

The background features a white outline of Ireland on a dark green field. Overlaid on this are various semi-transparent economic data visualizations, including bar charts, line graphs, and a world map. The text is centered within the map outline.

Economic

Benefits

of a
**United
Ireland**



DISCUSSION
DOCUMENT

NOVEMBER 2020

Sinn  *Féin*

**ECONOMIC BENEFITS
OF A UNITED IRELAND**



Sinn Féin

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EXECUTIVE SUMMARY

- PARTITION.
- THE HUMAN, ECONOMIC AND SOCIAL COSTS OF THAT DISASTROUS DECISION HAVE BEEN IMMENSE.
- UNITY MAKES SENSE AND WILL CREATE NEW OPPORTUNITIES AND NEW PROSPERITY FOR ALL THE PEOPLE OF THE ISLAND OF IRELAND.

Partition sustains many of the problems besetting the people of Ireland. It is also a symptom of these problems. British rule in Ireland and the denial to the people of Ireland of our right to self-government remains at the core of our divisions and difficulties. The human, economic and social costs of British rule and the disastrous decision to partition Ireland have been immense.

This document is a contribution to the ongoing and exciting debate around a United Ireland. The right of the people of Ireland to national self-determination and independence from British domination is an age old struggle. The threat of Brexit, and more recently Covid-19, to the island has revived discussion and introduced fresh urgency to this debate.

Partition is a manifestation of British involvement in Irish affairs. It was imposed in 1921 following the Government of Ireland Act 1920. Part of its purpose was to facilitate British control over a part of the island and to prevent the emergence of a truly national Republic.

This document examines in particular the economic cost of partition. It also looks at the benefits of Unity. Having control of our own economic levers is one of the most fundamental advantages that will accrue from reunification.

Even the political institutions established by the Good Friday Agreement are denied access to economic power by successive London Governments. They retain that control. This has profoundly undermined its economic performance and impacted adversely on the economy of the southern state.

The North is the slowest growing economy on these islands. The labour market is characterised by jobs that are lower-paid and less secure than in the Irish state or in Britain. Some 20% of workers earn less than a basic living wage.

Since partition the border corridor has effectively been resigned to 'periphery' status limiting the economic potential of a significant section of our island and therefore of the whole island economy also.

The threat posed by Brexit, allied to the economic crisis created by Covid-19, has created significant new challenges.

A United Ireland offers the best opportunity to tackle these issues in a way that can economically advantage the people of the island of Ireland. Unity makes sense and will create new opportunities and new prosperity for all the people of the island of Ireland.

The Irish Government has a duty and a constitutional obligation to make preparations for Unity; to examine the economic arguments; the cultural and social dimensions; the political dynamics. The debacle arising from the Brexit chaos is evidence that you need to plan for the future.

Irish reunification would allow for more coordinated and strategic economic development across the island and especially within the border region, attracting more investment, improved productivity, and with it enhanced essential infrastructure. In turn, this offers significant economic benefits across the island of Ireland, by way of public revenue returns, overall increases in output, and boosts in higher-skilled employment.

Sinn Féin's approach to the EU is one of critical engagement: those things that are in the interests of the Irish people, we support and seek to further; those things that are not, we oppose and campaign to change. In April 2017 the EU asserted that in the event of Irish reunification the North would automatically re-enter the European Union.

This paper also exposes the myths around the question of the British subvention to the North and effectively challenges the existing narrative which claims that the subvention amounts to £10bn, that the Irish State cannot afford the North, and that a United Ireland is not economically viable.

None of these myths stand up to scrutiny.



Introduction

This document is a contribution to the ongoing and exciting debate around a United Ireland. While this is an age-old debate the threats of Brexit and more recently Covid-19 to the island has revived discussion and introduced fresh urgency.

As we approach 100 years of partition we know all too well that the human and social costs have been enormous and tragic. This document focuses on the economic costs including the democratic deficit. Brexit too has huge implications for the economy of this island.

This document points to the benefits of a United Ireland including decision making by locally elected representatives and bespoke macroeconomic planning, coordinated economic development resulting in greater investment, more employment and higher potential tax revenues - and full EU membership for the whole island.

The document examines public finance and expenditure statistics demonstrating that we can afford to Unite Ireland. And it considers the precedent of German re-unification and the role the EU can play in successfully re-uniting Ireland.

In 1998, one of the achievements in the negotiations leading to the Good Friday Agreement was securing a referendum on unity.

In the Constitutional Issues section of the Agreement, it states that "...it is for the people of the island of Ireland alone, by agreement between the two parts respectively and without external impediment, to exercise

their right of self-determination on the basis of consent, freely and concurrently given, North and South, to bring about a united Ireland ..."

The Irish and British governments also accept that the result of the referendum "will be a binding obligation" on them "to introduce and support in their respective parliaments legislation to give effect to that wish."

But the future is not about a single step-change in which we go to bed one night in a partitioned Ireland and the next morning wake up in a united Ireland. It's all about process: discussion, reconciliation, transition and transformation.

It's about agreeing how we will organise and share our future. It's about recognising that Ireland is home to many traditions and cultural and ethnic backgrounds. In particular it is home to the unionist people of the North.

All our people deserve a modern Ireland based upon equality and respect; in which the civil and religious liberties of everyone are protected; and, where all traditions and identities, including those who are British, Irish, or from other places are protected under the law.

The Irish Government has a duty and a constitutional obligation to make preparations for Unity; to examine the economic arguments; the cultural and social dimensions; the political dynamics. The debacle arising from Brexit is evidence that you need to plan for the future.

