



*DUP Policy Consultation Paper – Growing our Exports*  
*August 2019*

## **Introduction**

The basis for our export policy is straightforward – we have very good businesses exporting high quality products all over the world, we simply do not have enough. Many focus on exporting to the Republic of Ireland and Great Britain. However there are huge opportunities for global sales, especially with the increasing availability of high quality broadband vastly improving the capacity of many businesses to trade and communicate online. This is reflected in a Department of International Trade policy paper *‘Export Strategy: supporting and connecting businesses to grow on the world stage’* which states *‘Global trade is growing and changing rapidly, representing a world of opportunity for UK exporters. Approximately 90% of global economic growth in the next 10 to 15 years is expected to be generated outside the EU, while the growth of the digital economy and trade in services is making the world smaller than ever’*.

Throughout our time in Government, DUP Ministers encouraged the export base in Northern Ireland to be more ambitious and invest time and resources building relationships with overseas markets. One of the signs of a successful economy is the extent of its international trade. We live in a world of global trade where opportunities abound and our businesses have a mark of quality which is recognised in every market. Benefits to the economy include stronger economic growth, higher productivity, better skills, more innovation and a generally more stable economy. Benefits to business include greater competitiveness, higher margins, less risk exposure and generally stronger business growth.

## **Political Position**

Our most recent manifesto, Westminster 2017, set out clearly the priority given by the DUP to growing our local economy. Increasing exports and improving trade links will play a huge part in Northern Ireland’s economic future.

*While Northern Ireland has been the best performing region for exports in the whole of the United Kingdom, we must build on that success and begin the groundwork needed to capitalise on the trade opportunities that the UK leaving the EU will present.*

*That’s why the DUP introduced an International Trade Plan which included;*

- *a new Trade Advisory Board*
- *the appointment of Northern Ireland Trade Ambassadors*
- *the expansion of Invest NI's international presence in up to 10 more locations*
- *the creation of new trade, investment and innovation hubs in key global markets*
- *a Trade Accelerator Plan including an enhanced range of initiatives to help support both new and existing exporters to explore new markets*

*The DUP supports the roll out of the International Trade Plan and we will ensure that the new Department of International Trade works closely with Invest NI to, for example, include more local companies in UK wide trade missions to help them develop international business opportunities.*

*We will engage with Government to;*

- *help market Northern Ireland internationally through its agencies and embassies across the world*
- *establish a Freeports policy targeted at economically underdeveloped parts of the UK*
- *encourage international events to be staged in Northern Ireland*
- *continue to incorporate Northern Ireland prominently in UK branding*

### **The Current Position**

The Northern Ireland economy is dependent upon a healthy export capacity in its current form. However if we are to achieve real transformational change we need to see a sustained increase both in the quantity of exports and the number of individual companies who are focused on exporting their goods and services.

Currently a comparatively small number of businesses account for the vast majority of export sales. The most recent statistics published by the Northern Ireland Statistics and Research Agency, at the beginning of December 2018 note;

- Total sales by companies in Northern Ireland (NI) were estimated to be worth £66.6 billion in 2017, a decrease of 1.7% (£1.1 billion) over the calendar year
- Sales within NI increased by £1.3 billion to £45.2 billion, up 2.9% over the year and are at the highest level since the survey commenced in 2011
- Sales to Great Britain (GB) decreased by £2.9 billion to £11.3 billion, down 20.2% over the year
- Sales to markets outside the UK (exports) increased by £467 million (4.8%) over the year, to £10.1 billion.
- Sales to all markets outside NI (external sales) i.e. GB sales plus exports, fell by £2.4 billion (10.1%) to £21.4 billion, and accounted for almost a third of total sales in 2017 (32.1%).
- The falls in External sales and sales to GB over the calendar year are the first since the survey began in 2011. These were driven by a substantial decline in the Food, Beverages and Tobacco sub sector.
- Exports to the Republic of Ireland (IE) increased by £540 million (16.2%) over the year, to £3.9 billion.
- Exports to the Rest of the EU (REU, excluding IE) fell over the year by £269 million (12.1%) to £2.0 billion. Exports to the Rest of the World (RoW) increased by £195 million (4.8%) over the year, to £4.3 billion.

