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DfE Research Bulletin: Northern Ireland's Unique Market Access Position



Creating a globally competitive economy that works for everyone

Introduction to the Regulatory Analysis

The UK Trade Policy Observatory (UKTPO) at the University of Sussex has published the briefing paper [*Regulatory Intensity and the EU Single Market: Implications for the UK*](#). In the paper the UKTPO examines the product regulatory barriers that firms face when exporting to the European Union's (EU) Single Market and Custom Union following the United Kingdom's (UK) exit from the EU.

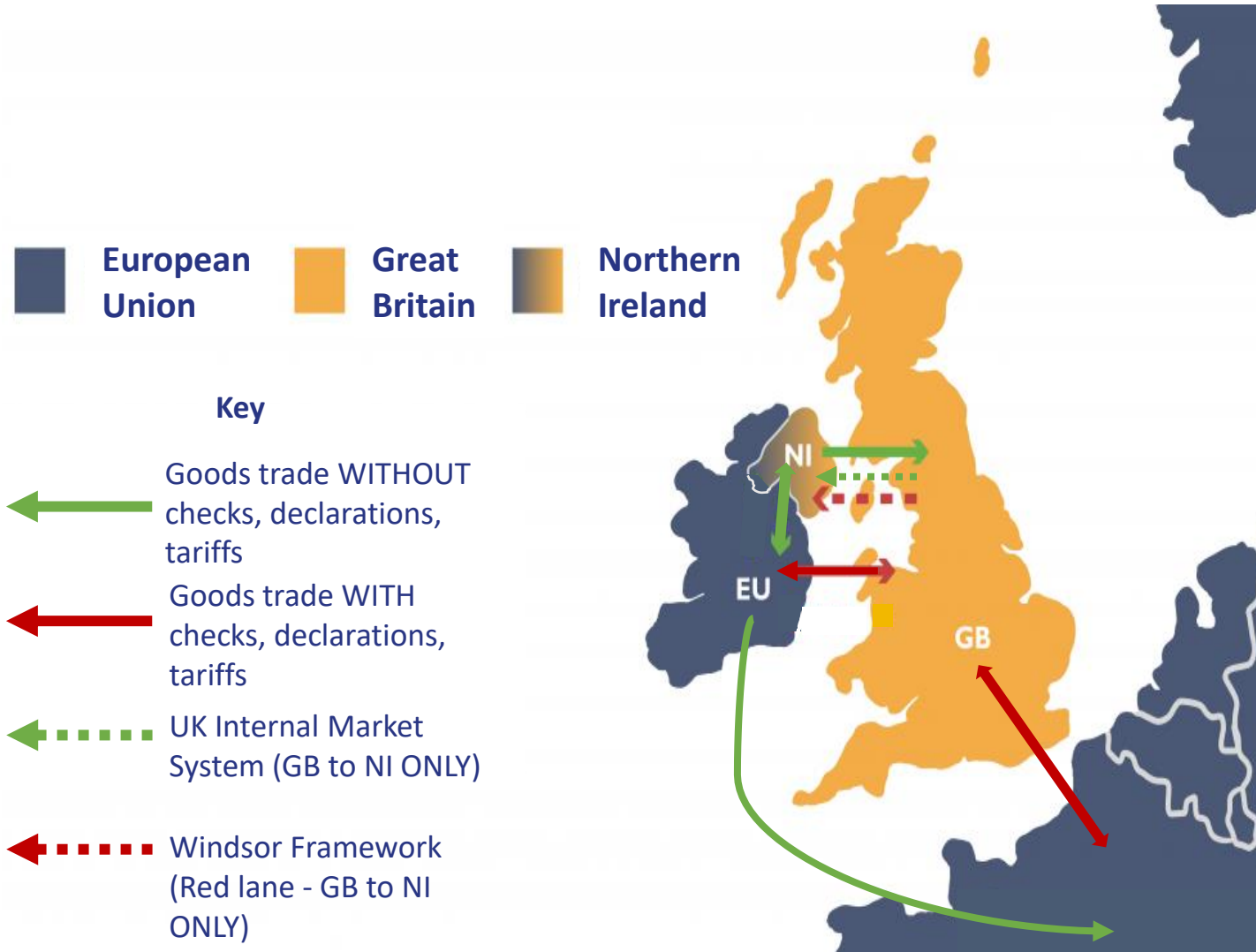
The paper notes that GB exports to the EU are no longer automatically recognised as compliant with EU regulatory requirements and are subject to various conformity checks, customs formalities, and inspections at the border. Ultimately these checks could result in added costs for GB firms that export to the EU.

