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'Brexit': Effects and Consequences for Ireland and Northern Ireland

Anthony Charles Nelson Hosey

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Les llengües de treball son castellà, català, anglès i francès

Esta colección recoge una selección de investigaciones realizadas por estudiantes del Máster Universitario en Integración Europea. Previa a su publicación, los trabajos de investigación han sido tutorizados por profesores con grado doctor de diversas especialidades y han sido evaluados por un tribunal compuesto por tres docentes distintos del tutor.

Les langues de travail son catalán, castellano, inglés y francés

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Langues de travail: catalan, castillan, anglais et français

‘BREXIT’: EFFECTS AND CONSEQUENCES FOR IRELAND AND NORTHERN IRELAND

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ABSTRACT:

The aim of this study is to analyze the potential implications of the United Kingdom's exit from the European Union on both Northern Ireland and the Republic of Ireland. While, this remains, the UK's only land border and was a source of contention for decades, it has only played a minor role in the debate on EU membership. Yet the region is particularly vulnerable to a more restrictive future partnership, in terms of both its economy and the potential for social conflict. A year after the referendum, there is still much uncertainty on what Brexit will mean for both Irelands.

RESUM:

L'objectiu d'aquest estudi és analitzar les implicacions que tindria la sortida del Regne Unit de la Unió Europea, tant a Irlanda del Nord com en la República d'Irlanda. Encara sent l'única frontera terrestre que té el Regne Unit, a més d'un punt de conflicte durant molts anys, solament ha tingut un rol menor al debat sobre la pertinença a la UE. La regió, no obstant això, és particularment vulnerable a una relació futura més restrictiva, tant econòmicament com en el potencial per a conflicte social. Un any després del referèndum, encara hi ha molta incertesa en el que "Brexit" suposarà per a ambdues Irlandes.

Keywords: Brexit, European Union, Irish reunification, Economic Impact, Good Friday Agreement, EU funding.

Paraules Clau: Brexit, Unió Europea, Reunificació de Irlanda, Impacte Econòmic, Acord de Divendres Sant, Financiació Europea.

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Introduction:

On the 23rd of June 2016, the voters of the United Kingdom decided to leave the European Union in a non-binding referendum, by a margin of 51.9% to 48.1%. This unprecedented departure, ratified by the triggering of Article 50, has launched a two-year process in which many questions remain unanswered.

The year following the referendum has been defined by political turmoil. Prime Minister David Cameron, who campaigned for Remain, stepped down following the vote. New Prime Minister, Theresa May (who also campaigned for Remain), waited 260 days to activate Article 50 before, one month later, announcing an early general election to reinforce her majority and her position on Brexit. Her party, however, lost its working majority, with Labour gaining 30 seats in the House of Commons. Yet Labour's leader, Jeremy Corbyn, had suffered a vote of no-confidence from his MPs only a few months earlier, due to his stance on Brexit. The leader of the Scottish Nationalist Party, Nicola Sturgeon, led calls for a new Independence referendum. A highly publicised legal challenge forced the Government to put the Brexit vote through Parliament. Discussions on *Hard* vs. *Soft* Brexit, Single Market vs. Immigration Controls, guaranteeing the rights of EU citizens in the UK (and vice-versa), or other negotiating red lines, were the subject of headlines and front pages on almost a daily basis. Meanwhile, many other EU countries (the Netherlands, France, Austria) were forced to overcome growing anti-EU rhetoric in their own national elections.

However, one part of the Brexit challenge that has evaded most mainstream coverage is the Irish dilemma. Northern Ireland is the only region of the UK that shares a land border with an EU country, the Republic of Ireland. Both countries became EU Member States at the same time, and both countries declined to enter the Schengen Agreement, whilst maintaining special free border arrangements amongst themselves (known as the Common Travel Area). Particularly since the end of the Northern Ireland War (also known as the Troubles), the North-South divide has been minimal, with thousands of citizens from both sides crossing the border every day and both economies delicately entwined.

This is set to perhaps change post-Brexit. Although all sides of the negotiations have vowed to find a satisfactory solution, a year on no guarantees have been made. Ireland is bound by EU law on border issues, and thus is dependent on the flexibility of the EU. Northern Ireland, meanwhile, and despite concessions made to the regional assembly in Stormont, is also subject

to Westminster, where it only seats 18 MPs (out of 650). While the recent parliamentary elections have given the Unionist party DUP unprecedented power over the formation of the new government, there is no indication yet that this will lead the UK negotiators to a more open stance on Brexit and concede Northern Ireland special guarantees that compensate for its unique status and vulnerability. It is worth remembering that a majority of Northern Irish citizens voted against leaving the EU.

This research will address the dangers facing both sides of Ireland from the upcoming Brexit negotiations. Analysis of historical context, previous research on the subject, thought pieces, and current developments, will allow to determine the potential economic implications of Brexit on both Northern Ireland and the Republic of Ireland, and how unevenly their situations compare (both amongst themselves and with their UK and EU partners, respectively). Furthermore, this study will address the differing political and social risks at hand.

Three sections make up the bulk of this study. A first step is to identify the several potential outcomes from the negotiations, as well as their respective impact on the ‘four freedoms’ of the EU (in the context of the Irish border). Secondly, economic effects are discussed, with a focus on border disruptions. Finally, the short and long-term future of two opposing social attitudes is discussed: Republicanism in Northern Ireland, and Euroscepticism in the Republic of Ireland.

Part 1: Identifying Post-Brexit Scenarios and their Impact on the Irish border

Before analysing any potential economic or social impact that the UK's decision to leave the EU could have on Northern Ireland and the Republic of Ireland, and their respective populations, it would be wise to firstly set out the many scenarios that could represent their future relationship. While all parties concerned (the UK and Irish governments, the Northern Ireland Executive, and the EU institutions) have signalled this issue as a top priority, none of them have committed to a particular solution, outside of vague references. It is thus necessary to lay out every individual scenario for the Irish border, its impact on the mutual crossing of people, on one side, and goods, services, and capitals on the other, as well as the political and legal impracticalities that would arise. These scenarios are in order from "softest" (closest to the status quo), to "hardest".

A. The UK remains in the EU.

This first scenario would entail no changes from the current situation, as it would suggest that the UK withdraws the notification of Article 50 and, with it, its demand to leave the Union. The UK would keep its current rights and responsibilities under European law, including membership of the European Economic Area (EEA) and Single Market. Freedom of movement of people goods, services and capital would be guaranteed under the provision set out by the treaties¹, while the Common Travel Area (CTA) would ensure daily movements across the Irish border would remain frictionless.

This hypothetical conclusion is however extremely unlikely. Firstly, there are legal impracticalities. Article 50 of the TEU does not set out a process for a member state to revoke its withdrawal notification, yet it does not explicitly forbid it either. Interpretations of this are inconsistent: while the UK Supreme Court has stated that "notice under article 50(2) [...] cannot be given in qualified or conditional terms and that, once given, it cannot be withdrawn"²,

¹ Treaty on the Functioning of the EU (TFEU), Article 26.2.