IN OUR VIEW WHAT IS REQUIRED IS:

- ④ The full implementation of the Good Friday Agreement including the all-island institutions
- ④ The establishment of a Joint Oireachtas Committee on Irish Unity
- ④ The setting up of an all-island representative Citizens' Assembly or appropriate forum to discuss and plan for Irish Unity
- ④ The shared island unit proposed by the Irish Government in its Programme for Government 2020 must be properly funded, staffed and with clear and public objectives and guidelines.
- ④ The government must Publish a White Paper on Irish Unity
- ④ And it must secure a referendum, north and south, on Irish Unity as established under the Good Friday Agreement.



Pearse Doherty

PEARSE DOHERTY TD
Sinn Féin spokesperson on Finance



COST OF PARTITION

– a democratic deficit that stunts economic development



BENEFIT OF UNITED IRELAND

– DECISION MAKING BY LOCALLY ELECTED REPRESENTATIVES AND BESPOKE MACROECONOMIC PLANNING

The London government retains control over economic policy in the North. It exercises this in its own interests. These powers and fiscal instruments are enjoyed by all other high income economies in the EU and beyond. These include the power to alter taxation rates, introduce new taxes to achieve locally informed and relevant economic policy objectives, and borrow from international markets to invest in infrastructure and skills. The exercise of these powers is an essential and fundamental function of government.

Where citizens in Limerick or Donegal can lobby the Irish government directly through their TDs for increased investment or a change to tax policy (or more directly, their TDs may be members of government), citizens in Antrim or Armagh must hope that a Tory or Labour government in Britain, with no mandate in the North makes economic policy in line with the needs of Newry, Ballymena and Omagh.

The economic impact of this relationship on the North of Ireland is clear, and decidedly negative. The North is the slowest growing economy on these islands¹, and teetered towards recession in 2018 even as the British and southern Irish economies grew. Moreover, GDP per head in the North is just 80% of British output per citizen². As for pay, there is a greater number of low paid jobs in the North than in any region in Britain, and wages in these jobs are also the lowest of any region³.

1 <https://www.nisra.gov.uk/statistics/economic-output-statistics/gross-value-added>

2 <https://www.nisra.gov.uk/statistics/economic-output-statistics/gross-value-added>

3 <https://www.nisra.gov.uk/system/files/statistics/NI-ASHE-Bulletin-2019-3-Low-Pay-Analysis.pdf>

OUTPUT PER CAPITA IN IRELAND AND BRITAIN, 2018

England	£32,857
Scotland	£29,660
Wales	£23,866
North of Ireland	£25,981
South of Ireland (GNI*)	€40,637

Sources:

<https://www.cso.ie/en/releasesandpublications/in/nie/in-mgnicp/> - **2018 GNI***

2018 population in Ireland - <https://www.cso.ie/en/releasesandpublications/er/pme/populationandmigrationestimatesapril2018/#:~:text=The%20combined%20effect%20of%20natural,4.86%20million%20in%20April%202018.>

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2018> - **2018 GDP per capita Britain & North**

Gross capital formation (the total stock of private and public capital assets, and an important measure of investment), is very low in the North. As of 2016 it stood at just 14.3% of total GDP⁴, a figure well behind the rest of Ireland, Britain, comparable small developed states, and many developing states around the world⁵.

The labour market in the North is characterised by jobs that are lower-paid and less secure than anywhere else in Ireland or Britain⁶. Some 20% of workers earn less than a basic living wage⁷. As of 2016, 14% of households in the North were workless⁸ and the employment rate sat at 72%, some 4 percentage points below the British average⁹. The looming jobs crisis sparked by COVID-19 will intensify this poor employment picture. As of August 2020, more than one in three workers (36%) in the North were either unemployed, furloughed, or in receipt of self-employed income support scheme (UUEPC, 2020a¹⁰).

4 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NI-Economic-Accounts-Project-2016-experimental-results.pdf>

5 <https://data.worldbank.org/indicator/NE.GDI.FTOT.ZS>

6 <https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/annual-survey-hours-and-earnings>

7 Decent Work in Northern Ireland: The challenge of insecurity and low pay, Lisa Wilson (NERI), 2017

8 Poverty in Northern Ireland, 2018, Joseph Rowntree Foundation Briefing - <https://www.jrf.org.uk/report/poverty-northern-ireland-2018>

9 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/lf5z/lms> - ONS Employment Rate Statistics

10 https://www.ulster.ac.uk/_data/assets/pdf_file/0017/614132/UUEPC-Pathways-to-Recovery-after-Covid19-Paper-3-_05082020.pdf

It is recognised that having decisions taken in Westminster has been to the economic detriment of the North. In the late 2000s, both Scotland and Wales undertook wide-ranging reviews of their lack of economic powers. In Scotland, the Calman Commission explicitly recommended that Scotland should be given the power to borrow-and-invest, that major taxes such as income tax should be devolved (under special arrangement), and that the Scottish Parliament should be allowed to create its own taxes to be applied to Scotland only. The Holtham Commission in Wales produced similar conclusions. It found that “restricting the [Welsh] Assembly Government’s ability to manage its economic affairs ultimately undermines its direct accountability to Welsh citizens”¹¹, and also advocated for Welsh representatives to be granted significantly more ambitious borrowing and taxation powers.

No Commission was held in respect of the North. However, the OECD categorised the North as essentially ‘peripheral with respect to its political influence’ on Westminster for innovation-related policies¹².

The conclusions from these Commissions are supported by the academic literature on the issue.

Rodriguez-Pose & Gill (2005) found that more localised “decision-making can increase transparency and accountability by reducing the distance between politicians and their electorates”¹³. Moreover, they see a clear ‘economic dividend’ that arises when local political administrations have access to levers to tailor their own economic policies.