In contrast, under the Windsor Framework, Northern Ireland has remained within the EU single market for goods and as such NI is the only place in the world that is entitled to sell goods into both the EU and GB markets without facing these trade barriers. Goods entering NI from beyond the EU that are at risk of onward movement into the EU must meet the EU Single Market requirements, including goods purchased from GB.

The UKTPO research provides a tool to capture the impact of EU product regulation on GB-EU trade, trade from GB to NI, as well as EU imports from the rest of the world. The Department for the Economy in Northern Ireland has worked with the UKTPO to consider what their analysis could mean for different sectors in Northern Ireland and the firms that operate in them.

This research bulletin provides a summary of that work and is structured as follows: an outline of NI's unique market access position, an overview of NI trade with the EU and GB, a summary of the UKTPO approach for estimating regulatory complexity, the number and complexity of the EU regulations by sector, and some wider findings and considerations are also presented. An analysis of the top 20 NI sectors selling to the EU and the level of regulatory intensity that those sectors are likely to face if bringing in inputs from GB or avoid when trading with the EU is provided as an Annex to the Research Bulletin.

Northern Ireland's Unique Market Access



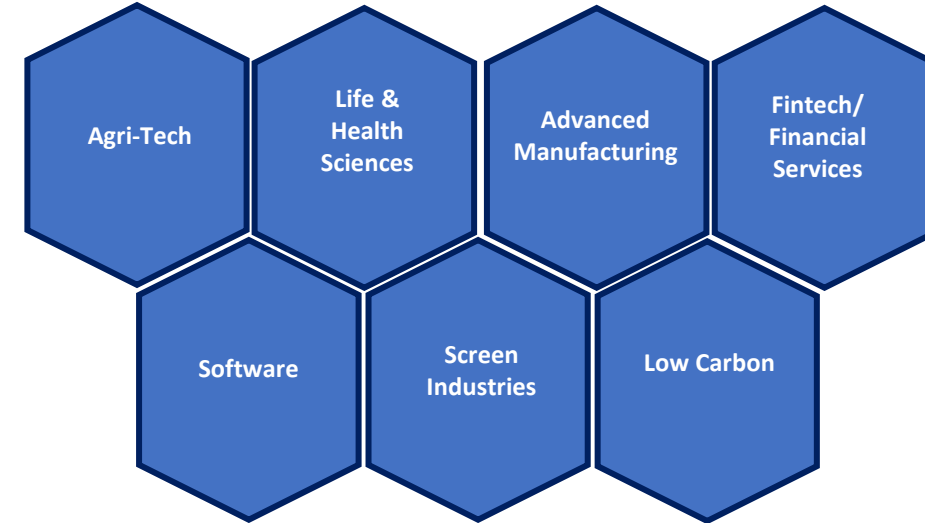
- The Windsor Framework places Northern Ireland in a unique trading position for goods. NI is the only place that is entitled to trade goods into both the EU and Great Britain without border checks, tariffs or customs declarations. Combined, these markets have well over 500 million people and produce around £17.5 trillion in GDP (2023).
- Goods flowing into Northern Ireland from the EU face no border checks, tariffs or declarations.
- Goods flowing into NI directly from Great Britain or Rest of World for end use or consumption in NI can avail of the UK Internal Market System, which involves fewer customs checks and regulatory controls. Goods moving into NI that are at risk of onward movement into the EU enter through a 'red lane' process in which full EU customs checks and EU regulatory controls apply.

Northern Ireland's Unique Market Access



- Northern Ireland's unique market access is likely to be appealing for those producing highly regulated goods and looking to sell into both the UK and EU markets.
- That appeal is greater if it coincides with manufacturing activities where Northern Ireland already excels.....our Priority Sectors.
- However, the unique appeal of NI's unique market access may be limited currently by the extent to which goods traders rely on GB supply chains, where frictions remain. In this context, NI traders will also wish to take account of potential uncertainty about the regulatory divergence between the UK and EU and indeed NI's own potential to have regulatory divergence from these markets.
- The UK Trade Policy Observatory analysis assesses the regulatory intensity related to goods trade between GB and EU.
- This Research Bulletin presents findings on the number of regulations by sector for GB/EU trade and the level of intensity for conforming with these regulations.

