The Belfast / Good Friday Agreement, the Island of Ireland Economy and Brexit

Michael D’Arcy and Professor Frances Ruane MRIA
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Introduction

This year has seen the 20th anniversary of the Belfast/Good Friday Agreement, hereafter referred to as the 1998 Agreement. This ‘Agreement Reached in the Multi-Party Negotiations’, to give it its early working title, is widely regarded as one of the most successful peace accords in a global context in the 1990s. To mark its 20th Anniversary, former UN Secretary General Kofi Annan (April 2018), having hailed the inspiration it has given to others around the world seeking to end bloody conflict, said: “the Good Friday Agreement has served Northern Ireland, the rest of the UK and the Republic of Ireland very well....it was painstakingly achieved after complex negotiations and difficult compromises on all sides. Amid the wider political and economic uncertainty caused by Brexit, all stakeholders should place the preservation of peace and security as a high priority”.

At the heart of the 1998 Agreement are the principles, institutions and processes which encompass the ‘totality of relationships’ on these islands within a Three Strand structure – within Northern Ireland, North/South on the island of Ireland, and East/West between all of the jurisdictions in these islands. This structure was configured to recognise the complexity of a shared and deeply interconnected history, and was expressed in language which has achieved buy-in from a majority in each jurisdiction on the island (as evidenced by the two referendums held in 1998), bringing to an end 30 years of violence.

There are three dimensions to the premise on which this paper is based. Firstly, the 1998 Agreement has been successful in bringing about peace on the island of Ireland and so must be protected and sustained, an objective to which all parties to the negotiations on arrangements for the UK’s withdrawal and future relationship are committed. Secondly, the economic context for that peace agreement is the policy and regulatory framework provided by the EU and its acquis. Thirdly, depending on the outcome of the current negotiations, the process of the UK exiting the EU will remove some, many, or most of the economic elements underpinning the 1998 Agreement. Starting from this three-dimensional premise, we explore the current state of the all-island economy and suggest that the growth that is fundamental to protecting and sustaining the 1998 Agreement and its institutions must be strategically supported, commencing with putting a legally-supported ‘backstop’ in place.

Following this Introduction, the first part of the paper looks at the 1998 Agreement and the EU context in which it was signed. The second part looks at key elements of the all-island economy before Brexit and the threat posed for it by Brexit. The third part of the paper looks at what will be needed to protect and develop the all-island economy, while the final section presents some concluding comments.

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1 He was speaking on behalf of The Elders, a group of senior world figures originally brought together by former South African president Nelson Mandela in 2007, to "represent an independent voice, not bound by the interests of any nation, government or institution". Its Members include another former UN secretary-general Ban Ki-moon, former Irish president Mary Robinson, former US president Jimmy Carter and Finnish politician and Nobel Peace Prize winner Martti Ahtisaari who also served as a member of the Independent International Commission on Decommissioning in Northern Ireland.

2 The Community acquis or acquis communautaire is the accumulated legislation, legal acts, and court decisions which constitute the body of European Union law.

3 The term ‘backstop’ has become the standard term used to describe the commitments set out in the Joint Progress Report in particular Pars 47 to 51. At the time of completing this paper the precise operational details remain to be agreed https://ec.europa.eu/commission/sites/beta-political/files/joint_report.pdf
Part 1: The European Union and the 1998 Agreement

At the time it was signed, all parties to the 1998 Agreement were effectively signatories to the various EU treaties, starting from when both the UK and Ireland signed up to become members of what was then the European Economic Community. Since 1972, a series of EU projects and their accompanying legislation has served to reduce economic barriers between all countries in the Union, contributing to making borders between EU Member States increasingly seamless. Crucially for these islands, the Single European Market (SEM) was created in 1993, over four years before the 1998 Agreement.

The extent to which the EU context was taken for granted is clear from the fact that references to the EU in the 1998 Agreement are limited and, where present, are without detail. For example, there is only one reference to the EU in Strand 1. Paragraph 31 notes that "Terms will be agreed between the appropriate Assembly representatives and the Government of the United Kingdom to ensure effective coordination and input by Ministers to national policy-making, including on EU issues." This vagueness in relation to 'EU issues' is possible because, after 25 years of EU membership, these islands shared a large number of national policies and principles that had grown and developed within the EU prior to 1998.