What these findings tell us is that decision making powers within a new all-island economic model would be more responsive, more effective, and more in line with the policy needs of people and the economy.

In a united Ireland the political representatives elected by the people, upon whom their decisions impact, will have full access to borrowing, taxation, and investment powers. It would allow for the development of bespoke localised macroeconomic strategy that could target the growth of key high value-added industries to deliver more and better jobs. Economists have pointed towards a growth in good jobs with higher wages that can be delivered through Irish reunification.¹⁴ Better quality, more secure jobs that pay more and create more value in the economy improve living standards and create more demand in the economy, and where aggregate demand rises, so too does employment as a general rule and the potential tax revenues raised.

11 Westminster Library & Research Service Note, SN/EP/6288

12 https://www.oecd.org/cfe/regional-policy/The_case_of_Ireland-Northern-Ireland.pdf - page 22

13 p409

14 Paul Gosling, Ten Year Plan for A New Ireland, 2018, p59-63 - <http://www.paulgosling.net/wp-content/uploads/2018/10/THE-TEN-YEAR-PLAN-FOR-A-NEW-IRELAND-v10.pdf>

COST OF PARTITION

– a peripheral border region at the expense of the whole island’s economic potential



BENEFIT OF UNITED IRELAND

– COORDINATED ECONOMIC DEVELOPMENT RESULTING IN GREATER INVESTMENT, MORE EMPLOYMENT AND HIGHER POTENTIAL TAX REVENUES

Since partition the border corridor has effectively been consigned to ‘periphery’ status limiting the economic potential of a significant section of our island and therefore of the whole island economy.

In the Irish State, the border region covers Donegal, Sligo and Leitrim, across to Louth through Cavan and Monaghan. Measured in Gross Value Added per capita, productivity in the southern border region is just 54% of the island average, and just 61% of the average of high-income European economies (EU-15)¹⁵.

In the North the border region takes in Derry and Strabane Council; Fermanagh and Omagh Council; Mid Ulster Council; Armagh, Banbridge and Craigavon Council; and Newry, Mourne and Down Council. As it sits today, it is a region that should be heavily integrated and coordinated for its largest economic sectors; including agriculture, construction, hospitality and tourism. However, it is divided by two different currencies and two states competing for investment and economic activity.

¹⁵ https://www.nerinstitute.net/sites/default/files/research/2019/productivity_on_the_island_of_ireland_a_tale_of_three_economies.pdf

**Gross Value Added per
Capita by ROI and
NI Sub-region 2014
as % of EU**

Source: CSO (2018a) & ONS (2017b)

Region/State	% of EU15 Average
Dublin	208.6
South-West	156.8
Belfast	136.8
ROI	128.0
Mid-West	97.9
Mid-East	91.3
West	90.6
South-East	85.0
NI	75.0
East of NI	70.0
Midland	63.8
West and South of NI	63.4
Outer Belfast	61.1
Border	60.5
North of NI	58.2

**Gross Value Added per
Capita by ROI and
NI Sub-region 2014
as % of All-Island Regional
Average**

Source: CSO (2018a) & ONS (2017b)

185	Dublin
139	South-West
121	Belfast
87	Mid-West
80	West
75	South-East
62	East of NI
57	Midland
56	West and South of NI
54	Outer Belfast
54	Border
54	North of NI

For example, the absence of a first class road and transport infrastructure in the north-west illustrates the economic difficulties which business faces in looking at investing in that region. Moreover, the wasteful competition and division arising from partition undermines the fortunes of both sides of the border region, spurning significant opportunities for more effective investment and efficient use of public resources. The result is an incoherent and unfulfilled economic development. The OECD in an important 2012 report¹⁶ noted that ‘distances are still an obstacle for all-island connections’ and it extolled the benefits of more integrated cross-border development on the island of Ireland.

These peripheral areas, with natural human, economic and geographic synergies, are divided. Local Councils, Westminster, the Assembly and Executive and the Oireachtas - each with different powers, policies and resources - undertake uncoordinated, and sometimes competing, economic planning in a way that stifles the true post-unity potential of the region¹⁷. Take Donegal, for example, which is a prominent aberration of partition. Despite being a part of Ulster with the northern-most points of the island, partition has siphoned off the area from its natural and historic region for economic integration and development – the North West of Ireland. Instead, it is included alongside ‘the West’ of Ireland and other border regions from which it is entirely distant, geographically and economically. Irish unity would allow for a much more efficient and effective development of the area alongside Derry and the north-west region.

¹⁶ https://www.oecd.org/cfe/regional-policy/The_case_of_Ireland-Northern-Ireland.pdf

¹⁷ Best & Bradley, <http://www.crossborder.ie/pubs/journal6.pdf> Bradley & Best, ‘Bypassed Places? The post-Belfast Agreement Border region economy’, *Journal of Cross-border Studies*, 6 (2011), 25-45.

The central point here is that the peripheral nature of the border region in both jurisdictions has undermined economic development there, resulting in low levels of domestic and foreign investment and poor-quality digital and physical infrastructure. For these reasons, Best & Bradley in their 2011 study of the border economy question if the border region is a 'bypassed place'¹⁸. In a further study they pointed to the decay in cross-border infrastructure since partition, and the many benefits of more integrated and strategic economic and infrastructural development¹⁹.

Partition has trapped the border region in a vicious cycle. Peripheral areas which are less productive than urban hubs such as Dublin and Belfast, for example, require public investment to improve infrastructure, which in turn improves productivity and stimulates more investment and economic activity. Without this public investment, this development doesn't occur. Private investors are discouraged by the poor quality broadband, mobile phone signal and transport infrastructure in the region. And therefore, uncoordinated and competing governments feel their returns will be more quickly realised by investing in already booming and infrastructure-rich regions. Indeed, the construction industry itself has warned for some years about the imbalanced and unequal nature of public capital investment and the economic impact of very low public investment in peripheral Irish regions²⁰.