NI priority Sectors

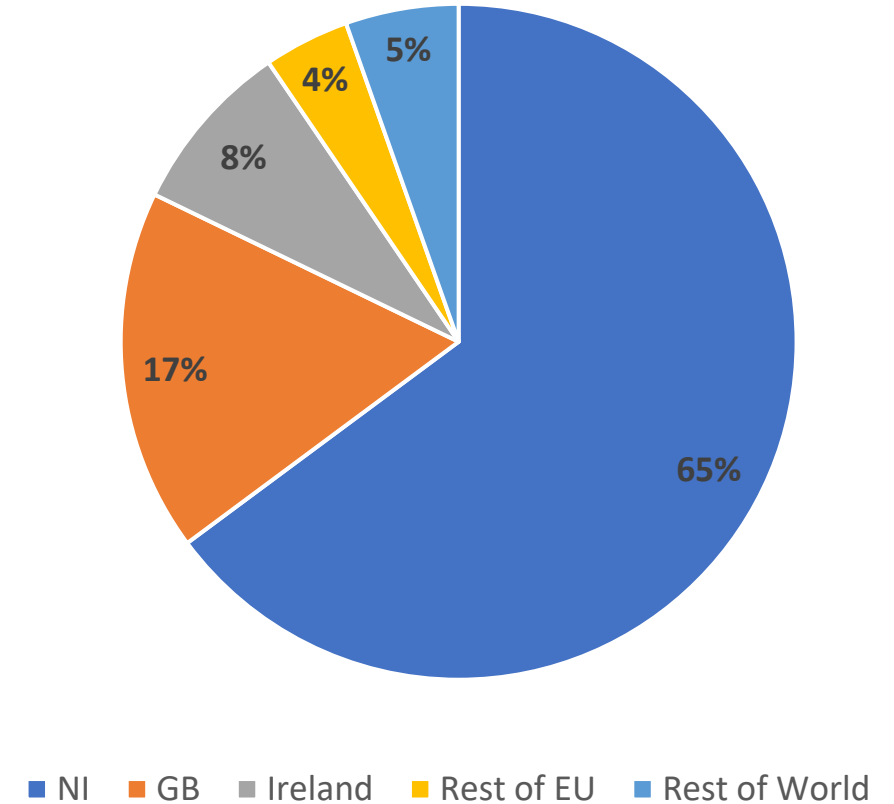


NI goods trade to the EU and GB markets have grown in importance, especially in recent years



- According to NISRA, total sales by NI businesses were estimated to be £85.2bn in 2022. Sales of goods were estimated to be worth £55.6bn (65%), while sales of services were £29.5bn (35%).
- Goods sales in NI amounted to £36.1bn in 2022 (65%), while sales of goods to GB were £9.6bn (17%). Total sales of goods to the EU (Ireland and Rest of EU) were £6.9bn (12%).
- The top goods sectors for exports to the EU were Manufacturing (60%) and Wholesale and Retail Trade; Repair Of Motor Vehicles And Motorcycles (30%).
- From 2011 - 2022, total goods sales increased by 23% to £55.6bn, while goods sales to the EU increased by 51% to £6.9bn from 2011-2022, and by 27% from 2019 - 2022.
- From 2011 – 2022, goods sales to GB increased by 5% to £9.6bn and they increased by 41% from 2019 – 2022.

