Northern Ireland after Brexit

SUMMARY

The United Kingdom’s vote to leave the European Union (‘Brexit’), by referendum in June 2016, raised particular concerns in and about Northern Ireland, which had voted by 56 per cent to remain within the European Union. Principal among these concerns was the prospect of a ‘hard’ border, potentially upsetting the delicate balance between the region’s status as part of the United Kingdom and its close relationship with Ireland. There were fears that this in turn could disrupt the peace process and the progress made since the 1998 Good Friday/Belfast Agreement.

Given the UK’s insistence on leaving the EU’s customs union, the question of avoiding a hard border without introducing new divisions between Northern Ireland and the rest of the UK was a particular challenge in the withdrawal negotiations. The Withdrawal Agreement eventually adopted in January 2020 envisages that the region will nominally be part of UK customs territory, but retain close ties to the EU customs union and single market regulations on manufactured and agricultural goods, with the aim of enabling unobstructed trade to continue between the two parts of the island of Ireland. Much will depend on the detailed arrangements for implementing the Agreement, to be worked out by a specialised committee of EU and UK representatives, which met for the first time on 30 April 2020.

With uncertainty as to how Northern Ireland’s rather ambiguous status under the Withdrawal Agreement will work in practice, trade and investment could see some disruption. Economic effects could also result from migration restrictions – given the large number of EU nationals working in Northern Ireland – and the loss of some EU funding. There are also political implications, with the Brexit process having brought debate on Northern Ireland’s status as part of the UK back on to the political agenda.

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Parliament Buildings at Stormont in Belfast, seat of the Northern Ireland Assembly.
Good Friday/Belfast Agreement

Historical background: Partition and conflict

Many of the concerns over Brexit in Northern Ireland relate to a fear that upsetting the status quo could re-ignite the conflict between nationalists (from a Catholic background), many of whom oppose what they see as British occupation of Irish territory, and unionists (from a Protestant background), who mostly want the region to remain part of the United Kingdom. Ireland was partitioned in 1921, after a 1916 uprising against British rule. The southern part of the island became the Irish Free State, and subsequently an independent republic. The six counties of Northern Ireland remained part of the UK, with a majority Protestant population.

Partition was opposed by the nationalist minority still living in Northern Ireland, who mostly wanted to live in a united, independent Ireland. Tensions between nationalists and unionists culminated in the Troubles, a 30-year period of violence that started in the late 1960s. A heavy police and army presence, numerous checkpoints and 'peace walls' physically segregating nationalist and unionist neighbourhoods were unable to prevent conflict between the two communities. Some 3,600 were killed, half of them civilians, and thousands more were injured.

Steps towards reconciliation

The Belfast Agreement, signed on Good Friday in April 1998 (and therefore widely known as the Good Friday Agreement), was an important step towards ending the fighting. The British and Irish governments, as well as most of the political parties in Northern Ireland on both sides of the conflict, signed the Agreement. Its main provisions were as follows:

- Northern Ireland has an autonomous Executive (government), elected by an Assembly. To ensure cooperation between unionists and nationalists, both sides must be represented in the Executive, and key decisions of the Assembly, including election of the First and Deputy First Ministers, can only be taken if supported by members from both sides.
- The Agreement strengthens ties between Ireland and Northern Ireland through a North-South Council. Ministers representing the Northern Ireland Executive and the Irish government meet regularly to coordinate policies across the whole island.
- The Irish government also engages with its counterpart in Westminster through a British–Irish Council (also including representatives from Northern Ireland, Scotland and Wales, as well as Jersey, Guernsey and the Isle of Man) and in Intergovernmental Conferences.
- The Agreement confirms that Northern Ireland remains part of the United Kingdom. However, it also requires the UK government to organise a 'poll' (referendum) should it feel it is likely that a majority would support a change of status. The UK government commits to respecting the result of that poll.

Since then, the level of violence has subsided considerably, although not completely. Not all sectarian tensions have disappeared; despite plans to dismantle all remaining ‘peace walls’ in Northern Irish cities by 2023, many are still standing (indeed some new ones have been put up since 1998). Cooperation between the Democratic Unionist Party (DUP) and Sinn Féin, the two parties with the largest vote from the unionist and nationalist communities respectively, is not always straightforward; a dispute between them led to the collapse in 2017 of the power-sharing executive put in place by the Belfast Agreement and the suspension of the Northern Ireland Assembly. After mediation by the British and Irish governments, the Assembly and Executive finally resumed work in January 2020.
Despite such continuing problems, Northern Ireland is considered a successful example of how dialogue can resolve long-standing tensions and bring lasting peace. According to a 2018 survey, 50% of the population considers itself neither unionist nor nationalist, suggesting that the importance of sectarian differences is fading.

