

How a Brexit Would Influence the British Economy, Part 4: the British higher education sector, and the economy of Ireland

In the final installment of our four-part blog on the impact of a British exit (Brexit) from Europe, Jean Monnet scholar Mechthild Herzog investigates the potential consequences for the British higher education sector, and the economy in Ireland.



<https://canterburypoli/2015/05/mechthild-herzog.jpg>

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After months of anticipation, Prime Minister Cameron has finally voiced four demands on which he bases his support for the UK staying in the EU. Cameron named on 10 November in Chatham House...

- to “protect the single market for Britain and others outside the eurozone”,
- to “write competitiveness into the DNA of the whole European Union”, including “cutting the total burden on business”,
- to “exempt Britain from an ‘ever closer union’ and bolster national parliaments”, and
- to “tackle abuses of the right to free movement, and enable us to control migration from the European Union”. [1]

Though not causing fervent enthusiasm in any camp of the Brexit struggle, Cameron touched some long-expressed concerns, not least of British business in terms of cutting red tape. Now it is in the hands of the ‘In’ and ‘Out’ campaigns to interpret what their Prime Minister offered as negotiation basis, and to predict whether or not that will be enough to keep Britain in the EU, or to assure its leaving.

Over the last weeks, a number of such campaigns has been launched. On the ‘In’ side, the group ‘Scientists for the EU’ was formed in early October. As the name suggests, it consists of a number of representatives from the natural sciences arguing for the benefits of EU membership, with a particular focus on how a Brexit would affect the British higher education sector.

A little hint: the loss of research funding is not, by a long way, the only issue. While science and academia are not the first industries that come to mind when considering mobilisation for and against Brexit, the position of this group of individuals is well worth considering. As is the second case study I intend to focus on, that of the Irish economy, which offers fascinating insights into how an entire nation views the question of a potential British exit. The vast majority of politicians and also business people in Ireland – just as most academics at UK universities – dread the referendum and fear it will lead to the UK leaving the EU and the negative consequences predicted as a result.

Education

Distortion in Great Britain’s higher education sector may not have immediate market-disturbing effects in case of a Brexit. However, the sector is crucial for the country’s economy in terms of research and development, generating thousands of jobs, and legions of highly skilled workers for the future. It would suffer badly if the referendum on EU membership would end in the UK leaving the EU. Thus both teachers and students have spoken out against Brexit, pointing towards the dangers in trying to function outside the union. Funds from the EU play a major role for British universities, as do foreign students and researchers. Leaving the EU would mean cutting the institutions off from international partnerships that generate world-leading research, with bad consequences both for British and European universities, warned Sir Leszek Borysiewicz, Vice Chancellor of the University of Cambridge, in April this year. [2] In addition, the UK would lose 1.2 billion pounds per year from EU research funding.

British academia has reason to be nervous: While Switzerland is usually mentioned as a possible model for the UK in the Brexit debate, for the higher education sector the Swiss case is a prime example of how not to react against Europe. In February 2014, the country decided in a referendum to breach the EU’s freedom of labour rules by imposing immigration quotas on foreign workers. However, freedom of movement is perceived as one crucial element of EU higher education policy, and in general as one of the biggest achievements of European integration – though Switzerland is not a member state, it competes for EU research money, and for participation in EU education programmes. To receive anything, it is expected to play by EU rules – which it clearly breached through the referendum. Brussels reacted accordingly: Switzerland was demoted to a ‘third country’ status. Swiss universities were excluded from the research and innovation programme Horizon 2020 [3], worth almost 80 billion euro, and cut out of the Erasmus programme – the world’s largest university mobility scheme [4], thus hindering both student and staff exchange and project co-operation. [5] Only after several rounds of political patchwork, Switzerland was – temporarily – admitted back to parts of Horizon 2020, up for review in 2016.

Some in British academia understood this case as a calculated warning to the UK. [6] Migration limitation is a prominent topic in the Brexit debates – making the threat to British higher education more tangible. The loss of both money and influence in international co-operation could seriously endanger Britain’s top global position in research. Vice Chancellor of Cambridge Borysiewicz made very clear the uncomfortable situation in which British academics might find themselves, trying to stay competitive: “When the head of [a Swiss] university has to ring you up to say ‘Can we submit this [project] under your name?’ ... How would you like Cambridge to have to pick up the phone to Berlin?”