NI Total Sales Goods 2022

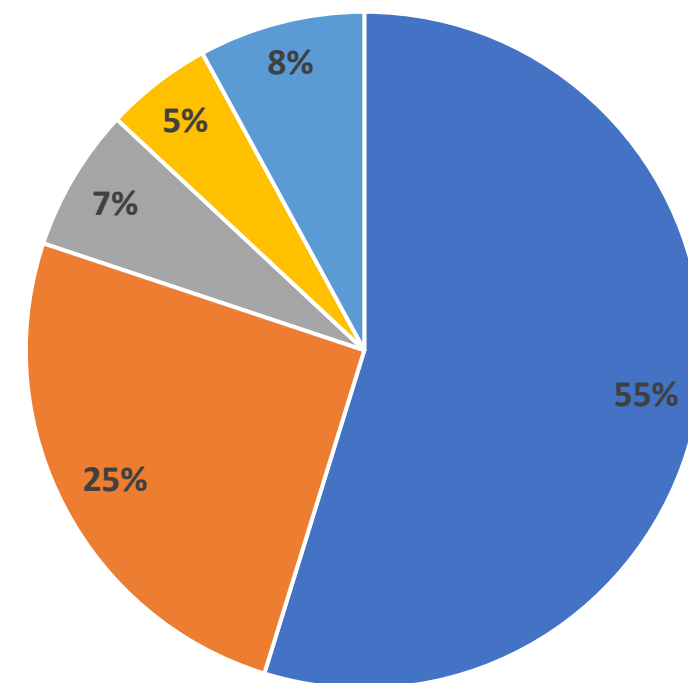


While there have been declines in value of GB purchases in recent years, GB remains the largest external market for NI



- Total purchases by NI businesses were estimated to be £54.0bn in 2022. Purchases of goods were £43.4bn (80%), while purchases of services were £10.5bn (20%).
- Goods purchases within NI amounted to £23.8bn in 2022 (55%), while purchases of goods from GB were £11.0bn (25%). Total purchases of goods from the EU (Ireland and Rest of EU) were £5.2bn (12%).
- Over the period 2013 - 2022, total NI goods purchases increased by 32% to £43.4bn.
- The top goods sectors for imports from the EU were Wholesale and Retail Trade; Repair Of Motor Vehicles And Motorcycles (50%) and Manufacturing (33%).
- Goods purchases from GB decreased by 1.4% to £11bn from 2013 – 2022 and decreased by 1.2% from 2019 – 2022.
- Goods purchases from the EU (Ireland and Rest of EU) increased by 55% to £5.2bn from 2011-2022 and by 7% from 2019 - 2022.