Squaring the circle – Northern Ireland’s status after Brexit

Brexit and the open border between Ireland and Northern Ireland

Following a commitment under the 1998 Good Friday/Belfast Agreement to demilitarise the border, watchtowers and checkpoints along the border were dismantled, allowing travellers to cross freely. Under the common travel area between the UK and Ireland, passports were not required to cross the border, while customs checks were phased out by the EU single market, which allowed the free movement of goods, persons, services and capital between the United Kingdom and Ireland. However, on 1 February 2020, the UK left the EU; under the January 2020 Withdrawal Act, the UK is also set to leave the EU single market and customs union on 31 December 2020, unless the 11-month transition period is extended.

Brexit raises the question as to how an open border could be maintained, when the countries on either side no longer form part of the same customs territory. Given the deep economic integration between the two halves of the island, reinstating a hard border would be disruptive. It would also be a setback for the peace process, in view of the fact that the open border is symbolic of reconciliation. For these reasons, the EU has repeatedly insisted that the border must remain open even after Brexit. However, without customs checks, how would it be possible to ensure that goods entering Ireland from Northern Ireland comply with single market and customs rules?

Protocol on Ireland/Northern Ireland: The backstop

The status of Northern Ireland was one of the most difficult issues tackled in withdrawal negotiations between the EU and UK. The Protocol on Ireland/Northern Ireland agreed by both parties and attached to the draft withdrawal agreement finalised in 2018 envisaged a backstop: a guarantee that, until a satisfactory alternative solution could be found, the UK including Northern Ireland would remain part of the EU customs union. In addition, Northern Ireland (but not the rest of the UK) would also continue applying EU standards on agricultural and manufactured goods, as well as on State aid. While UK authorities would be responsible for enforcing EU standards in Northern Ireland, the European Commission and ultimately the European Court of Justice would have responsibility for overseeing compliance.

Keeping the same customs rules and standards in Northern Ireland and Ireland would have eliminated the need for a hard border with checks on goods passing from one half of the island to the other. However, the backstop was highly controversial. Critics objected that it compromised UK sovereignty, effectively separated Northern Ireland from the rest of the UK, and stood in the way of a balanced future relationship between the UK and the EU. Such concerns were among the main reasons why the UK Parliament repeatedly rejected the 2018 deal.

Revised Protocol: Northern Ireland in or out of the single market?

The revised Protocol1 to the Withdrawal Agreement, concluded in January 2020, closely resembles the preceding version, but with some important differences. Its provisions, which take effect after the transition period (due to end on 31 December 2020, but with the possibility of extension), still envisage an open border, with continued application of single market rules on agricultural and manufactured goods, and on State aid, enabling unrestricted trade between Northern Ireland and Ireland. The European Court of Justice maintains a certain jurisdiction over Northern Ireland. However, unlike the backstop, the arrangements enabling this to happen are permanent (subject to consent by the Northern Irish Assembly after a number of years and periodically thereafter; see box), rather than a temporary solution pending a long-term agreement.
A second difference is that, whereas the backstop would have kept the whole of the UK in the EU customs union, the 2020 Protocol concerns Northern Ireland only. Furthermore, despite being tied to EU customs rules, the region is defined as part of the UK customs territory. It may therefore be included in the scope of free trade agreements concluded by the UK with non-EU countries.

In November 2019, British Prime Minister Boris Johnson was still insisting that there would be ‘no forms, no checks, no barriers of any kind’ for trade in either direction between Northern Ireland and the rest of the UK. However, it seems likely that there will be a significant amount of additional red tape. The UK government’s own October 2019 impact assessment acknowledges that goods crossing the Irish Sea from Great Britain to Northern Ireland will have to complete both import declarations and entry summary declarations, at an estimated cost of £15 to £56 per declaration. Agri-food goods will also probably have to undergo costly and potentially disruptive checks for compliance with EU rules. Working out detailed arrangements that satisfy, on the one hand, the EU’s concern to prevent Northern Ireland from becoming a backdoor for uncontrolled access for UK goods (or goods from other countries, re-exported from the UK) to the EU single market, and, on the other, the UK government’s aim to minimise intra-UK trade barriers, could be difficult.

