



National Risk Assessment 2019

Void due to Omission of Possible/Probable Referendum

on a

New Agreed Ireland

Submission by

Deputy Sean Fleming TD*

&

Senator Mark Daly**

Appendices

Responses to Parliamentary Questions by Deputy Sean Fleming TD: March 12, 2019

Correspondence with Taoiseach, Ministers, Department Secretary Generals, and Chairs of Audit & Risk Committees

2018 National Risk Assessment, Overview of Strategic Risks

Northern Ireland's Income & Expenditure in a Reunification Scenario: Research by Gunther Thumann, Senior Economist at the German Desk for the International Monetary Fund During German reunification, and Senator Mark Daly

Congressional Research Service Report supplied by Congressman Brendan Boyle for Senator Mark Daly: Northern Ireland Budgetary Issues

Dr. Kurt Hubner of British Columbia University:
Modeling Irish Unification, Executive Summary

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Executive Summary

A key element of the state's future planning is the annual National Risk Assessment. To quote the Taoiseach in his own words in the 2018 National Risk Assessment: Overview of Strategic Risks, the risk assessment *“aims to counteract ‘group think’ and to ensure all parts are heard by Government.”*¹

Since the first National Risk Assessment report was published in 2014, these assessments have called attention to a number of risks that subsequently became major issues for society including Brexit, risks to EU stability, international terrorism, global warming, and risks around cyber security and housing supply. There is no mention by the government of the issues of a referendum on uniting Ireland in the 2018 National Risk Assessment signed by the Taoiseach or the 2019 Draft National Risk Assessment.

In a reply to a parliamentary question by Sean Fleming TD on the 12th of March 2019 as to why the issue of a referendum on a new agreed Ireland was not in the National Risk Assessment produced by the Taoiseach's Department the Taoiseach replied *“Although a border poll would not be regarded as a risk, and the very important and sensitive policy issue related to it would not be dealt with in the Risk Assessment process”*.

While the topic of the possibility of a referendum on Scottish independence is mentioned in the section of the National Risk Assessment report titled 'Instability in Northern Ireland', the possibility of a referendum on a New Agreed Ireland is not mentioned. This is concerning given that the Taoiseach spoke about his desire to achieve a New Agreed Ireland on the 2nd of January 2018 as reported by CNN. *“In terms of a United Ireland, our constitution is clear on this....Our constitution aspires to there being a united Ireland. I share that aspiration.”*²

In a reply to another parliamentary question from Sean Fleming TD, the Tánaiste stated, *“In the event of a future referendum within the consent provisions of the Good Friday Agreement, the Government would make all necessary preparations in accordance with the terms of the Constitution and the principles and procedures of the Agreement.”* One lesson we have learned from Brexit is that you do not hold a referendum without the necessary preparation.

An Taoiseach Leo Varadkar set himself a challenge of engaging with everyone about the future of the whole island at his address to the 20th anniversary of The Good Friday Agreement, in the U.S. Library of Congress.

“There is now a particular onus on those of us who currently hold the responsibility of political leadership. We are a new generation. It is time for us to step forward and play our part. That is why we must engage young people in the future of our island. In the months and years ahead, I for one want to engage with the next generation –

¹ 2018 National Risk Assessment Overview of Strategic Risks, P.4 <https://assets.gov.ie/2405/261018155017-8828303ace924307816fda25dde8811c.pdf>

² <https://edition.cnn.com/2018/01/02/europe/varadkar-united-ireland-intl/index.html>

*the Agreement Generation – to build on those achievements...Our mission now is to imagine the next twenty years. Not only to imagine it, but then to build it."*³

Senator Mark Daly wrote to the Taoiseach, the Tánaiste, all Ministers, Secretary Generals of all government departments, and the chairs of their Audit Committees and their Risk Committees to ask that they address the issue of a New Agreed Ireland in the National Risk Assessment and send copies of any policy plans. He received two responses addressing the request and thirteen acknowledgements of receipt of his correspondence. None of the responses included any discussion of having a New Agreed Ireland in the National Risk Assessment.

