

EU Exit and Impacts on Northern Ireland's Services Trade

Evidence from Services Trade Restrictiveness Indices

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DTC issued a report for the Department for the Economy (DfE), Northern Ireland, dated February 14th, 2019, examining the implications of EU exit for services markets¹. In that report NI's trading relationship with Ireland was used as a representation of NI's trading relationship with the EU as Ireland is NI's largest trading partner in the EU. On the 8th May 2019 a Memorandum of Understanding (MoU) on the Common Travel Area (CTA) was signed by the governments of the UK and Ireland. This means that the future trading relationships between NI and the Republic of Ireland and NI and the EU can be differentiated.

This Technical Update presents the results of this analysis for services exports and imports between NI and the Republic of Ireland and NI and the EU26. It revises a number of estimates related to expected policy changes in order to fully take account of the MoU on the CTA. The following assumptions are made in the new analysis of the impacts of UK exit:

- The CTA will remain in full force and effect.
- Movement of British and Irish citizens between the UK and the Republic of Ireland to provide services will continue as at present.
- UK and Republic of Ireland citizens will not need permission in order to enjoy the right to work in the other country.
- The parties are committed to allowing for, within their respective jurisdictions, comprehensive measures to continue in place for the recognition of professional qualifications, in accordance with their national laws.

The OECD's Services Trade Restrictiveness Index (STRI) methodology takes account of restrictions on the movement natural persons as one element of its overall policy coverage. As such, we have revised our coding of the No Deal and CETA scenarios to reflect the joint understanding of the UK and Irish governments as to the nature and extent of the CTA, which was clarified by the Memorandum of Understanding after our report was issued. Concretely, we code the trading relationship between the UK and the Republic of Ireland as not having any restrictions on the movement of natural persons under any scenario of EU exit. That reflects the current state of play under EU freedom of movement rules. As such, there is no need to revise the Norway or Northern Ireland only in the Single Market scenarios, as they already provided fully for free movement.

Our revised coding is summarized in the two following tables, which present average ad valorem equivalents (AVEs) of services policies faced by Northern Ireland producers and consumers under the four scenarios considered in the main report, namely:

1. Norway-like agreement.
2. CETA-like agreement.
3. Northern Ireland remains in the EU Single Market but the rest of the UK exits.
4. No deal, so the parties revert to most favored nation (MFN) policies.

¹ [EU Exit and Impacts on Northern Ireland's Services Trade](#)

Table: Average AVEs faced by Northern Ireland exporters to the EU, percent.

	Baseline	Norway	CETA	NI Only SM	No Deal
Accounting services	7	7	23	7	27
Air transport	13	13	28	13	40
Architecture services	4	4	11	4	25
Broadcasting	5	5	18	5	21
Commercial banking	7	7	21	7	28
Computer services	6	6	16	6	36
Construction	5	5	12	5	21
Courier services	18	18	32	18	55
Distribution services	6	6	11	6	18
Engineering services	3	3	9	3	22
Insurance	3	3	14	3	26
Legal services	7	7	13	7	41
Logistics customs brokerage	3	3	13	3	16
Logistics storage and warehouse	5	5	13	5	16
Maritime transport	3	3	18	3	21
Road freight transport	3	3	11	3	19
Telecommunication	7	7	9	7	16

Source: Authors.

Table: Average AVEs faced by Northern Ireland consumers importing from the EU, percent.

	Baseline	Norway	CETA	NI Only SM	No Deal
Accounting services	4	5	28	4	29
Air transport	13	15	33	13	34
Architecture services	3	3	15	3	19
Broadcasting	7	8	14	7	16
Commercial banking	4	6	21	4	23
Computer services	2	4	21	2	32
Construction	2	3	13	2	16
Courier services	28	31	45	28	55
Distribution services	9	10	16	9	18
Engineering services	1	1	11	1	15
Insurance	0	5	23	0	24
Legal services	8	9	80	8	81
Logistics customs brokerage	4	6	15	4	15
Logistics storage and warehouse	7	8	15	7	16
Maritime transport	4	6	17	4	17
Road freight transport	7	11	15	7	20
Telecommunication	7	18	16	7	17

Source: Authors.

Comparing these two tables with their equivalents in the Executive Summary to the main report shows that our revised coding of restrictions relating to the movement of natural persons makes only minor differences to the averages reported across all EU partner countries. The difference is typically of the order of a few percentage points. There is of course no difference at all for non-EEA countries. Differences for the bilateral relationship with the Republic of Ireland are more significant. For example, in the original research it was found that a CETA type deal would lead to AVE increases of, on average, 10.5 percentage points across all sectors. In the updated analysis this figure falls to 6.5 percentage points. For the trade in a no deal scenario (where trade is governed by WTO terms) the AVE increase was, on average, 14 percentage points across all sectors. In the updated research this figure falls to 7.5 percentage points. The full results are set out in the following two tables, again distinguishing between the two directions of trade.

Table: AVEs faced by Northern Ireland exporters to the Republic of Ireland, percent.

	Baseline	Norway	CETA	NI Only SM	No Deal
Accounting services	4	4	9	4	9
Air transport	12	12	26	12	32
Architecture services	2	2	4	2	5
Broadcasting	4	4	13	4	13
Commercial banking	5	5	14	5	14
Computer services	0	0	9	0	9
Construction	2	2	7	2	7
Courier services	11	11	24	11	25
Distribution services	6	6	9	6	11
Engineering services	0	0	4	0	4
Insurance	0	0	9	0	9
Legal services	8	8	8	8	10
Logistics customs brokerage	0	0	6	0	8
Logistics storage and warehouse	3	3	7	3	9
Maritime transport	2	2	10	2	10
Road freight transport	1	1	8	1	10
Telecommunication	5	5	7	5	8

Table: AVEs faced by Northern Ireland consumers importing from the Republic of Ireland, percent.

	Baseline	Norway	CETA	NI Only SM	No Deal
Accounting services	4	5	11	4	13
Air transport	13	15	31	13	32
Architecture services	3	3	4	3	7
Broadcasting	7	8	11	7	14
Commercial banking	4	6	15	4	19
Computer services	2	4	8	2	16
Construction	2	3	7	2	10
Courier services	28	31	33	28	43
Distribution services	9	10	13	9	15
Engineering services	1	1	4	1	7
Insurance	0	5	16	0	17
Legal services	8	9	44	8	46
Logistics customs brokerage	4	6	8	4	11
Logistics storage and warehouse	7	8	9	7	12
Maritime transport	4	6	11	4	11
Road freight transport	7	11	11	7	14
Telecommunication	7	18	13	7	15

None of the revised coding based on the Memorandum of Understanding affects our qualitative results in terms of the comparative impacts of different scenarios for Northern Ireland producers or consumers.