² Supreme Court of the United Kingdom. *Case UKSC 2016/0196, R. Miller vs. Secretary of State for Exiting the European Union*. 24 January 2017. p.10 [Online] <https://www.supremecourt.uk/cases/docs/uksc-2016-0196-judgment.pdf> [Last consulted: 17/06/17]

the House of Lords' European Union Committee takes a different stance following legal advice, saying that withdrawal is final only "once the withdrawal agreement enters into force", and that "There is nothing in Article 50 formally to prevent a Member State from reversing its decision to withdraw in the course of the withdrawal negotiations"³. Furthermore, Lord John Kerr, ex-secretary-general of the European Convention at the time of drafting Article 50, has also stated that "it is not irrevocable"⁴. Were the UK Government to attempt to cancel the withdrawal process, a major legal conflict would naturally ensue.

Perhaps more important, however, are the political barriers to such a decision. Currently, both the Conservative and Labour parties (the two most likely to oversee the process after UK elections on June 8th) have declined to host a second referendum should they govern, and polls suggest there is no public appetite for one either⁵. The aforementioned Lords report also recognises that the "political consequences of such a change of mind would, though, be substantial". Even with a large parliamentary mandate, it seems unlikely that such an unpopular move would be taken.

B. The UK remains in the EEA through EFTA.

Outside of EU membership, this second scenario would be the closest to the current border situation. Staying in the European Economic Area (a requirement for EU states) would guarantee free movement between the UK and other EEA countries, including at the Irish border. The free trade of manufactured goods would also be protected; however, border controls would have to be applied, since the EEA Agreement does not cover a Customs union, entailing limited waiting times at the border⁶. For this, the UK would have to presumably have

³ House of Lords. *The process of withdrawing from the European Union*. House of Lords European Union Committee, 11th Report of Session 2015-2016, p.4-5.

⁴ BBC. *Article 50 author Lord Kerr says Brexit not inevitable*. 3 November 2016 [Online] <http://www.bbc.com/news/uk-scotland-scotland-politics-37852628> [Last consulted: 09/05/17]

⁵ A Guardian/ICM online poll from 20-22 January 2017 showed that only 26% of the population wants a second referendum "based on the outcome of the negotiations". 53% wished for the UK to leave "regardless of what happens in the negotiations".

⁶ For reference, the average waiting time for drivers going between Norway (non-EU) and Sweden (EU) is "eight to nine minutes" (Source: Financial Times. *Norway model offers food for thought on post-Brexit trade*. 27 October 2016 [Online] <https://www.ft.com/content/11a196a0-96ce-11e6-a1dc-bdf38d484582> [Consulted on 10/05/17])

to successfully apply to re-join⁷ the European Free Trade Association (EFTA) upon exiting the EU.

This solution is, however, also improbable under current circumstances. The UK government has directly dismissed the idea by stating that they “will not be seeking membership of the Single Market”⁸ (and, by extension, EEA membership). The main reason for this is precisely free movement, which the Conservative government considers unacceptable within the context of the UK’s new relationship with the EU. The high contributions EFTA countries make (for example, Norway’s contribution per capita to the EU and EEA budget is only 17% lower than the UK’s⁹), coupled with no direct influence or presence in EU institutions and the obligation to follow EU jurisdiction, would make this option hard to sell to the general public.

A more toned-down version of this deal could be a ‘Swiss-style’ series of bilateral agreements between the EU and the UK. Switzerland is not a member of the EEA, even as a member of EFTA. Instead, it contributes to a select number of European programmes while it reserves its authority for a number of others (as such, its contributions are 60% lower than the UK’s). However, it also accepted Schengen as part of these deals, and committed to protecting unlimited free movement in exchange for preserving existing trade deals¹⁰. A similar deal would undoubtedly be subject to the same requirements by the EU.

C. Northern Ireland remains in the EEA

This option, first discussed in a Discussion Paper from the European Policy Centre thinktank¹¹, would give Northern Ireland a special, intermediate status in both the UK and the EEA. It would carry many of the same implications that full UK EEA membership would (explained

⁷ The UK was a founding member of EFTA in 1960, before leaving in 1972 to join the EEC.

⁸ DAVIS, David. *The United Kingdom’s exit from, and new partnership with, the European Union*. Department for Exiting the European Union, 2 February 2017.

⁹ MILLER, Vaughne. *Leaving the EU*. House of Commons Library, 1 July 2013, p.22-23.

¹⁰ The Guardian. *Swiss climbdown over free movement may deal blow to UK hopes* 22 September 2016 [Online] <https://www.theguardian.com/world/2016/sep/22/switzerland-votes-for-compromise-to-preserve-relations-with-eu> [Consulted on 11/05/17]

¹¹ DOHERTY, Brian et al. *Northern Ireland and Brexit: the European Economic Area option*. European Policy Centre. 7 April 2017

in point 1.B.), but applied exclusively to Northern Ireland. Free movement of people would be guaranteed across the Irish border, with border controls instated between Northern Ireland and Great Britain. The same would apply for goods, services, and capital. The UK (including Northern Ireland) would remain outside the Customs Union; only EU products entering Northern Ireland, however, would be tax-free. A similar yet less explicit solution has also been proposed by the Centre for Cross Border Studies thinktank, which would aim to ensure Northern Ireland retains “some level of access to EU funding programmes and the Internal Market”¹², with a focus on INTERREG and other transnational programmes (for example, the Common Agricultural Policy, which EFTA membership does not include).

This proposition could be a valid solution for the Irish dilemma, as it would compromise both the UK Government’s will to restrict immigration into Great Britain, and both the Northern Ireland and the Republic of Ireland’s wish to avoid a return of ground borders on the island. However, while this would keep the status quo alive on the island, reaching this scenario would require overcoming major legal obstacles, as well as drastically changing Northern Ireland’s relationship with the rest of the UK.

Firstly, as mentioned in point 1.B., for Northern Ireland to remain in the EEA it would have to become a member of EFTA first. However, article 56 (“Accession and Association”) of the EFTA Convention states that “Any State may accede to this Convention”¹³. As such, Northern Ireland could only join EFTA if this article (and any that explicitly use the term “state”) were amended. Judging from previous enquiries by the Faroe Islands and, more recently, Scotland¹⁴, this does not seem a viable option at present.

Secondly, while the UK political system is already complex and hybrid in the devolution of competences, a stance has been made to not grant a special status to any of the four nations, beyond what current agreements ensure. One interpretation of this position is that “the UK government will not accept that Northern Ireland should remain within the EU”, but has “not rejected Northern Ireland being in the EEA”¹⁵. This is questionable, since EEA membership

¹² Centre for Cross Border Studies. *Brexit and UK-Irish relations*. October 2016.

¹³ Convention Establishing the European Free Trade Association, Article 56.1.

¹⁴ The Telegraph. *Norwegians reject Nicola Sturgeon’s ‘Norway’ plan to stay in single market*. 11 January 2011 [Online] <http://www.telegraph.co.uk/news/2017/01/11/norwegians-reject-nicola-sturgeons-norway-plan-stay-single-market/> [Last consulted 11/05/17]

¹⁵ See footnote 11.

would in fact entail a significant status over the other three nations, and could be understood as within the context of the UK government's comments.

Finally, border controls would be required between the United Kingdom and Northern Ireland, as not to serve as a back-door to EU immigration (and vice-versa). Whilst not very significant in practical terms, it would be paradoxical for Northern Ireland to enjoy smoother border relations with another country than with the UK, and could anger Northern Irish Unionists, particularly should NI-mainland UK trade be hurt. In fact, the Government's White Paper states that "our [the UK] guiding principle will be to ensure that – as we leave the EU – no new barriers to living and doing business within our own Union are created"¹⁶.