Even though the 2020 Protocol defines Northern Ireland as part of UK customs territory, it also envisages that import duties will be payable on certain, as yet undefined, categories of goods that arrive in the region from Great Britain and are considered to be ‘at risk’ of ending up in Ireland. Traders will be reimbursed for duties paid if they can prove that their goods have not left Northern Ireland. A specialised committee, under the Joint Committee of EU and UK representatives overseeing implementation of the Withdrawal Agreement, has to decide before the end of the transition period on the types of goods concerned. Its first meeting took place on 30 April 2020, by videoconference owing to coronavirus travel restrictions. The Commission published a statement after the meeting, ‘underlining the importance of the UK setting out its plans with regard to all implementation measures prescribed by the Protocol on Ireland/Northern Ireland and providing a detailed timetable’. It also published a technical note setting out the measures concerned.

Import duties would largely be eliminated if the EU and the UK were to conclude a free trade agreement (FTA). However, even with such an agreement, tariffs would still apply in some cases. For example, goods coming from Great Britain to Northern Ireland, but originating from countries that do not have free trade with the EU would have to pay EU import duties. Complex goods such as cars tend to include components from several different countries; UK exporters of such goods to Northern Ireland would need to establish whether their products qualify under the FTA’s rules of origin as UK exports, significantly adding to the cost and complexity of export procedures.

The UK Parliament approved the new version of the Protocol in January 2020, together with the rest of the Withdrawal Agreement (unchanged from the 2018 draft in most other respects). On the other hand, the Welsh Assembly and Scottish Parliament, as well as the Northern Ireland Assembly overwhelmingly rejected the Agreement in the same month. In Belfast, unionists warned of trade barriers between Northern Ireland and the rest of the United Kingdom, while nationalists objected to the whole idea of Brexit. Those subnational votes were not binding on the UK government and did not prevent the Agreement going ahead. However, the Northern Ireland Assembly will be asked to consent to the Protocol's customs and single market provisions four years after the end of the transition period, and then again at intervals of four or eight years (see box), and this time its vote will be binding. If the Assembly withholds its consent, the provisions will cease to apply two years later.

Consent by the Northern Ireland Assembly
The Northern Ireland Assembly will be asked to consent to the customs and single market provisions for the first time four years after the transition period ends. As long as the provisions remain in force, subsequent consent votes will take place at intervals of either four or eight years, depending on whether the preceding consent vote was:

a) by a simple majority of votes cast (four years), or
b) with cross-community support, defined either as a simple majority of all votes cast including a majority of votes from both unionist and nationalist members, or 60 % of all votes cast and at least 40 % of both unionist and nationalist votes (eight years).
Implications of Brexit for Northern Ireland

Trade and investment

At present, trade in both directions between Northern Ireland and Great Britain, Ireland and the rest of the EU (which between them account for 83% of the region’s external trade) is essentially frictionless. Under EU trade agreements, Northern Ireland also has free trade with 37 non-EU countries.

With regard to exports, under the Protocol, Northern Ireland goods will still have unrestricted access to the region’s main export markets in the EU and Great Britain. On the other hand, they will no longer benefit from EU free trade agreements with some non-EU countries (although the UK may eventually negotiate its own agreements replacing these).

With regard to imports, EU goods will still enter Northern Ireland freely. On the other hand, imports from some non-EU countries could become more expensive, given that EU free trade agreements no longer apply. By far the biggest impact will come from additional import procedures (such as customs declarations) for goods entering from Great Britain. Although it is not yet possible to calculate exactly how much these will cost, one estimate suggests that supermarkets could end up paying thousands of pounds extra for each truck delivering British food products. Given that nearly one-third of the goods sold in Northern Ireland (and two-thirds of the region’s external purchases) originate from Great Britain, the impact on consumer prices could be considerable.

Uncertainty also has a negative impact on investment. While Northern Ireland has been relatively successful in attracting foreign direct investment (FDI), seen as a key driver of growth and jobs, an October 2019 report commissioned by the Northern Ireland Department for the Economy estimates that Brexit has cost the region around 1 000 FDI-related jobs since 2016.