Shared EU and SEM membership was the context in which the 1998 Agreement was negotiated and can be seen to be an intrinsic part of it in at least three ways. First, the SEM provided the complex, comprehensive and detailed legal/economic framework that enabled the abolition of the trade border and created the conditions for an all-Island economy. A key visual marker of the success of the peace process was the gradual dismantling of the high-profile security border controls, which was finally completed in 2006. In effect, the future context envisaged by all of the parties to the 1998 Agreement was an entirely borderless landscape once the security barriers and controls of the UK military were removed. This was only possible because the SEM had already removed legal, regulatory and customs controls on the movement of goods, capital, services and labour on the island. This regulatory alignment meant that large and particularly small companies throughout the island could benefit from the opportunity to operate in a larger market for goods and services, and from the greater competition generated through increased economies of scale and lower costs (due to proximity). Thus the SEM supported growth in the island economy, and helped to increase prosperity in Northern Ireland, which in turn helped to embed the peace process.

Second, the SEM facilitated the 1998 Agreement’s commitment that any individual born in Northern Ireland could “identify and be accepted as Irish or British, or both” by removing any economic cost arising from choosing one option over any other. In effect the free movement of labour reduced or eliminated the potential barriers when it came to an economic activity, such as finding (or losing) a job or offering a cross border service. Thus, irrespective of which identity they chose, individuals were citizens of the EU and so entitled to enjoy all of its economic entitlements along with other rights. This reflected the fact that no party to the negotiations, or party who subsequently worked with the 1998 Agreement, was prepared to cede anything that would weaken their position in the post-Agreement world.

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4 This paper uses the terms currently being used by the EU and UK in their negotiations, using ‘Ireland’ when referring to the Republic of Ireland and ‘Great Britain’ when referring exclusively to mainland UK.
5 Led by US Senator George Mitchell, they had the active support of the Irish, UK and US governments and all of the major Northern Ireland political parties with the exception of the DUP.
6 Page 10, the 1998 Agreement
7 Page 3, the 1998 Agreement
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Agreement, envisaged or contemplated that the UK would leave the EU.

Third, the institutional framework established under the agreement presumed a context of continued EU membership. Strand 2 of the 1998 Agreement sees the role of the North/South Ministerial Council (NSMC) as being “to develop consultation, cooperation and action within the island of Ireland.” As To implement this, it was agreed that the Council would “meet in different formats” one of which specifically refers to the EU: “to consider institutional or cross-sectoral matters (including in relation to the EU) and to resolve disagreement”. While another makes reference to the possibility of convening in “specific sectoral formats on a regular and frequent basis with each side represented by an appropriate Minister”. Indeed because the SEM provided the legal and economic policy context, the NSMC did not need a specific operational context in which to address the economic issues, other than those which are “matters of mutual interest within the competence of the Administrations North and South”. Therefore, the intention that the NSMC would “take decisions by agreement on policies and action at an all-island and cross-border level” only had real substance in the context of operating within the shared EU framework, now at risk of being removed.

Strand 2 also refers to a transitional period in which the NSMC would consult with the UK government to identify at least 12 possible subject areas “where co-operation and implementation for mutual benefit will take place”. In many of these areas agreed EU policies are the effective drivers of domestic policies in both jurisdictions (e.g. agriculture and environment), while in others EU regulations are very influential (e.g. education and transport) and one (the management of the Agreement-related EU funding programmes such as PEACE) operates within a detailed EU policy and regulatory mandate. Strand 3 suggests that suitable issues for discussion by the British-Irish Council would cover many of the 12 areas suggested for consideration by the NSMC, again building on and within the EU framework.

Finally, the NSMC is intended “to consider the European Union dimension of relevant matters, including the implementation of EU policies and programmes and proposals under consideration in the EU framework. Arrangement to be made to ensure that the views of the Council are taken into account and represented appropriately at relevant EU meetings.” This reflects the benefits to both jurisdictions of recognising their economic interdependency through membership of the EU.

Viewed in context, the presumption of continuing EU membership obviated any need to address a broad range of substantive economic issues that underpinned the 1998 Agreement. In effect, the EU acquis meant that both jurisdictions were embedded in a deep and evolving ‘totality’ of legal/regulatory relationships, which included essential regulation across a broad spectrum of government responsibilities, including the environment, agri-food and energy. At the macro level this enabled the all-island economy to emerge as companies operating across both jurisdictions developed additional scope, scale and substance within the geographic economic zone of the island, facilitated directly by the SEM. At the micro level this enabled individuals and businesses to work closely together, building the trust and engagement that would support peace.

