

Northern Ireland Election Briefing

May 12, 2022

Situation Overview

- Northern Ireland's election resulted in its pro-Irish reunification Sinn Féin party winning a majority of seats in its Assembly, raising questions about Northern Ireland's recently established post-Brexit trade agreements with the UK and EU.
- An historic level of societal and economic progress should *not* be presumed to automatically follow. There is likely a six-month window before the new Assembly convenes, while London and Dublin will likely be applying pressure to speed up the formation of government.
- Key issues at stake include 1) potential hits to last year's 65% increase in trade between Northern Ireland and the Republic of Ireland due to political uncertainty, 2) possible amendments to the agreement governing Northern Ireland's post-Brexit trade arrangements with the EU, and 3) a reignition of political upheaval over the debate on holding a referendum on the question of a United Ireland.

Results for the Northern Ireland Assembly election were finalized on Saturday, May 7th, giving Sinn Féin a majority in parliament. This victory is a first for the former political wing of the Irish Republican Army (IRA), which has been operating in the political mainstream for some years now and has presented itself as the party of "Irish republican democratic socialists," dedicated to the reunification of Ireland. The Democratic Unionist Party (DUP), who aims to maintain the status quo of British rule in the region, won the second greatest number of seats followed by the neutral Alliance Party of Northern Ireland.

Throughout the United Kingdom's Brexit negotiations from the European Union, the question of Northern Ireland's status as a UK entity and its trade status with its land border neighbor Ireland (which remains part of the European Union) was a significant, complicating factor in negotiations. The Northern Ireland election and subsequent political maneuvering have led to questions regarding the potential impacts on the agreement and the future of trade with the UK and EU.

In October of 2021, the EU put forward a [bespoke arrangement](#) for the implementation of the [Protocol on Ireland and Northern Ireland](#). The intention was to respond to the specific issues Northern Ireland was experiencing as a non-contiguous part of the UK because of Brexit. This package of measures included flexibility in the area of food, plant and animal health, customs and medicines. It also proposed a different model for the implementation of the Protocol more attuned to the trading realities without jeopardizing the EU Single Market.

Political implications

It could be up to six months before the Northern Ireland Assembly reconvenes, assuming they take the full time allotted to them to do so, and to begin addressing the major issues raised by the shift in power. Through the course of the election, Northern Ireland voters were far more concerned with economic issues and problems in the health system than with technical issues around trade protocols. The Dublin and London governments will be encouraging the Assembly to return as quickly as possible, so a functioning system of governance is in place to ensure the democratic process has primacy and the rise of sectarianism prevented.

The election gives Sinn Féin the right to form a government and put forward a candidate for First Minister of Northern Ireland. However, the DUP leader [said](#) its bloc would not join the government and appoint a deputy minister unless the Northern Ireland Protocol trade agreement, determined as a part of Brexit negotiations, is scrapped. Following Brexit, negotiators [drew](#) a de facto customs border down the Irish Sea to avoid placing controls on Ireland proper.

Ultimately, Sinn Féin and the DUP must come to some form of governing coalition as the Good Friday Agreement mandates power-sharing between Unionist and Republican parties. Sinn Féin party leader Michelle O’Neill has [called](#) for an “honest debate” on unifying Northern Ireland with the Republic of Ireland. However, the British Secretary of State for Northern Ireland, Brandon Lewis, [ruled out](#) any referendum on Irish reunification, or “border poll,” and noted that Unionist parties in the parliament still hold a larger number of seats than the nationalist or republican parties.

Additionally, the Good Friday Agreement stipulates that the Unionist community must consent to any vote on the sovereignty of Northern Ireland which is not likely in the short or medium terms. More than anything else, the push for a border poll has the potential to create serious instability on the island and polarize politics for some time to come.

Implications of the Election for Business

Many of the political problems of Northern Ireland are economic issues in disguise. Northern Ireland’s politics wouldn’t be nearly as fraught if its economy was given the stability required to maximize its potential.

The election outcome is a product of changing demographics, the question is whether Sinn Fein’s rise will undermine or enhance the stability business so badly needs as it seeks to adapt to the post Brexit world.

Ironically, the protocol means that Northern Ireland is the only jurisdiction in the United Kingdom with unfettered access to both UK and EU markets. And while the protocol is objectionable to Unionist politicians, it has allowed certain businesses to thrive in the post-Brexit world.

Ireland’s central statistics office revealed figures in February of this year that revealed imports to Ireland from Northern Ireland in (2021) the first full year of Brexit were up by 65% to 3.9bn Euro, a rise of 1.3bn compared to 2020. Exports into Northern Ireland from the South were equally impressive rising by 54%. The business potential for Northern Ireland is clearly huge. But in the history of the Island, in the North at least, politics always trumps economic need. Breaking that cycle and allowing the economy to solve political problems is key to Northern Ireland’s future. The best advice for business now is to hold their ground, nothing material will change in the short or medium term.