NI Total Purchases Goods 2022



■ NI ■ GB ■ Ireland ■ Rest of EU ■ Rest of World

A summary of the UKTPO methodology to measure regulations

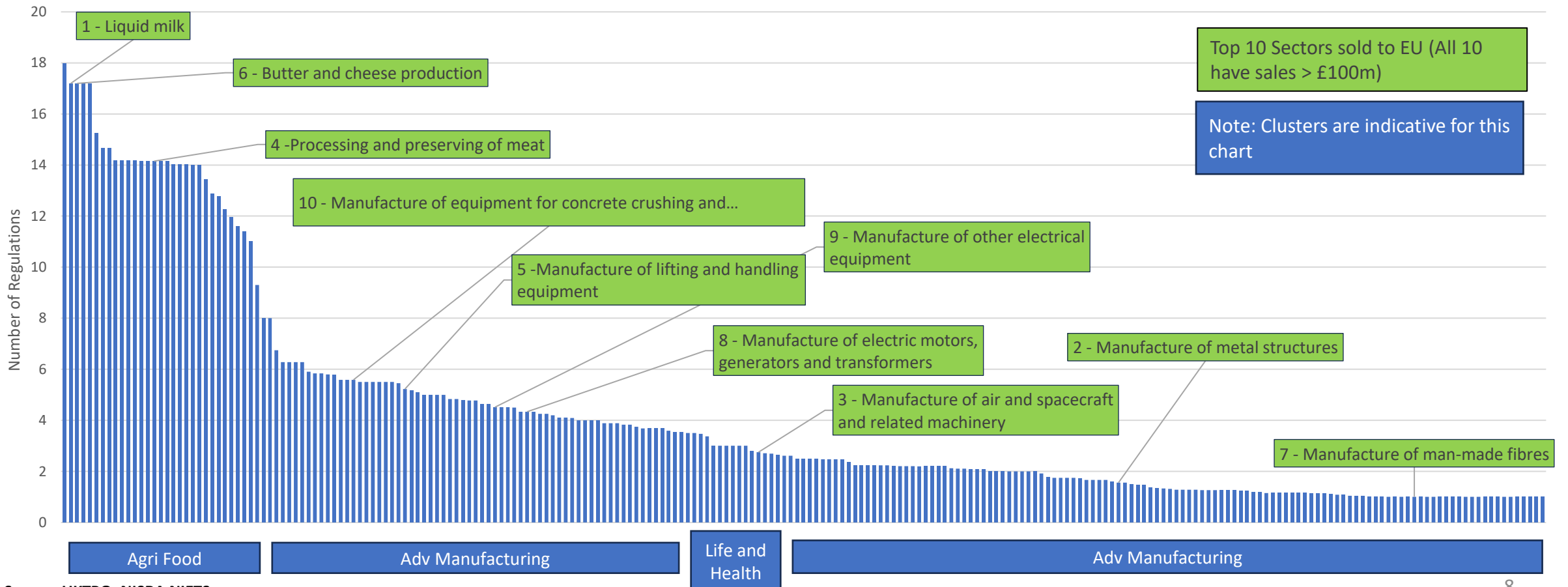


- Regulatory obligations imposed on firms that sell goods in the EU have increased steadily since the 1990s, with an increase in the number of regulations per product and the number of products covered.
- The UKTPO used the EU Regulations listed in Annex II of the Northern Ireland Protocol as the starting point for their analysis. In total, 257 Regulations and Directives are used in the construction of the indices. The approach was multi-dimensional because of the need to consider various categories of regulatory burdens for firms.
- They identified a list of keywords from the Regulations that capture obligations and requirements that firms must meet in relation to each of: (i) technical requirements, (ii) conformity assessments and (iii) compliance checks.
 - *Examples of keywords relating to technical requirements are standards, specifications, residues. For conformity assessment: certificate, accreditation, CE marking. For compliance: inspection, authorisation, and customs control.*
- Text analysis and natural language processing techniques were then used to analyse the text of the Regulations, and to extract the keywords in the three areas of technical requirements, conformity assessment, and compliance.
- In addition, UKTPO also extracted the number of articles per Regulation, as well as the total number of words, to construct simpler indices based on the structure of the document. The rationale is that a longer text, or a larger number of articles, could result in more demanding obligations for producers.
- The final step consisted in (manually) identifying the scope of each Regulation and mapping it to the products covered. This was done at the Harmonized System (HS) 6-digit level with 5077 unique products mapped to the 257 Regulations.
- Ultimately, UKTPO were able to compute indices capturing the complexity (or intensity) of the regulatory obligations applying to products sold in the EU Single Market at the HS6-digits level.
- The UKTPO then used a concordance table to match the regulatory indices at the HS 6-digit level to The International Standard Industrial Classification of All Economic Activities (ISIC) at the 4-digit level and then ultimately at the 5-digit Standard industrial classification (SIC) level for NI.

Number of Regulations by 5 digit Standard Industrial Classification (SIC)