The Tánaiste and Minister for Foreign Affairs and Trade Simon Coveney TD has also said, *"I would like to see a united Ireland in my lifetime. If possible, in my political lifetime."*⁴ However, when asked in a parliamentary question by Sean Fleming TD on the 12th of March 2019 why the issue of a referendum on a New Agreed Ireland was not on his department's risk register or if his department risk committee had examined the issue the Minister could only say *"In the event of a referendum within the consent provisions of the Good Friday Agreement, the government would make all necessary preparations in accordance with the terms of the constitution and the principal and procedures of the Agreement"*.⁵ The full questions and replies can be found in the appendix.

The Brexit referendum has taught us an important lesson: you do not hold a referendum until there is debate and discussion with all sides and all necessary preparations are made. It is widely known that policy neglect seldom goes unpunished and this is very true of the lack of policy preparation for a New Agreed Ireland by the Government.

Voices as diverse as those of the British Prime Minister; former Speaker of the US House of Representatives, Congressman Paul Ryan; DUP leader Arlene Foster; and Lady Sylvia Herman, MP for North Down, have all spoken about the issue of a Referendum on a New Agreed Ireland or a New Agreed Ireland.

There would be economic consequences due to the lack of policy planning by the Government around a New Agreed Ireland. Research by economists John FitzGerald of Trinity College Dublin and Edgar Morgenroth of Dublin City University shows that continued government inaction in relation to Irish reunification could come at a high price for the Republic, reducing income and living standards by as much as 15 percent.⁶

Gunther Thumann, a senior economist at the Germany desk for the IMF during German reunification, issued a report on the true income and expenditure of Northern Ireland in a reunification scenario. His assessment shows that the current

³ https://merrionstreet.ie/en/News-Room/Speeches/Speech_by_An_Taoiseach_Leo_Varadkar_T_D_at_the_Good_Friday_Agreement_20th_Anniversary_event_Capitol_Hill_Washington_DC_13_March_2018.html

⁴ https://www.oireachtas.ie/en/debates/debate/joint_committee_on_the_implementation_of_the_good_friday_agreement/2017-11-23/2/

⁵ <https://www.oireachtas.ie/en/debates/question/2019-03-12/section/76/>

⁶ <https://www.irishtimes.com/business/economy/united-ireland-would-see-living-standards-in-republic-fall-by-15-1.3629748>

reported budget deficit in Northern Ireland could come close to balanced in a reunification scenario. Other research such as 'Modelling Irish Unification' was compiled by Dr Kurt Hubner of the University of British Columbia. It states that 'political and economic unification of the North and South would likely result in a sizable boost in economic output and incomes in the North and a smaller boost in the ROI.'⁷ However, this research and analysis was published in 2015 before Brexit. In 2018 Dr Kurt Hubner collaborated with Dr Renger Van Nieuwkoop to publish research entitled 'The Cost of Non-Unification: Brexit and the Unification of Ireland' which showed that over seven years, the unification of Ireland could benefit the country by €23.5 billion. The Irish Government should carry out its own cost benefit analysis in relation to the status quo and reunification.

The challenge facing the Irish Government or any economist trying to predict the financial benefits and costs of reunification is best explained by Gunther Thumann when he outlines all the information available. Germany is still not able to say definitively the cost of unification.

"Perhaps more surprisingly estimates of the costs of unification continue to differ significantly even years after the event. For instance, data published by the IFO Dresden, the University of Halle and Klaus Schroeder FU Berlin 25 years after Re-Unification put net transfers per annum (over the period 1991-2014) at EUR68 billion (IFO), EUR54 billion (Halle) and EUR83 billion (FU), respectively."⁸

In 2017 the Joint Committee on the Implementation of the Good Friday Agreement published its report entitled 'Brexit & the Future of Ireland: Uniting Ireland & Its People in Peace & Prosperity'. That report is the first report by a Dáil or Senate Committee on the steps required to achieve a United Ireland as stated in articles 2 & 3 of the constitution and as provided for in the Good Friday Agreement. The recommendations of the report should now be implemented by the government as a matter of extreme urgency.

Despite the unanimous adoption of these recommendations in July 2017 by the Joint Committee on the Implementation of the Good Friday Agreement, none of these key recommendations have been carried out by the government to date.

We would recommend that the issue of the economic impact of a referendum on a new agreed Ireland would be included as part of the 2019 National Risk Assessment.

