

TIME

Could Brexit Unite Ireland? Uncertainty Reigns North of the Border

- [Sally Hayden / Belfast @sallyhayd](#)

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[...] It was the evening of the twelfth of July in Belfast, the night Ulster protestants march in orange to mark the 1690 victory of William of Orange over the Catholic James II. Despite the vodka, beer, and tonic wine being swigged by spectators lining the route of the main unionist parade, everything was relatively calm. [...]

The E.U. referendum may not seem to have anything to do with a centuries-old Protestant march infamous for being marked by violence, but everything is political in a province still marked by decades of conflict. Here, the long-lasting consequences of Brexit have the potential to be dangerously destabilizing — especially with calls coming from [both sides of the border](#) for a [referendum to unite Ireland](#) for the first time since Home Rule. [...]

In the end, a solid 55% voted to remain in the European Union on June 23. That may be because of the visibility of the economic and political bloc in this corner of the United Kingdom. Over the past two decades, the E.U. has spent more than \$1.4 billion on peace-building programs between Britain and Ireland. European human rights law also underpins the Good Friday Agreement of 1998, the treaty that allowed Northern Ireland to build a devolved government and put an era of sectarian strife behind it. It's the same agreement that allows the people here to freely cross a border with the Republic of Ireland once lined by military fortifications.

All of this could now be at risk after the vote went the other way, and there are fears that a return to violence could follow. [...]

Also at risk is the [United Kingdom itself](#). Just as Scottish ministers have said Brexit might be grounds for a second independence referendum, so has enthusiasm grown here for an end to Irish partition — and not just among the usual suspects. Sinn Féin president Gerry Adams said the Brexit vote has given the movement “[an entirely new dispensation](#)” to hold a referendum. And this week, the call was joined by politicians across the border in the Republic, where there has traditionally been little appetite for reunification. On Monday, Irish Prime Minister Enda Kenny [unexpectedly](#) raised the possibility of a vote, saying Brexit talks should take into account that a united Ireland may be a possibility in the future. [...]

One measure of that support might be the fact that in the weeks since Brexit thousands of Northern Irish citizens have applied for Irish passports — as every resident of the province is entitled to do — causing at least two post offices in Belfast to run out of application forms. [...]

Cross-border E.U.-funded peace projects are now scrambling to find ways to guarantee their funding. At the same time, the government in Dublin is beginning to attempt to envisage how border controls might operate in the north, and have expressed a desire to hold an all-Ireland forum to discuss it. [...]

The one certainty about the Brexit vote in Northern Ireland is that it has reinforced longstanding divisions along sectarian lines, just as it has entrenched deep societal rifts across Britain. [...]

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*Many assume the EU will take a punitive stance towards Brexit negotiations in an effort to deter Eurosceptic parties. But **Gunnar Beck** argues that Germany's negotiating position is weaker than most people realise – largely thanks to Angela Merkel's disguise of the true cost of the eurozone bailout. Italy,*

too, is in no position to put its exports at risk. If she makes a few minor concessions, he predicts, Theresa May will be able to choose her terms.

Germany seems to be softening her stance on Brexit. On 17 August Michael Roth, Germany's Minister of European Affairs said: "Given Britain's size, significance, and its long membership of the European Union, there will probably be a special status which only bears limited comparison to that of countries that have never belonged to the European Union." Roth's comments mark a departure from Chancellor Merkel's comments shortly after the Brexit referendum that Britain would receive no special treatment, nor would she be allowed to retain full access to the single market without free movement of labour.

Roth's comments have not gone unnoticed in the British press. The initial response was a negotiating tactic which has been exposed when Theresa May refused to trigger Article 50. Since Merkel has come out publicly in support of the EU and French position against any cherry-picking, Germany's emerging position is being communicated on a more junior level. It allows the German government to begin the process of shifting the ground while not appearing to change its mind (yet). Few, however, realise how weak Germany's and the EU's negotiating position actually is. [...]

