

# The all-island economy Where now?

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*Research for new economic policies*

## Five Key points of this presentation

1. Scale and proximity are key arguments for AIE but there is, also, a political imperative.....
2. AIE is underpinned by the 'three legged stool' of GFA
3. Brexit spells disruption, uncertainty and opportunity (especially in regards to energy) for the All-Island Economy (AIE) in Ireland
4. SME's will take the biggest hit (e.g. agri-food) – but still provide the best 'backstop' to move forward
5. Three ideas to limit likely damage to AIE in preparation for a post-Brexit world:
  - Protect **Single Electricity Market**
  - Establish an **All-island Development Bank**
  - Towards a **European Healthcare Service** on the island

## **Article 3 of the Irish Constitution following 19<sup>th</sup> Amendment passed on 22 May 1998**

“It is the firm will of the Irish Nation, in harmony and friendship, to unite all the people who share the territory of the island of Ireland, in all the diversity of their identities and traditions, recognising that a united Ireland shall be brought about only by peaceful means with the consent of a majority of the people, democratically expressed, in both jurisdictions in the island”

# All-island economy - Belfast Agreement /GFA



Ireland



United Kingdom

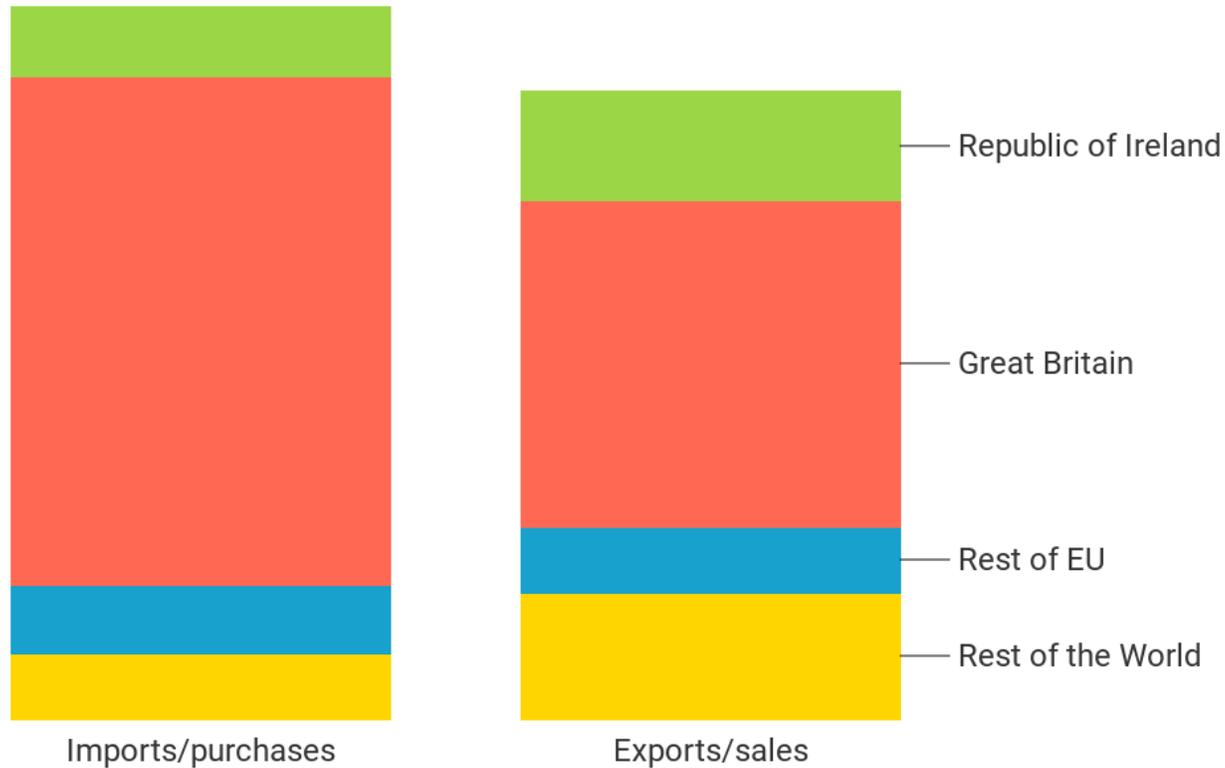


European  
Union



# East-West flows greater than North-South (but very uneven by firm size, sector)

Value of total sales and purchases into and out of Northern Ireland in 2015

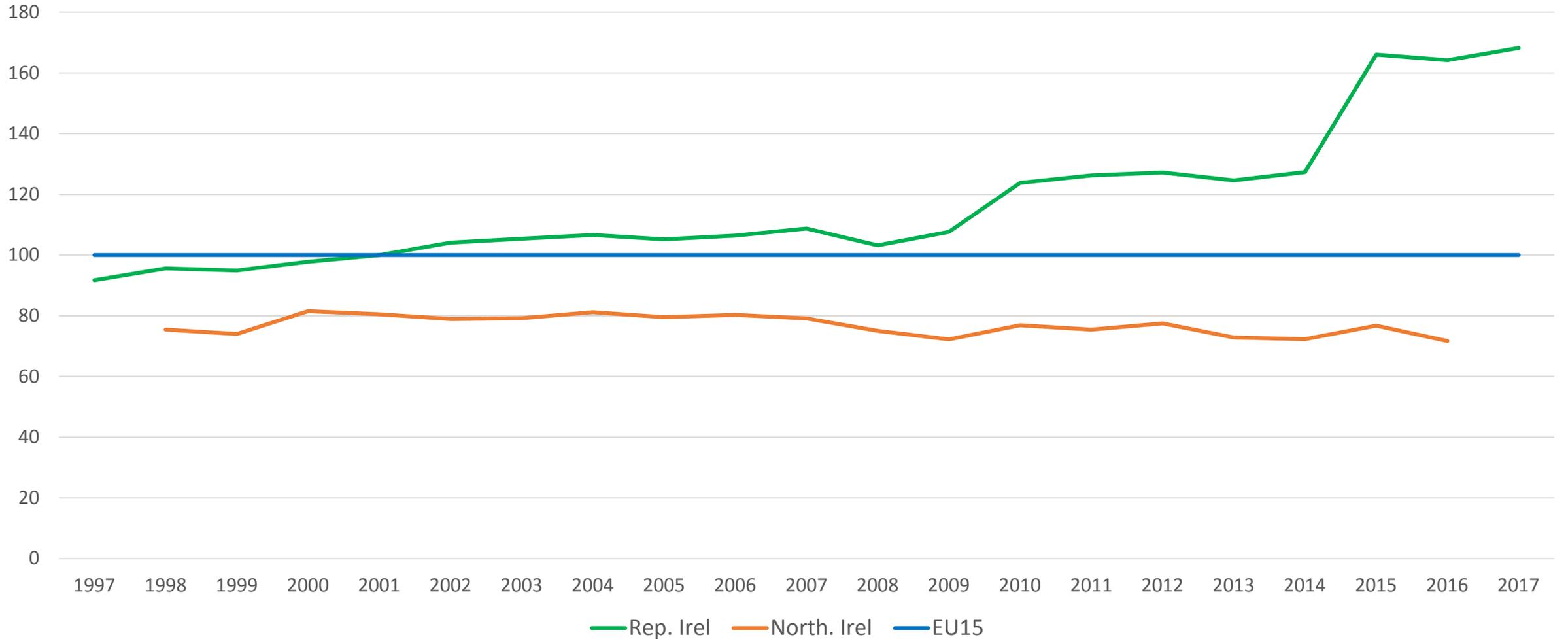


# Business Characteristics

- The majority of Northern Ireland trade (58% or £8,194m) with GB is composed of a small number of large businesses (1% or 88 businesses).
- Conversely 46% (£1,578m) of Northern Ireland trade with Ireland is composed of a large number of small businesses (93% or 7,148 businesses).

Business Size	Value (£m)		Count	
	GB	IE	GB	IE
0-9	£1,185	£523	4,450	4,393
10-49	£2,084	£1,055	2,125	2,755
50-249	£2,545	£1,226	382	414
250+	£8,194	£597	88	97
<b>Total</b>	<b>£14,008</b>	<b>£3,401</b>	<b>7,046</b>	<b>7,659</b>