These figures present a mixed position, with encouraging growing non-EU sales but reduced overall sales. There may be underlying reasons for these falls including the closure of some larger manufacturers.

The Northern Ireland Chamber of Commerce estimates that there are only 9,000 local businesses export goods to destinations outside the UK and the number selling to markets

outside the EU is fewer than 1,600. This illustrates the scale of the challenge given there are over 100,000 registered businesses in Northern Ireland.

- *In the last 5 years external sales have increased by 18% and exports by 11%.*
- *There has been strong growth in sales outside the EU (+17%)*
- *In the last year alone, external sales to markets outside of NI rose by £1.0 billion (4.2%) to £24.1 billion in 2016 and exports were estimated to be worth £10.1 billion in 2016, an increase of 7.3% (£0.7 billion) over the year*
- *Northern Ireland ranks comparatively well in terms of exports to emerging markets (12<sup>th</sup> out of 29), outperforming both the UK and Ireland*
- *Ireland remains the single largest export market*
- *Very reliant on a small number of businesses for the majority of exports. The top 10 exporters account for almost 50% of total exports from this region. Northern Ireland ranks poorly in terms of goods exported both intra-EU (22<sup>nd</sup>/29) and extra-EU (19<sup>th</sup>/29).*

Source: Northern Ireland Chamber of Commerce

Whilst there is a major effort to attract foreign investors to Northern Ireland there is an extremely vibrant indigenous business sector, overwhelmingly small and medium sized businesses, with huge expertise in their chosen fields, either as direct sellers or as part of bigger supply chains. The drive towards improving the innovation capacity of these businesses will ultimately help the export potential of many these businesses but there are other factors which we must consider, such as a limited desire to grow and access to finance.

In 2016, the Export Matters Action Plan was published with the aim of '*growing our economy through increasing exports and external sales in Northern Ireland*' – in real terms of growing the value of exports and external sales outside NI by 80% by 2025. Key to achieving this is increasing the number of local businesses engaged in sales outside Northern Ireland rather than simply seeing growing sales by the same companies. The plan has a number of key elements;

- The establishment of an Exports Forum – comprising Government, export support providers, local Government and businesses

- The development of a composite Trade Development and Overseas Event Programme across all export support providers
- The development and utilisation of the new Broad Economy Sales and Exports Sales Measure to provide a timely and reliable indicator of all manufacturing and services sales outside Northern Ireland

We support the Department of International Trade Export Strategy, launched in August 2018. A Northern Ireland company is quoted as a successful exporter;

*“Exports are a key part of our business plan and we now export to over 50 countries. Competing in the global marketplace has made us innovate more – increasing our productivity and making us more profitable and resilient. The lessons learned from exporting abroad has even improved our performance at home.”*

*Irene McAlese, Co-founder & Chief Strategy Officer at See.Sense, Northern Ireland*

It is vital that business support at devolved level or national work in partnership. We called for, and are delighted to see, an increased presence by Innovate UK in Northern Ireland, and networks such as Digital Catapult and the recently DCMS Creative Clusters programme making a difference. Schemes such as this are invaluable contributors towards our strategy of building a vibrant knowledge economy, many of whose businesses are high growth and export focused from their very inception. While there is an intense focus on this area we must not lose sight of other growth areas such as aerospace, advanced manufacturing and agri-foods.

### **Innovation is Key**

The key to increasing our export capability to improve our innovation capacity. In a Department for the Economy policy document published in November 2018, *Entrepreneurship in Northern Ireland*, reports that we have a lower proportion of innovation-active businesses - 40.2% - of firms actively engaged in innovation, making it last out of the twelve regions in the United Kingdom. Therefore there is a continuing need to investment evert more in Innovation and Research & Development. Critically those businesses who do invest in innovation are more inclined to export.