Obviously, funding is one of the most holy-debated issues when it comes to the consequences of a Brexit on British higher education. In fact, the question of fund redirection is used by those arguing to stay in the EU as well as by those appealing to leave it. The latter group claim that, once outside the EU, the UK would not have to pay contributions to the Common Agricultural Policy and other pots of EU money. The unspent money, they claim, could be redirected towards research and other industries. In addition, British universities could then charge EU students higher fees, which could be used to finance their own students and subsidise their own institutions. [7] However, no promise was ever made that the money not given to the EU would be invested into higher education, and nor should this necessarily be expected, given it is part of an entirely different budget. Furthermore, there is no certainty that the UK would keep its leading position in global research if it exited the EU, and that so many European students would continue to study at British universities as a result, especially if it became much more expensive.

If EU funding would break away, some argue that financial support could simply be sought elsewhere, from, say, China, Brazil or the US. Florin Udrea, professor of semiconductor engineering at Cambridge, however, has sought to dispel this belief: “Our relationship with China and US is more about competition than collaboration. It’s more about us delivering services to them – it’s contract research.” [8] It is highly unlikely that such research will bring its researchers much international fame.

Currently the UK does extraordinarily well in acquiring EU funding. The amount that British universities receive is disproportionately high. Cambridge alone gets around 17% of its research income from Brussels. In 2014, British researchers won a fifth of the European Research Council's flagship advanced grants – more than any other EU member state. And as the EU financial support is complementing, not replacing, sources of national funding;^[9] it would represent a dramatic loss for Britain's higher education if it broke away and lost this source of revenue.

One of the big advantages coming with EU funding – aside from the money floating in – is the facilitation of interactions between universities and research facilities of different member states. Such interaction is crucial for high-level research, as it offers institutions access to datasets and research facilities they cannot provide themselves, thereby improving the quality of research outputs. At present the UK is well connected to the continent in terms of research: 80% of international co-publications of British researchers are written with academics from other EU member states. Exchange would become much more complicated once the UK had left the EU. While other sectors (such as finance, see Part One of this series) complain about too much red tape coming from the EU, the British higher education sector would have to fear from the increase in bureaucracy that would result directly from a Brexit: Funds would not come from one pot anymore – Brussels – but would have to be applied for in every of the countries where an institution wished to participate in a co-operative project.

Of course, not all scientists are currently satisfied with the way EU funding is awarded to research institutions: the administrative process can be rather slow, so that, as an example, in fast-moving high tech research the money might arrive too late to be of help. In general, however, the process is not perceived to be more any more arduous than applying for funding at one's own university. As Gerry Gilmore, professor of experimental philosophy at Cambridge, drily remarked: "The EU is almost as bureaucratic as Cambridge, but not quite."^[10]

Hence many in British academia are strongly convinced staying in the EU would be the best outcome for their area of research – and many have pronounced it publicly. Already in May, a number of members of the advocacy organisation Universities UK, including its President Sir Christopher Snowden, signed a letter^[11] stressing the importance of an EU membership for the UK's higher education sector, both economically and socially. In this letter, British universities were described as "national assets which contribute £73 billion to the economy", driving innovation and growth. The signatories not only emphasised the importance of financial support coming from the EU, but also of support in university-business collaboration, and mobility of researchers, staff and students. The letter contained no clear statement against a Brexit, but ended: "As university leaders, we are committed to ensuring that these benefits of EU membership to the British people and to our universities are properly understood, and that our voices are heard in the debate about EU reform."

On 9 October, the campaign "Scientists for the EU"^[12] was launched, representing the views of 6,000 British academics who support continued EU membership. Included among their ranks are members from all three major political parties – the Conservatives, Labour and the Liberal Democrats. Programme Director Mike Galsworthy sees Brexit as "a triple hit for the UK: Firstly, in terms of international collaboration papers, which get more citations. The UK is currently in pole position in terms of citations per pound invested. Secondly, by affecting immigration. British science has partly been driven by the UK's attraction to the science community globally. And thirdly in policy-making. The UK is currently the largest player in the EU science community, and that EU science community has more output in terms of papers than the US."^[13] All of these achievements would be severely endangered if a majority of British citizens, voting in the referendum, decide the UK should leave the EU.

It is not only professors, and researchers in general who dread a potential Brexit. Many students see the same risks. Louise Bicknese, at the time first-year student at University College Maastricht, speaking in June, pointed out that international students study on both sides of the Channel and emphasised the risk to their study conditions offered by a Brexit.^[14] Over 100,000 EU students in the UK and more than 10,000 UK students in other EU countries currently benefit from non-discrimination rules, for example, the right to pay the same study fees. If the UK left the EU, these fees would rise exponentially and the students would be forced to pay additional visa fees and possible surcharges for healthcare, and this is even before we come to the question of extra 'red tape'. In the end, Bicknese argues, a Brexit would be worse for the UK students than for their EU counterparts – after all, the latter would still have the rest of the EU to choose from when looking for an easy exchange.