D. Only the Common Travel Area is retained

With both the UK and Ireland outside of Schengen, the CTA has nonetheless ensured free movement between the two nations, amongst other rights. As a special travel-zone (introduced in 1923), nationals of both countries, as well as inhabitants of the Isle of Man and the Channel Islands, may travel across the area without restrictions or passport controls. Keeping this area active has been cited as a priority for both governments, independently from the rest of the negotiations.

Retaining the CTA as a unique solution to the border conflict could be seen as a fair point for the United Kingdom's negotiators and electorate to settle on. Firstly, it would allow the UK to leave the Single Market, as the CTA includes no provisions for trade or any movement of goods, capital, or services (beyond those provided by freedom of movement). Secondly, it would still guarantee relatively simple border crossings between the Republic of Ireland and Northern Ireland, and would not affect, in theory, any arrangements that allow UK and Irish citizens to work and live in each other's country. Thirdly and finally, it would limit the political separation and conflicts between Great Britain and Northern Ireland that the EEA option could, hypothetically, create.

Most of the main issues that could arise, however, come from the EU side of the negotiating table. Firstly, the UK's exit from the Union could put under scrutiny the legal provisions that currently enable the CTA in the Treaties. Currently, Protocol 20 of the Lisbon Treaty

¹⁶ See footnote 8, p. 10.

guarantees both countries an exemption from the articles that address the basis of Schengen¹⁷, as well as allowing for “arrangements between themselves relating to the movement of persons between their territories”. However, the validity of this protocol after the UK exits the Union is questionable (Article 1 is devoted exclusively to the UK’s entitlements, for example). A new, separate Protocol could well be drafted if 20 was deemed to no longer be valid. Also, the Irish terms, to be precise, are allowed to be equal to those presented to the UK in Article 1 of this Protocol, “as long as they [the UK and Ireland] maintain such arrangements”. Should the Protocol be discarded, a new one would need to be drawn and approved to ensure Ireland’s exemption from the mentioned provisions regarding freedom of movement.

While the legality of the Protocol could go unchallenged, should any Member States oppose the arrangements set out, it could become a point of contention in the negotiations. It is not, directly, a matter that greatly affects any country in the EU27 other than Ireland; however, in the context of Brexit negotiations, it could be used as a bargaining chip by any Member State (threatening not to ratify the deal in parliament, for example) or the Commission itself. Other European actors could be hesitant to offer the UK any arrangement that could be seen as “cherry-picking” EU benefits¹⁸. Even in its unlikeliness, the possibility of the current Protocol or a new Protocol blocking or delaying the exit negotiations is an added difficulty to the process and for this solution to prosper.

Another issue would be the crossing of Non-Irish EU citizens into the UK (via Northern Ireland), and vice-versa. The latter could be easily controlled through passport (and, possibly, visa) checks at Irish airports and seaports; however, for the UK the solution is not so simple. As is pointed out in point 1.C, the introduction of immigration controls within any part of the UK is something the UK government is not currently willing to discuss, and could be difficult to justify politically. Currently illegal crossings by non-EU citizens are monitored through intelligence services (Operation Gull); a similar system could be put in place for EU residents. However, it is imperfect. Also, the rights of these citizens to reside and work in Northern Ireland and Great Britain would need to be correctly addressed.

Finally, as stated above, a deal that is exclusively centred on the CTA would not solve any issues that arise on the subject of free movement of goods, services, and capitals. Considering

¹⁷ Articles 26 and 77, Treaty on the Functioning of the European Union.

¹⁸ TONGE, Jonathan. *The Impact and Consequences of Brexit for Northern Ireland*. Policy Department for Citizens’ Rights and Constitutional Affairs, European Parliament.

that, under this option, a deal adapted to Northern Ireland (as the EEA or similar outcomes) would not be under consideration, it is natural to assume that tariffs and customs controls on both sides of the border would be applied (even in the event of a Free Trade Agreement). Without a physical separation between both nations across the border (unthinkable given political context and geographical impossibility), smuggling and illicit trade would inevitably become a problem. The level of reliance from both Northern Ireland and the Republic of Ireland on mutual, unimpeded trade will be expanded on in part 2.

E. Hard Border

With both the UK and EU stating their commitment to find a solution to the Irish dilemma, this option would seem improbable. However, constant repetitions of the phrase “no deal is better than a bad deal” (in reference to the future relationship between the UK and the EU) by the British government have increased the likelihood of this drastic scenario occurring¹⁹. “No deal”, in other words, either side walking away from the negotiating table and abruptly ending the exit talks, would imply, from an EU perspective, treating the Irish border in the same way as any standard EU border, without concessions to the UK (i.e., the CTA).

In general terms, a hard border could be defined as “a border between countries that is strongly controlled and protected by officials, police, or soldiers, rather than one where people are allowed to pass through easily with few controls”²⁰. To be more precise on the context of Brexit, this could imply “spot checks on people travelling across the border, restrictions upon the goods that can be taken across the border, duties to declare goods going across the border, the need for work permits, electronic monitoring of border crossings, the presence of some physical checkpoints”²¹. In other words, the Irish border would become a standard EU external border.

While the implications on free movement of goods, capital and services are discussed in point 1.D (and will be further addressed in part 2), this scenario would also imply a new, bi-

¹⁹ See footnote 8, p. 65.

²⁰ Cambridge University. “Hard Border”, *Cambridge Advanced Learner’s Dictionary & Thesaurus*. Cambridge University Press. [Online] <https://dictionary.cambridge.org/dictionary/english/hard-border>[Last consulted 25/05/2017]

²¹ DE MARS, Sylvia et al. *The Common Travel Area: Prospects after Brexit*. Durham University, January 2017.

directional policy on movement of people. From a UK perspective, there is not a significant change: the UK could unilaterally decide to not put in place passport or visa controls at its side of the border, while applying any of the other measures described above, in relation to the movement and rights of non-Irish EU citizens.

However, Ireland does not hold that luxury, at least in legal terms. As an EU external border, it would be limited to whatever stance the EU institutions decide to adopt. In other cases, such as the Faroe Islands, the protection of the EU's external border has been imposed over the wishes of any Member States, including adopting "stringent", one-way border controls²². A key difference is that Ireland holds a land, and not sea/air (in the case of the Faroe Islands) border with the UK. The application of hard controls on people would be very unpopular in Ireland and extremely hard to correctly handle (since a border wall or fence across the border is unimaginable from any perspective). Therefore, a lax attitude by EU and Irish authorities could enable a *de facto* open border. This would not address, however, the problem of rights and obligations of UK citizens crossing the border, which would still be equivalent to those of a third country, with no concessions. Other legal issues would, inevitably, also arise.

²² *Ibid.*

Part 2: Economic Effects of Brexit

Having explained the different possible scenarios that could outline future EU-UK relationships, and their effects on the *status quo* of the Irish border, the subject of economic effects can be discussed. Whilst different ranges of disruptions are assumed in the studies referenced (discarding, or putting to a side, scenarios that keep the UK or Northern Ireland in the EEA), the effects on both sides of the border will be markedly different. Therefore, both will be analysed separately, with a final discussion on the future of cross-border funding.

1. Northern Ireland

Northern Ireland has historically been one of the poorest regions of the UK. Current data shows no difference²³: it has the second lowest gross value added (GVA) per head in the UK (only above Wales), is the second slowest growing region (above East Midlands), and has the smallest share of GVA in the UK (see Figure 1). Not only is it relatively weak: it is the least important to the total UK economy.

