



ECONOMIC & SOCIAL
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Cross-border trade in services

Martina Lawless

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ESRI-Shared Island Unit
Research Programme



Introduction

- Substantial, growing role of services in global trade.
 - Less detailed data available compared to trade in goods.
- Report examines extent and composition of cross-border services trade, compiling and comparing sources.
 - Aim is to build a detailed profile of cross-border services, especially on types of services traded and firm characteristics.
- This profile may help identify potential areas for cross-border synergies.
 - And to provide a benchmark to examine impact of any changes in services trade requirements.

International research on services trade

- International trade in services grew 5% p.a. (2005-2017).
- Data gaps exist at international level (not Irish specific issue).
 - Difficulties posed by intangible nature of services and multiple modes of supply.
- Much rarer for services firm to export than a goods firm.
 - Indicates greater barriers to exporting services.
- Evidence that exporters are larger, more productive and pay higher wages than non-exporters.

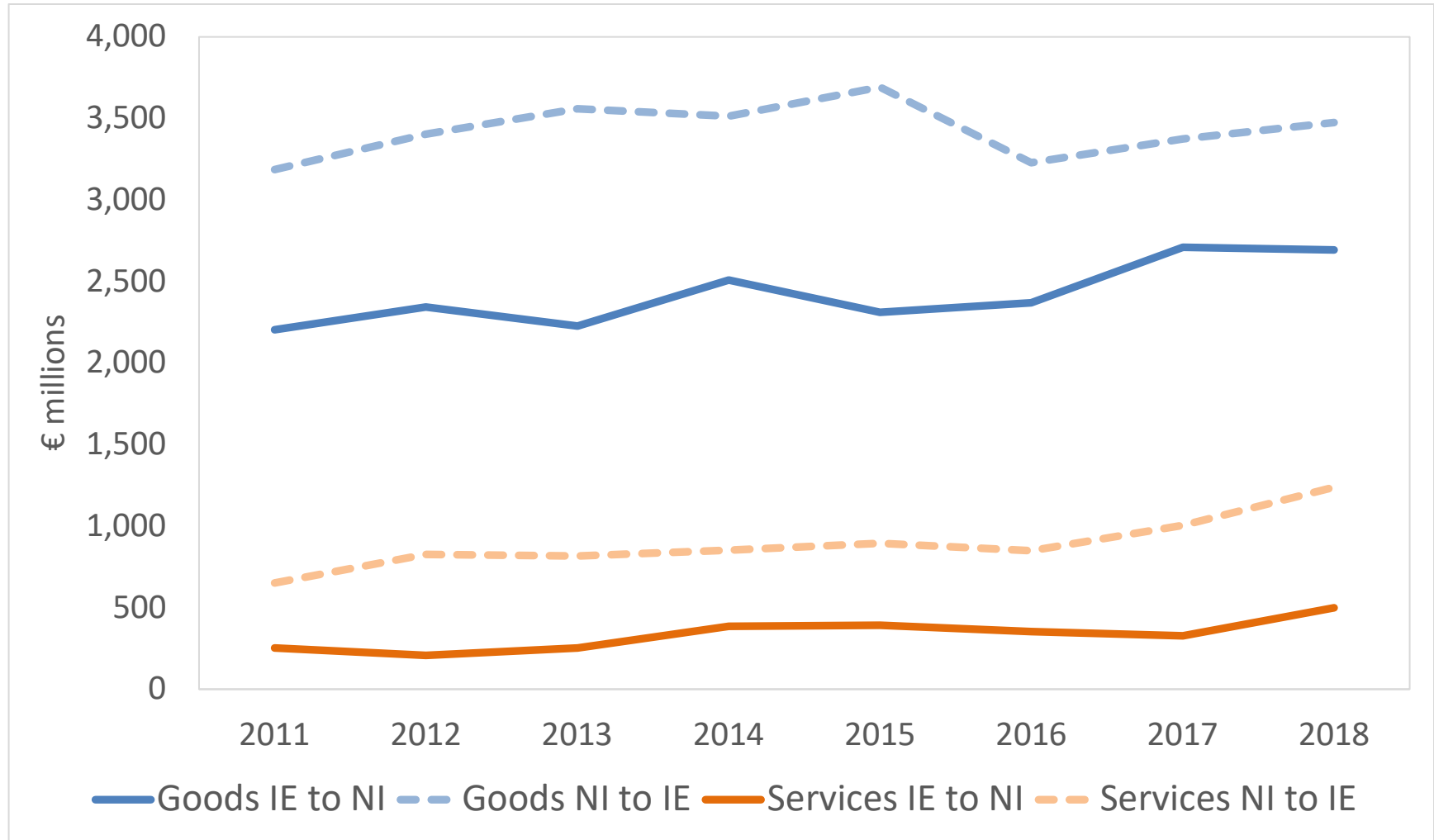
Services and all-island economy

- Larger share of services in Ireland than Northern Ireland
- Ireland's services also more export orientated;
 - Role of multinationals important in these differences.
- Ireland a important export destination for Northern Ireland firms. Less data on Ireland to NI trade activity.
- Firms build export coverage gradually:
 - Implies potential opportunities of cross-border trade as “stepping stone” for broader external sales activity, leading to wider growth opportunities.