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8 Strand two, Paragraph 1, the 1998 Agreement  
9 Strand two, Paragraph 3 (ii), the 1998 Agreement  
10 Strand two, Paragraph 3 (ii), the 1998 Agreement  
11 Strand two, Paragraph 5, the 1998 Agreement  
12 See Annex to Strand Two for the complete list of these areas and the specific activities envisaged for each one  
13 Strand two, Annex, the 1998 Agreement  
14 Strand three, Paragraph 5, the 1998 Agreement  
15 Strand One relating to the Democratic Institutions in Northern Ireland is not discussed in this paper but as in the other Strands and throughout the 1998 Agreement there is a presumption of shared EU membership  
16 Strand two, Paragraph 17, the 1998 Agreement
The 1998 Agreement has been recognised as being hugely successful in bringing about peace on the island of Ireland and the legal, political and institutional framework provided by the European Union has played an intrinsic part in delivering this unique peace accord. Shared EU membership is intrinsic to the 1998 Agreement, because it provides the legal/economic and institutional framework underpinning the Agreement. The fundamental and unanticipated development of the UK leaving the EU creates a major, and potentially damaging, gap in the arrangements for a future UK-EU relationship to support operational structures that facilitate a soft border, joint citizenship, and the all-island economy, unless there is a backstop.

The EU position, supported by the Irish Government, is working in this direction by addressing these issues through both a ‘backstop’ and through the UK’s broader future relationship with the EU, although the latter seems less likely to be complete enough to prevent regulatory divergence in the future. However, to succeed the existing principles, structure and institutions of the 1998 Agreement will need additional supports to minimise the disruptive effects to business, employment and wider society caused by the UK decision to leave the EU. To reach a mutually agreed conclusion, negotiation of this support will need the same spirit of determination to secure a multi-party agreement that prevailed in the negotiation of the 1998 Agreement.
Part 2: The All-island Economy

The extent to which the SEM signalled the possibility of greater economic integration on this island was identified by Sir George Quigley in his seminal 1992 address (some six years before the 1998 Agreement was signed). In this address he said “I would like to see the ‘cross border’ redefined to embrace the totality of economic relationships within the island” and he went on to express his wish to see that this new definition would be accompanied by “the EU regarding the island economy as a whole as the relevant entity and directing its attention to the needs of that economic area”. In this he anticipated the contribution of Laurence Crowley, a former Governor of the Bank of Ireland, when he said in 2009: “Whatever you call this island of two jurisdictions, you will be able to think of it all as one, not politically but economically.”

When Sir George Quigley first identified, described and promoted a ‘island economy’ in the address referred to above, and in advance of the formal launch of the SEM on January 1st 1993, he accepted it was a “radical... proposition... that Ireland is or should be an island economy”. Indeed he went on to set a challenge for the leaders of the day when he said “Both North and South would have singly failed to give substance to the 1992 concept if, occupying a small island on the periphery of the EU, they neglected or were unable to function as a single market.” A few years later, the leading Irish businessman, Dr AJF O’Reilly, explained that he understood Sir George Quigley’s vision as “the island functioning as a natural economic zone with both parts working together pragmatically, at all levels and in all sectors (public and private) in whatever way and to whatever extent is to their mutual benefit, to add value to what they are doing.”

As discussed above, what was a ‘radical proposition’ in 1992 is an everyday business reality today for companies with high levels of all-island integration, for example, through input sourcing, production, service provision and supply chains. However, notwithstanding this growth in integration, recent analysis shows that the scale of Ireland’s trade with Northern Ireland, relative to its trade with other countries, is still less that would be expected of two jurisdictions so proximately located. This suggests that the process of changing cultural and historic patterns of doing business, which resulted from earlier barriers, is still ongoing – a reflection of the depth of their influence on the island economy.

