

A proposal to turn Northern Ireland into a Special Economic Zone



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With intense pressure building on Brussels and the UK Parliament to find a solution to the Irish border issue, Stephen Li Jen reflects on his proposal to turn Northern Ireland into a 'Special Economic Zone'.

On the 28th of August I wrote a proposal to help overcome the Irish border impasse that has become a surprisingly daunting obstacle to Brexit.

Our idea was to turn Northern Ireland (NI) into a special economic zone (SEZ), modelled after the ones in China. The SEZs in China do not entail any compromises on China's sovereignty, while at the same time offering the economic agents in the SEZs economic, financial, and legal terms that are preferential to those in the rest of China.

As an SEZ, NI could remain an integral part of the United Kingdom while enjoying all of the economic terms of the EU, as well as possibly other concessions and preferential terms relative to other parts of the UK.

- (1) Sooner or later, with Brexit, there will need to be a permanent solution to the Irish border issue. Rather than presuming that the future terms of trade between the UK and the EU would obviate the need for such a permanent solution, tackling the Irish border issue now would give both the UK and the EU more negotiating space for their future trade arrangement.
- (2) Turning NI into an SEZ would simultaneously satisfy two seemingly inconsistent objectives: (i) the EU extending the same terms of trade to both Ireland and NI and (ii) observing the sovereign integrity of the UK. The Good Friday Agreement would be honoured in such an arrangement, and NI would no longer be a 'zero-sum game' whereby either EU or the UK wins, and the other party loses.
- (3) Since SEZs are not permanent designations, such a structure would offer built-in flexibility over the long-run, allowing advancing technology for border/customs checks, the relative economic prosperity of the rest of the UK, and changing political opinions in NI and Ireland to determine whether NI should continue to be an SEZ within the UK. Giving NI the option to one day abandon its SEZ designation would be an added incentive to NI agreeing to this arrangement in the first place.
- (4) The Irish border issue is important but should not absorb a disproportionate amount of attention from the British and the European policy makers. An added benefit of finding a more structured (though by no means inflexible) arrangement for NI, attention could finally be turned to designing future trade arrangements between the UK and the EU, and with the

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rest of the world.

Whilst I made this proposal a month ago, ahead of the prorogation of Parliament and the subsequent Supreme Court ruling, I continue to believe that the only solution now is to make Northern Ireland into a Special Economic Zone.

For more information about the Macroeconomic Research Service offered by Eurizon SLJ Capital Ltd, please contact:

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