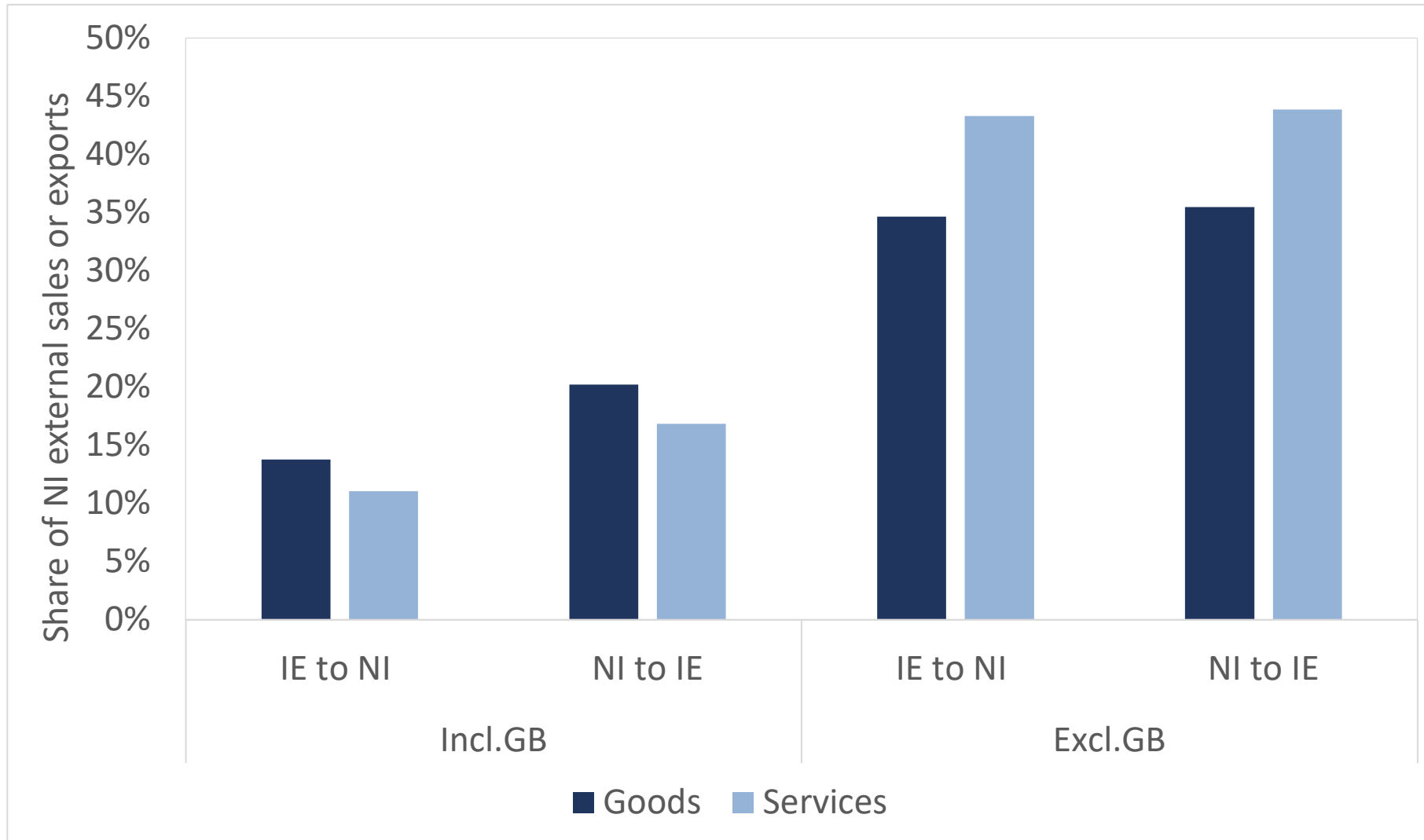
Key data sources in report

- NISRA
 - Broad Economy Sales and Export Statistics (annual)
- Survey sources that indicate cross-border trade questions
 - Department of Finance – Credit Demand Survey (SMEs)
 - Department of Enterprise, Trade and Employment – Annual Business Survey of Economic Impact
 - InterTradeIreland – All-Island Business Monitor
- Cross-border consumer spending
 - NISRA and CSO travel surveys
- CSO
 - Annual Services Inquiry: question added in 2018 on NI as export destination – will be included in next release on exporting businesses.