Losing its biggest business partner? Brexit and the Irish economy

For Ireland, the question of a potential Brexit raises some difficult questions. Although it is member of the European single market, along with every other EU member state, it would be difficult for Ireland to compensate losses from a Brexit by improving business connections to another European country. About one billion euros in imports and exports, both goods and services, are traded between the Republic of Ireland and the UK – every week.^[15] 89% of the republic's oil products and 93% of its gas are imported from the UK. More than half of Irish agricultural and food exports end up in the UK, making it the biggest export market for Irish companies in this sector. Brexit, with the re-establishment of tariff barriers, would trigger significant reductions in Irish exports in the short term, particularly of pharmaceuticals, agricultural products, machinery and chemicals. Both energy and food prices would, as a result, be forced to rise.

Some have argued that Ireland and the UK would inevitably negotiate bilateral agreements to uphold current trade relations, keeping tariffs as low as possible, for the benefit of both countries. In fact, Ireland might profit from a Brexit – as other EU member states would not aim for the same level of business relations. Especially in the financial sector, Ireland might become destination of choice for those seeking an alternative platform to the UK for investing in Europe: it lies in the same time zone as the UK, has the same language, and effectively the same legal system. Plus, the corporate tax is one of the lowest in the EU, the labour market is comparably flexible and hence business friendly, and in contrast to the UK, Ireland would not only be an EU member, but also a member of the Euro-zone. Ireland is already the fourth biggest financial platform within the EU; with 15% of its total bank assets being foreign-owned.^[16]

This may attract foreign direct investment inflows that would otherwise have gone to the City of London, and might encourage yet London-based banks to move to Dublin in case of a Brexit. Already in August 2014, senior figures in the finance industry reportedly said that Wall Street banks considered leaving the UK for Ireland if the former voted to leave the EU.^[17] These businesses might also seek to move simply to reduce their operating costs, taking advantages of Ireland's low rates of corporate taxation. Citigroup already employs around 2,500 people in Ireland, while JP Morgan and the Bank of America each have 500 workers there. Standard and Poor's mentioned Dublin in July this year as one possible location to cite its replacement London office, next to Frankfurt and Paris.^[18] John McGrane, director of the British Irish Chamber of Commerce, told the Financial Times in July: "International services are the one [Irish] sector that would be a net winner from Brexit."

However, Dublin has one disadvantage relative to London, and it is a simple yet existential one: so far, the financial sector's infrastructure is, in terms of employees, only a tenth of the size of the City of London. There is a huge lack of modern office space. In response to the financial crisis and the property crash 2008, new office (and also residential) development in Dublin came to a near standstill. Although construction projects are now started again, it will likely take years until sufficient supply enters the market. The financial crisis also raised doubts about the country's regulatory capacity and much trust was lost in this regard. And so far, the investment banking and capital markets capabilities hardly reach beyond those needed to serve the rather small domestic market. All these weaknesses make the Irish minister for financial services, Simon Harris, believe that in fact Dublin and London will continue to offer very

different products for the financial sector, and that Dublin might only gain on a short-term level here in case of a Brexit.

The biggest and most tangible Brexit threat is the impact on relations between Northern Ireland and the Republic. The post-conflict political settlement between Britain and Ireland over the political future of Ulster is still fragile enough to seriously concern Taoiseach Enda Kenny and Foreign Minister Charlie Flanagan.[19] The economic impact alone would severely shake the Northern Irish economy – a Brexit might cost the region one billion pound per year, or 3% of its economic output, owed to a rise of cross-border transaction costs.[20] In June, the Irish Minister for Trade and North South Cooperation, Sean Sherlock, declared: “The border between North and South no longer exists in economic terms.”[21] Northern Ireland’s farmers greatly benefit from the EU’s Common Agricultural Policy; leaving the EU would jeopardise economic investment – which is not only important in terms of keeping business running, but which also became a vital part of resolving outstanding differences between the two sides.[22] Hence not only is the quality of life in both north and south at risk – there would also be a potential security impact as a result of associated instabilities. That is certainly the fear articulated by a cross-party committee of Irish parliamentarians who recently demand that Ireland should be involved in the negotiation talks between the British Prime Minister David Cameron and Brussels, given the potential effects of a Brexit on the Republic.[23] Accordingly, these Irish MPs deem it necessary, at the very minimum, to grant Northern Ireland special status to protect north-south relations and allow the freedom of movement to continue.[24]

The debate around a potential Brexit might well be “Ireland’s biggest ever foreign policy challenge”. [25] At least, this is the view of the Irish MEP Brian Hayes (Fine Gael/European Peoples’ Party Group). The euro-skepticism of Ireland’s biggest and oldest trading partner shakes the country to its core. Just as much as it destabilises British business, the Brexit debate injects insecurity into the Irish markets, hindering future investment and preventing businesses from establishing a foothold on the Emerald Isle.[26] While some see a blooming future no matter how the referendum turns out, and some others even consider that Ireland might follow the UK out of the EU[27], the dominant message from the Republic to London is that it would clearly be better for Ireland – and most probably the UK – to remain in the EU.

