

Note on 3rd ENTERPRISE FORUM ON BREXIT AND GLOBAL CHALLENGES
Thursday, 20th July 2017

Attendees:

Tánaiste Fitzgerald (Chair)

DJEI: Dr Orlaigh Quinn, Philip Kelly, Clare Dunne, Declan Hughes, Dermot Mulligan, Marion Mannion, Matthew Lynch, Pauline Mulligan, Lorraine Benson, Eugene Forde, Cathy Madden, Karl Finnegan, Helen Pyke, Caoimhe Gavin

Brendan McCormack, Department of Taoiseach

Kevin Sherry, Anne Lanigan, Enterprise Ireland

Martin Shanahan, IDA

Mark Ferguson, Science Foundation Ireland

Danny McCoy, Pat Ivory, Arnold Dillon, Joanne Reynolds, Ibec

Linda Barry, SFA

Paul Kelly, Food and Drink Ireland

Mark Redmond, American Chamber of Commerce Ireland

Ian Talbot, Chambers Ireland

Simon McKeever, Fiona Burke, Irish Exporters Association

Oliver O'Connor, IPHA

Michael O'Flanagan, ISME

Lorraine Higgins, Retail Excellence

Tara Buckley, RGDATA

Item 1: Minutes from 2nd meeting

- The minutes from meeting #2 were agreed.

Item 2: Opening Remarks from Tánaiste and Minister for Jobs and Enterprise, Frances Fitzgerald

- The Tánaiste welcomed the Forum members to the third meeting of the group and thanked them for their work to date. She noted the high level of uncertainty which Brexit has created and outlined her work since taking up the portfolio of Jobs, Enterprise and Innovation to ensure Ireland's priorities in the context of Brexit are understood. This included meeting with First Secretary Damian Green in London and Michel Barnier in Brussels. The importance of maintaining a close trading relationship with the UK was a central focus in both meetings.

Item 3: Presentation from Danny McCoy, Ibec on 'Brexit: challenges and solutions'

- Danny McCoy presented on the key messages from the recent Ibec paper 'Brexit: challenges and solutions.
- The headline negotiation priorities for Ireland should be to achieve a smooth exit, agree comprehensive transitional arrangements, achieve the closest possible relationship with the UK, ensure the unique Irish challenges are addressed and support a prosperous and competitive future for the EU.
- The key issues for business include trade and customs, maintaining the single market and avoiding regulatory divergence, ensuring the continued functioning of the Common Travel Area and supporting the All-Island economy.
- Business is also concerned about the potential impact Brexit may have on higher education although there are also opportunities in the research area.

Item 4: Presentation from Simon McKeever, IEA on Brexit impact for IEA Members

- Simon McKeever presented on a recent survey undertaken by IEA of its members. 30% have completed an impact assessment on the reintroduction of tariffs and 26% have assessed the impact of the reintroduction of customs procedures. A third of members currently hedge Sterling.
- The survey looked at potential impacts on supply chains and found that 67% make use of the UK land-bridge to access continental markets. If additional controls and/or costs were introduced for freight passing through the UK, 57% would be able to supply using direct shipping service to a continental port.
- As a result of the referendum 58% of members are planning to diversify into new markets with the USA and Canada being the biggest targets.
- IEA has undertaken a number of initiatives to support members to prepare for Brexit including training, establishing a National Export Hub and delivery of Supply Chain Seminars.
- At a national level in preparation for Brexit it will be essential that transport infrastructure bottlenecks are addressed and cost competitiveness must improve.

Following the presentations Forum members were invited to share their views and respond to the issues raised. These are summarised below;

- The Enterprise Agencies provided updates on the issues facing their clients/ stakeholders and the actions they are taking to assist them:
 - an overview of Enterprise Ireland's Brexit Roadshows and the roll out of the SME Brexit Scorecard was provided as well as a brief discussion about Enterprise Ireland's activities to encourage diversification into the European market through its Eurozone strategy.
 - while noting that IDA clients have limited exposure to Brexit, relevant firms are reviewing their supply chains, pursuing productivity improvements and

assessing their mandates for diversification of activities. IDA is also pursuing FDI opportunities that have arisen as a result of Brexit and the pipeline is currently strong for new investments.