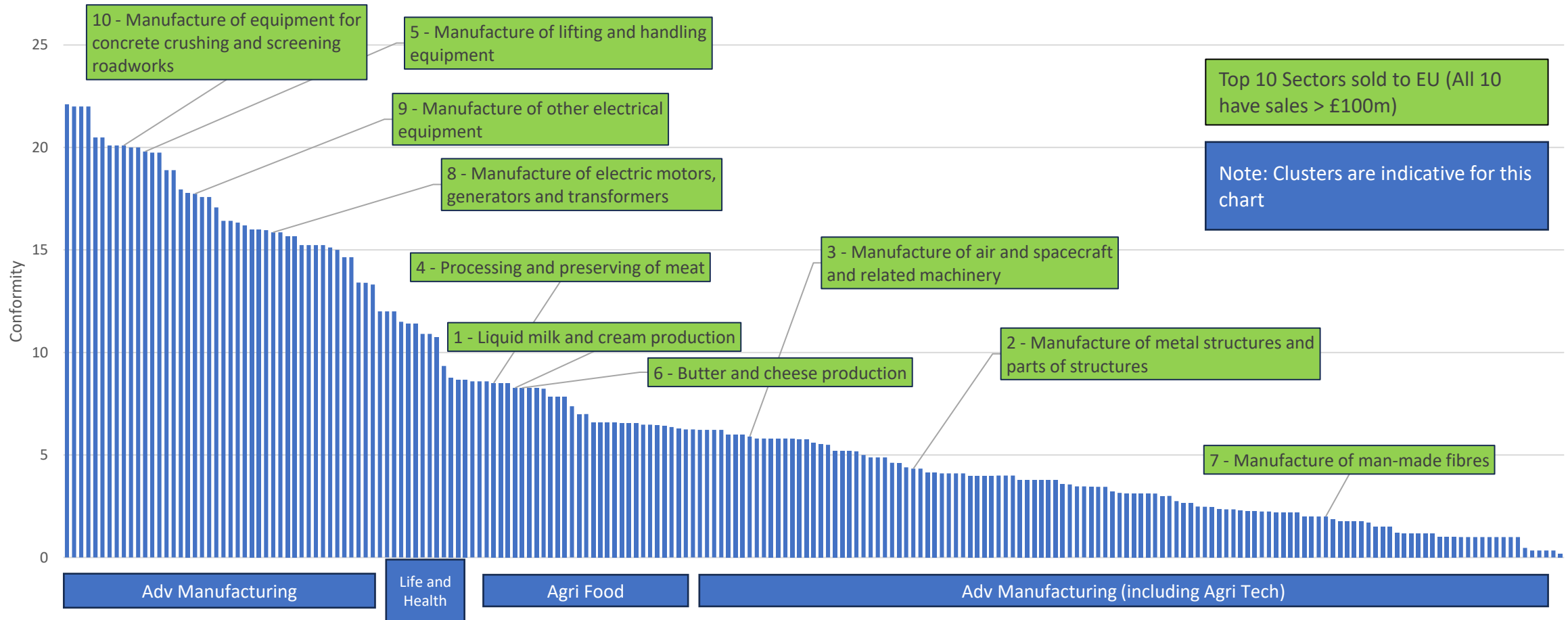
- The figure below shows the number of regulations by SIC code for trading in the EU single market and the top 10 sectors in NI that export to the EU.
- The number of regulations can serve as a tool to capture the impact of EU product regulation on GB-EU trade, trade from GB to NI, as well as EU imports from the rest of the world. The number of regulations indices can also be indicative of potential advantages, in the form of lack of obligations when serving the EU, for firms based in NI over firms based in GB.
- Businesses operating in agri Food have to comply with a high number of regulations to trade within the single EU market.



Conformity by 5 digit SIC



- An example of conformity is the CE declaration of conformity that manufacturers must draw up to demonstrate that their products meet EU requirements.
- The level of complexity to conform with the EU regulations is higher for some advanced manufacturing sectors such as the manufacture of equipment for concrete crushing and lifting and handling equipment. Firms operating in the man-made fibre sector face lower levels of conformity.



Key Findings and Considerations



- Dual market access places Northern Ireland in a unique trading position for goods. NI is the only place in the world entitled to trade goods into both the EU and GB markets without the frictions and paperwork that others now endure.
- The analysis in this Bulletin provides a basis for firms to assess the potential opportunities that our unique market access could provide and assess the impact of remaining regulatory frictions on GB to NI trade.
- The analysis points to a number of sectors where there could be advantages for NI companies, due to a high level of regulation, a strong export presence in the EU market and a relatively low share of purchases coming from GB.
- The research that UKTPO has undertaken will help businesses better understand the post EU Exit regulatory environment within individual sectors and therefore where dual market access opportunities could potentially be exploited. It will also provide an improved and more granular evidence base for businesses to consider the impact of remaining frictions on their GB/RoW supply chains in the context of the Windsor Framework.
- While it is essential that government continues to support our businesses as they navigate the frictions that remain in bringing goods from GB to NI, this research helps us better understand and maximise the opportunity that dual market access presents for our economy.



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Annex

In which sectors could NI businesses potentially benefit from Dual Market Access?