Figure 1: 2015 GVA data per UK nation.

	GVA/head (£)	GVA/head yearly growth (%)	GVA/head index (UK=100)	Total GVA (£m)	Total GVA yearly growth (%)	% of Total UK GVA
England	26,159	2.1	103.2	1,433,164	3	86
Scotland	23,685	1.8	93.4	127,260	2.3	7.6
Wales	18,002	2.8	71	55,788	3	3.3
<i>Northern Ireland</i>	<i>18,584</i>	<i>1.4</i>	<i>73.3</i>	<i>34,410</i>	<i>2</i>	<i>2.1</i>
United Kingdom	25,351	2.1	100	1,666,342	2.6	100

Source: Office for National Statistics.

²³ Office for National Statistics. *Regional gross value added (income approach): 1997 to 2015*. Northern Ireland Statistics and Research Agency, 15 December 2016 [Online] <https://www.nisra.gov.uk/publications/regional-gross-value-added-income-approach-1997-2015> [Last consulted: 19/06/17]

Yet, it is also the most singular economy of the United Kingdom, due to the fact it is the only region that shares a land border (and, most importantly in the context of this analysis, an EU border). This, as shall be detailed below, makes Northern Ireland “particularly vulnerable to the potential negative effects of Brexit”²⁴.

Firstly, it is important to highlight how important EU funds are to the Northern Irish economy, even with shared programmes with Ireland not considered (these shall be detailed further on). Northern Ireland reportedly received €248 *per capita, per annum* in EU funding during the 2007-2013 funding period. This is more than twice what residents of Scotland and Wales received, and nearly three times higher than figures for England²⁵. Overall, total EU contributions added up to €3,449.3m²⁶. Considering that the estimated UK contribution *per capita, per annum* to the EU budget was £128 (€153²⁷) in 2011²⁸ (and similar for following years), it is safe to assume that Northern Ireland is a net beneficiary of EU funding. This represents a dilemma for both Westminster and Stormont. The UK Treasury has guaranteed compensation funding for the remainder of the 2014-2020 budgetary cycle; however, no guarantees have been made for the following years. Not keeping a similar level of funding could be “devastating” for the regional economy²⁹.

Direct funding, however, is only a small part of the risk facing Northern Ireland. While the UK already does most of its trade with the EU (both exports and imports), Northern Ireland is significantly more dependent on the EU as an export market (see Figure 2). Figures for imports are closer, if slightly higher for Northern Ireland. Perhaps most importantly, however, is that

²⁴ House of Lords. *Brexit: UK-Irish relations*. House of Lords European Union Committee, 6th Report of Session 2016-17, 12 December 2016, p.13.

²⁵ CARSON, Jodie & PIDGEON, Colin. *European Funding in Northern Ireland*, Research and Library Service, Briefing Paper, Northern Ireland Assembly, 20 August 2010, p.16. [Online] <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2010/General/15010.pdf> [Last consulted: 10/06/17]

²⁶ European Commission. *EU funding in Northern Ireland*. European Commission Representation in the United Kingdom. [Online] https://ec.europa.eu/unitedkingdom/sites/unitedkingdom/files/eu_funding_in_ni_2007-2013_and_2014-2020_1.pdf [Last consulted: 10-06-17]

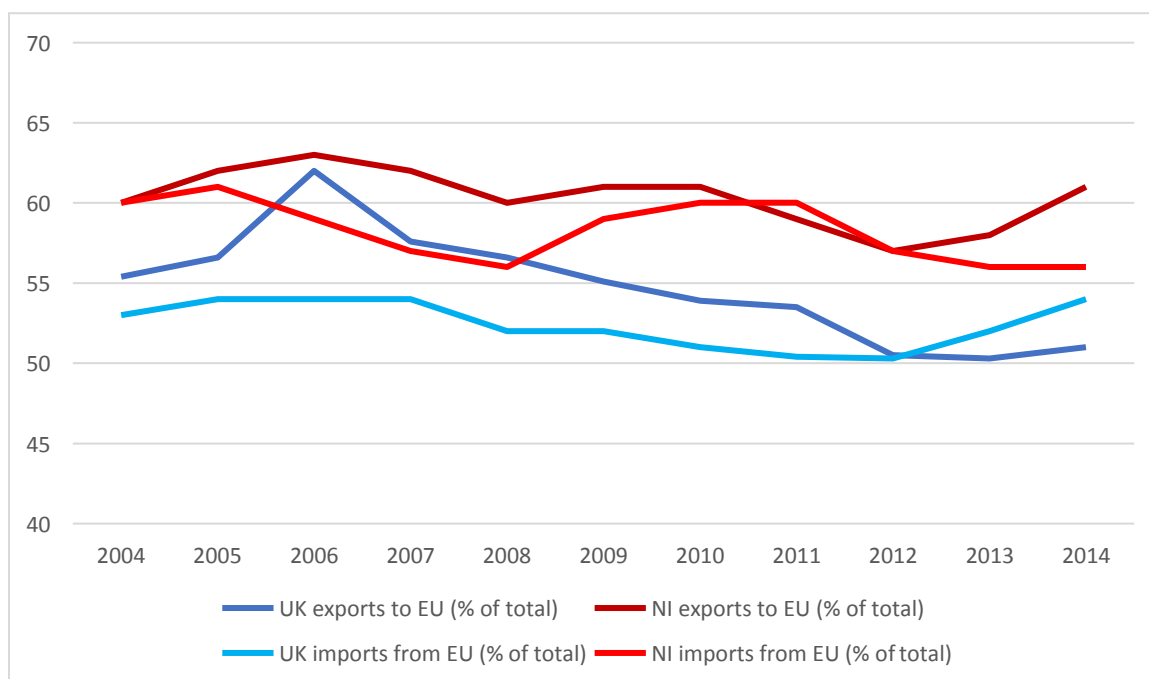
²⁷ Using the Exchange rate for 31-01-2011. 1 GBP = 1.1688 Euro.

²⁸ See footnote 9, p.22.

²⁹ See footnote 24, p.47.

while the UK's balance of trade with the EU is negative (it buys more than it sells to other EU Member States), for Northern Ireland the opposite is true³⁰.

Figure 2: UK and Northern Ireland Trade, EU Share.



Source: STENNETT, Aidan

These figures are extremely important in the context of Brexit negotiations. While the scenarios involving Northern Ireland remaining in the EU/EEA would not have a great effect on trade (in the absence of barriers), any outcome more restrictive than Single Market or Customs Union membership would severely hurt Northern Irish trade (more so if a FTA isn't reached). An Oxford Economics study, based on the modelling of nine post-Brexit scenarios, found that the GVA of Northern Ireland would fall anywhere between 1.8% and 5.6% for arrangements ranging from a bilateral deal to trading on WTO Most Favoured Nation (MFN) terms. Similarly, employment would fall from 0.9% to 3.3%. In fact, Northern Ireland would fare worse than the UK in every one of those scenarios (by contrast, its results are

³⁰ STENNETT, Aidan. *The EU referendum and potential implications for Northern Ireland*, Northern Ireland Assembly Research and Information Service, 21 January 2016. [Online] <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2016/eti/2116.pdf> [Last consulted: 14-06-17]

comparatively better with a Customs Union outcome)³¹. Customs checks and tariffs (as well as other non-tariff barriers) would thus disproportionately affect Northern Ireland, due to the emergence of a land border on the island (over a third of Northern Irish EU exports are linked to the southern part of the island).

