



April 26, 2016

A Road for Two: Brexit and the Future of Ireland

by Anthony Silberfeld

The last time a British exit affected the island of Ireland, the year was 1916. With the threat of a new Brexit looming, Dublin and Belfast must prepare to absorb and react to a concussive wave that will shake the island again.

A century ago, the Easter Rising began when a group of Irish Republicans sparked a rebellion to eject the British from Ireland, and to declare an independent nation. The dramatic events that followed swung public sentiment toward Irish independence, and by 1921, the island was partitioned into the primarily Catholic Irish Free State in the south, and the Protestant-majority six counties in the north, which remain part of the United Kingdom to this day. The British departure from Ireland in the 1920s had a ripple effect that lasted for decades.

Civil war, sectarian conflict and economic development in fits and starts all had a direct connection, for better and for worse, to London's decision to leave. However, with the rise of the Celtic Tiger in the Republic of Ireland and the Good Friday Agreement bringing an end to the conflict in Northern Ireland in the 1990s, the two parts of the island began to find practical ways to set aside deeply held ideological positions for the benefit of Ireland, north and south.

A Wounded Tiger

Due to the geographic and economic links between Ireland and the United Kingdom, the impact of Brexit on the emerald isle would be especially pronounced. In the Republic of Ireland, bilateral trade flows with Britain are projected to drop by 20 percent or moreⁱ, while GDP per capita could plummet by anywhere from 0.82 to 2.66 percentⁱⁱ. Despite being heavily subsidized by the British public purse, Northern Ireland is not immune to the economic consequences of Brexit. Given that the region is primarily a border economy, any impediments will take a toll on an economy that exports 61 percent of its goods to the EUⁱⁱⁱ, with the majority going to Ireland. According to a report by the Northern Ireland Assembly, the region can expect to lose approximately €1 billion per year, and confront a 3 percent decline in GDP. This does not even factor in the elimination of EU agricultural aid anticipated to be €3 billion through 2020. But the financial impact is only part of the calculus. In Ireland, economics, politics and history are inextricably linked, and must be addressed with equal weight.

Bridging the Sectarian Divide

Since the signing of the Good Friday Agreement and the subsequent St. Andrews accord in 2006, parties across the political and sectarian divide in Northern Ireland have demonstrated their commitment to power-sharing institutions, despite historical injustices that have yet to be addressed by either side. Leaders routinely talk about a “shared future” for all, and staunchly condemn those who have attempted to plunge the region back into violence. However, one of the key pillars of peace in Northern Ireland is the notion that whether one is Catholic or Protestant, Unionist or Nationalist, being European has been a neutral and common identity that is acceptable across communities. This raises the question whether Brexit will remove the “glue” that helps to keep the peace.

Since 1995, the EU spent \$1.87 billion on peace projects in Northern Ireland. While much progress has been made to repair cross-community relations, additional commitments are still needed. According to media reports, a Brexit could jeopardize the latest installment of \$610 million of reconciliation funding from the EU^{iv}. The British Treasury will need to step in and fill that gap, but competing priorities in the wake of a divorce from the EU may prevent it from doing so.

When Practicality Trumps Ideology

Despite the progress that has been made on the political front in relations between Dublin and Belfast, most Unionist leaders would never consent to nationalist push for a united Ireland. For their part, pro-unification Sinn Fein politicians are equally strident as they continue to win seats in the British Parliament, but refuse to take them in protest of what they view as the continued occupation of the six counties. Although there are members of the Irish Parliament who support a united Ireland, there is little appetite to press the matter as Ireland continues its recovery from an economic collapse. A recent BBC and RTE poll ^v indicated that just 36 percent of Irish want a united Ireland in the short to medium term. Polling north of the border is even more revealing with only 13 percent of the region's citizens supporting unification during the same time frame.

The absence of public pressure has created ample space for officials on both sides of the border to cooperate on an all-Ireland basis when it has been practical to do so. From the 2007 establishment of an all-island electricity grid to the merging of the tourist sector under the auspices of Tourism Ireland, there is clearly scope for cross-border collaboration to address critical need.

The specter of a modern-day Brexit may create that very necessity. For many years, there has been an ongoing debate weighing the value of creating an all-Ireland economy to address the unique feature that Northern Ireland is the only part of the UK to share a border with Ireland. Those efforts, however, have fallen predictably short due to Unionist suspicions that an all-Ireland economy is just the first step toward a united Ireland and, as such, a step too far. Notwithstanding, the North-South institutions and the all-Ireland collaboration mentioned earlier are important steps toward addressing this unique challenge. Recently, Westminster has gone a step further by allowing Northern Ireland to reduce its corporate tax rate to 12.5 percent, so it is aligned and competitive with the Republic of Ireland. Although there is an asymmetry in urgency skewed toward Northern Ireland for a joint project, a Brexit will require officials in Dublin, Belfast and London to come together to find a sensible way to address the economic disruption that will follow. An all-Ireland economy that prioritizes trade facilitation, movement of people and tax harmonization would be a good place to start.

The path ahead for Ireland and Northern Ireland is uncertain, but a Brexit, while undesirable, could bring both parts of the island closer together. As the Irish proverb goes, "two shortens the road."

Anthony Silberfeld is Director of Transatlantic Relations at the Washington, DC-based Bertelsmann Foundation. Anthony.Silberfeld@bfna.org.

ⁱ <https://www.esri.ie/pubs/RS48.pdf>

ⁱⁱ <https://www.bertelsmann-stiftung.de/en/publications/publication/did/policy-brief-201505-br-brexit-potential-economic-consequences-if-the-uk-exits-the-eu/>

ⁱⁱⁱ <http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2016/eti/2116.pdf>

^{iv} <http://www.belfasttelegraph.co.uk/news/northern-ireland/brexit-threatens-425-million-in-eu-peace-programme-grants-to-northern-ireland-34474920.html>

^v <http://www.bbc.com/news/uk-northern-ireland-34725746>