There has been a sustained effort to drive up innovation amongst potential local exporters for some considerable period of change. Much of the effort has been directed towards rebalancing the mindset of local businesses, and improve the supports available to support firms who are generally micro-small-medium in size and time and resource limited.

Like its predecessors, the Northern Ireland Innovation Strategy (2014-2025) makes a clear link between exports and innovation, with twenty references to the former throughout the document. It notes that 2025, Northern Ireland should be recognised as an *innovation* hub with many more of our companies engaging in innovation, collaboration and exporting.

Importantly, it highlights that Northern Ireland has a number of competitions including Invest Northern Ireland's International Export Challenge Fund. This competition helps local SMEs compete successfully in the global marketplace, and as a mechanism to celebrate export success and aspirations. As part of the delivery of the strategy it commits to '*increasing the number of competitions designed to support innovation particularly in key areas where there is potential for Northern Ireland companies to compete on a global basis*'.

One of the barriers to exporting – access to finance – is addressed by a commitment to '*increase the diversity of funding options available so that innovative businesses can grow quickly into export-focused enterprises...*'

Finally, the drive to improve broadband provision right across Northern Ireland, supported with over £150million of investment from the Confidence and Supply Agreement, will increase the potential for local firms, especially micro and small businesses, to export. The Innovation Strategy commits to *increasing the volume and value of export sales through e-commerce*, an especially attractive option to those smaller firms but who have excellent products and services for a wider market.

In the overarching Northern Ireland Economic Strategy, published in 2012, there are one-hundred-and-eleven references to 'export' within its pages.

## Actions

- A future Industrial and Economic Strategy for Northern Ireland should have export as one of its overarching themes, a presumption that ambitious firms will seek to move into overseas sales.
- A rigorous midterm review of the existing Northern Ireland Innovation Strategy should be undertaken to determine its effectiveness to date, one measure must be impact on exports strategy.
- Rapid implementation should take place of the Broadband investment fund, secured as part of the Confidence and Supply Agreement, to address those areas lacking in broadband capability, and as a result not reaching their full economic and export potential
- We are committed to ensuring that the Export Action Plan is fully implemented and resulting services benefit businesses in real terms. The ultimate test is a clear improvement in exporter number figures
- We will continue to work for affordable air connections to international destinations alongside the practical assistance needed to encourage businesses to invest in international marketing activities
- As part of the response to Brexit, we are committed to ensuring that business confidence is underpinned by a well-funded suite of support services. We believe that this should be channelled through existing structures and easy to access irrespective of business size or sector.
- The improvement in business language learning should be encouraged, especially in our upcoming business generation. Whilst we are fortunate in the universal recognition of English, it is good business practice to have another language capability, and indeed in some emerging markets, essential.

## Questions

- (1) Do you agree with the positions taken in this paper? Please suggest any sectors and markets where you believe there should be a greater emphasis
- (2) What sectors do you believe will be key to growth in Northern Ireland in the next ten years?
- (3) Are these sectors adequately developed in Northern Ireland or are there any weaknesses which must be addressed, skills training, numbers etc?
- (4) Can you outline measures you have implemented in the last two years to develop export capacity?
- (5) Please outline your awareness of export programmes and supports in your area, and how you believe this could be improved.
- (6) Do you use the supports offered by business organisations or any alternative sources of support?
- (7) Do you have an internal appointee who focuses on export development and sales?
- (8) Where does export sit in your overall business strategy? Please add any relevant information to expand on this.

We would welcome your views and comments on this issue and ask that you contact George Dorrian, [georgedorrian@dup.org.uk](mailto:georgedorrian@dup.org.uk) or postal address – 91 Dundela Avenue, Belfast, BT4 3BU