After Ireland and the UK joined the EU in 1973 there was a significant increase in overall merchandise trade between Ireland and Northern Ireland, with accelerated phases of growth following the introduction of the SEM and the signing of the 1998 Agreement. Relative to the strategic economic importance of embedding peace, there were only limited additional financial resources (beyond special EU funding Programmes) provided

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17 Sir George Quigley joined the Northern Ireland civil service in 1955, where he subsequently held the posts of Permanent Secretary of the four government Departments: Manpower Services, Commerce, Finance and Finance and Personnel. Following his retirement in 1988, he published widely on issues related to the economy of the island of Ireland, in relation to both public policy and business matters. He held Board level posts in major businesses located in Northern Ireland and Ireland. His role as a public intellectual was recognised by his membership of the Royal Irish Academy.
21 Ibid.
by both administrations to support the aspiration of joint working to an extent that could identify and deliver additional synergies between governments and policies in Ireland and Northern Ireland. With greater resources, wider synergies might have been expected, for example, as happened through North/South bodies such as InterTradeIreland and Tourism Ireland. Furthermore, in the context of the scope provided by the all-island economy, the NSMC did not succeed in formally expanding its areas of co-operation much beyond the original list of 12 areas.

The Single Electricity Market is a particularly good, and exceptional, example of how the level of integration in place today was primarily driven by shared EU membership and not formal North/South cooperation\textsuperscript{24}. The implementation agreement (formally signed in 2005) on this ‘joining up’ of the island’s wholesale electricity market was a pioneering response to decisions at EU level on introducing competition into domestic electricity markets; the European Commission put the necessary regulatory framework in place to trade electricity across Member State borders as a further stage of development of the SEM. Both Ireland and the UK then further strengthened this distinct role within domestic legislation. For example, UK climate change policy was adapted so that there is no Carbon Price Floor (CPF) in Northern Ireland, in order to preserve the Single Electricity Market. With the UK leaving the EU, this represents a significant differential in regulatory arrangements between the island of Ireland and Great Britain. Nevertheless, protecting the security of supply across the island, that is underpinned by this Single Electricity Market, is now a stated objective in the current EU/UK negotiations. However, precisely how this is to be done has yet to be outlined to business and consumers; notwithstanding this, the next phase in integrating the intra-island and inter (EU) regional electricity market is now operational.

In their 2012 Report, Bradley and Best observed that, overall, some twenty years after the concept of the island economy was presented and in the wake of the Great Recession, “the potential gains from greater North-South trade interaction may be modest relative to the potential gains from greater penetration into wider world markets, including British markets. Nevertheless, there were gains to be made from intra-island trade in circumstances that would assist in strengthening the competitive performance of all business on this island. North-South trade improvement on the island is not an alternative to East-West trade improvement, but is entirely complementary to it. It is a transitional process that would produce gains in the short term and, by strengthening its supply side, would help to position the island economy to make further advances in world markets”\textsuperscript{25}

The intra-island failure to trade as much as might be expected is consistent with the fact that while companies and individuals have not experienced any serious barriers to doing business on the island (apart from the volatility of the euro-sterling exchange rate), it takes time and effort to learn different systems, deal with other bureaucracies and build trust in new trading and/or business partners. The scale of these efforts must be seen in the context of the legacy of 30 years of violence, preceded by 40 years of high trade barriers, and the Partition that preceded them.

Research on the all-island economy has increased since the UK decision to leave the EU, building a better understanding of what underpins the growth in all-island trade. While the aggregate trade figures are important, they mask the intensity of integration on the island which emerges from recent detailed analysis of trade data at company level. These data indicate that a very significant share of cross-border trade is accounted

\textsuperscript{24} Energy and the Single Electricity Market are not de jure incorporated into Strand Two of The 1998 Agreement
for by companies that simultaneously trade in both directions. Much of this trade is in intermediate products which is evidence of strong supply chains in operation. While many trading entities are small, the bulk of trade is between businesses operating at much larger scale, and both more capital and skill intensive than the average companies. The challenge for both jurisdictions created by the UK leaving the EU is that the very factors which promoted the evolution of these all-island supply changes are under threat if any barriers are (re)introduced.

An example is that of a micro enterprise providing commercial maintenance and repair based in Dundalk (Ireland) but with customers in both jurisdictions. When the UK leaves the EU and the individual responsible for delivering the service, and who may be the owner, an employee or a business representative, drives the short distance across the border to a customer in Newry (Northern Ireland) s/he will be: doing business in a non-EU country; providing a service but will also be moving parts classified as goods. These goods will be subject to controls for customs tariff and regulatory standards and will need to have accompanying data/forms to show compliance, while the service will be governed by a range of rules that may be different, such as employment law, health & safety, etc. To a micro enterprise all of these elements are a potentially significant problem and an additional cost for possibly no additional benefit. Finally, this will be the case even if there is no physical infrastructure on the border.

