invest NI and external global FDI specialists to identify potential FDI implications (opportunities & challenges) of our new trading arrangements, including the potential attractiveness of GB & EU dual market access to investors. This involves detailed consideration of the impact of new arrangements at a sector-specific level and will inform a new international investment proposition for Northern Ireland. Where opportunities exist we will seek to work with businesses and investors to exploit them in a planned, strategic way.

21 DfE website - [Spillovers from Inward Investment – A Comparison of Northern Ireland with the rest of the UK](#). DfE, 2020

22 UNCTAD.org website - [Investment Trends Monitor, Issue 38](#). UNCTAD, Jan 2021

Delivering our ambitions

28. Trade and investment can contribute positively to addressing each of the three overarching challenge questions identified in 'A 10X Economy'.²³ In simple terms, we want to export more and attract more high-value inward investment for the benefit of our businesses and our citizens, but in doing this our public policy priorities will be focussed on those strengths, challenges, opportunities and outcomes identified in 'A 10X Economy'. As we develop our plans we *will*:

- **Prioritise regional balance and opportunity.** We will consider carefully with stakeholders how we harness the momentum of our City and Growth Deals to convert the upstream benefits of innovation, research and collaboration on an international scale, for the benefit of everyone in Northern Ireland.
- **Put inclusivity at the heart of our approach** to ensure the benefits and opportunities associated with trade and investment are felt across Northern Ireland. Our promotion activity will consider how we empower more women, ethnic minorities and other underrepresented groups to become entrepreneurs, to engage in business and trade.
- **Listen to and work with business.** We will engage with businesses of all sizes to promote the benefits of trade and in a practical sense help them align their strengths against the 'windows of opportunity'²⁴ that will shape our society and economy over the next decade and more.
- **Entrepreneurship, innovation and internationalisation** often go hand in hand. Working with Enterprise NI and others, we will look to international best practice to assess how we best support our entrepreneurs to make the step into national and international markets.
- **Align our approach** to trade and investment with our skills strategy ensuring a); we equip individuals and businesses with the information and skills to seize opportunities in our clusters of growth and opportunity and b); we have a world class talent offering underpinning our inward investment offer.

23 Section 9.4 (p. 40)

24 DfE website - [A 10X Economy: Northern Ireland's Decade of Innovation](#) (Section 6.) DfE, 2021

- **Collaborate effectively across government** to develop our strategic approach to trade and investment in a holistic and joined-up way. Ultimately it is our ability to sell our goods and services globally that will unlock the prosperity generating investments we are making in skills, innovation and infrastructure.
- **Take a partnership approach** to build a coalition around our approach, shape our actions and drive positive change. We have initiated and will continue to lead transparent and inclusive engagement with industry and others to deepen our understanding of the opportunities and barriers to trade and investment, feeding into a broader review of how we configure government support to best meet the ambition of 'A 10X Economy'.
- **Enhance the role for education**, training and skills providers to ensure our workforce, including its leadership, has the knowledge and practical know-how to buy and sell beyond Northern Ireland.
- **Strengthen our well-developed international links** through more effective use of UK Government's global network, ensuring we are in prime position to inform and influence key decision makers, as the UK develops its independent trade policy and associated strategies for exports and investment.
- **Take a data-driven, forward looking approach** to ensure that the strengths we are planning and delivering upstream through our innovation-led transformation are reflected in our trade and investment promotional planning and our market prioritisation. We will use evidence and analysis to:
 - identify current and future growth opportunities – by market, cluster and product; and
 - define the competitive strengths, capabilities and technological advantages of our economy and where we underperform against our peers. We will listen to business to understand their real world experiences and what support they need to succeed in national and international markets.
- **Understand and learn lessons** from the processes and characteristics of the most successful trade and investment promotion agencies across the world.

- **Target our resources to maximise impact.** We will work with all our stakeholders to ensure our trade and investment proposition is:
 - aligned with the priorities set out in 'A 10X Economy' – and global opportunity,
 - driven by and responsive to the needs of business,
 - simple, joined-up and easy to access for all businesses regardless of size, cluster and stage of development.

What Next?

29. This is just the first step. We will be engaging widely to co-develop clear targets around these ambitions and define the actions that are needed to bring them to life. We will develop and publish a trade and investment action plan over the coming months to complement 'A 10X Economy' and support our economic transformation.