⁷ <https://prcg.com/modeling-irish-unification/report.pdf>

⁸ <https://senatormarkdaly.files.wordpress.com/2019/01/research-on-northern-ireland-income-and-expenditure-1.pdf>

Overview of the National Risk Assessment Process

The National Risk Assessment provides an opportunity to identify and debate strategic risks facing Ireland over the short, medium and long term. Since the first report in 2014, these publications have highlighted several risks that went on to become major problems for society, including Brexit, risks to EU stability, international terrorism, global warming, and risks around cyber security and housing supply.

The foreword by the Taoiseach to the 2018 National Risk Assessment report states, *“the National Risk Assessment: Overview of Strategic Risks, first published five years ago, aims to counteract ‘group think’ and to ensure all voices are heard by Government. It seeks to prevent a repeat of the mistakes of the past, when dissenting voices were not heeded, leading to catastrophic consequences for the country. It has helped stimulate a national conversation about risk that takes place at every level from private citizens to civil society groups, industry and public bodies.”*⁹

The 2019 Draft National Risk Assessment in its overview process asks 2 key questions, one of which asks, *“Have the correct strategic risks been identified or are there other significant risks that should be included?”*, we believe the possible and some would say probability of a referendum on a new agreed Ireland should be included.

The report also states, *“It is vital to learn from the mistakes of the past, and this exercise was introduced to ensure that we, as a Government and as a wider society, encourage and participate in these necessary horizon-scanning discussions to ensure that we identify risks early and can robustly prepare for them.”*¹⁰

In a response to a parliamentary question to Sean Fleming TD, remarkably the Taoiseach stated *“Although a border poll would not be regarded as a risk, and the very important and sensitive policy issues related to it would not be dealt with in the Risk Assessment process, the question of relationships on the island of Ireland, and between the two islands, are always considered as part of the annual National Risk Assessment.”*

The Tánaiste, also replying to a parliamentary question to Sean Fleming TD, stated *“In the event of a future referendum within the consent provisions of the Good Friday Agreement, the Government would make all necessary preparations in accordance with the terms of the Constitution and the principles and procedures of the Agreement.”* If we learn only one lesson from Brexit, it is that you do not hold a referendum without the necessary long-term preparation.

As mentioned above, one of the original impetuses behind the National Risk Assessment process was to avoid the possibility of 'group think' when identifying strategic risks to the country. According to the Government, the 2019 Draft National Risk Assessment *“provides an opportunity for the identification, discussion and consideration of risks facing Ireland over the short, medium and long term. Since the*

⁹ <https://assets.gov.ie/2405/261018155017-8828303ace924307816fda25dde8811c.pdf>

¹⁰ <https://assets.gov.ie/9294/d5b7898a4d8e47d1a7ff1d9efc6e1e53.pdf>

National Risk Assessment was first published in 2014, the annual Report has served as an important indicator of national-level risks and has called attention to a number of risks that subsequently became major issues for Irish society, including Brexit, and risks around housing supply, and cybersecurity.” All government departments feed into this process.¹¹

There have been five National Risk Assessment reports published to date. In the most recent 2018 National Risk Assessment, a review of the previous four years was included because, *“an analysis of the process and the risks identified in each of these years, including how they have changed and evolved is now timely. In particular this may be of interest in terms of how these changes may reflect the evolution of the risk landscape more generally, and how successful the NRA has been to date in tracking this, as well as in providing useful insights into emerging risks and trends pertinent to Ireland.”¹²*

In the final paragraph of his foreword to the 2018 National Risk assessment, the Taoiseach commented:

“This year, while the discussion continues about ever-present risks like climate change and risks to Ireland’s biodiversity, food safety, anti-microbial resistance, and terrorist incidents, we have added two new risks: Overheating in the Economy and the Impact of Social Media on Public Debate. We have also dedicated risks under both the Geopolitical and Economic sections of the Report to the many implications of Brexit. While the risks are separated into categories, the Report aims to reflect the interconnected nature of risks and, as such, cross-cutting issues like Brexit are acknowledged and discussed throughout the Report.... This annual, evolving national conversation around risk can help ensure that we are constantly vigilant in planning for the future. It is an essential step in managing the potential impacts of these risks on our economy, our societal well-being, our environment, and our country.”¹³

Leo Varadkar, T.D. Taoiseach

The Government’s focus on only the effects of a hard or no deal Brexit is also a concern, as we believe any form of Brexit to be a risk that must be prepared for. There is, however, no mention of the issue of a Referendum on a New Agreed Ireland or unity in the 2014-2018 National Risk Assessment reports or the 2019 Draft National Risk Assessment.

