

# **Written Evidence submitted by Mr Mark Gardiner for the Northern Ireland Affairs Committee's inquiry into Northern Ireland and the EU Referendum (EUN0019)**

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## **Executive Summary**

I am undergraduate student in Law with Politics currently residing in Belfast. I am submitting evidence as I believe that there is not sufficient regard being given to the EU referendum's impact on Northern Ireland. I feel that it is important that these issues are addressed and the implications explored. I am submitting this evidence entirely in my own capacity.

This submission finds that there are dizzying risks involved in a United Kingdom (UK) exit from the European Union (EU). There will be significant limitations on economic development and a further loss of employment and human rights. Furthermore, a Brexit (Britain's exit from the EU) could jeopardize Northern Ireland's (NI) new found status as a hub for business, and a massive loss of funding for the agricultural industry. Frankly, an NI exit from the EU has the potential to be economically and politically devastating. It needs to be realized that Northern Ireland is in an extremely unique position and due regard must be given to this.

This submission will explore the following:

- Economic Implications
- Peace process Implications
- Employment Rights

## **2.0 Economic implications**

As a whole, the EU and the access to the single market have had an extremely positive impact on the UK economy on the whole. The single market allows for the free movement of goods, not subject to the red-tape and tariffs that an outsider will face (European Commission, 2016) The EU market is constantly growing and accounts for 45% of the UK's trade (Office for National Statistics, 2015) and grows by roughly 3% each year (City AM, 2015). Furthermore, 80% of businesses in the UK trade with the EU, and half of our largest trading partners are in the EU (UKTI, 2013). It is clear that the EU is a heavy contributor to the overall economic status of the UK – particularly regarding trades.

### **2.1 Northern Ireland and the EU**

The Irish Taoiseach, Enda Kenny, has stated that EU membership is largely linked to Northern Ireland's economic development (Watt, 2016). The impact that Brexit would have on the Northern Irish economy hinges on the type of trade agreement the UK creates with the EU under Article 50 of the Lisbon Treaty. MP Nigel Dodds has stated that the Democratic Unionist Party's (DUP) intention is to foster a trading relationship with the EU in the event of Brexit (UTV Staff, 2016). However, Brexit campaigners have conceded that access to the single market is unlikely in the event of an EU exit as these trade agreements are often hinged upon the acceptance of freedom of movement, something which would not be politically viable, as they are some of the main reasons for a Brexit (Straw, 2016). France's economy minister has stated that Britain will likely have a weaker negotiation status than it currently has and be unable to effectively compete with other larger markets such as China (Wintour, 2016).

Also, if the UK leaves the EU it will be the first time that Article 50 has been invoked and it is likely impossible to accurately pinpoint the impact. However, it is possible that the UK will be made an example of and will find it difficult to negotiate a favorable agreement.

It has been stated that a Brexit could cause UK Gross Domestic Product (GDP) to drop by 2.6% or increase by 1.1% (Masefield, 2014). Other GDP calculations have been less favorable; Deutsche Bank (2013) has suggested that leaving the EU will cause a decrease of 1-3%. (Budd, 2015) suggests that NI will likely be impacted more severely and its GDP may decrease by 3.0% which will be particularly affected by a loss of Foreign Direct Investment (FDI) and development programs. The Treasury recently released a report suggesting that the average household cost of a Brexit would be £4300 (HM Government, 2016). Simply put, the country is likely to be more prosperous if it remains in the EU (Giles, 2016).

This section will further explore the following economic issues which will have the potential to be affected by a Brexit: Foreign Direct Investment, Agricultural and US relations.

## **2.2 Foreign Direct Investment**

NI's economic development has recently had a surge in Foreign Direct Investment (FDI), which has increased its overall economic strength and job opportunities. FDI takes place when a company from another country, branches out and establishes a new business in the new host country (Moran, 2012). The continuation of the EU membership is vital to attracting these types of investment. Access to the single market will significantly impact the FDI that Northern Ireland will receive. In recent years, NI has been striving to cement itself as a hub for business and has had activity from multinational firms such as Allen & Overy, Baker & McKenzie, and a joint PWC and Google innovation laboratory that are all dependent on working with the EU (Compton, 2015).

The CBI (2011) has listed politically stability, access to markets, and tax as major influencing factors in attracting multinational firms; all of these have the potential to be negatively impacted by Brexit. It is arguable that NI will simply not be able to attract multinational firms without access to the single market as they all have a large European dimension. Equally, a Brexit could have a major impact on NI's planned corporation tax reduction as the potential transaction costs could bring it to a halt. Even in the event these transaction costs do not halt the plan, it is arguable that NI will become a less desirable location for FDI. According to the ERSI, the impact on the UK's attractiveness for investment will effectively reverse any positive impact that lowering the corporation tax will cause (Barrett, 2015). Furthermore, NI's risk will likely be larger as it shares a border with the Republic of Ireland which will have similarly low Corporation Tax and access to the single market (Committee for Enterprise, Trade and Investment, 2015). Trading opportunities are strongly linked to FDI's and thus Northern Ireland will be at a significant disadvantage when attempting to attract them (Fontagné, 1999).