A key example of the harm Brexit could do to the Northern Irish economy is the agri-food sector (agriculture and food processing). Firstly, EU funding is crucial for Northern Irish farmers, with CAP payments accounting “for 87% of total farming income”³². Secondly, only 10% of food and drink processing exports are made to non-EU countries. EU exports from this sector make up nearly 90% of total exports, and a quarter of all sales (including internal)³³. Thirdly, 60% of these EU exports go to Ireland. A deal that doesn’t contemplate future farming funds, imposed tariffs on EU imports from the UK³⁴, and/or forced customs checks or other complications on the Irish border would undoubtedly be very damaging for the sector, even if the depreciation of sterling has boosted sales in the short term³⁵.

2. Republic of Ireland

In the same way that Northern Ireland is disproportionately linked to the EU compared to other regions, Ireland is much more reliant on the UK than any other EU nation. 14% of Irish exports are sold to the UK, which increases to 44% for Irish-owned companies, while 26% of Ireland imports come from the UK³⁶; the UK is thus Ireland’s second largest buyer (behind the United States) and biggest seller of goods. Ireland is one of only five EU countries that runs a trade

³¹ Oxford Economics. *The Economic Implications of a UK exit from the EU for Northern Ireland*. February 2016.

³² See footnote 24, p.14.

³³ Northern Ireland Food & Drink Association. *Brexit: Challenges & Opportunities for Northern Ireland Food & Drink*. November 2016 [Online] http://nifda.co.uk/wp-content/uploads/2016/11/NIFDA_Brexit_Final_Report.pdf [Last consulted: 17/06/17]

³⁴ The EU’s MFN tariffs (under WTO rules) on food products vary significantly, but can range from €0.15 for a loaf of bread, to €1.85-€2.21/kg of cheese, for example. This, according to NIFDA (*ibid*, p.10), could lead to a 58% price increase for the latter.

³⁵ The Belfast Telegraph. ‘Positive impact’ of Brexit on agri-food industry highlighted. 15 September 2016 [Online] <http://www.belfasttelegraph.co.uk/news/northern-ireland/positive-impact-of-brexit-on-agrifood-industry-highlighted-35051463.html> [Last consulted: 14/06/17]

³⁶ PwC. *Brexit: The implications for Irish business*. July 2016.

deficit with the UK. The trend throughout the past decade, however, has been of Ireland lowering its overall dependency on UK trade.

One of Ireland's areas the most vulnerable to Brexit is the energy market. Ireland imports 88% of its energy products (the fourth highest of the EU, behind Cyprus, Luxembourg and Malta), of which over 90% come from the UK: it is therefore reliant on smooth connections across the Irish sea³⁷. At the same time, the UK is also dependant on energy imports, although less so. With energy consumption almost inevitable, an inability to negotiate tariffless energy trade would lead to significant price rises for Irish consumers (estimates signal a 10% cost rise could lead to a fall in GDP of 0.4%³⁸).

Short-term effects of this potential trade fallout following Brexit are still to be seen. The depreciation of sterling has made British producers more competitive (and Irish producers less so), and will continue to do so for the foreseeable future³⁹. However, Ireland was still the fastest growing economy in the EU in 2016, and forecasts for 2017 and 2018 (during which the UK will still be a part of the EU) have been upgraded after post-referendum downgrades by the Central Bank of Ireland⁴⁰. Long-term analysis is however worrying for the Republic of Ireland. A study by the Economic and Social Research Institute (ESRI)⁴¹ shows a very significant exposition to Brexit for the Irish economy, even with 'soft' scenarios (the UK remains in the EEA): in 10 years (from the day the Article 50 negotiations end), GVA would decrease by 2.3-3.8%, exports would decrease by 3.0-4.9%, employment would be reduced by 1.2-2.0%, and the average wage in Ireland would decrease by 2.2-3.6%⁴².

However, there could be certain positive outcomes not fully taken into account. Should the terms of the UK's exit from the EU be significantly restrictive in terms of access to the Single

³⁷ HUANG, Hansi; PURDUE, David. *Brexit and its Impact on the Irish Economy*. National Treasury Management Agency of Ireland.

³⁸ *Ibid.*

³⁹ The Guardian. *Irish exporters feel chill from Brexit fall in sterling*, 3 August 2016. [Online] <https://www.theguardian.com/world/2016/aug/03/irish-economy-exporters-feel-chill-from-brexit-fall-in-sterling> [Last consulted: 11/05/17]

⁴⁰ Central Bank of Ireland. "*Main impetus to growth in 2017 and 2018 is expected to come from the projected strength of domestic demand*". Quarterly Bulletin 2, April 2017 [Online] <https://www.centralbank.ie/news-media/press-releases/quarterly-bulletin-2-of-2017>

⁴¹ BERGIN, Adele et al. *Modelling the Medium to Long Term Potential Macroeconomic Impact of Brexit on Ireland*. ESRI Working Paper 548, ESRI, 7 November 2016.

⁴² Best case scenario: UK stays in EEA. Worst case scenario: UK and EU trade on WTO, MFN terms.

Market, Ireland, as the only other English-speaking country in the EU, could particularly benefit from displaced UK foreign direct investments (FDI), especially those concerning the services sector (which is unlikely to be subject to a deal). A quick analysis by the National Treasury Management Agency of Ireland⁴³ predicts a potential drop of up to 27% in the UK’s non-EU FDI stock, which could lead to an investment of €6bn into the Irish economy, effectively rising its FDI inflows by 20%. This is a limited and perhaps overly positive prediction, since it doesn’t take into account potential actions by the UK to counter limited market access. Another more complex study (see Figure 3) analysed the attractiveness of FDI projects under different scenarios concerning the UK: while Ireland’s attractiveness could improve by up to 10%, a worst-case scenario would have it decreasing by 10% (if the UK maintained unlimited Single Market access, and reduced its corporation tax to Irish levels). On the other hand, every scenario involving EU market limitations for the UK carries a drastic reduction in FDI attractiveness⁴⁴.

Figure 3: UK and Ireland attractiveness to new FDI projects post-Brexit (% of EU total)

Country	Baseline	UK corporation tax reduced to 18%	UK corporation tax reduced to 12.5%	UK’s EU market access reduced by 25%	UK’s EU market access reduced by 50%	UK corporate tax at 18%, market access reduced by 25%	UK corporate tax at 18%, market access reduced by 50%
Ireland	4.0	3.8	3.6	4.2	4.4	4.1	4.3
United Kingdom	12.7	18.4	22.4	7.1	2.9	10.7	4.4

Source: BARRETT, Alan et al.

For the moment, several firms involved in financial services are already moving some of their operations to other EU countries and away from the UK, with uncertainty over

⁴³ See footnote 37.

⁴⁴ BARRETT, Alan et al. *Scoping the possible economic implications of Brexit on Ireland*. ESRI Research Paper 48, ESRI, November 2015.

unlikeliness on both parties reaching a deal over financial services. JP Morgan has already invested heavily in office space in Dublin (for up to 1,000 staff)⁴⁵, with many other financial institutions planning similar operations.