- the potential competitive advantage which the UK's Royal Society has identified in the context of being able to streamline regulations for research and innovation was noted. Brexit does provide an opportunity for Ireland to attract world class scientists and become leaders in cutting edge Framework Programme funded projects. SFI is strengthening its co-fund activities with the UK and will support joint appointments with UK universities.
- Diversification into new markets, particularly continental Europe, was a key theme of the discussion. Language, cultural and market differences were noted as the key barriers. Reference was made to the UK model where each of its Embassies has a dedicated resource which identifies local procurement opportunities and shares this information with firms in the UK. A similar model would work well for Ireland in Europe as many of the requests for tenders are already available centrally through the EU database and there are no regulatory barriers or currency risks for Irish firms pursuing these contracts.
- A number of Forum members provided updates on activities they are undertaking at a sectoral level to prepare for Brexit. There was a general consensus that while there is a growing awareness of the potential impacts of Brexit, many companies, particularly smaller firms, are still not taking the necessary actions. It was noted that firms in the border region are much more aware of the issues and willing to take immediate action.
- Given the focus of diversification including, in particular, outside the Single Market, there will be a need to educate companies in relation to new customs procedures, irrespective of new arrangements which may come into place following the UK's exit from the EU.
- There was a short discussion regarding hedging and the low take-up among firms that are exposed to Sterling fluctuations. There was broad agreement that key to enhancing the take-up of hedging would be better understanding of its importance among professionals, specifically small accountancy firms.
- A number of challenges in relation to the retail sector were highlighted. This included the impact of cross-border and online shopping, the fall in consumer sentiment and decline in sales in a number of product areas. The impact on competitiveness of an increase in the National Minimum Wage as well as changes in waste charges was also mentioned.
- At an EU level, the need to build alliances with other Member States in light of the UK's departure was also mentioned. Post Brexit, some Member States may push for CCTB and we must be ready for such a campaign.
- Competitiveness was a reoccurring theme in the discussion. There was a consensus that investment in transport infrastructure and broadband will be key to improving

our competitiveness performance. The need to invest in innovation was also mentioned as was the need to improve the competitiveness of our personal tax rates.

Item 5: Update of development of Brexit supports for enterprise

- DJEI provided a brief update on progress related to Brexit supports for enterprise. Work on the development of a Working Capital Scheme which would be within State Aid rules is well advanced. DJEI is also working with ESRI to develop an evidence base to underpin a longer term initiative.
- Further work is also underway with a number of potential options for enterprise supports being explored. DJEI is aware of the di minimus issue which is largely an issue for enterprise agency clients which by their nature are already in receipt of State Aid.

Item 6: Update from Forum members on research and publications since last meeting

- DJEI updated on ongoing research which includes a study of 18 sectors and the potential impact upon them of a WTO type outcome from the Brexit negotiations. Copenhagen Economics has been commissioned for a further study which will look in-depth at the likely short and longer term implications of range of possible post Brexit scenarios at sectoral level. The organisations represented on the Forum will each be invited to meet with Copenhagen Economics to discuss their views on emerging findings.
- Forum members were encouraged to forward relevant research and publications which their organisations had completed to the secretariat.

Item 7: AOB

- It was agreed that future meetings would focus on specific themes or challenges to enable a deeper dive into the issues – competitiveness and customs could be considered as specific items in this regard for the next meeting.
- Forum members were reminded that the minutes and agenda for the meeting would be published online in due course.
- The next meeting will be in late September / early October and the secretariat will be in touch in due course with a confirmed date.

**Brexit Unit,
21 July, 2017.**