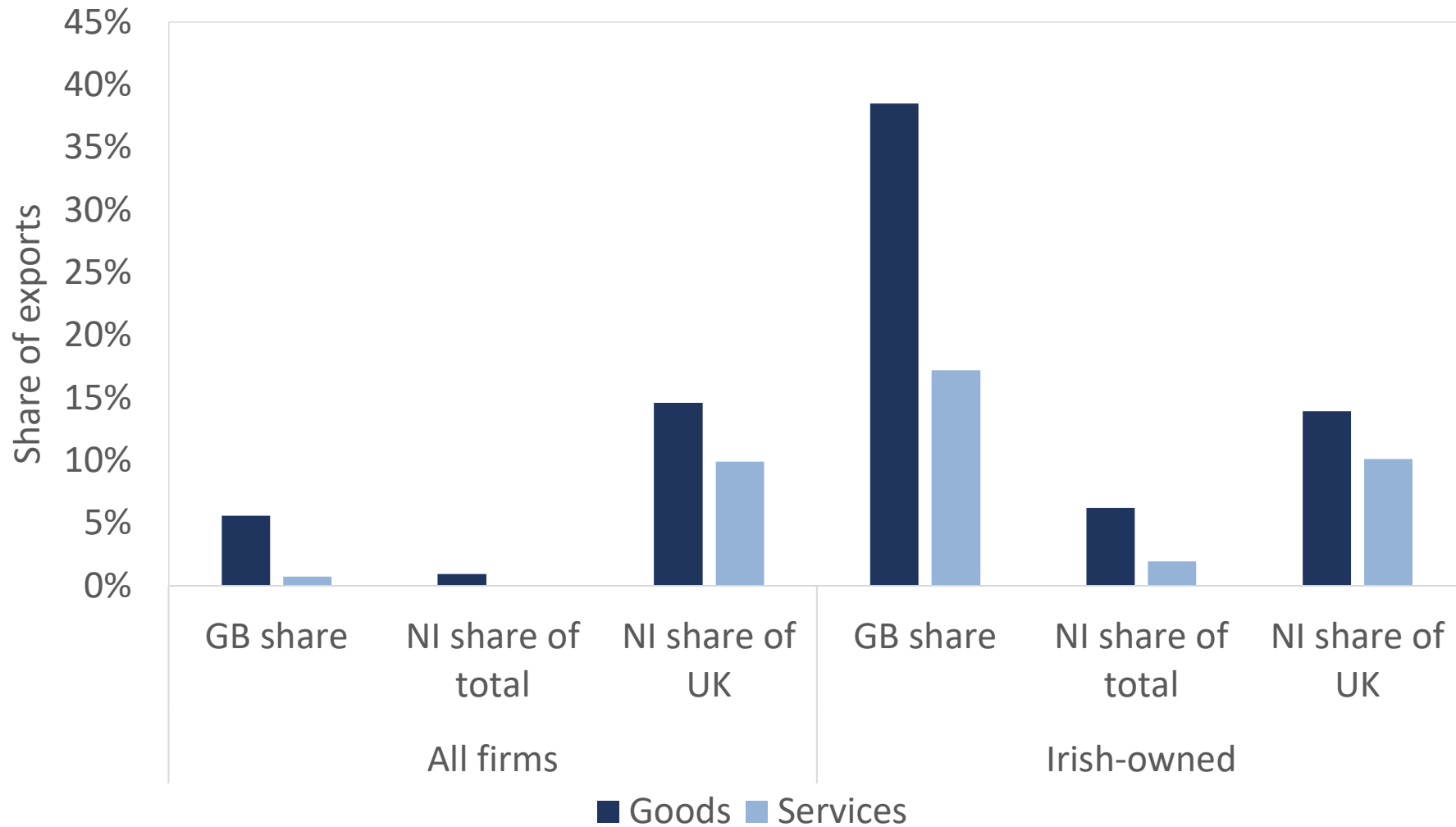
Extent of cross-border services trade



Cross-border trade in total NI trade



Cross-border trade in Ireland's total trade



Broad sectoral composition: NI

	NI to Ire	NI external	NI exports
Transportation And Storage	35.3%	34.6%	21.5%
Information and Communication	14.6%	24.3%	33.5%
Real Estate Activities	1.1%	1.4%	0.5%
Professional, Scientific and Technical Activities	25.4%	19.9%	23.8%
Administrative and Support Service Activities	19.4%	17.7%	18.3%
Others	4.2%	2.2%	2.3%