Irish reunification would allow for more coordinated and strategic economic development across the island and especially within the border region, attracting more investment, improved productivity, and with it enhanced essential infrastructure. In turn, this offers significant economic benefits across the island of Ireland, by way of public revenue returns, overall increases in output, and boosts in higher-skilled employment.

By unlocking the full economic potential of all regions on the island, Irish unity can also improve the overall tax revenues available to the state and therefore shore-up the finances available for public investment.

Two studies conducted before and after the Brexit vote by Dr. Kurt Hubner (2015²¹; 2018²²) and others have already forecast the vast potential for increased economic growth if the economic opportunities of reunification are realised. Writing before Brexit, and taking account for the economic conditions of the all-Ireland economy in 2015, Hubner pointed to a boost in output (measured in GDP) in the order of €36bn within the first decade of reunification. Following the Brexit vote, he subsequently modelled a €23.5bn surge in output. With this increase in overall economic output and higher-skilled employment comes a direct boon in tax revenue available to the unified state.

There are also some particular peculiarities of partition that result in tax and economic inefficiencies on both sides of the border. Between 23,000 and 30,000 people routinely cross the border for work²³²⁴. Through their employment, these workers create output and value in one jurisdiction, and pay into the public finances of that jurisdiction in income tax, and some other more minor tax interaction. However, in returning home they are using the public services and infrastructure of the area where they live, but don't work. This places a natural pressure on these services, but the state concerned doesn't benefit from the economic activity or tax revenue contributed to fund these services, which is instead captured in the state where they work. Through Irish reunification anomalies of this kind would be rectified, allowing an all-island state to benefit in kind from the full employment and tax contributions of all workers on the island.

18 Bradley, J. and Best, M. (2011), Bypassed places? The post-Belfast Agreement Border Economy

19 Cross Border Economic Renewal, John Bradley & Michael Best, 2012

20 <https://cif.ie/2017/04/03/low-investment-in-regional-infrastructure-leading-to-dangerously-imbalanced-economy/>

21 <https://prcg.com/modeling-irish-unification/report.pdf>

22 https://issuu.com/mattcarthy5/docs/report_costs_of_non-unification_fin

23 <https://crossborder.ie/site2015/wp-content/uploads/2016/06/CCBS-and-Cooperation-Ireland-EU-Referendum-Briefing-Paper-4.pdf>

24 <https://borderpeople.info/site/wp-content/uploads/Briefing-5-revision15June2016.pdf>

COST OF PARTITION

– loss of EU membership for the North



BENEFIT OF UNITED IRELAND – FULL EU MEMBERSHIP FOR THE WHOLE ISLAND

The Good Friday Agreement created the conditions in which most people living in border areas could largely ignore the border as they went about their lives. North South co-operation and integration as a consequence of the peace process and the Good Friday Agreement was supported by the EU. Under Brexit this will end.

Brexit has ensured that only one jurisdiction on the island of Ireland will enjoy EU membership in the short term, with significant economic, political and community consequences and disruption. In April 2017, the EU asserted that in the event of reunification the North would automatically re-enter the European Union.

Early predictions about the impact of Brexit pointed to uniformly and severely negative economic consequences in both the north and south of Ireland. The political volatility in Britain in the years immediately following the Brexit vote in 2016 raised the prospect of a no-deal Brexit. In 2019, projections from the ESRI and several other think-tanks and researchers envisioned severe long-term (ten years or more) reductions in the output potential of the Irish economy in the event of a 'hard' or even 'no-deal' Brexit. These predictions estimated that the Irish economy would be between 2.3% and 7% smaller than it would have otherwise been in a long-term no-Brexit scenario²⁵.

But while the threat of a no-deal Brexit was abated by the Withdrawal Agreement and the Irish Protocol, it is by no means eliminated. The Johnson government has been especially bullish throughout the

²⁵ https://www.esri.ie/system/files/publications/QEC2019SPR_SA_Bergin.pdf

ECONOMIC BENEFITS OF A UNITED IRELAND

negotiations constantly threatening to walk away if the EU doesn't concede its demands and begin trading under WTO rules. In September it introduced legislation – the Internal Market Bill – that will effectively breach international law.

Britain and the EU may yet fail to reach an arrangement on a comprehensive free-trade agreement. A study by Copenhagen Economics (2020) commissioned by the Department of Business, Enterprise and Innovation (DBEI) in the south of Ireland predicts a hit to total output of the Irish economy in the region of 3.2-3.9% than it would have otherwise been in 2030, with this prediction based on the text of the revised political declaration²⁶. The same report makes clear that the threat of a 'no-deal' remains, and the corresponding hit to overall output would be twice as harmful, totalling 7% in foregone economic growth.