¹¹ <https://assets.gov.ie/9294/d5b7898a4d8e47d1a7ff1d9efc6e1e53.pdf>

¹² <https://assets.gov.ie/2405/261018155017-8828303ace924307816fda25dde8811c.pdf>

¹³ <https://assets.gov.ie/2405/261018155017-8828303ace924307816fda25dde8811c.pdf>

2019 Draft National Risk Assessment: Instability in Northern Ireland

In the section concerning Northern Ireland in the 2019 Draft National Risk Assessment there is a reference to the issue of Scottish independence and the status of Scotland continuing as part of the United Kingdom. There is, however, no mention of a referendum on a New Agreed Ireland. In the 2019 Draft National Risk Assessment under the section on Northern Ireland it states the following:

“Brexit has also played significantly into the debate in Scotland about its future within the UK, raising questions in relation to the devolution settlement and the possibility of a further independence referendum. Disagreements have arisen between the Scottish and UK Governments in relation to the operation of current devolution arrangements, and in particular the handling post-Brexit of matters of EU competence that were not reserved to Westminster under the terms of Scottish devolution settlement. The status of Scotland in the United Kingdom is an internal matter for the people of Scotland and the people of the United Kingdom, and therefore a matter on which the Irish Government does not and will not engage. Questions have been raised regarding the applicability to Scotland of any arrangements made to address the challenges posed by Brexit for Northern Ireland and for the island of Ireland. However, the situation in Northern Ireland is unique and not directly comparable to, that in Scotland in particular, any other region, given the nature of the political and constitutional settlement of the Good Friday Agreement.”¹⁴

As stated earlier there is no mention of a Referendum on a New Agreed Ireland or unity in the 2014-2018 National Risk Assessment reports.

In a reply to a parliamentary question by Sean Fleming TD on the 12th of March 2019 as to why the issue of a referendum on a new agreed Ireland was not in the National Risk Assessment produced by the Taoiseach’s Department, the Taoiseach stated *“Although a border poll would not be regarded as a risk, and the very important and sensitive policy issues related to it would not be dealt with in the Risk Assessment process”*.¹⁵

¹⁴ <https://assets.gov.ie/9294/d5b7898a4d8e47d1a7ff1d9efc6e1e53.pdf>

¹⁵ <https://www.oireachtas.ie/en/debates/question/2019-03-12/section/76/>

There is one mention of the possibility of a United Ireland in the appendix to the 2018 National Risk Assessment, but this was not by the Government or any of the ‘civil society groups, industry and public bodies’ the Taoiseach refers to in his foreword which helped shape that final report. That reference was by a member of the public and was included in the appendix of the report. The reference by this individual refers to the potential cost of a united Ireland, this issue was not included in or dealt with in the section on Northern Ireland in the 2018 National Risk Assessment.

Annex 5. NRA 2018 Public Consultation – risks highlighted by respondents

The following table contains a summary of the risks highlighted by respondents during the public consultation phase of the National Risk Assessment 2018, *“in addition to how, where appropriate, these are reflected in the final Report. A number of submissions raise points not directly addressed in the table, including risks already explicitly identified, drafting points and other comments on specific policy issues, as well as points on mitigating risks which, as mentioned previously, does not come under the remit of this exercise.”*

Category	Individual Risk	How reflected in NRA 2018
Geopolitical	Instability in Northern Ireland, including the potential cost of a united Ireland	Risks around Northern Ireland are discussed under the Northern Ireland risk.
	Dissident activity and terrorism	This is discussed under the Northern Ireland risk.

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Senator Mark Daly wrote to the Taoiseach, the Tánaiste, all Ministers, Secretary Generals of all government departments, and the chairs of their Audit Committees and their Risk Committees to ask that they address the issue of a New Agreed Ireland in the National Risk Assessment and send copies of any policy plans. He received two responses addressing the request and thirteen acknowledgements of reception, which can be found attached as an appendix. None of the responses included any discussion of having a New Agreed Ireland in the National Risk Assessment.