Migration

Brexit will affect labour migration to Northern Ireland, which currently relies heavily on workers from outside the region. Many are migrants from the European Economic Area (i.e. the EU, plus Norway, Iceland and Liechtenstein). In 2016, 7% of employees were non-British and non-Irish EEA nationals, making Northern Ireland the UK region with the second highest level (after London) of labour migration from EEA countries outside the UK or Ireland. The agri-food sector is particularly concerned – for example on farms, where one-fifth of labourers are from EU countries such as Bulgaria, Romania and Poland.

Brexit is not expected to affect Irish nationals working in Northern Ireland, as the UK and Ireland have a long-standing Common Travel Area, allowing British and Irish citizens to live and work in both countries. This arrangement pre-dates UK and Irish membership of the EU, and in May 2019, the two countries confirmed that it will continue regardless of Brexit. However, non-British/non-Irish EEA nationals in Northern Ireland are in a different situation: those already living in the UK can apply for settled/pre-settled status, which depending on the length of time already spent in the UK, can confer the right to stay and work there indefinitely. Under the points-based system envisaged by the UK government, new migration from EEA countries will probably be restricted from 2021: the system will aim to reduce overall migration, while prioritising skilled labour and giving equal...
treatment for EEA and non-EEA nationals. This could create problems for sectors (such as agri-food) which currently recruit large numbers of EEA nationals as unskilled workers.

EU funding

For 2014-2020, Northern Ireland was allocated €3 533 million from EU Structural Funds and the common agricultural policy (CAP). As of February 2020, a further €82 million had been paid out for scientific research from Horizon 2020. Altogether, EU funding for the region is estimated at around €600 million (€710 million) a year. With the Northern Irish economy valued at £44 billion in 2016, this represents around 1.4% of the region’s GDP.

Under the EU-UK Withdrawal Agreement, the UK has committed to completing projects supported by EU programmes for 2014-2020. This means that Brexit will not affect EU projects agreed by the end of 2020.

However, no such guarantees exist for the post-2020 period. Inevitably, UK funding will fill some of the gap left by the end of EU programmes, but it is not yet known whether the level of funding will be the same.

The Northern Irish economy is heavily dependent on the public sector (which accounts for 27% of jobs, compared to the UK average of 21%). Therefore, any loss of funding resulting from Brexit would probably have a serious economic impact. Some sectors are particularly vulnerable, including agriculture, where farmers currently get 87% of their total income from EU CAP payments.

EU projects are not only about money; the PEACE and Interreg programmes have played a key role in healing divisions. To ensure that these benefits are not lost after Brexit, the European Commission and UK government have agreed to continue the activities of the two programmes during the 2021-2027 period (see box).

PEACE IV

EU funding for the first three PEACE programmes, running from 1995 to 2013, totalled €1.3 billion, while the current programme has €229 million of EU funding and €41 million from the governments of Ireland and Northern Ireland. It covers the whole of Northern Ireland and adjoining counties of Ireland. Its aim is to support and peace and reconciliation. For example, the programme paid for the Peace Bridge connecting nationalist and unionist districts in Derry/Londonderry, while Open Doors brings together former combatants from both sides and helps them to re-integrate into society. Other projects include a community centre; soft skills training for young people; and joint activities of schools and pre-schools. These involve participants from diverse backgrounds, including nationalist and unionist communities. Non-governmental organisations and political parties have praised the programme’s contribution to the peace process.

Interreg Va

Interreg promotes cross-border cooperation between Northern Ireland, Ireland and Scotland. Among other things, it supports tourism in border areas, small and medium-sized enterprises, scientific research and environmental protection.

The European Commission is preparing a new PEACE Plus programme for 2021-2027, combining the PEACE and Interreg objectives. PEACE Plus is expected to have around €600 million in funding, with €120 million from the EU and the remainder from the British and Irish governments.
Estimated total economic impact

Combining trade, migration and other impacts (but not potential changes to EU funding), an August 2019 Strathclyde University report attempts to calculate the likely costs of Brexit for the Northern Ireland economy. According to the report, agriculture and food will be among the worst affected sectors, but the overall impact will be quite limited: a scenario in which Northern Ireland follows EU single market rules, whereas the rest of the UK has a free trade agreement – roughly in line with Boris Johnson’s plans for a Canada-style deal with Brussels – would mean that Northern Ireland’s GDP will be 2.7% lower after 15 years than it would have been as part of the EU (equivalent to losing 0.2% of growth per year). With a ‘hard Brexit’ (outside the single market and customs union), this figure would rise to 3.3% of GDP. However, a November 2018 UK government analysis is much more pessimistic about the impact of a ‘hard Brexit’, which it calculates would shrink the Northern Ireland economy by 9% compared to frictionless trade.