A prediction: Northern Ireland’s politics have seen an historic election outcome, but we shouldn’t presume an historic level of societal and economic progress will automatically follow. Things will progress slowly. Business will continue to live with the uncertainty it has always lived with in Northern Ireland. Despite the demands of the DUP, the protocol wording will not be changed, and the EU is unlikely to agree to amendments to the protocol. A solution is to find an interpretation and application of the current wording that Unionist and Nationalist politicians can live with.

Sinn Féin will continue to move on with their agenda North and South, and is anticipated to endorse a tax and spend economic program that might place limitations on businesses. Their proposals [include](#) expanding affordable housing, halting pension age increases at 65, subsidizing childcare, as well as implementing rent ceilings. Taxes will likely be borne by high-income earners and companies, as Sinn Féin pledges that all taxpayers who earn less than 100,000 euros a year will see a decrease in taxes.

Our Take

Violence or politics?

A return to violence, as a result of renewed sectarianism in Northern Ireland is unlikely, but can never be ruled out.

The stability brought about by the Good Friday Agreement has been slowly eroded. As Sinn Féin’s power increases so too does fear amongst the Unionist community, who are now faced with the reality that they are no longer own the political agenda. That has never happened before and is a reality they will not want to accept.

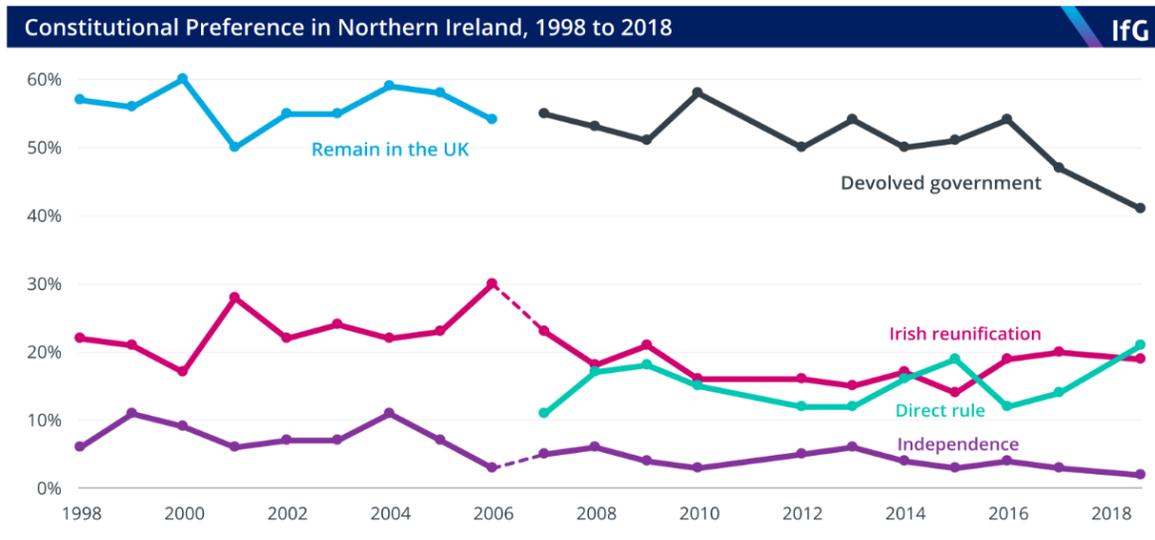
Northern Ireland is a deeply scarred society - there is a collective trauma that lies very near the surface, and it translates into political recalcitrance with depressing regularity. If Sinn Féin continues to drive an agenda of reuniting Ireland, ignoring the principle of consent (which affirmed the aspiration towards a United Ireland, as well as the desire of the majority to remain part of the UK), Unionist fears will grow and a reaction from the militant end of that spectrum is possible.

There is a beacon of hope in the emergence of the Alliance Party in this election. They represent the political middle ground in a deeply divided society and are not defined by old sectarian politics or the Protestant/Catholic divide. While a good performance was signalled in a poll just before the election, the Alliance’s performance in winning 17 seats came as a surprise. The British and Irish Governments (and on occasion the US President) often steps in when Northern Irish politicians refuse to engage, attempting to bring calm to an always fraught political discourse. It usually works and it’s the best defense against a return to strife.

Key Trends

This election has observers reading the waters for multiple trends:

- Private sector uncertainty in the next six months before a government must form
- The enduring integrity of the Good Friday Agreement
- EU-UK negotiations on the Northern Ireland Protocol
- The prospect of higher taxes under a Sinn Féin-led government
- The prospect of increased government spending under a Sinn Féin-led government
- The prospect of new elections if Sinn Féin and the DUP cannot form a government



Source: Institute for Government analysis of the Northern Ireland Life and Times Survey, 1998 to 2018. "Other" and "Don't know" responses not shown. 

Constitutional preference in Northern Ireland (Updated: 18 Jun 2019)