¹⁶ <https://assets.gov.ie/2405/261018155017-8828303ace924307816fda25dde8811c.pdf>

National & International Discussion of United Ireland (New Agreed Ireland)

At the MacGill Summer School in Glenties, Co Donegal on Tuesday the 19th of July 2016, less than a month after the Brexit referendum in the UK, the front page of the Irish Independent newspaper banner headline quoted the Taoiseach Enda Kenny saying, 'Get Ready for a United Ireland'. Yet mention of the issue of a United Ireland did not appear in any of the National Risk Assessments while Enda Kenny was Taoiseach.

Despite it not being in the 2018 National Risk Assessment that he and his department signed off on, the current Taoiseach has spoken about his desire to achieve a United Ireland. On the 2ND of January 2018, CNN quoted him as saying "*Our constitution aspires to there being a united Ireland. I share that aspiration.*"¹⁷

An Taoiseach Leo Varadkar at his address to the 20th anniversary of The Good Friday Agreement, in the U.S. Library of Congress, said:

*"There is now a particular onus on those of us who currently hold the responsibility of political leadership. We are a new generation. It is time for us to step forward and play our part. That is why we must engage young people in the future of our island. In the months and years ahead, I for one want to engage with the next generation – the Agreement Generation – to build on those achievements. Our mission now is to imagine the next twenty years. Not only to imagine it, but then to build it."*¹⁸

The Tánaiste Simon Coveney TD has also said, "*I would like to see a united Ireland in my lifetime. If possible, in my political lifetime.*"¹⁹

Former Speaker of the House of Representatives Paul Ryan said, "*the only government job I would aspire to is to be the ambassador to Ireland. I think one day unification will occur.*"

The Times of London Newspaper on Monday the 15TH of May 2018 reported the British Prime Minister Theresa May as having said she is not confident of certain victory in a Referendum on a New Agreed Ireland. She is reported to have said in a confrontation with Jacob Rees-Mogg, "*I would not be as confident as you. That's not a risk I'm prepared to take. We cannot be confident on the politics of that situation, on how it plays out.*"²⁰

We are all aware that many others, including those in the Unionist community, believe that there will be or is likely to be a referendum on Irish reunification as provided for under the

¹⁷ <https://edition.cnn.com/2018/01/02/europe/varadkar-united-ireland-intl/index.html>

¹⁸ [https://merrionstreet.ie/en/News-](https://merrionstreet.ie/en/News-Room/Speeches/Speech_by_An_Taoiseach_Leo_Varadkar_T_D_at_the_Good_Friday_Agreement_20th_Anniversary_event_Capitol_Hill_Washington_DC_13_March_2018.html)

[Room/Speeches/Speech_by_An_Taoiseach_Leo_Varadkar_T_D_at_the_Good_Friday_Agreement_20th_Anniversary_event_Capitol_Hill_Washington_DC_13_March_2018.html](https://merrionstreet.ie/en/News-Room/Speeches/Speech_by_An_Taoiseach_Leo_Varadkar_T_D_at_the_Good_Friday_Agreement_20th_Anniversary_event_Capitol_Hill_Washington_DC_13_March_2018.html)

¹⁹ https://www.oireachtas.ie/en/debates/debate/joint_committee_on_the_implementation_of_the_good_friday_agreement/2017-11-23/2/

²⁰ <https://www.thetimes.co.uk/article/may-and-rees-mogg-clash-over-brexit-deal-vg9ml05fz>

Good Friday Agreement in the coming years. In fact, Lady Sylvia Hermon, the Independent Unionist MP for North Down, has said, "*I am worried about the consequences of Brexit. In my lifetime I never thought that I would see a Border poll and I am now convinced that I probably will see a Border poll.*"²¹ She is right when she said in the same interview that, "*Brexit has and will change everything.*"

In a BBC Radio Ulster debate between Sammy Wilson the DUP MP and Sophie Long the former communications officer of the PUP, the political wing of the UVF, Ms Long said "*we must prepare for the possibility of a united Ireland*".²²