Moreover, the UK Government has publically acknowledged that it has identified over 140 areas of North/South co-operation, with two thirds of these areas directly or indirectly underpinned by EU law. When the result of the EU and Irish Government’s scoping exercises are combined to create a jointly agreed list there are indications there could be up to 100 more detailed areas added. However, both lists have not yet been published. Not also published are details of the “full sectoral audits...carried out by departments of both Northern Ireland Executive and the Irish Government to identify possible impacts, risks, opportunities and contingencies which may arise following the UK’s intended withdrawal from the EU” referred to in the joint Communiqué issued following the most recent NSMC meeting in November 2016. There have been no subsequent meetings since the collapse of the Northern Ireland Executive.

Estimates of the potential costs of re-imposing barriers are at the heart of all of the discussions on the economic consequences of the UK leaving the EU, for itself and for other member countries, especially for Ireland. Recent research on trade between Ireland and Northern Ireland in goods suggests that in the no-deal case, cross-border trade could reduce by between 9 and 16 percent, with the main impacts being on companies in the food sector and especially in the meat and dairy sectors. Given the evidence on all-island supply chains, this would have a dramatic impact on the way companies on the island do business and not simply on how they trade.

As illustrated in the example above, the nature of trade across the border is that much of it is small value, high volume and mostly conducted by micro and small firms treating the all-island market as their local market. The benefits of ease of access to nearest neighbor markets include gaining valuable experience of exporting across the border in their near market where often there are accessible networks of trust (e.g. via existing family, sporting or cultural activities). The learning gained ensures a more comfortable stepping stone to broader export markets, with all of the consequent gains to growth in

27 This number was provided by Lord Duncan of Springbank in an answer [HL6816] to a Question from Lord Kilclooney on March 29 2018 https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2018-03-29/HL6816
scale and profitability. Recent research indicates that Northern Ireland companies, trading internationally in goods, enjoy productivity levels that are 9% higher than those experienced by companies that trade only with the rest of the UK.

As observed by Bradley and Best (2012), these integrated supply chains also have both direct and indirect East/West dimensions. This effect was noted by the UK Government when publishing an 'Additional Data Paper' on available trade data and statistics relating to Northern Ireland (August 2017). It summarised its findings as being that the UK “remains the most significant market for business in Northern Ireland - sales to Great Britain were worth one and half times the value of exports to Ireland in 2015”. But by considering these trade volume figures on their own, there is a risk of missing a key element to how the goods are produced. As the Paper proceeds to note “the sale of finished products to Great Britain relies upon cross-border trade in raw materials and components within integrated supply chains meaning trade with both Great Britain and Ireland are vital to Northern Ireland’s economy”. Consequently, a definition that encompasses the totality of ‘economic relationships’ will support the 1998 Agreement in retaining its inclusivity and recognise diversity – in effect, a definition for an all-island economy that reflects the totality of economic activity on the island of Ireland.

In terms of what was being promoted in the early 1990s as the island economy, there has certainly been progress in what business has done that has effectively supported integration. So from a policy perspective that is focussed primarily on the future of the 1998 Agreement, having put an effective ‘backstop’ in place there are two key challenges addressed in Part Three: (i) how, in the critical and overlapping future relationships (i.e. UK-EU, Ireland-UK-EU, Ireland-UK), to protect the totality of the all-island economy by supporting business in mitigating the negative impacts of any trade barriers or mobility impediments that may be unavoidable in the settlement talks, and (ii) how to develop the all-island economy by exploring what other interventions associated with the 1998 Agreement and especially Strand Two might help to support all-island development in the absence of the current economic drivers and especially strong regulatory alignment in the SEM.