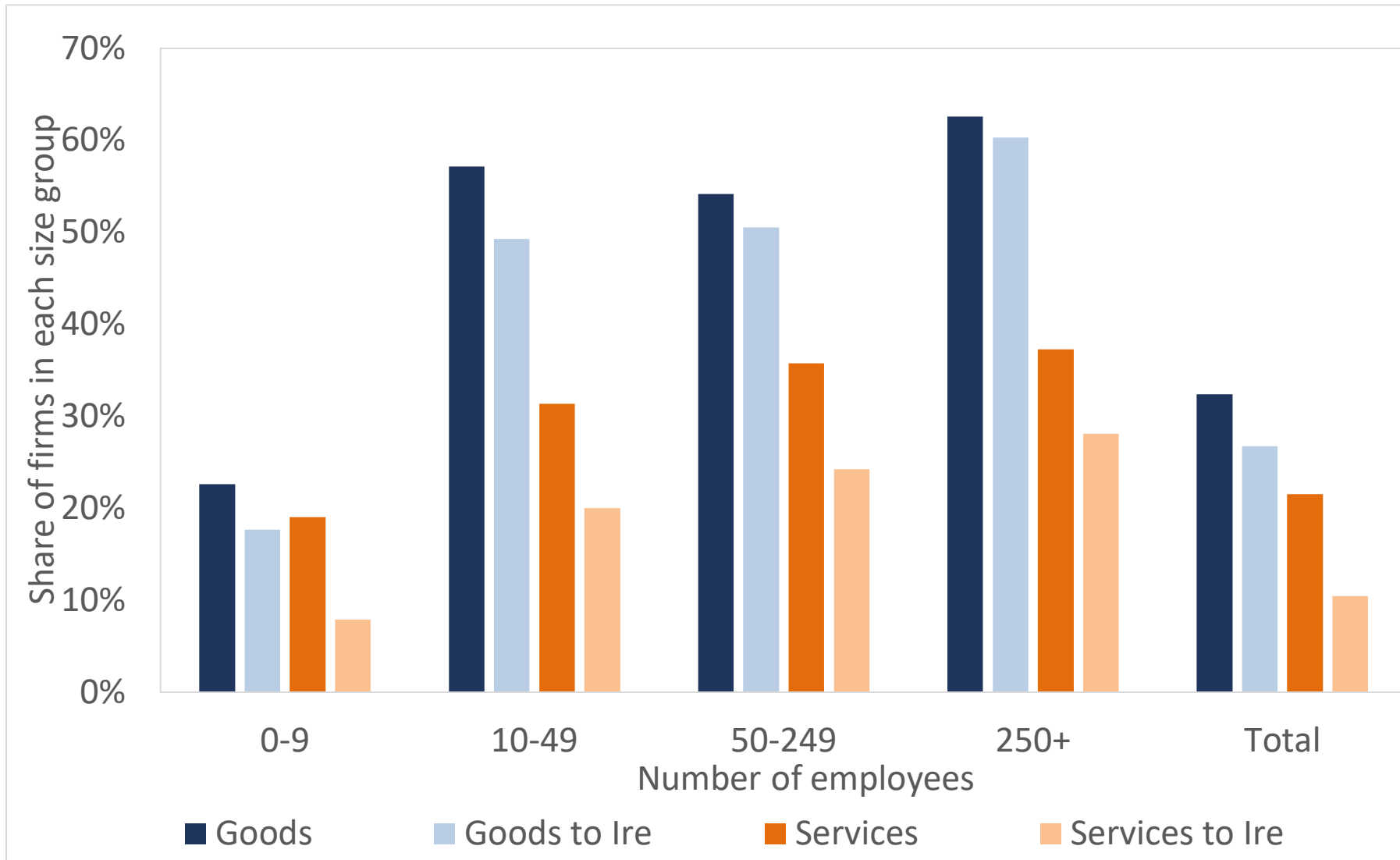
Broad sectoral composition: Ireland

	IE to NI	IE to GB	IE all exports
Business Services	41.3%	27.6%	3.0%
Computer Consultancy	19.8%	29.9%	26.8%
Computer Facilities Management	0.0%	0.1%	4.5%
Computer Programming	0.6%	2.6%	36.3%
Education	1.5%	2.5%	0.4%