Former Northern Ireland First Minister Peter Robinson believes Northern Ireland should prepare for the possibility of a New Agreed Ireland. In 2018, speaking at the MacGill Summer School in Glenties, Co Donegal, Former Northern Ireland First Minister Peter Robinson said he does not think Northern Ireland will want to leave the UK, but that is no reason it shouldn't prepare for the eventuality. "*I don't expect my own house to burn down but I still insure it because it could happen,*" he said. In response to a question from the audience, the former leader of the Democratic Unionist Party (DUP) said he would accept the results of a border poll which led to Northern Ireland joining the Republic. "*As soon as that decision is taken every democrat will have to accept that decision.*" Significantly, he said moving towards that scenario without preparation is madness and compared it to the decision to leave the EU. "*I don't believe Northern Ireland will want to leave the United Kingdom, but if it does happen we would be in a terrible fix because we would be in the same situation as leaving the EU where nothing was negotiated or decided about what was going to happen after.*" Mr Robinson said he believed the Unionist community in general would also accept the results of a border poll on unification but would want some "protections", similar to those the nationalist community currently enjoys in the North.²³

And while the current and the former Taoiseach have both spoken about a New Agreed Ireland and the desire to see it happen, the issue has never been addressed in the National Risk Assessment issued by the Department of the Taoiseach.

Obviously significantly increased clarity and transparency, and most of all, a policy is required from both governments. This is vital to avoid political instability and potential court challenges surrounding any referendum. One can easily visualise the potential chaos that could ensue if a Referendum on a New Agreed Ireland is triggered as a result of a hard border/hard Brexit or as a result of a court challenge or ruling due to the lack of policy preparation and all-party engagement.

²¹ Gareth Gordon, 'Unionist MP Lady Sylvia Hermon expects to see border poll', (2018) < <https://www.bbc.com/news/uk-northern-ireland-43995962>> accessed 1 May 2019.

²² <https://www.bbc.co.uk/programmes/p04zw8hy>

²³ <https://www.irishtimes.com/news/ireland/irish-news/north-should-prepare-for-united-ireland-possibility-ex-dup-leader-1.3578620>

The Economics of a New Agreed Ireland

One of the recommendations of the report adopted unanimously in 2017 by the Joint Oireachtas Committee on the Implementation of the Good Friday Agreement entitled 'Brexit & the Future of Ireland Uniting Ireland & Its People in Peace & Prosperity' was to ascertain the true level of the income and expenditure for Northern Ireland.

The core lesson for the Irish State in its pursuit of reunification, lies in the Brexit referendum in the UK, in that an issue which would have an economic impact should be preceded by policy planning and implementation. As economist John Bradley in his paper 'Towards an All Island Economy' presented at Queens University Belfast pointed out

"The extreme importance of strategic economic planning.....policy errors or policy neglect seldom goes unpunished". ²⁴

A New Agreed Ireland could come at a high price for the Republic due to the current course of inaction by the government, reducing income and living standards by as much as 15 per cent, a study by economists John FitzGerald of Trinity College Dublin and Edgar Morgenroth of Dublin City University has claimed.²⁵

There are few economists in the world with first-hand knowledge and experience of reunification. Gunther Thumann is one such individual; he worked as a senior economist at the German desk of the International Monetary Fund at the time of German reunification. This provided him with the analytical understanding of the complex economic developments as they happened. In the second half of the 1990s, he had several opportunities to talk privately with Chancellor Helmut Kohl about his assessment of the politics of German reunification.

On the 14th of June 2018, Senator Mark Daly proposed to a meeting of the Joint Committee on the Implementation of the Good Friday Agreement that he and Gunther Thumann compile a report on the true income and expenditure of Northern Ireland in a reunification situation. Senator Mark Daly worked with Gunther Thumann and together they have examined the information available. This information shows that the current reported budget deficit for Northern Ireland could come close to balanced in a re-unification scenario.

The challenge facing the Irish Government or any economist trying to predict the financial benefits and costs of reunification is best explained by Gunther Thumann. He outlines that despite all the information available, Germany is still not able to say definitively the cost of unification.

"Perhaps more surprisingly estimates of the costs of unification continue to differ significantly even years after the event. For instance, data published by the IFO Dresden, the University of Halle and Klaus Schroeder FU Berlin 25 years after Re-

²⁴ http://www.irish-association.org/papers/john_bradley.asp

²⁵ <https://www.irishtimes.com/business/economy/united-ireland-would-see-living-standards-in-republic-fall-by-15-1.3629748>

*Unification put net transfers per annum (over the period 1991-2014) at EUR68 billion (IFO), EUR54 billion (Halle) and EUR83 billion (FU), respectively.”*²⁶

“Northern Ireland’s Income and Expenditure in a Reunification Scenario”, with research by Gunther Thumann and Senator Mark Daly, is attached to this report as an appendix.