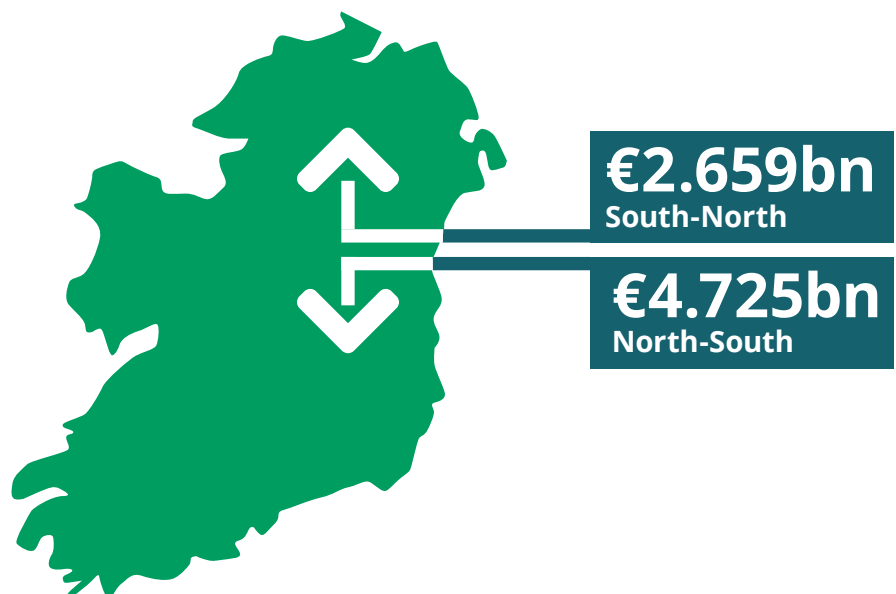
This is to be expected, given the close trading relationship between the islands of Britain and Ireland, and the level of economic integration between both jurisdictions on the island of Ireland. Furthermore, in whatever free trade arrangement transpires by the end of the transition period, all circumstances will result in increased non-tariff barriers and administrative burden for firms across Britain, and potentially the south of Ireland²⁷.

Under the Irish Protocol trade in goods flowing 'north-south', and therefore into the EU, is covered by the EU's customs code, and some single market rules will also apply in order to avoid a regulatory border. The EU insists that customs checks are necessary on goods travelling from Britain into the North where those goods might travel on into the EU.

STATISTIC ON CROSS-BORDER GOODS & SERVICES TRADE ON THE ISLAND OF IRELAND

Total cross Border Trade
€7.384bn

All data 2018



For now, the Irish Protocol mitigates the threat of severe and immediate disruption to all-Ireland cross-border trade. In 2018, businesses in the North exported goods and services worth some £4.2bn to the south of Ireland, making it the largest non-British export market for firms in the north by a considerable margin²⁸. However, any free trade agreement is likely to result in a decline in 'east-west' trade flows. Studies estimate that even under a free trade agreement, flows of goods between the EU and Britain will fall by as much as 40%, with flows of services set to fall further by as much

26 <https://dbe.gov.ie/en/Publications/Publication-files/Assessment-economic-impacts-Ireland-EU-UK.pdf>

27 [https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/quarterly-bulletin-signed-articles/dealing-with-friction-eu-uk-trade-and-the-irish-economy-after-brexite\(conefrey-and-walsh\).pdf](https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/quarterly-bulletin-signed-articles/dealing-with-friction-eu-uk-trade-and-the-irish-economy-after-brexite(conefrey-and-walsh).pdf)

28 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Overview-of-NI-Trade-April-2020.pdf>

as 60%²⁹. Indeed, the Irish Protocol doesn't take account of cross-border trades of services critical to the Irish economy, including financial services involving entities from commercial banks to local Credit Unions, and there is uncertainty around the professional qualifications of occupations such as accountancy or architecture.

The customs and regulatory processes that could be introduced between a united Ireland EU member state and Britain could pose challenges for SMEs in the North. However, the benefits of unification including full membership of the EU outweigh this. The Southern state has two official languages – Irish and English. Being the only English speaking state in the Eurozone has been an economic advantage for the Southern state. As a result of Brexit it is now the only English speaking state in the European Union. This factor will be an incentive for private investment, especially US investment³⁰. Irish Unity will enable the North to similarly benefit. Sinn Féin supports the Irish language. We continue to work for language equality in the North and across the island.

Despite the implications of Partition, north south trading is already growing. In 2018 cross border trade amongst Small and Medium Enterprises was at an all-time high and was valued at £6.5bn³¹. Figures also show that a greater number of businesses in the north now trade from north to south than to anywhere else including Britain. NISRA figures show that 8,631 businesses trade from north to south compared to 8,147 businesses trading from the North to Britain.³² And this is the trajectory. The continued growth and increased value in north south trading has shown that the All-Ireland economy is becoming increasingly important and that this could be further utilised in the event of reunification.

How trade between the North and Britain would be impacted in the event of Irish Unity is less clear. The argument is regularly made by Unionists that Britain is the north's "most valuable trading partner", however that argument is primarily based on the value of trade between the North and Britain being higher than trade to anywhere else.

In reality, this assertion is open to critique as it overlooks the fact that in the north more businesses trade from north to south than from the north to Britain, it also overlooks the fact that at least a proportion of trades to Britain are reliant firstly on north south supply chains and intermediary trades during the manufacturing of goods. Around 39% of Cross Border trade is trade in Intermediate Goods.³³

The assertion that trading between the north and Britain would be negatively impacted or that the north has more to lose in terms of trading with Britain in the context of Irish Unity is debatable and can be rebutted in numerous ways.

Firstly, it is important to note that the biggest disruption or threat to trade between the north and Britain is not Irish Unity but Brexit. As mentioned above the promises made by the British Government that there will be "unfettered" or entirely seamless trade between the North and Britain in the event of Brexit are inaccurate.

The Irish Protocol means that goods travelling from Britain into the island of Ireland will generally require the same checks in the north and in the south. The rules specifically state that only those goods entering the north from Britain which are 'at risk' of entering the Single Market will require checks. However, the identification of what constitutes an 'at risk' good is currently part of negotiations and it is possible that all or many goods from Britain will require checks. In reality this means that once Britain leaves the EU, it is likely that the traders in the North will have to sign customs declarations prior to trading products to and from Britain, for many small traders it is likely that they will look

29 Hantzsche, A. and G. Young. 2019. "The Economic Impact of Prime Minister Johnson's New Brexit Deal." National Institute Economic Review, No. 250.