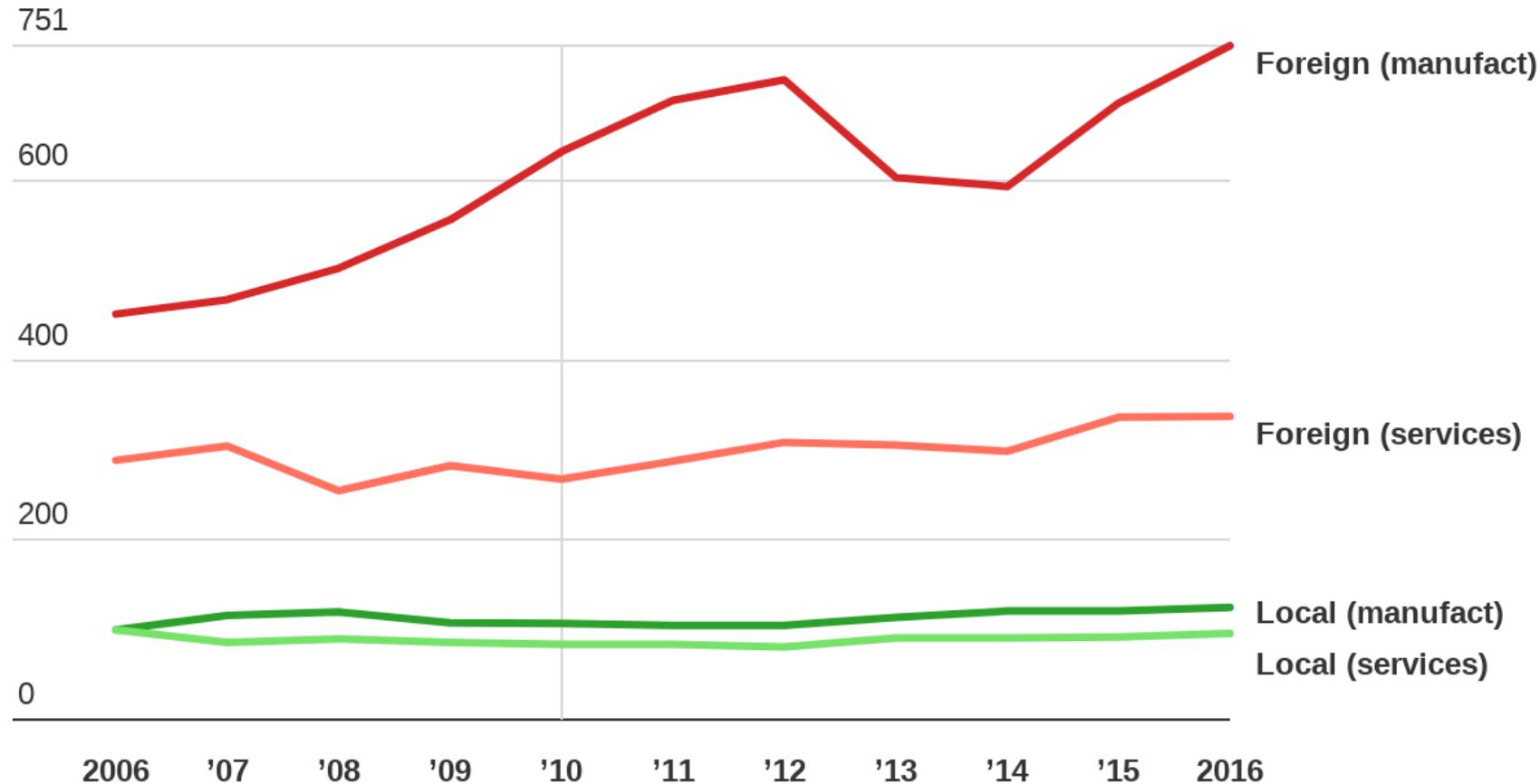
# Gross Value Added per hour (EU15=100)