Today, people take German unification for granted but, as Thumann observes, in 1989/90, the result of the fall of the Berlin Wall was far from certain:

*“I am amazed how many Germans these days seem to take Re-Unification for granted. We should not forget that the developments that started in 1989 could have turned out very differently.....The fact that people take Re-Unification for granted reflects its success.”*²⁷

For the purpose of his research, Thumann gave a brief outline on the timeline of events in German reunification which has been included in full as appendix of this report. The outline includes what could have happened and his conclusions and lessons for Ireland in its unification process.

For the Joint Oireachtas Committee on the Implementation of the Good Friday Agreement report ‘Brexit & the Future of Ireland Uniting Ireland & Its People in Peace & Prosperity’ Senator Daly requested Congressman Brendan Boyle to commission the United States Congressional Research Service (CRS) to look at the income and expenditure for Northern Ireland. CRS produced a report entitled ‘Northern Ireland Budgetary Issues’. The CRS document is attached as an appendix to this report.²⁸

The United States Congressional Research Service’s report breaks down Northern Ireland’s expenditures into: identifiable expenditure, non-identifiable expenditure and accounting adjustment. Thumann and Daly looked at the CRS report and make the point that included in ‘identifiable expenditure’ in Northern Ireland’s 2012-13 Social Protection budget are pensions accounting for £2.8 billion. These would initially be the responsibility of the British Government as the pension liability was accrued while Northern Ireland was part of the United Kingdom.

Congressman Boyle’s report explains that non-identifiable expenditure of £2.9 billion includes Defence Expenditure and UK Debt Interest. These would not be a liability of a new agreed Ireland. Thumann explains that not all the accounting adjustments figure of £1.1 billion would be applicable in a reunification scenario. Also, the convergence of the public service numbers between the North and the South could bring a savings of £1.7 billion per annum in the current budget expenditure of Northern Ireland.

²⁶ <https://senatormarkdaly.files.wordpress.com/2019/01/research-on-northern-ireland-income-and-expenditure-1.pdf>

²⁷ <https://senatormarkdaly.files.wordpress.com/2019/01/research-on-northern-ireland-income-and-expenditure-1.pdf>

²⁸ <https://senatormarkdaly.files.wordpress.com/2019/06/congressional-research-service-report.pdf>

Taking the above adjustments and savings into account, the cumulative figure is £8.5 billion. With the reported deficit for Northern Ireland at £9.2 billion, the current income and expenditure figure for Northern Ireland comes near a balanced budget in a reunification scenario. This is, of course, before taking into account the likely potential for growth in Northern Ireland following unification as happened in East Germany following its reunification and to Eastern European countries upon their accession to the EU.

'Modeling Irish Unification' was compiled by Dr Kurt Hubner of British Columbia University. The executive summary is included as an appendix of this report. It states, "*The current political and economic separation of Northern Ireland from the Republic of Ireland (ROI) has opened up an economic gap between the two regions of the Island. Political and economic unification of the North and South would likely result in a sizable boost in economic output and incomes in the North and a smaller boost in the ROI.*"²⁹ However, this research and analysis was published in 2015 before Brexit.

In 2018 Dr Kurt Hubner and Dr Renger van Nieuwkoop published research entitled, 'The Cost of Non-Unification: Brexit and the Unification of Ireland' which shows that over seven years, the unification of Ireland could benefit the country by €23.5 billion. Conversely, a hard Brexit could cost the island €42.5 billion. It also stated that in the event of a hard Brexit where the United Kingdom leaves the customs union as well as the single market of the European Union, Northern Ireland would suffer a loss of €10.1 billion.

In relation to the research by John Fitzgerald, Edgar Morgenroth in 2018, Dr Kurt Hubner and Dr Renger van Nieuwkoop 2018 report and Hubner report in 2015 and the varying results means further research is required

As Gunther Thumann explains in the conclusion to his report that "*while these adjustments are of a mainly statistical nature they suffice to show that the £9.2 billion Northern Ireland deficit figure is not a meaningful measure of the Northern Ireland fiscal situation under unification. A lot of research is necessary to come up with a meaningful measure for the Northern Ireland fiscal balance under a unification scenario.-Depending on the specific assumptions made however, the pension adjustment could reduce Northern Ireland's fiscal balance under a reunification scenario to close to a balanced budget.*"³⁰

The Irish Government should carry out its own cost benefit analysis in relation to the status quo and reunification.