Financial Services	4.2%	11.8%	3.1%
Other IT and Computer Services	3.6%	9.9%	22.9%
Other Services	16.6%	7.2%	2.4%
Publishing, Broadcasting and Telecoms	12.4%	8.5%	0.5%

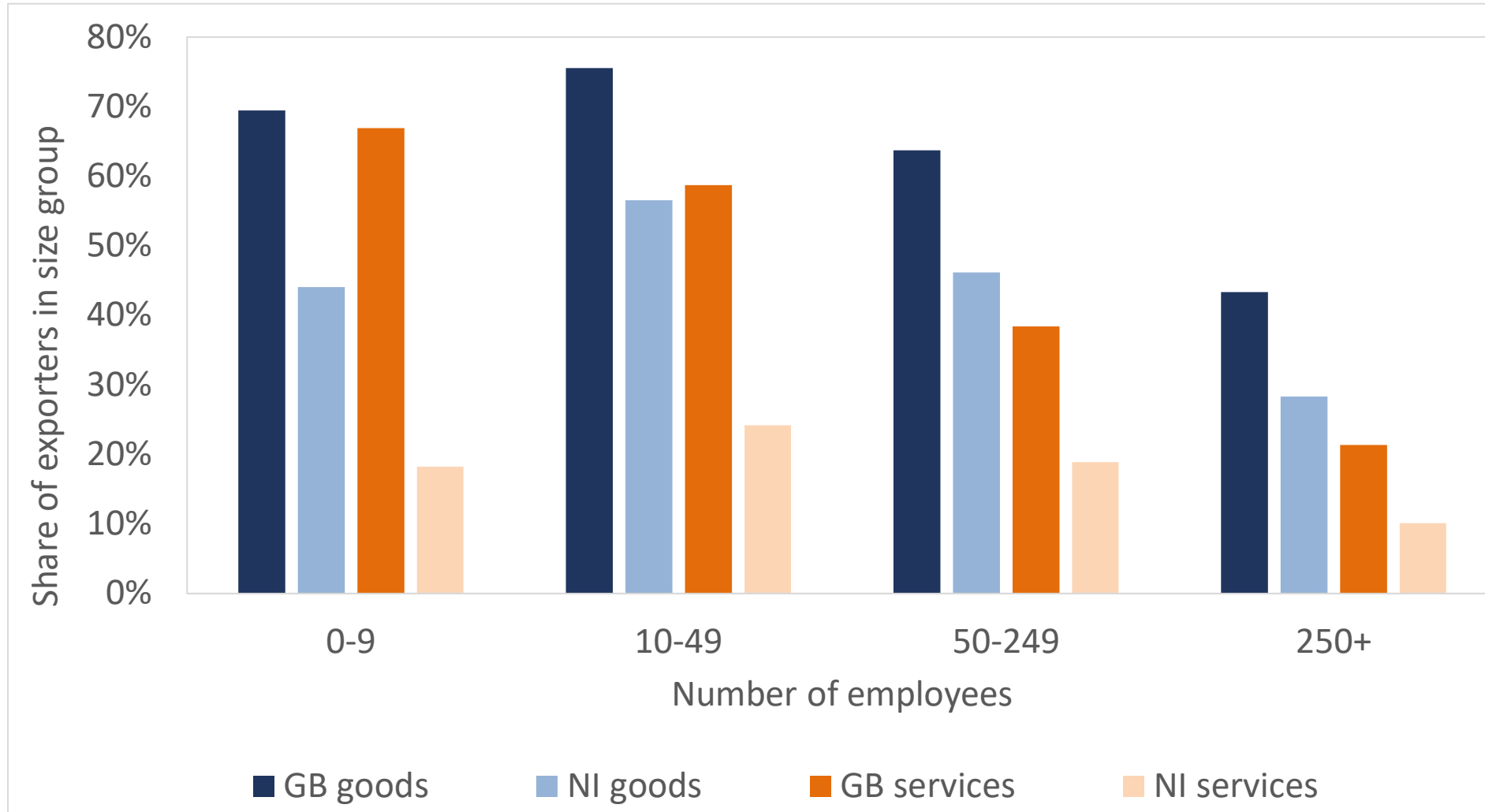
Note: The total shares may differ from CSO aggregates due to survey composition.