Table 1: Top 20 sectors ranked by sales £m to the EU by % share of sales and purchases with regulatory ratings

Rank	SIC Code	Description	Share of		No. of Regulations	Conformity
			SALES	PURCHASES		
			EU	GB		
1	10511	Liquid milk and cream production	High (>30%)	High (>30%)	High (>10)	Medium (5-10)
2	25110	Manufacture of metal structures and parts of structures	High (>30%)	Low (<10%)	Low (<5)	Low (<5)
3	30300	Manufacture of air and spacecraft and related machinery	Medium (10-30%)	Low (<10%)	Low (<5)	Medium (5-10)
4	10110	Processing and preserving of meat	Medium (10-30%)	Medium (10-30%)	High (>10)	Medium (5-10)
5	28220	Manufacture of lifting and handling equipment	High (>30%)	Medium (10-30%)	Medium (5-10)	High (>10)
6	10512	Butter and cheese production	High (>30%)	High (>30%)	High (>10)	Medium (5-10)
7	20600	Manufacture of man-made fibres	High (>30%)	High (>30%)	Low (<5)	Low (<5)
8	27110	Manufacture of electric motors, generators and transformers	Medium (10-30%)	Low (<10%)	Low (<5)	High (>10)
9	27900	Manufacture of other electrical equipment	High (>30%)	High (>30%)	Low (<5)	High (>10)
10	28923	Manufacture of equipment for concrete crushing and screening roadworks	Medium (10-30%)	Low (<10%)	Medium (5-10)	High (>10)
11	11070	Manufacture of soft drinks; production of mineral waters and other bottled waters	High (>30%)	Medium (10-30%)	High (>10)	Low (<5)
12	17219	Manufacture of paper and paperboard containers other than sacks and bags	High (>30%)	Medium (10-30%)	Low (<5)	Low (<5)
13	28921	Manufacture of machinery for mining	Medium (10-30%)	Medium (10-30%)	Medium (5-10)	High (>10)
14	26511	Manufacture of electronic instruments and appliances for measuring, testing, and navigation	High (>30%)	High (>30%)	Medium (5-10)	High (>10)
15	38320	Recovery of sorted materials	High (>30%)	High (>30%)	Low (<5)	Low (<5)
16	21200	Manufacture of pharmaceutical preparations	Medium (10-30%)	Medium (10-30%)	Low (<5)	Low (<5)
17	22210	Manufacture of plastic plates, sheets, tubes and profiles	High (>30%)	Medium (10-30%)	Low (<5)	Medium (5-10)
18	22230	Manufacture of builders' ware of plastic	Medium (10-30%)	Medium (10-30%)	Low (<5)	Medium (5-10)
19	10120	Processing and preserving of poultry meat	Low (<10%)	Low (<10%)	High (>10)	Medium (5-10)
20	10130	Production of meat and poultry meat products	Medium (10-30%)	High (>30%)	High (>10)	Medium (5-10)

Legend for Regulatory Ratings:

- High (>10)
- Medium (5-10)
- Low (<5)

Legend for Market Access:

- High (>30%)
- Medium (10-30%)
- Low (<10%)

Note: Table 1 shows the top 20 sectors sorted largest to smallest for sales to EU greater than £50m that have regulatory information available (No. of Regulations and Conformity).



Table 1 on slide 12 lists the top 20 sectors in NI in terms of sales to the EU and that have regulatory information available. It illustrates the share of sales to the EU, the share of purchases from GB and the number of regulations and conformity intensity for each sector.

Firms already selling to the EU, whether they have a high or low share of sales, have the same opportunity to benefits from dual market access and expand their sales. However, for a firm where the share of sales is high, and where the level of sales is high, then any percentage increase in sales arising from dual market access will have a bigger beneficial effect on that product / industry relative to another firm. The share of purchases from GB is a proxy for potential barriers or difficulties that could arise in bringing goods in from GB (if they are used for future exports to the EU). The regulatory intensity information gives an indication of the sectors where NI firms could have an advantage compared to GB firms in selling to the EU and compared to EU firms in selling to GB, with sectors with higher values potentially giving more of an advantage to companies located on NI.

The two sectors below are examples of those perhaps better placed to avail of dual market access benefits due to a higher proportion of sales to EU, lesser reliance on GB for purchases and they also operate in more highly regulated sectors.

28220 - Manufacture of lifting and handling equipment: This sector has a high proportion of sales to EU (>30%), a relatively low proportion of purchases from GB (10 – 30%), and a high score for conformity (>10).

27900 - Manufacture of other electrical equipment: This sector also has a high proportion of sales to EU (>30%), a low proportion of purchases from GB (<10%), and high scores for conformity (>10). However, the number of regulations is low.

Note – it is not possible to conduct a supply chain analysis at a sector level due to data requirements required, but this should be possible at a firm level for companies in NI.