The National Risk Assessment was set up as a consequence of the financial crash, any referendum could have serious and significant financial consequences if not properly planned for and that is why it is imperative it is included in the final 2019 National Risk Assessment.

²⁹ <https://prcg.com/modeling-irish-unification/report.pdf>

³⁰ <https://senatormarkdaly.files.wordpress.com/2019/01/research-on-northern-ireland-income-and-expenditure-1.pdf>

Category		2013-2014 (£ billions)
Total Managed Expenditure		24.1
<u>Of which: Identifiable</u>		
<i>Deduct Reduction in Public Sector</i>		1.7
		22.4
Deduct Pension liabilities assumed by Britain		2.8
		19.6
<u>Of which: Non-identifiable</u>		
<i>Deduct Defence Expenditure, Debt Interest, international services & EU transactions</i>		2.9
		16.7
<u>Accounting Adjustments</u>		
<i>Deduction: Items not related to Northern Ireland</i>		1.1
Total Adjusted Expenditure		15.6
Estimated Revenue attributed to Northern Ireland		14.9
Deficit		0.7

'Northern Ireland's Adjusted Fiscal Balance as published in 'Northern Ireland's Income & Expenditure in a Reunification Scenario' by Gunther Thumann and Senator Mark Daly³¹

³¹ <https://senatormarkdaly.files.wordpress.com/2019/01/research-on-northern-ireland-income-and-expenditure-1.pdf>

Conclusions

All key elements that could and will have an impact on the future of this state should be included in the annual Risk Assessment. To quote the Taoiseach in his own words in the 2018 National Risk Assessment: Overview of Strategic Risks, the Risk Assessment *“aims to counteract ‘group think’ and to ensure all voices are heard by Government.”*

It is of concern that there is no mention by the Taoiseach and the government of the issues of a New Agreed Ireland or a referendum on a New Agreed Ireland in their National Risk Assessment

The Taoiseach has mentioned his desire to achieve a United Ireland, saying, *“Our constitution aspires to there being a united Ireland. I share that aspiration.”*

Diverse voices from the British Prime Minister, the former Speaker of the US House of Representatives, the DUP leader Arlene Foster, Lady Sylvia Herman’ independent Unionist MP for North Down and former DUP leader Peter Robinson have also spoken about the issue of a Referendum on a New Agreed Ireland or a united Ireland.

The voices and research quoted and referred to in this report and in other reports should be listed to. Those of Gunther Thumann Senior economist at the Germany desk for the IMF during German reunification on the true running cost of a Northern Ireland in a reunification scenario. Economists John FitzGerald of Trinity College, Edgar Morgenroth, Dr Kurt Hubner and Dr Renger van Nieuwkoop on the potential impact of unification.

We should listen a new to the advice of the man voted in 2016 by the people of Ireland ‘Irishman of the 20th Century’, T. K. Whitaker. Written to the Taoiseach Jack Lynch in a ‘Note on North-South Border Policy’ on the 11th of November 1968 on the eve of ‘The Troubles’. In it Whitaker foresaw the long term nature of achieving a New Agreed Ireland, that it required the best of ourselves and a collective understanding.

“We were, therefore, left with only one choice, a policy of seeking unity in Ireland between Irishmen. Of its nature this is a long-term policy, requiring patience, understanding and forbearance and resolute resistance to emotionalism and opportunism. It is not the less patriotic for that”.

T K Whitaker

Recommendations

Policy neglect seldom goes unpunished and this is very true of the lack of preparation by the Government for a new agreed Ireland.

We would strongly recommend that the government immediately act upon the recommendations of the Joint Oireachtas Committee on the Implementation of the Good Friday Agreement, from their report entitled 'Brexit & the Future of Ireland: Uniting Ireland & Its People in Peace & Prosperity'.

The Taoiseach and the government must include policy preparation for a possible/ probable referendum on a New Agreed Ireland in the National Risk Assessment 2019.