30 Regan & Brazys, Leprechaun Economics

31 <https://intertradeireland.com/news/cross-border-trade-hits-new-high>

32 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Overview-of-NI-Trade-April-2020.pdf>

33 Cross Border trade is in Intermediate Goods

beyond Britain for trading opportunities rather than incur customs costs and barriers associated with the British Market.

In the context of Irish Unity the checks on what are to be termed 'at risk' goods from Britain that are enshrined in the Protocol will remain unchanged, as the north would return to the EU and be still bound by single market rules on goods travelling from Britain. In the event of Irish Unity there would be no additional burdens in terms of these trades from Britain as the EU Rules on this are already applicable.

The perception that Irish Unity would lead to a decline in trading between the North and Britain is also debatable given that the North is already trading less with Britain despite being under British Rule.

NISRA figures from 2018 have shown that external sales between the North and Britain declined by 9.3% in 2018³⁴. This occurred despite the north being under British Rule, using a British currency and being part of what Unionists term as the UK Internal Market. The figures indicate that even in advance of tariffs being implemented northern businesses are becoming less reliant on trade with Britain. This is further evidenced by the fact that in 2018 the North's total exports (£11.2bn) were higher than its external trades to Britain (£10.6 bln), this meant that for the first time since survey records began in 2011, the north exported more goods to other countries than to Britain.³⁵

It is also important to note that with Brexit negotiations ongoing the projected increase or decrease in trade between the North and Britain under a United Ireland, is largely susceptible to the terms of a future trade agreement between the EU and UK. Until the terms of this become clear it is difficult to assess the full impact on trade that Irish Unity would have.

Finally, there is no provision in the Protocol for free movement of people. Whilst it is stated that this will likely be covered by the Common Travel Area (CTA), this claim has no legal underpinning within the Irish Protocol. In any case, it is almost certain that such free movement will only cover British and Irish citizens and not those from other EU states. As a result, employers in the north could lose access to the EU labour market, which will be particularly damaging in the hospitality and agri-foods sectors, as well as the health service which could be left unduly exposed in the wake of the COVID-19 pandemic. It will also restrict cross-border movement for EU nationals for purposes of education, health, and childcare. This restriction on the all-Ireland travel of EU citizens for essential skills development and economic activity could create difficulties, particularly in border areas.

The North is also likely to lose access to amounts of funding and essential expenditure that had been relied on through transfers from the European Union if this is not compensated for in any negotiations. Initial indications point to British attempts to replace elements of Common Agricultural Policy (CAP) funding. Whether this materialises remains to be seen. It applies also to funding directed towards factors that are essential for long-term and 'high-road' economic development, including essential infrastructure, Research & Development (R&D) (through the Horizon programme), and green transformation funding. Re-entry into the EU will allow the North to gain access to vast quantities of investment capital, from the European Investment Bank among other sources, essential for the economic challenges of today and the future.

Reversing the negative effects of Brexit is an economic necessity. Irish unity would allow the North to enjoy full benefits of EU membership including access to the European market and to substantial funding and investment opportunities offered through EU programmes and institutions, while enabling further all-Ireland integration.

34 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Overview-of-NI-Trade-April-2020.pdf>

35 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Overview-of-NI-Trade-April-2020.pdf>

COST OF PARTITION

– foregoing full potential
of the green economy



BENEFIT OF UNITED IRELAND

– MAXIMISE POTENTIAL OF THE GREEN
ECONOMY.

FOR A **CLEAN, GREEN** IRELAND.

Among the largest untapped avenues for growth potential in the Irish economy is the green economy. Despite having some of the most abundant renewable energy resources in the world, the green economy across the island has underperformed in comparison to other high-income states, and states in the developing world.

In economic terms the challenge of meeting our climate obligations is immense, even for a sovereign state with access to international bond markets, and access to fiscal levers to deploy this finance in innovative and effective ways. For a small state like the North, with significant economic weaknesses compounded by decades of economic isolation, and denied access to a meaningful scale of investment capital, the challenge may be insurmountable.

Irish unity is the route through which economic benefits of the necessary transition including green jobs and greater security of energy supply can best be realised. The benefits from economies of scale and all-island spatial planning apply equally to the green economy. To meet climate obligations and achieve a net-zero carbon society by 2050, as is required by the climate science, we need a vast array of, and rapid increase in, high-skilled green collar jobs, in construction, public transport, retrofitting, research & development of new technologies, environmental resilience, and policy development, among other things.

Partition means that the benefits of a transition to a zero-carbon economy will be dampened significantly, as both parts of the island compete against each other for private renewables investment while operating two incoherent and potentially conflicting green economic agendas. Furthermore, continued partition during this crucial opportunity for sustainable development across the island means that the wasteful and inefficient folly of back to back development of infrastructure will continue, particularly for the modern, innovative and likely expensive infrastructure required for the zero-carbon transition.



In 2017 the island of Ireland produced 80 million tonnes of Carbon Dioxide (CO₂). According to the Intergovernmental Panel on Climate Change (IPCC) – the United Nations body for assessing the science related to climate change – the world must reduce this to net zero emissions by 2050 at the latest.

Source:

IPCC (<https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>)

EPA (https://www.epa.ie/pubs/reports/air/airemissions/ghg/nir2019/Ireland%20NIR%202019_Final.pdf)

NAEI (https://naei.beis.gov.uk/reports/reports?section_id=4)

WE CAN AFFORD TO UNITE IRELAND

– the subvention explained



A UNITED IRELAND WILL BE
MORE PROSPEROUS

The 'subvention' is the difference between the revenue raised and the money spent in the North. There has been much debate over its size.