Part 3: Protecting and Developing the All-island Economy

For all businesses on the island, there is uncertainty as to whether there will be, post Brexit, a slow but inexorable introduction of new regulations and controls that restrict, fragment and further unsettle the all-island market, with negative consequences for jobs and growth. In addition, there is the risk that investor confidence is further damaged by (however few) incidences of political violence or political instability that may occur in a more uncertain environment. This overarching risk is island wide but likely to be most keenly felt in Northern Ireland and along a border that is transformed into an external frontier of both the EU and the UK. Irrespective of what arrangements are agreed by the EU and the UK on their future relationship, the reality on the ground for people in this region will be some degree of “deepening differences in experience on either side”\(^{32}\). That is why it is important to avoid this ‘deepening difference’ escalating beyond a legally-certain set of relationships should the future relationship go in unhelpful directions.

Furthermore, the backdrop to this challenge is that there are already significant differences in recent economic performance between Ireland and Northern Ireland. Sir George Quigley saw the differential rates of corporate taxation on the island as being a cause of this difference and played a key role in promoting the reduction in the Northern Ireland rate to 12.5%. In the mid-2000’s he suggested that a “level playing field on company taxation” had the “ability to foster a genuinely island economy”.\(^{33}\) By this point he had concluded that “a vibrant island economy will be characterised by far more than trade between firms in both parts” because “they will be limited to the extent to which one part is fixed in the position of being a minor economic partner with an inherently weak economic structure”.\(^{34}\) He went on to observe “the development of a vibrant all-island economy is very poorly served by arrangements which perpetuate the gross economic North/South divide”.\(^{35}\) After a protracted campaign, the November 2015 ‘Fresh Start’ Agreement identified April 2018 as the target date for introducing this reform.\(^{36}\) The UK Government included a requirement that it would be satisfied that the finances of Northern Ireland would be on firm financial footing before the lower tax rate would be introduced. However, its introduction cannot proceed while there is no Northern Ireland Executive and there is growing concern in the business community that, as the impact on the local economy of Brexit deepens, the opportunity has been missed to do so.

The fact this campaign did not succeed earlier and before the UK voted to leave the EU has been a contributory factor to the continuing gap in economic performance between Ireland and Northern Ireland. For example, while total employment on the island has increased by almost one third since 1998, it has not been evenly distributed spatially within or between the two jurisdictions.\(^{37}\) Nevertheless, this period has seen significant growth in the all-island economy and while there remains an ongoing debate on the precise scale of this growth, it is substantial; one recent report suggested that the current scale of the all-island economy is €326bn approximately, which would make it the third...

\(^{32}\) The view from the local communities in the Central Border Region of Ireland/Northern Ireland, Dr Katy Hayward with Annemiek Teuwen and Shane Campbell, Journal of Cross Border Studies in Ireland, No 12 Spring 2017. Centre for Cross Border Studies

\(^{33}\) Northern Ireland: the Only Opportunity; the case for the introduction of a reduced Corporation Tax Rate in Northern Ireland. Chapter 9, June 2006 in ‘A Time to Speak’ Reflections on economic, social and other issues, Sir George Quigley, Ulster Bank 2015.

\(^{34}\) Ibid.

\(^{35}\) Ibid.


\(^{37}\) Section Two: All island economic Indicators: Business on a connected island’, IBEC and CBI, July 2018
The largest regional economy in these islands (behind only London and England’s South-East). The Belfast / Good Friday Agreement, the Island of Ireland Economy and Brexit

Planning, investment and delivery of infrastructure on an all-island basis provides one opportunity to give some certainty on future prospects for business and employment. There could be more ambition in, and an acceleration of, the delivery of the infrastructure upgrades currently under review in both jurisdictions, specifically in relation to transport on the island. Doing so would be a clear signal of intent to support the all-island economy.

An all-island approach to transport infrastructure is a realistic possibility. The Stormont House Agreement (2015) included proposals on all-island infrastructure investment and their active coordination. In response, two of the island’s major business representative organisations (Ibec and CBI) published a proposal for completing a comprehensive all-island primary road network, designed to cater for an island of up to 10 million inhabitants by 2050. In late 2017, Ireland’s National Development Plan (NDP) and National Planning Framework (NPF) included all-island chapters. The NPF summarised the coordination challenge as being “notwithstanding the context of Brexit,...managing our growth strategically for long term benefit in terms of economic and social development and environmental quality”.

To protect growth on an all-island basis in both jurisdictions it would seem prudent and necessary to accelerate and, where cost effective, increase the coordinated delivery of infrastructure investment already planned. Other infrastructure planning areas include health and education, where natural catchment areas for service delivery are inherently cross-border or where scale suggests specialisation on an all-island basis.