## **2.3 Social Impact**

A loss of FDI could lead to negative impacts on social aspects, such as employment, as it can stunt economic growth and thus decrease employment opportunities (Zia *et al*, 2010; Bud, 2015). UK Trade and Investment have stated, that in the 2012/2013 period, Northern Ireland created almost 2800 jobs through FDI alone which was extremely positive as NI suffers heavily from low employment (Wier, 2013). The impact of FDI on employment can also be noted in Ireland, and IDA Ireland (2016) stated that 1 in 5 private sector jobs in Ireland come from international firms. Although, it will take an exceptionally long-time for

Northern Ireland to reach Irish levels, it can't be doubted that FDI is breathing much needed life into Northern Ireland's employment sector. A leave from the EU could jeopardize this and allow fewer opportunities for its workforce.

## 2.4 Agricultural Impact

The agricultural minister Michelle O'Neill has stated that an EU exit would devastate Northern Ireland's agricultural industry and leave NI farmers in severe financial difficulty (Torney, 2016). The agri-food sector accounts for 5.2% of NI's GVA (Gross Value Added), which is substantially more than the UK average where it only accounts for 2.1% (Department of Agriculture and Rural Development, 2015). Furthermore, NI relies heavily on trade with Ireland and accounted for 15.6% of Northern Ireland's agri-sales in 2013 (Department of Agriculture and Rural Development, 2013). Furthermore, a Brexit could possibility lead to border controls, customs and transactional costs being introduced between Ireland and Northern Ireland which could "act as a disincentive" to economic co-operation and overall negatively impact NI's agricultural sector (Budd, 2015). The Ulster Farmers Union have stated that they believe there is 'no compelling case for Brexit' and believes that they will 'fare better in the EU' (BBC News, 2016). O'Neill has also stated that there is an added risk as agricultural issues tend to be the most difficult to negotiate. Thus it would be difficult to replicate the current trade negotiations and the agricultural industry will likely come off worse (Torney, 2016). Furthermore, the minister has stated in recent debates that it would be unlikely that the executive could supplement farmers to the same degree that the EU has, and that she suspects that The Treasury would be 'unsympathetic' towards calls for more funds as it has been clear in the past that the British Government has wished to cap these funds (O'Neill, 2015).

Therefore, a Brexit has the potential to devastate the agricultural sector and even if a trade agreement is reached, it seems likely that the agreement would likely leave this sector worse.

**SUB-CONCLUSION** - The impact of a Brexit on the NI economy is highly subjective at this point and is entirely dependent on the type of trade agreement that is brokered with the EU. However, it would seem that an exit from the EU has the potential to devastate the economy in Northern Ireland. The loss of the single market will make it impossible for NI to be competitive with Ireland and this will make it more difficult for NI to attract FDI. There are further implications for the agricultural industry as a loss of funding will likely leave it unable to sustain itself.

### **3.0 Peace Process and the EU**

Lord Peter Mandelson has stated that the EU has been a 'fundamentally stabilising' part of the Northern Irish Peace process (Cooper, 2016). Labour MP, Alan Johnson has stated that the EU has provided enormous financial and political support to the peace process and that leaving would 'undermine' progress (Pope, 2016). This can be seen throughout the PEACE IV which is a funding program dedicated to promoting cross-community relations and increase the overall effectiveness of the peace process. PEACE IV has allocated funding of up to €269m to support peace movements and reconciliation up until 2020 (McGowan, 2016). This funding is centred on cohesion between the conflicting communities and increased economic and social stability (Haase & Azevedo, 2016). Bell (2016) has argued that EU funding also serves two other important roles; first, it is more neutral than British government funds, and is thus a less divisive form. Furthermore, their delivery mechanisms have forced collaboration and have acted as an extremely clever way of kick-starting the peace process. Enda Kenny has also voiced some concern over the impact of a Brexit on the Northern Irish peace process as he claims it could go as far as restarting "The Troubles" and that the EU's role in the peace process has often been underestimated (Wilkinson, 2016).

#### **3.1 The Question of a Damaged Union**

There are also issues involving devolved societies mixed in with the EU debate. It is thought that an EU exit will trigger another Scottish independence referendum. A successful independence referendum has the potential to weaken Northern Ireland's position in the Union, as the English government would be under less pressure from devolved societies. Gillipsie (2015) argues that this could cause a call for Irish unity before the country is ready which could destabilise the peace process. Sinn Fein leader Martin McGuinness has also stated that he believes an Irish Unity referendum should be called in the event of an EU exit (Cooper, 2016). Sawyer (2008) agrees that this is a very real possibility and has the potential to open old wounds in what is a fairly shaky peace.

#### **3.2 Hardening of Irish Borders**

McCall (2015) has noted that any hardening of Irish borders could potentially be considered a breach of the Good Friday Agreement 1998 – he also noted that a hard border is extremely likely in order to limit the free movement principles which are one of the central issues of the EU referendum. McCall (2015) argues that this could further destabilise the peace process and could likely ignite sectarian notions. Northern Irish Secretary Theresa Villiers has stated that hardening the borders is unlikely as soft borders are part and parcel of bilateral agreements between the North and South (Hill, 2016). Either way, it is

exceptionally important that negotiations pay due attention to this issue during any agreements that are made with the EU. A hardening of the borders would be extremely detrimental to the peace process and would jeopardise cross-border peace efforts.

