The Centre for
Cross Border Studies

MEDIA WATCH

05/08/2016 - 12/08/2016

August 9, 2016

Uncertain future in store for farmers and food producers

Farmers and food producers are demonstrating support for ostrich-style behaviour - heads in the sand. They are currently big contributors to the local economy. Following Brexit there are huge question marks over the future of these sectors.

Northern Ireland farms and food producers will soon be outside the EU. Probably in either 2019 or 2020, the UK will phase in a gradual exit from the EU common agriculture policies. A date will be set for the ending of farm support from the EU budget, including the ending of the arrangements to pay the Single Farm Payments (SFP), which recently sourced nearly £300m each year to local farmers.

There is, at the least, uncertainty on whether the UK government will want to take over and continue a support system similar to the SFP. Equally significantly, there are big questions about what responsibilities will transfer to the NI Executive.

The most challenging outcome for the NI Executive would be a decision that farm support was wholly a devolved responsibility, that Westminster would allocate an allowance for farm support to the local Budget (possibly less than the cost of the current SFP budget), and that the SFP system would be replaced in GB (leaving Northern Ireland to make our own decisions).

Local ministers would face difficult decisions. Should farm policies be reshaped to incentivise a stronger, leaner and more competitive farm sector or, if possible, should farm support adopt the socially softer format of maintaining and supporting a large number of non-viable farm units?

There are obvious Irish cross-border issues if farm support develops in differing ways north and south. Add the still uncertain rules on cross-border trade and any EU tariffs and then the Irish-NI border could become a serious legal and administrative hurdle replacing the present easy flowing arrangements.

For easy answers, farmers in NI might hope that the UK government would introduce a GB version of the SFP system and uplift our budget by an amount that allowed local ministers to apply the parity principle. No such assurance has been even tentatively suggested. Even if suggested, that does not necessarily mean that it would be a good idea.

If there are advantages for GB in attracting some food imports at lower world prices, the London perception may be that across GB the cost of farm support could now be reduced. Opening the GB food markets to world prices may be politically attractive and be followed by schemes to narrow down the cost of support for farm incomes.

Northern Ireland farming relies on large scale exports of dairy and meat products both to GB and international markets. For dairy products and meat products these will be markets at competitive prices and less attractive to small scale processors.

Any local farm income support mechanism is less likely to sustain support at the levels of the SFPs yet output prices may be squeezed.

This tension presents a difficult choice. Should NI use available support funding to favour larger producers and in contrast introduce schemes to encourage consolidation of farm businesses as well as product processing on a larger scale?

The EU scheme of SFPs has had the effect of supporting the current social structure of small farm businesses. That, indirectly, has added to the cost of the EU farm policies. The UK has traditionally operated with a more commercially viable farm structure with NI and parts of Scotland and Wales continuing to sustain smaller businesses.

In the restructuring of farm support, the Brexit debate and the negotiations for the terms of Brexit are likely to push the UK government into a less supportive series of policies. As London tries to restrain the budget costs of an inherited SFP system, the devolved regions have reason to be apprehensive.

Future farm policies are set to be a more complex policy nightmare.

Company report: Almac Group Ltd

The successful Almac Group, headquartered in Craigavon, brings together the parent holding company and a wide range of subsidiary companies with specialist interests in the commercialisation of pharmaceutical products.

Nine active subsidiary companies are registered in Northern Ireland, nine in the United States, two in Singapore and one each in Scotland and Japan.

Group activities include the discovery of new drugs and the commercialisation of pharmaceutical products. This is backed by the extensive integrated research and development support and a range of specialised services within the pharmaceutical and biotechnology sectors. During the last year £5.4m was spent on research programmes for which there were deductions of £0.8m as R&D tax credits. In addition a further £1.2m of R&D tax credits was deducted from other expenses.

Annual turnover in 2014-15 increased by £52m to reach over £393m: 15% higher than in the previous year. The group has a substantial annual investment commitment which in 2014-15 cost over £12m.

Operating profits in 2014-15 recovered after a fall the previous year. At £29m operating profits were the best on record.

Outstanding bank borrowing fell in 2015 to nearly £23m compared to nearly £30m a year earlier.

In 2015, average employment increased to 3,554 people: up 8% during the year.

The value of shareholders' funds at the year-end reached nearly £319m, £34m higher than a year earlier.

Source: The Belfast Telegraph

August 10, 2016

Brexit vote 'should not compromise cross-border crime crackdown'

Northern Ireland leaving the EU should not compromise **cross-border** efforts to tackle organised crime and those opposed to the peace process, Stormont leaders have told the Prime Minister.