The UK leaving the EU and the SEM will, over time, likely impact on the complex and diverse corpus of currently aligned laws that regulate the movement of goods services employment and finance on the island of Ireland and between the island, GB and the rest of the EU. If new barriers emerge, there will be negative consequences for growth. Brexit is already having both short and long term direct and influential impacts on companies of every size but especially SMEs and micro enterprises, not just in local and regional markets but across this island and in off-island markets. Business organisations and government agencies are assisting companies in considering their options and how they might re-organise how they do business in the face of the UK’s exit from the EU. A long-term impact being noted is the added costs created by having to ‘stockpile’ products in new locations, which leave goods undelivered for longer periods and so remaining on company balance sheets as an unrecovered cost. Eliminating the necessity to hold large stocks of their goods in multiple jurisdictions, so as to ensure delivery was not made unreliable by customs delays, was one of the main reductions in cost that persuaded EU Member States, and particularly the UK, to back the creation of the SEM in the first place. In the short term, there are numerous surveys of business sentiment that show investments are being paused until it is clear what is agreed in the Article 50 negotiations.

When the UK leaves (under whatever arrangements are put in place), the institutions, processes and ‘governance’ of the 1998 Agreement, along with its oversight potential (and that especially that of the North/South bodies established under it), will be strengthened as a ‘living agreement’ by a ‘backstop’ arrangement that provides additional underpinning in EU and UK law.

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38 Ibid.
39 This would address what was ignored in the National Spatial Strategy (2002), which did not take up the challenge in the NESIC (1999) proposal, namely that it “could also form the basis for developing cross-border infrastructure links with Northern Ireland and would complement European initiatives”.
40 ‘Connected’ a prosperous island of 10 million people. Ibec/CBI July 2015
Concluding Comments

This paper is premised on the fact that, to secure peace and prosperity on the island of Ireland, the 1998 Agreement must be protected and sustained, at a time when the core legal/economic pillar of its supporting framework, provided by joint membership of the European Union and its acquis, is being removed. This gives rise to the question of how the economic growth, on the island of Ireland, which is fundamental to protecting and sustaining the 1998 Agreement and its institutions should be strategically supported.

This paper has focussed on the important combination of prosperity (supported by the SEM) and peace (supported by the 1998 Agreement) to the wellbeing of the island. It has also pointed to the SEM’s role in assisting the creation of an all-island economy which serves to promote growth and to foster economic, social and cultural engagement across the island. The evidence published to date points to the necessity of putting in place a legal/economic framework that will support continued substantive regulatory cooperation and coherence. Furthermore, it is unclear how peace will be embedded and prosperity sustained when the UK leaves the EU unless there is a ‘backstop’ to ensure there is no ‘worst case scenario’ for the 1998 Agreement now or in the future. Once in place, its future should (as agreed in the Joint Progress Report) include the evolution of Strand Two. This requires that the backstop put in place cannot be open to diminution or to time limits, as these would compromise the Agreement itself and all that flows from it. Beyond that and consistent with its Declaration that “all of the institutional and constitutional arrangements are...interlocking and interdependent”, developments in the workings of Strands One and Three can be envisaged.\(^4\)

This should require a very long-term perspective and not a short term ‘fix’. For example, there should be a focus on the structural issues in both jurisdictions on the island and how addressing them on an all-island basis makes sense. There are also areas where the existing potential for all-island interaction has not been fully explored, such as digital communications, cyber security and information age infrastructure. In addition, there is further potential in newly-emerging sectors.

This in turn requires the 1998 Agreement to remain a core foundation of political, social and economic stability, underpinned by a prosperous all-island economy. This is necessary if the 1998 Agreement is to remain amongst the world’s most successful peace accords.
About the Authors

Michael D’Arcy has researched and written extensively on the Island Economy since the 1990s. He is co-author of Border Crossings: Developing Ireland’s Island Economy (Gill &Macmillan 1995), a collection of essays that explored the potential for greater prosperity in the event of paramilitary ceasefires in Northern Ireland.

Professor Frances Ruane is a member of the Royal Irish Academy and former Director of the Economic and Social Research Institute and Professor of Economics at Trinity College Dublin. She served on the Economic Advisory Group to the Department of Enterprise, Trade and Industry in Northern Ireland from 2011-2016.

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