According to the official statistics, £18.5 billion of revenue is raised in the North. However, economist John Fitzgerald demonstrated that this statistic underestimates the corporation taxes generated from businesses operating in the North by approximately £500 million. So the figure for revenue raised in the North should be increased to £19 billion.

Total expenditure is £27.9 billion. But spending on the military and defence, servicing British debt and overseas spending should be subtracted which reduces this figure to £25 billion.

This would put the subvention figure at £6 billion.

And it would be reduced further because £3.5 billion is spent on pensions. The people of the North have already accrued pension rights by way of their national insurance contributions. This fact was recognised by the then British Pensions Minister Steve Webb (7 May 2014) who during the debate on Scottish Independence referenced the rights of pensioners in Scotland. He stated:

"Yes, they have accumulated rights into the UK system, under the UK system's rules."

He said: "Take a Scottish person who works all their life and then retires to France... they still have an accumulated pension right in respect of the National Insurance they have paid in when they were part of the United Kingdom."

Therefore, the ultimate subvention figure will be determined by the outcome of negotiations. This figure will range from between £2.5bn to £6 billion.

For a more detailed examination, see Appendix 1.

✘
£10bn
MYTH



✔
£2.5-6bn
REALITY



Equal to 1.3-3%
of output of
Irish economy
(GNI*, 2019)

http://budget.gov.ie/Budgets/2021/Documents/Budget/Budget%202021_Economic%20and%20Fiscal%20Outlook.pdf

WE CAN UNITE IRELAND

– the German precedent and role of the EU

The experience of German reunification serves as a useful example of how planned economic integration and investment, including from the EU, can substantially improve economic conditions in the smaller jurisdiction involved in transition. While the economic output and living standards of Germany's East have not kept pace with West German development, they have, by any measure, improved dramatically. East German GDP per capita was just 43% of the same Western measure in 1991. By 2008 it had risen to 71%³⁶. When considered in a European comparison using the comparative measure of purchasing power parity (PPP in euros), East German GDP per capita rose faster than other more deprived European states, perhaps a fairer and more robust comparison than the industrial and economic powerhouse of then West Germany³⁷. Much of this was assisted by considerable EU support including through structural funding totalling just shy of €18 billion³⁸.

The role of the EU should be even more central in the case of Irish reunification. The Good Friday Agreement, around which the process of reunification is hinged, is an EU-endorsed treaty which has been materially supported by EU funding for two decades.

In April 2017 the EU asserted that in the event of reunification, the North would automatically re-enter the European Union as a member. This simple but profoundly important guarantee means, in economic terms, the potential difficulty faced by Scotland which might have to negotiate membership of the EU in the context of independence, does not apply to the island of Ireland.

Direct support from the EU could come in the form of a bespoke funding mechanism designed to stabilise the process of reunification, however gradual this process may be. PEACE funding represents an already existing and very material example of such a fund, which has supported the peace process through investment in the North and the surrounding border area in the South.

EU funding can be divided between social and reconciliation funding, and direct capital investment to improve economic integration and coordination across the island, but particularly in the 'peripheral' border area.

36 'Rethinking the need for reunification', 2013, Seong-Joon

37 Ralph M. Wrobel, "The Benefits of German Unification: A Review after 20 Years," Seminar "20 years of German unification and Korea's unification readiness" hosted by the Korea Institute for National Unification, October 5, 2010

38 Wrobel, 2010 http://www.ordnungs-politisches-portal.com/Lehrmaterial/04_03_Wrobel-TheBenefitsOfGermanUnification.pdf

Conclusion

The issue of Irish Unity is now a main topic of discussion in Ireland and internationally.

Our aim in publishing this document is to inform that discussion on relevant facts about the economic benefits that will accrue from a reunited Ireland and add to the call for the Referendum promised in the Good Friday Agreement.

This document explains the economic consequences of partition, in particular for the border region and the North.

It advances the economic case that the entire island of Ireland will benefit economically from Unity. It is not a question about whether we can afford Irish Unity the fact is that we cannot afford partition.

Irish Unity and an all-island economy is the best way to build a prosperous Ireland.

A united Ireland economy would enjoy significant benefits by way of infrastructure, investment, taxation, and employment.

Brexit, the economic consequences of the COVID-19 pandemic, and the climate and biodiversity crisis, are best faced with a united Ireland economy operating to its full potential.

The time to begin planning to realise these economic benefits, and the broader benefits of reunification, is now. To fully realise and plan for an economic transition to a more equal, greener and healthier economy we must engage with these debates and plan for a different future.

APPENDIX I

– TECHNICAL NOTE ON THE SUBVENTION

The subvention refers to the difference between the revenue raised and the money spent in the North. We recognise that a deficit requiring subvention does exist, but it is not the £10 billion that some claim.

In this section, we examine the scale of the subvention that may be required upon reunification.

Table 1 - Public spending in the North of Ireland, 2018-19

	£ billions
Revenue raised	18.5
Total Managed Expenditure	27.888
Accounting Adjustments	3.21
Total Expenditure on Services	24.677
Identifiable expenditure	21.807
Non-identifiable expenditure	2.105
'Outside the UK' expenditure	0.765

Source: *Country and Regional Public Sector Finance 2018-19 Expenditure Tables*, Office of National Statistics³⁹; *Public Expenditure Statistical Analyses 2020*, British Treasury⁴⁰

Table 1 breaks down the main pieces of public spending in the North, and we engage in detail with these terms below.