The status of the border with the Republic post-Brexit should not enable illegal activity, Arlene Foster and Martin McGuinness warned Theresa May.

Northern Ireland is the only part of the UK with a land border with a member state.

Dissident republican groups who target police officers and other members of the security forces in Northern Ireland use the Republic for fundraising, training, engineering and storing weapons and occasionally as a preparatory base for attacks north of the border, according to a recent terror assessment.

The First Minister and Deputy First Minister said: "It is equally important that the border does not create an incentive for those who would wish to undermine the peace process and/or the political settlement."

The Prime Minister visited Belfast last month and said nobody wanted to see a return to the borders of the past.
Efforts to tackle lucrative **cross-border** smuggling are part of recent political accords agreed at Stormont.

Mrs Foster and Mr McGuinness wrote: "There have been difficult issues relating to the border throughout our history and the peace process.

"We therefore appreciate your stated determination that the border will not become an impediment to the movement of people, goods and services.

"It must not become a catalyst for illegal activity or compromise in any way the arrangements relating to criminal justice and tackling organised crime."

The ministers also said it was critical to the economy that businesses retained their competitiveness and did not incur additional costs through Brexit.

"Policies need to be sufficiently flexible to allow access to unskilled as well as highly skilled labour."

They noted thousands of people commuted across the border to work on a daily basis.

The all-Ireland energy market should also be protected, the ministers said.

A proportion of EU funds for projects in Northern Ireland may not be drawn down due to the exit and the ministers said that was of real concern.

The vulnerability of an agri-food sector reliant on EU subsidy was also raised.

The leaders said they wished to play a role in the engagement between the British and Irish governments on matters concerning the border.

Source: The Belfast Telegraph

Remaining in EU single market 'could add years of growth'

Staying within the European Union's single market could add almost two years' worth of growth to the UK's economy, according to a report.

A study by the Institute for Fiscal Studies (IFS) claims that membership of the single market could be worth a potential 4% of extra gross domestic product (GDP) to the UK compared with World Trade Organisation (WTO) membership alone.

The think tank said the boost to the country's trade, public finances, growth and living standards far outweigh the costs of single market membership across Europe.

Its report, which was funded by the Economic and Social Research Council, added that just having access rather than membership of the single market was "virtually meaningless".

The IFS sent out some stark warnings over the impact of Brexit ahead of the EU referendum, saying it would lead to two more years of austerity. Its earlier reports on Brexit said lower growth and extra borrowing of Brexit would knock a £20bn to £40bn hole in the Government's finances by 2020.

In its study, the IFS warned the UK faces "very big choices" in negotiations with the EU.

Ian Mitchell, research associate at the IFS and an author of the report, said: "There is all the difference in the world between 'access to' and 'membership of' the single market.

"Membership is likely to offer significant economic benefits particularly for trade in services. But outside the EU, single market membership also comes at the cost of accepting future regulations designed in the EU without UK input."

The report claims that while leaving the EU will free the UK from an estimated £8bn a year of budget contributions, the loss of trade from Brexit could hit tax receipts by a larger amount.

Meanwhile, officials in the Republic are working to develop a post-Brexit electronic customs system where vehicles and other hauliers will be able to cross the border from Northern Ireland without having to stop.

It's understood that informal contacts have already taken place between Irish customs officials and their counterparts in the UK about the possibility of developing an integrated, joined-up electronic border system. It's a possibility that would be a welcome outcome for companies who regularly trade between Northern Ireland and the Republic.

Source: The Belfast Telegraph

Britain's exit from EU could take a decade

Philip O Sullivan, chief economist at Investec Ireland, said working out all the details of the UK s new relationship with the EU as it plots to quit the bloc will take years.

Speaking in a personal capacity, Mr O Sullivan told the Irish Examiner that tiny Greenland took several years to strike divorce terms with Brussels in the 1980s, and negotiating the UK s departure would take much longer.

That view was supported by an associate research professor at the Economic and Social Research Institute Edgar Morgenroth.

A leading adviser to the Government on the implications of Brexit on Ireland north and south, Prof Morgenroth said that the easy bit would be the triggering by the UK of Article 50 that marks the start of the divorce proceedings.

Reaching a lasting agreement, however, to cover all issues of trade and people could take many years, he said.

Prof Morgenroth said that one thorny issue is the potentially huge bill Britain owes various EU programmes.

An interim trade arrangement which could last years may be struck before a final agreement is reached, he said.

Source: Irish Examiner