3. Cross-border operations and funding

Although the impact of finalising EU funds has been highlighted already, one part to be discussed are those funds which affect both the Republic of Ireland and Northern Ireland (as well as other UK regions). These funds are indivisible per country, since one mutual body manages them, and thus deserve a separate analysis.

Two programmes are of significant interest. Firstly, the PEACE IV programme, which in the current 2014-2020 budgetary period has an allocation of €205.2m from the European Regional Development Fund (ERDF), with a further €41m available through match-funding⁴⁶. This cross-border fund covers the entirety of Northern Ireland and bordering councils of Ireland. Set up in 1995 (PEACE I) and extended during subsequent budgets, its main objective is “to support peace and reconciliation and to promote economic and social progress in Northern Ireland and the Border Region of Ireland”, in the end and aftermath of the Troubles⁴⁷. This involves a number of projects, many cross-border, but also cross-community: shared education, shared spaces at the local level, support for victims, regional economic development, etc. Secondly, the INTERREG VA programme, with €240.3m in funds from the ERDF (plus a further €43m in match funding)⁴⁸, involves the same regions as the PEACE IV programme, plus a number of regions in Western Scotland. This fund looks to improve territorial, economic, and social cohesion amongst the territories. All projects – spread across

⁴⁵ The Guardian. *JP Morgan appears to make good on Brexit threat with new Dublin office*. 15 May 2017 [Online] <https://www.theguardian.com/business/2017/may/15/jp-morgan-landmark-office-dublin-brexit> [Last consulted 10/06/17]

⁴⁶ Special EU Programmes Body. *Citizens' Summary: PEACE IV Programme (2014-2020)*. [Online] http://www.seupb.eu/Libraries/PEACE_IV_Programme_Guidance/PIV_CitizensSummary_English_Version11.sflb.ashx [Last consulted 15-06-17]

⁴⁷ European Parliament. *Fact Sheets on the European Union: Northern Ireland Peace Programme*. [Online] http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.1.9.html [Last consulted: 15-06-17]

⁴⁸ Special EU Programmes Body. *Citizens' Summary: INTERREG VA Programme (2014-2020)*. [Online] http://www.seupb.eu/Libraries/INTERREG_VA_Programme_Guidance/IVA_CitizensSummary_English_Versi on3.sflb.ashx [Last consulted: 15-06-17]

four policy areas: Research & Innovation, Environment, Sustainable Transport, and Health – must take place across two regions from different Member States (in this case, one UK region, one Northern Ireland). Both of these programmes are managed by the Special EU Programmes Body.

Other organisations and bodies have also been set up by local and regional authorities thanks to EU funding (commonly known as *Euroregions*), some precisely to manage projects from these two programmes. Currently still active and covering regions from the island are the Irish Central Border Area Network (ICBAN), the East Border Region Committee, and Cooperation and Working Together (CAWT), as well as the Ireland-Wales Cross-Border Programme 2014-2020. Since these bodies or structures also manage projects not covered by the INTERREG or PEACE programmes, the total amount of funding is higher than the sum of both allocations.

Projects for cross-border objectives are covered for the 2014-2020 period; however, with the UK outside of the following budget, it is very likely that funding for these programmes will disappear past that date, or at least be reduced drastically, unless the UK commits to participation (and, most importantly, contributing financially) in European Territorial Cooperation Programmes. However, this commitment seems doubtful at the moment: no mention of either programme was made in the original Brexit White Paper, with no commitment to continuing funding for cross-border programmes (although the new Government, now in minority and dependent on the Northern Irish DUP for support, may be pushed to change that stance in the near future). While dialogue and cooperation between both countries is sure to continue, whether under the British-Irish Parliamentary Assembly or other bilateral organisations, to maintain commitments made in the Good Friday Agreement and ensure the success of the peace process and improving relations, it is likely at this point that funding will be severely affected on both sides of the border.

Part 3: Political implications of Brexit

Beyond the financial impact of the UK's exit from the EU, questions arise on how social attitudes might change on the island as a result of a variation from the *status quo*. As the only land border shared between the UK and the EU, citizens from Northern Ireland and Ireland will, arguably, be those most affected by a restrictive or isolationist approach from the UK Government. Complications during the negotiations could re-heighten tensions that were (thought to be) placated after the 1998 Belfast Agreement, including a rise of nationalism. Furthermore, could an uncompromising position from the Commission regarding the border bolster Irish Eurosceptics?

A. Peace Process

Before studying social attitudes on the island and their variations, it would be wise to first understand the EU's involvement in normalising North/South relations on the island. With violence on the island rising sharply in the late 1960s, and not fully subsiding until the signing of the Good Friday Agreement (GFA, or Northern Ireland Peace Agreement) in 1998, the EU has acted on several levels as a peacemaker between both sides of the conflict.

The negotiations that led to the signing of the GFA did not directly involve the EU; instead, EU institutions have mainly acted on three other levels. Firstly, meetings of the European Council or the Council of Ministers allowed for a diplomatic rapprochement between the UK and Ireland, unprecedented in both its informality and legitimacy. Secondly, the economic context of the EU, including the Single Market and Structural Funds (the aforementioned PEACE fund, in particular), was a useful instrument for both the Commission and regional actors (such as bordering counties) to promote further integration, at a local level, but also in the larger context of European integration. Finally, the EU gave both sides of the conflict in Northern Ireland an open, wider platform to promote their ideology, which in turn helped in legitimising (yet also evolving) certain views (mainly through the European Parliament, where regional actors from Northern Ireland had a more substantial presence than in the UK)⁴⁹. These

⁴⁹ HAYWARD, Katy. *Defusing the conflict in Northern Ireland. Pathways of influence for the European Union*. EUBorderConf, University of Birmingham. January 2004.

three levels, characteristic of European multilevel governance, will all be somewhat affected, depending on the level of integration the UK finally seeks post-Brexit⁵⁰.

Beyond this however, does the referendum result endanger the ongoing peace process, in particular the GFA? Despite a legal challenge to the Belfast High Court, there is nothing in the GFA that impedes an exit from the EU by either nation⁵¹; similarly, Brexit does not endanger the agreement. However, the scarce references to the EU, significantly in Strand 2 of the GFA (North/South Ministerial Council), may need to be revised. This could prove tricky in legal terms: any amendments to the GFA may be required to be put through a referendum on both sides of the border, but keeping the deal as it is could lead to the UK failing to meet certain obligations (particularly in relation to EU representation)⁵²⁵³. Either way, leaving the EU and imposing restrictions on European integration, whatever the degree, could contribute to old issues surrounding Irish identity resurfacing, putting aspects of the GFA under immense strain.

B. A rise in Northern Irish nationalist sentiment?

An early draft of the European Council's guidelines for the upcoming negotiations acknowledged, according to several media outlets, that "the entire territory of such a united Ireland [following the mechanisms detailed in the GFA] would thus be part of the European Union"⁵⁴. Although this paragraph was not included in the final version, and should not be understood as a preference by the EU, it does indicate that Irish reunification is once again a relevant topic. For this to happen, a majority of both the Irish and Northern Irish electorate would have to vote in favour in a binding referendum. Whilst opinion polls consistently show

⁵⁰ Centre for Cross Border Studies. *The UK Referendum on Membership of the EU: Potential Constitutional Consequences*. 2016 [Online] <http://crossborder.ie/site2015/wp-content/uploads/2016/03/EU-Referendum-Briefing-Paper-2.pdf> [Last consulted: 05/06/17]

⁵¹ BBC. *Belfast High Court rejects Brexit challenges*. 28 October 2016 [Online] <http://www.bbc.com/news/uk-northern-ireland-37796836> [Last consulted: 03/05/17]

⁵² See footnote 18.