Chancellor Merkel is committed to 'ever closer integration' at no matter what cost and wants to transform Germany into the 'moral superpower' of the 21st century. With considerable skill she has disguised the true cost of the euro rescue [...]. Officially, the cost to the Federal budget has been limited to a few dozen billion euros since 2010. Meanwhile Merkel's policies are paid for principally by German taxpayers who would otherwise benefit from tax cuts, better public services and infrastructure [...]

With subdued domestic demand, Germany and the EU depend on trade-induced moderate growth including close trading relations with Britain. Nine EU countries send at least 5% of their total exports to the UK. In Germany, whose economy is highly export-dependent, that percentage is about 7.5% of total exports. [...]

Moreover, the EU as a whole is not in a position to withstand further financial turmoil which would be the inevitable concomitant of difficult and protracted Brexit negotiations. [...]

Of course, the EU's negotiating position will not be determined by Germany alone but a compromise. However, [it has been expressed that] French and Commission resistance to concessions to Britain could be overcome and that, in return, Merkel was open to agree to French demands for a eurozone finance ministry after the 2017 German election [...]

If the UK government plays its hand well and offers minor concessions, it will be able largely to choose its terms of renegotiation. By postponing the official start of withdrawal negotiation until 2017 Theresa May has made a promising start.

The economy since the Brexit referendum

Fact and fiction

The dire prophecies of doom have not come true—yet. But the economy is slowing

Sep 3rd, *The Economist*.

AFTER Britain voted to leave the European Union on June 23rd, financial markets took fright. [...] Remainers predicted that Leave voters would soon suffer from an acute case of buyer's remorse. Yet as the summer has worn on, the mood has changed. Companies have not fled Britain en masse. The pound has stabilised and the FTSE 250 is up on its pre-referendum level. Polls suggest that few Brexiteers regret their vote: indeed, many of them now argue that the pre-referendum doom-mongering was overblown, and some even detect the beginning of a "Brexit boom". What is the reality?

Some of the gloomier pre-referendum forecasts ignored the possibility that the authorities would respond to a Leave vote by propping up the economy. In the event, the Bank of England loosened monetary policy six weeks after the referendum, a widely anticipated move that nonetheless boosted confidence. The new government of Theresa May quickly made clear that it would tone down the fiscal austerity of its predecessor.

Nor did wonks foresee that Brexit would take so long to get under way. [...] Mrs May has said negotiations will not begin until 2017; [...] Those who are pleasantly surprised by Brexit's consequences should bear in mind that it has not yet happened.

Still, in the short term the economy seems to be faring better than some economists had predicted. Consumer spending appears to be healthy. [...] But] consumers do not immediately internalise bad economic news: the man on the street is not thinking about Article 50 of the EU treaty as he enters a shopping centre. [...] For a better gauge of the future of the economy, look at the behaviour of companies. [...] Growth in business credit has markedly slowed. The Bank of England's latest survey of business confidence indicates that planned investment is being reined in. [...] As businesses hold back on investment, productivity will slow and, with it, wages.[...]

What of exports, which Brexiteers forecast would soar following a fall in the pound? [...] [Yet] hopes of an export boom should be tempered. A high proportion of exports' content is made up of imports, which are now pricier. [...]

Britain now hopes to avoid entering recession [...]. To support the economy [Philip Hammond, the chancellor,] will have to loosen the current fiscal plans considerably. [...]

Such policy decisions may yet fend off recession. But deploying a fiscal boost would not be costless [...]. Before the referendum many economists had predicted a boost to growth in the event of a vote for Remain, as a big source of uncertainty was removed. The Bank of England had forecast growth of 2.3% in 2017, but now expects just 0.8%. Following the vote to Leave, the government and the bank have been forced to use monetary and fiscal policy just to try to keep growth in positive territory. And Brexit itself, of course, is still to come.

Adapted from *The Economist*.