# A tale of two economies in the Republic of Ireland

## Productivity of labour in enterprises, 2006-2016

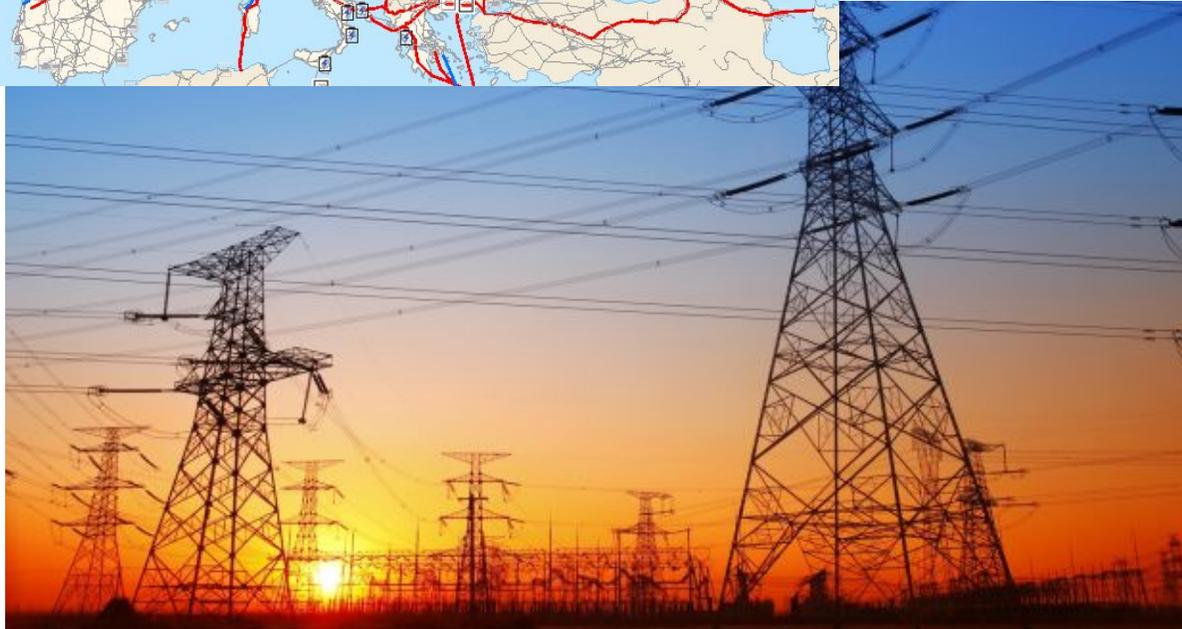
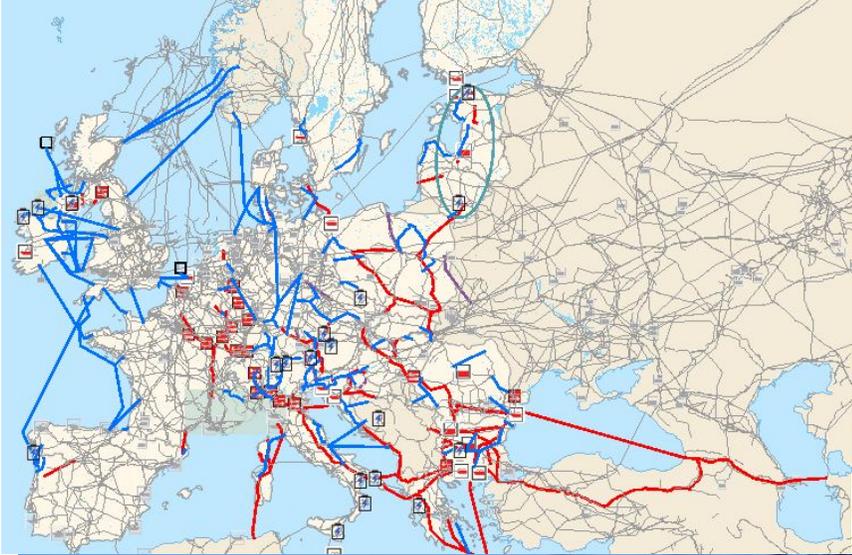
Output = 100 in 2006 in Irish owned enterprises



# 1 Single Electricity Market (SEM)

- In operation since 2007 providing a single wholesale market for electricity.
- Security of supply and facilitates renewable energy
- SEM sits outside EU and Belfast Agreement
- Securing a data privacy framework to enable SEM to continue is vital
- Continuance of compliance with EU regulations ('Target Model') possible under a 'Norwegian' or EEA arrangement.
- All options should be kept on the table including interconnection to France

# Need to boost connectivity



## 2 Develop an AIE Development Bank

- Scale and proximity are key factors in the AIE
- Might it be possible to channel EIB, UK and Irish investment (ISIF) into a single KfW type Development bank for lending to SMEs? (start-ups, equity holdings, new markets and advice?)
- Could this be part of a Brexit deal with a special protocol for Ireland in recognition of adjustment costs and political risks?

### **3 Move towards a European Healthcare Service (EHS) on the island?**

- Harmonise standards, access, qualifications so that a single EHS spans both jurisdictions.
- An agreed transition fund to implement reform (subsuming Sláintecare in the Republic)
- Organize through N/S Cooperation in Strand Two of the Belfast/Good Friday Agreement that includes health

# Some unforeseen/foreseen consequences of Brexit for the AIE

1. The 'Scottish Question' + devolution more likely to come back especially if Brexit economic fall-out is nasty.....in the next 5-10 years?
2. The 'Irish Question' more likely to come back especially if Brexit economic fall-out is nasty.....in the next 10-50 years?
3. Belfast Agreement/ GFA under threat?
4. Negative impacts of Brexit on some SMEs, sectors and regions (work by D/Finance & ESRI)
5. Positive upsides in some sectors and regions (Dublin, finance, ICT, higher education?)
6. Political situation in the UK (as well as in much of Europe) is highly unstable
7. Political vacuum in Northern Ireland with implications (e.g. Economic Advisory Group, Industrial Strategy)

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