⁵³ TONGE, Jonathan. *The Impact of Withdrawal from the European Union upon Northern Ireland*. *The Political Quarterly*, Vol. 87, No. 3, July–September 2016.

⁵⁴ Reuters. *EU to say united Ireland would be automatic full member*. 28 April 2017 [Online] <http://www.reuters.com/article/us-britain-eu-ireland-idUSKBN17U12W> [Last consulted 3/05/17]

that up to two thirds of the RoI electorate would support a reunited island⁵⁵, could Brexit be a catalyst for Nationalist support in the Northern region?

In the June referendum, 55.78% of Northern Irish ballots were for 'Remain', whilst 44.22% chose 'Leave'. This is in stark contrast with the national vote (51.9% Leave, 48.9% Remain). The regional breakdown paints a clearer picture, however. The five border constituencies, all with a Catholic majority (except for Fermanagh & South Tyrone, where Catholics and Protestants are evenly split), overwhelmingly voted Remain. Parallely, the seven constituencies that voted Leave are ones where the major Unionist (traditionally Protestant) parties⁵⁶ got 50% or more of the vote in the 2016 General Assembly election. This falls in line with previous polling figures, that showed that 64% of Unionists were in favour of leaving the EU, whilst 74% of SDLP/Sinn Fein voters would back Remain⁵⁷. It also mostly follows where Northern Irish parties stood on the subject: whilst Nationalist parties SDLP and Sinn Fein (the latter traditionally soft Eurosceptic) backed Remain, as did neutral parties such as Alliance, the Unionist DUP and TUV campaigned for Leave. Also-Unionist UUP backed Remain, however, as with the Conservative party in Great Britain, many members challenged the party's stance.

Whilst the close link between EU and Nationalist support (and Eurosceptic-Unionist, although not as strongly) is evident, it could be seen as an indication that support for reunification might not change following the referendum. There are short-term indications, however, that that might not be the case. Firstly, new elections for the General Assembly in March 2017, the first after the referendum results, showed an important rise in support for Sinn Féin (3.9 percentage points), as well as for neutral party Alliance (+2.1). Support for the DUP and UUP, meanwhile, fell by 1.6 percentage points (combined). This, however, could also be explained from an unusually high turnout (nearly ten points higher than ten months prior): all major parties gained support, Unionist and Republican both. A shift in vote share could be put down to a more successful campaign by Sinn Féin mobilising voters (in part, due to the referendum result, but also as fallout from the 'Renewable Heat Incentive' scandal which forced the call for elections).

⁵⁵ The Sunday Business Post. *Irish Consumer Reactions to Brexit Opinion Poll*, October 2016 [Online] <http://www.redcresearch.ie/wp-content/uploads/2016/11/Irish-Consumer-Brexit-Impact-Poll-Report-Oct-2016.pdf> [Last consulted: 03/05/17]

⁵⁶ DUP, UUP, TUV.

⁵⁷ BURKE, Edward. *Who Will Speak for Northern Ireland? The Looming Danger of an Ulster Brexit*. The RUSI Journal, 2016.

Secondly, a border poll by Ipsos Mori showed a slight, if significant, rise in support for Irish reunification from Northern Ireland voters following the referendum⁵⁸. Whilst only 22% would currently back reunification, this is an improvement from three years prior, when a similar poll by Ipsos Mori showed support at 17%. Also significant is a rise in the number of voters who “Don’t Know” how they would vote in a referendum, from 5% to 13%. However, perhaps most significant in the context of Brexit is that 32% of those voters in favour of reunification have adopted this view after, and as a consequence of, the referendum result (compared to 11% of those in favour of staying in the UK). This proves that a short-term Brexit effect has been, in fact, a rise in support for a United Ireland.

Long-term swings are more difficult to predict; however, two factors could converge to create a favourable scenario for Nationalists. Firstly, and most connected to the referendum result, is the outcome of the negotiations. As noted earlier, all parties participating in the negotiations (UK Government, European Commission, and national and regional political parties) have indicated in their negotiations guidelines the intention to protect the free-flowing nature of the Irish border, as well as all matters concerning the Peace Process. However, it has already been mentioned that the current intention of the UK Government is to exit the EEA, not award “special status” to any of its regions or nations, and not create any internal barriers such as customs checks within UK regions. This complicates maintaining the *status quo*, and the idea of customs and quality controls, and even passport checks, on the Irish border, could very possibly materialise. Any variation of a *hard border*, as seen in Part 2, would badly hurt the Northern Irish economy, whilst damaging but also providing opportunities to the more resilient RoI. This could add an economic layer to the identity debate, shifting the focus away from historic and religious ideas, and pushing neutral voters to the Nationalist side of the debate.

Current demographic trends could also, however, increase support for reunification. As indicated from the Ipsos Mori poll and the history of the Troubles, Protestant voters are heavily inclined towards Unionism and against reunification, with the opposite true for Catholics (at a lesser degree, however). Whilst Protestants have historically outnumbered Catholics by a large margin in Northern Ireland, the 2011 census showed that the number of people who identify as

⁵⁸ Ipsos Mori. *Northern Ireland Border Poll 2016*. September 2016 [Online] <https://www.ipsos.com/sites/default/files/migrations/en-uk/files/Assets/Docs/Polls/ipsos-mori-northern-ireland-border-poll-2016-tables.pdf> [Last consulted: 03/05/17]

Catholic (41%) is only 1 percentage point lower than the number of Protestants and Other Christians (42%)⁵⁹. Furthermore, with more than 50% of Catholics under the age of 35 (and Protestants older comparatively), it seems probable that they will, for the first time, be the most represented in the next census, confirming a historic trend. As a counterpoint, it must be noted that the proportion of people not identifying with either or any religion has also risen steadily in recent decades, and that religious links with Republicanism/Unionism may weaken amongst younger generations should the Peace Process be kept intact. The evidence suggests, however, that whilst support for reunification is in no way representative of the majority of the Northern Irish population, the consequences of Brexit, together with internal matters, could push renewed calls for a reunited Ireland in the years to come.

C. Will Brexit make Ireland more Eurosceptic?

With Ireland and the United Kingdom's societies historically entwined, questions about the future of the Republic have naturally emerged following the UK's decision to exit the EU. While the prospect of Ireland leaving the Union in the short-term seems, at best, unlikely, two events, Brexit, and the European Commission's tax fine on Apple (which the Irish government has strongly protested), have begun to introduce the concept of *Irexit* at a diplomatic level⁶⁰. At least, questions have arisen over the future relationship of Ireland inside the EU, with its biggest strategic partner now exiting. Could Ireland develop a similar degree of Euroscepticism to Northern Ireland or even the rest of the UK?