ABSEI survey 2020

Export participation by firm size (NI)



Export participation by firm size (Ireland)



Note: ABSEI survey targeted at exporters

ABSEI survey 2020

Returns to export activity at firm-level

Relative to firms with local sales only:

	NI	IE
Employment	46%	73%
Turnover	92%	116%
Wages	26%	0%
Productivity	19%	38%

Export returns by destination

Relative to firms with local sales only:

	Employment	Turnover	Wages	Productivity
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Northern Ireland

Exports IE only	33%	70%	18%	7%
GB sales only	18%	37%	15%	17%
Exports to RoW	48%	93%	24%	22%

Ireland

Exports NI only	74%	127%	0%	69%
Exports GB only	30%	0%	0%	0%
Exports to RoW	76%	118%	0%	39%

Challenges: COVID impact

Fully operational Reduced service Temporarily closed

Professional services	72%	27%	0%
Leisure and hotels	12%	19%	70%
Retail & other services	59%	31%	10%
Cross-border	66%	31%	3%
No cross-border	53%	29%	18%
Exports	68%	30%	2%
No exports	52%	29%	19%

Challenges: Brexit

- Northern Ireland Protocol prevents checks on cross-border goods trade
 - Does not cover free services trade.
- Limited changes to market access to date with temporary recognition arrangements for most EU-UK services trade.
 - Risk to some trade flows if these are not permanently established.
 - Main exposure in financial services, insurance and transport services.
- Cross-border (and IE-GB) trade less exposed than overall EU-UK services trade due to continuation of Common Travel Area.

Summing up 1

This report examines:

- Data availability on cross-border services trade.
- The extent and composition of cross-border trade in services.
- Characteristics of the firms trading services.
- Returns to exporting.
- Current challenges to services exports activity.
- Potential role of unmeasured trade through cross-border consumer spending.

Summing up 2

- Cross-border trade in services much lower than that in goods.
- Exporting firms are systemically stronger than non-exporters.
- Suggests considerable scope for greater development of all-island services links
 - Particularly given that proximity gives low entry costs.
- Range of policies could support this expansion:
 - Coherence of regulatory frameworks post-Brexit.
 - Co-ordination of internationalisation supports for services
 - Enhancement of digital delivery and skills.
 - Policies to support the attraction of FDI across the island (Siedschlag et al., 2021).