Political impact: UK-Irish relations; status of Northern Ireland

Ireland and the United Kingdom both joined the EU in 1973. At a UK parliamentary hearing on the impact of Brexit, former Irish Taoiseach (prime minister) John Bruton (1994-1997) argued that EU membership had transformed the relationship between the two countries, leading to a more equal partnership. At the same hearing, Bruton’s successor Bertie Ahern (1997-2008) stated that joint participation in EU working bodies had greatly facilitated contacts between the two countries.

EU membership has also helped to ease tensions inside Northern Ireland. Although the Common Travel Area ensured UK and Irish nationals could move freely between the two countries independently of EU membership, the single market eliminated customs checks and made the border – and with it, the question of whether Northern Ireland should be part of the UK or Ireland – much less relevant to everyday life.

Fears of a return to a hard border have brought the question of the region’s political status back into political debate. As explained above, the Good Friday/Belfast Agreement provides that Northern Ireland can join Ireland if a majority of the population vote in favour. Until recently, this had seemed unlikely to happen in the short term, as most Northern Irish Protestants, who outnumber Catholics, have historically favoured union with the UK. However, things are changing; in the 2011 census, the share of the population identifying itself as Protestant fell below 50% for the first time, and according to forecasts, the long-term trend is towards a Catholic majority. This trend does not necessarily translate into majority support for reunification with Ireland, however, given that not all Catholics are Irish nationalists. On the other hand, concerns over Brexit provide additional arguments for advocates of Irish unity.

Since the EU referendum, some opinion polls have pointed to a narrow majority in favour of Irish unity (although others suggest the opposite). In 2016, Irish nationalists called for a ‘border poll’ (the referendum on Irish unity provided for in the Good Friday/Belfast Agreement), calls which the UK government has so far resisted.

**EU citizenship**

Whereas UK citizens from Great Britain lose their EU citizenship, unless they have dual nationality, Northern Ireland residents have the possibility of keeping it, thanks to a key provision of the Belfast/Good Friday Agreement affirming ‘the birthright of all the people of Northern Ireland to identify themselves and be accepted as Irish or British, or both’. In December 2017, EU and UK negotiators agreed that ‘the people of Northern Ireland who are Irish citizens will continue to enjoy rights as EU citizens, including where they reside in Northern Ireland’. Despite that, the Protocol on Ireland/Northern Ireland does not include provisions setting out how they can exercise or benefit from any specific rights. Questions have been raised over whether and how Northern Ireland-resident Irish citizens would, for example, have the right to healthcare when travelling to other Member States or to transfer pensions.
Risk of re-igniting sectarian violence

In April 2019, journalist Lyra McKee was shot dead while reporting on riots in Derry/Londonderry. The New IRA, an Irish nationalist terrorist group, which broke off from the Provisional Irish Republican Army in 2012 and has carried out several attacks since then, claimed responsibility for her death. At the time, the incident sparked concern that, with the re-opening of the debate on the status of Northern Ireland, Brexit was aggravating sectarian tensions. However, police figures (Figure 4) suggest that the level of violence remains stable, and well below that of the 1990s or early 2000s.

European Parliament position: in its resolutions of 11 September 2018 on the impact of EU cohesion policy on Northern Ireland, of 18 September 2019 on UK withdrawal from the EU and on 12 February 2020 on the proposed mandate for negotiations for a new partnership with the UK, the Parliament:

- emphasises the positive impact of EU funding on the Northern Irish peace process, especially from the PEACE programme, and hopes that the UK will continue to participate in PEACE and Interreg after Brexit;
- calls for continued implementation of the Good Friday/Belfast Agreement;
- warns against a hard border between Northern Ireland and Ireland;
- calls for greater clarity on how the UK plans to implement the Protocol to the 2020 Withdrawal Agreement on Ireland/Northern Ireland.

ENDNOTE

1 For a more detailed discussion of the two versions of the Withdrawal Agreement, see the EPRS briefing on: The revised Brexit deal What has changed and next steps?, Cirlig C., October 2019.

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