For a short-term analysis of Irish attitudes since the Brexit vote, the best and most accurate instrument available could be the Standard Eurobarometer report, which studies attitudes on various topics at a European and national level every six months. With Eurobarometer 87 due in July 2017, at the time of writing only one survey, Eurobarometer 86⁶¹, has been developed and published since the referendum. Comparisons to previous Eurobarometers, however, provide a number of indications. Firstly, both trust and mistrust in European institutions have increased since the previous survey, 5 and 4 percentage points, respectively. The changes come

⁵⁹ Northern Ireland Statistics and Research Agency. *2011 Census: Religion in Northern Ireland*. [Online] <http://www.ninis2.nisra.gov.uk/public/census2011analysis/religion> [Last consulted: 03/05/17]

⁶⁰ Irish Independent. *'Irexit can't be ruled out as we risk Brussels calling our bluff'*. 2 January 2017 [Online] <http://www.independent.ie/irish-news/irexit-cant-be-ruled-out-as-we-risk-brussels-calling-our-bluff-35335146.html> [Last consulted: 05/06/17]

⁶¹ European Commission. *Public Opinion in the EU*. Standard Eurobarometer 86 (Autumn), November 2016.

from those who answered “Don’t know” last time, which suggests that current events in the past 6 months have polarised opinions in neutral Irish men and women. Ireland, nonetheless, has a trust rate 13 percentage points higher than the EU average (49% to 36%). Secondly, a majority (55%) of Irish adults have a “Very Positive” or “Fairly Positive” view of the EU, compared to 31% with a “Neutral” image and only 13% with a “Very Negative” or “Fairly Negative” image. This is much higher than the EU average (35% positive), yet 3 percentage points lower than in the previous survey. But negative opinions are down by 1% too, with neutral views gaining ground (4 percentage points). The trend since 2012 had been for increasingly positive views of the EU, so the next Barometer should prove if this is an end to that trend or an exception. Thirdly, Ireland has the most optimistic and least pessimistic opinion on the future of the EU: 77% “Very” or “Fairly Optimistic”, with only 18% “Very” or “Fairly Pessimistic”. To compare, the UK’s results are 40% and 51%, respectively. For Ireland, the results haven’t changed since the previous Barometer. Finally, to the statement “Ireland could better face the future outside the EU”, only 25% responded favourably, whilst 67% disagreed. These results are more favourable to the EU than those recorded six months prior (28% agree, 65% disagree). Whilst most EU countries also responded unfavourably to that phrase, Ireland’s results are comfortably above the EU average.

The Eurobarometer results show that the current impact of Brexit on Irish attitudes towards the EU is insignificant. Most indicators remain practically unchanged, with small variations that mostly fall in the margin of error. This, however, only measures short-term impact. As with the analysis on Republican attitudes in Northern Ireland, two long-term factors, (the Brexit negotiations outcome, and the Apple tax bill) could still change the trend of stability. For one, the outcome of the negotiations. Economic analysis detailed in Part 2 shows that, despite some possible positive consequences, the overall impact of a “hard” Brexit on Ireland will be negative. During the first years of the financial crisis (2007-2011), Euroscepticism in Ireland doubled⁶², in part due to a perception that the EU did not respond adequately to Irish interests. Negative opinions of the EU peaked in 2012, however, at 31%. Should the outcome of the negotiations be portrayed as the EU institutions adopting an uncompromising position regarding border controls and customs checks, or simply one that does not represent Ireland’s

⁶² QUAGLIA, Lucia; SERRICCHIO, Fabio; TSAKATIKA, Myrto. *Euroscepticism and the Global Financial Crisis*. Journal of Common Market Studies, Volume 51, N°1, p.51-64. [Online] http://pubman.mpdl.mpg.de/pubman/item/escidoc:1567722/component/escidoc:1935866/JCMS_51_2013_Quaglia.pdf [Last consulted: 03/06/17]

best interests, there is a big chance that negative opinions of the EU will flourish again. This also applies to the handling of the Apple tax demand, if the European Court of Justice ratifies the Commission's fine. However, context is key: even at the height of Euroscepticism during the crisis, more respondents to the Eurobarometer still had a positive opinion of the EU.

Euroscepticism in Ireland has historically manifested itself in referendums, which are mandatory following the Irish Constitution. As such, the Nice (2000) and Lisbon (2007) were first turned down by the Irish electorate. However, as with most European referendums, this was not an indictment of the European project as a whole, but of a protest against policies or characteristics of overarching EU legislation. This can be observed through the main Irish parties: the three historical parties (Fianna Fáil, Fine Gael, and Labour) are considerably pro-EU, while the Sinn Féin, traditionally more Eurosceptic, has adopted a moderate position in recent years; only the fifth represented party in the Irish lower house is openly Eurosceptic⁶³. And, yet, vocal opposition to European policies, both from national ministers and from MEPs, has slowly made its way into party politics. Thus, both at the individual level and the party level, Euroscepticism manifests itself in the form of opposition to individual policies; the overall purpose and benefits of EU membership are not put in question⁶⁴.

Coupled with other conclusions from the Eurobarometer, such as a dominantly positive view of immigration (81%), uncharacteristic in hard Euroscepticism, it seems unlikely that Euroscepticism will become a major factor in party politics in the medium-long term. While the EU taking a position in the negotiations that didn't take into consideration Irish preoccupations could change that, as could a new economic downturn, the appetite for hard Euroscepticism in Ireland, beyond a minority, is not there at present.

⁶³ BAKKER, Ryan et al. *Measuring Party Positions in Europe: The Chapel Hill Expert Survey Trend File, 1999-2010*. Party Politics, 2015.

⁶⁴ FITZGIBBON, John. "Euroscepticism in Ireland: The Difficulty in Competing with Historic EU-Related Successes", *Euroscepticism in Small EU Member States*. Latvian Institute of International Affairs, 2016, p.30-46

Conclusion

Throughout this study, it has been possible to determine the extent of the dangers facing both sides of the Irish border. In terms of economic effects, Northern Ireland – and in particular its bordering councils and constituencies – is in a very disadvantaged position compared to any other UK region. Not only is it one of the poorest, and the biggest beneficiary of EU funding, but it also relies more on unimpeded EU trade, holding a trade surplus with the rest of the EU.

The Republic of Ireland, meanwhile, should have similar yet lesser concerns. While its economic activity is strongly linked with the UK's, and high disruptions will leave it in a more disadvantaged state than its fellow EU members, there is a significant silver lining in the form of potential future FDIs and the development of a strong financial hub, should the financial passport not be a part of the UK's final deal. However, its nearly full dependence on a partnership with the UK for its energy resources is a significant problem, and one that may need to be resolved in the near future (through a diversification of its energy import markets, for example).

Both these economic concerns also trickle down into potential changes in social and political attitudes. While it would be unwise to fully dismiss the possibility of a growth in Euroscepticism in Ireland, it seems unlikely at this present time: even at the height of the financial crisis, a separation from the EU was never on the table, and none of the mainstream political parties are actively anti-EU (unlike the DUP in Northern Ireland or part of the Conservatives in the UK).

On the other hand, there is a significant, long-term risk of Republicanism growth in Northern Ireland. Although a call for Irish reunification would probably fail at present, demography, political context, and the fallout from Brexit play into Nationalists favour. Should the hardest Brexit be applied, and the effects be as severe as predicted, the debate could slowly become an economic conflict, compared to an exclusively religious-political one as it is at present.

With neither the Irish government nor members from the Northern Ireland Assembly participating in the negotiations, their influence on the final deal may be minimal; it would be unwise, however, for their views not to be accounted for and even made preferential. Not only

are they more vulnerable to a bad deal, but the effects of a negative outcome could trickle down to the rest of the EU and the UK. And at present, neither can afford more headaches.

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