Total Managed Expenditure (TME)

This is the main measure of public spending in the North and in Britain. But for reasons explained below, it is a misleading way for measuring public spending of the North's local public services that would exist in the event of Irish reunification.

It is also the main reason why people give a view of the subvention that is inaccurate.

It is the sum total of a) total expenditure on services, and b) accounting adjustments.

In 2018-19, this totalled £27.888bn. When subtracted from revenue said to be raised in the North (£18.5bn in 2018-19) a subvention figure of £9-10bn is arrived at.

But as detailed below, this is an ill-informed way of predicting the deficit that may exist in the event of Irish unity.

Total Expenditure on Services (TES)

TES, is very similar to TME. TES added to 'Accounting Adjustments' (explained below) gives you the TME figure.

39 <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/countryandregionalpublicsectorfinanceexpendituretables>

40 <https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2020>

'Total spending on services' is the sum of two types of spending in the North – identifiable spending (spending that actually takes place in the North), and non-identifiable spending (spending on British priorities for which the costs are passed to the North).

The distinction between these two forms of spending, which are essentially accounting exercises, is at the heart of the subvention confusion.

Identifiable expenditure

This is spending actually carried out by councils and the Executive in the North on essential day-to-day public services, social protection, and capital projects.

In 2018-19, identifiable spending totalled £21.807bn.

Non-identifiable expenditure

No Council or Executive minister spends this money, just the British government.

These costs should not be simply lumped into a subvention figure.

For example in 2018-19, the British government passed on to the North a total net cost of £2.105bn in non-identifiable spending.

But this is after 'EU transactions' are included in the sums. Before this happens, the gross figure is £3.126bn⁴¹. Of this, the North was sent a bill of £1.12bn to fund the British military - among the most expensive in the world - and a further £1.6bn to help Britain pay down its colossal debt.

In other words, 87% of non-identifiable spending passed on to the North goes towards funding Britain's vast military and helping service its national debt.

Outside the UK

This spending is essentially another 'non-identifiable spending'.

It is what the British government commits overseas, towards which the North is made to contribute.

Again, locally elected institutions in the North have no say in how this money is spent, but nonetheless official public finances show that the North is made to pay its share and as such it is therefore included in the misleading subvention figure of £9bn-£10bn.

Accounting adjustments

The majority of the accounting adjustments relate to capital depreciation. It features as both an expenditure and as a balancing item on the revenue side. Discounting this would not have a net impact on the calculation of the subvention.

Discussion

So where does all of this leave us in our efforts to accurately estimate the fiscal deficit in the North of Ireland?

We now know that the vast majority of all non-identifiable spending can be discarded in any credible subvention estimate, including British military spending as well as the diplomacy and political activities of the British government overseas. The Irish state already has a much smaller defence force and an overseas political presence.

We also know that TME is the wrong measure of expenditure to use.

Instead, identifiable spending of £21.807bn more accurately reflects real spending in the North.

⁴¹ This isn't the final non-identifiable spending figure, and as such is included here for illustrative purposes.

When this total is subtracted from revenue of £18.5bn, an indicative subvention of £3.3bn arises. When about £3.2bn of accounting adjustments are included, we are left with a provisional subvention estimate of £6.5bn.

The purpose of this calculation is to determine the 'extra cost' of the North on the finances of the south of Ireland in the event of unity. Therefore, the issues of 'assets and liabilities' must be considered.

Some £3.5bn was paid out in pensions in the North in 2018-19⁴². Liability for the payment of the pensions for Northern Residents in the event of Unity will be subject to a negotiation between both Governments. This was confirmed and acknowledged by British Ministers during the Scottish Referendum when the issue of Pensions arose. Given that access to a British State Pension is based on a person's National Insurance Contributions as opposed to their Citizenship, it is arguable that the British Government is fully liable for paying the pensions of Northern Residents who have made National Insurance Contributions over a 10-year period.

When asked about whether Scottish Citizens would still have a right to a Pension at all in the event of Scottish Independence, the then British Pensions Minister Steve Webb⁴³ (7 May 2014) stated:

"Yes, they have accumulated rights into the UK system, under the UK system's rules."

He said: "Take a Scottish person who works all their life and then retires to France... they still have an accumulated pension right in respect of the National Insurance they have paid in when they were part of the United Kingdom."

Asked whether citizenship would matter, Mr Webb told MPs:

"Citizenship is irrelevant. It is what you have put into the UK National Insurance system prior to separation. Answer [for example] 35 years, that builds up to a continued UK pension under continuing UK rules. They are entitled to that money. The question is, who is paying for it, and how is that [cost] split?"

So, depending on the outcome of any negotiation this will further reduce the subvention substantially.

Finally, £18.5bn may be an underestimate of revenue raised, given the way in which these estimates are produced.

For example, the 'national gross operating surplus' of the economy in the North (i.e. the sum total of all private profits in the economy) in 2012 was 2.3% of the British economy. But in 2016, just 1.4% of corporation tax revenue from profits across the British economy were attributed to the North.

If a more accurate measure of profits was used, such as 'national gross operating surplus', then corporation tax coming from the North could be underestimated to the tune of up to £500m. This would have a further impact on bringing down the touted subvention figure.

So the real cost of the subvention sits somewhere between £2.5bn and 6bn with the strong likelihood that it will be closer to the lower end. And this is before we even consider the extremely positive impact that economic growth arising from decision making by locally elected representatives, bespoke economic planning and co-ordinated economic development would have on the subvention in the event of Irish unity.

42 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901406/CCS207_CCS0620768248-001_PESA_ARA_Complete_E-Laying_002_.pdf - page 172

43 <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-27309215>



Sinn Féin

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