### **3.3 Economic deprivation**

As discussed in previously, the economic impacts of a Brexit could be potentially devastating. However, it must be noted that economics is not merely a matter of less money but rather it could have a massive impact on the Northern Irish peace process. Burton (1997) and Marlow (1943) have stated that economic deprivation can ignite violence and Azar (1990) has stated that deprivation is often the root cause of violence. MP Alan Johnson stated that 1 in 8 jobs in NI are related to European trades (Pope, 2016). Loss of employment and the resulting deprivation is a triggering factor for violence, as seen in the London riots (Muir and Adegoke, 2011). Given the already tenuous nature of peace in Northern Ireland (Walsh and McNaughton, 2013) it is likely that the possible economic impact could severely damage the peace process.

**SUB-CONCLUSION** – It is undoubtable that the EU has provided significant support for the Northern Irish peace process. In the event of Brexit, there must be due regard given to the conflict here in any negotiations – particularly in regards to maintaining a soft border. Nevertheless, these issues remain subjective and the true impact of Brexit cannot be ascertained at this time. However, this report states wholeheartedly that NI must not be forgotten in the negotiations and the importance of the EU in Northern Irish peace simply cannot be ignored.

## **4.0 Employment Rights**

In the event of a Brexit, it is likely that the European Communities Act and its derivatives, such as the Transfer of Undertaking (Protection of Employment) Regulations, would be repealed (Mandagere, 2016). It would also ensure that the UK is not subject to directives such as the Working Time Directive (2003/88/EC) which prevents workers from being forced to work more than 48 hours a week and requires an 11 hour break in between shifts. This would pose a significant threat to the workforce as it allows the UK to limit the rights of the workers. However, Kathleen Morrison, a lawyer from Brodies, has stated that the actual impact of a Brexit should be minimal in terms of workplace rights as it would likely be politically damaging to remove many of these rights that the UK workforce are accustomed to (Sheffield, 2016).

Essentially, this area like every other is highly subjective as it hinges on how far the UK distances itself from Europe (Recruiter, 2015). The most economically viable and likely option is that the UK will pursue a free trade agreement with the EU. If these agreements are made, then the UK will find itself subject to the very laws it is trying to avoid, as countries within these agreements or the European Free-Trade Association are subject to European Court of Justice precedent (Mandagere, 2016). Mandagere further states that the UK's unemployment rate (5.4%) is significantly lower than that of the EU (10.4%) and that this makes it unlikely that the UK will be allowed any leeway when accepting these regulations. Any agreement made in terms of employment regulation will equally impact NI and its workers. In the event of a Brexit, it is likely that NI will see a severe loss of fundamental worker's rights in the guise of removing restrictions. However, in the event that a trade agreement is reached then the impact will be minimal, subject to the negotiations reached.

### **4.1 Anti-discrimination**

The EU has been a huge influencing factor on the right not to be discriminated against at work. The Treaty of Amsterdam (1997) introduced new powers to prevent discrimination in the workplace on the grounds of gender, sexuality, race, religion, age and disability – with the ambition to prevent discrimination in general. This created a new section of rights to protect the individuals from discrimination. The Treaty on the Function of the European Union (2007), Article 10, states that the Union will strive to combat discrimination and indeed the Article 3 (3) of the same treaty furthers this by stating that the union will combat social exclusion and discrimination. A majority of the anti-discrimination legislation, such as the Race Relations Order (NI) 1997, in NI is a direct result of the Treaty of Amsterdam. This anti-discrimination legislation, paired with section 75 of the Northern Ireland Act 1998, have



been essential in allowing fair employment and preventing sectarian employment regimes which cause a great deal of conflict before the peace process.

An EU exit could damage these rights and if it does, it could arguably set back the peace process as the courts will no longer be legally bound to give weight to the case law of the ECJ or the EU Treaties. However, this analysis is based on a worst-case scenario approach. It seems unlikely that these rights would be repealed as it would not be politically viable. However, it is another area that is of particular importance to NI and one that needs to be considered in any and all talks regarding the EU referendum.

## **5.0 Conclusion**

This report concludes that an EU exit has the potential to devastate the NI market. Even in the event of a free trade agreement, it seems that we would only be put at a weaker position. The UK would be subject to the legal precedent and red tape that have proved so controversial but with the added caveat of having very little say in the creation or enactment of new legislation. The UK would also be forced to contribute to the budget, and would also likely have to accept migrants making it unlikely that a Free Trade Agreement will be anything put politically and economically detrimental (Law Society, 2015). There are added risks to Northern Ireland as it shares a border with an EU country – and a hardening of these borders could set-back the hard-won and fragile peace process. Furthermore, a loss of EU funding would damage the NI's economic development and prevent it from attracting much needed FDI. It is fairly clear that an EU leave would simply not be viable, particularly for Northern Ireland. In the event of a Brexit NI's situation needs to be looked at with clarity and understanding of the unique situation it is in.