Tautologies aside, the Republic of Ireland and the universities of the United Kingdom share, in this way, a common fate: both of them must stay ‘in’ Europe, closely connected to the continent, simply because are; and because they are, they must.

[1] Cf. <https://www.chathamhouse.org/event/future-britains-relationship-european-union> (<https://www.chathamhouse.org/event/future-britains-relationship-european-union>).

[2] Cf. <https://www.timeshighereducation.co.uk/news/cambridge-v-c-warns-brexit-would-isolate-uk-researchers/2019825.article> (<https://www.timeshighereducation.co.uk/news/cambridge-v-c-warns-brexit-would-isolate-uk-researchers/2019825.article>).

[3] <http://ec.europa.eu/programmes/horizon2020/> (<http://ec.europa.eu/programmes/horizon2020/>).

[4] Cf. <http://www.regents.ac.uk/media/1725064/uk-and-europe-regents-report-2014-final-pdf.pdf> (<http://www.regents.ac.uk/media/1725064/uk-and-europe-regents-report-2014-final-pdf.pdf>), p. 79.

[5] Cf. http://www.britishinfluence.org/_why_science_is_one_of_the_most_powerful_arguments_in_the_pro_eu_campaign (http://www.britishinfluence.org/_why_science_is_one_of_the_most_powerful_arguments_in_the_pro_eu_campaign) and http://www.international.ac.uk/media/2555787/uk-he-international-unit_information-note_10_switzerlandh2020eplus.pdf (http://www.international.ac.uk/media/2555787/uk-he-international-unit_information-note_10_switzerlandh2020eplus.pdf).

[6] Cf. <https://www.timeshighereducation.com/features/brexit-the-perks-and-pitfalls-for-higher-education?nopaging=1> (<https://www.timeshighereducation.com/features/brexit-the-perks-and-pitfalls-for-higher-education?nopaging=1>).

[7] Cf. <https://www.timeshighereducation.com/features/brexit-the-perks-and-pitfalls-for-higher-education?nopaging=1> (<https://www.timeshighereducation.com/features/brexit-the-perks-and-pitfalls-for-higher-education?nopaging=1>).

[8] Cf. <http://www.sciencebusiness.net/news/77224/Leaving-the-EU-a-threat-to-funding-and-quality-of-research-in-the-UK> (<http://www.sciencebusiness.net/news/77224/Leaving-the-EU-a-threat-to-funding-and-quality-of-research-in-the-UK>).

[9] EU funding supports especially transnational, multi-disciplinary and collaborative projects, offering access to international facilities and large international datasets.

[10] Cf. <http://www.sciencebusiness.net/news/77224/Leaving-the-EU-a-threat-to-funding-and-quality-of-research-in-the-UK> (<http://www.sciencebusiness.net/news/77224/Leaving-the-EU-a-threat-to-funding-and-quality-of-research-in-the-UK>).

[11] Cf. <http://www.universitiesuk.ac.uk/highereducation/Pages/OpenletterinTimesonEUMembership.aspx#.VXg6NOfkKI2> (<http://www.universitiesuk.ac.uk/highereducation/Pages/OpenletterinTimesonEUMembership.aspx#.VXg6NOfkKI2>).

[12] <http://scientistsforeu.uk/> (<http://scientistsforeu.uk/>).

[13] Cf. <http://www.euractiv.com/sections/uk-europe/uk-scientists-announce-stay-eu-campaign-318361> (<http://www.euractiv.com/sections/uk-europe/uk-scientists-announce-stay-eu-campaign-318361>).

[14] Cf. <http://www.campuseurope.eu/brexit-not-only-about-businesses-but-also-about-students/> (<http://www.campuseurope.eu/brexit-not-only-about-businesses-but-also-about-students/>).

[15] Cf. <http://www.bbc.com/news/world-europe-33242149> (<http://www.bbc.com/news/world-europe-33242149>).

[16] Cf. <http://www.irishexaminer.com/business/brexit-would-cost-us-4bn-320327.html> (<http://www.irishexaminer.com/business/brexit-would-cost-us-4bn-320327.html>).

[17] Cf. <http://rt.com/uk/181340-us-banks-desert-britain/> (<http://rt.com/uk/181340-us-banks-desert-britain/>).

[18] Cf. <http://www.ft.com/cms/s/0/e8f91360-2ad4-11e5-acfb-cbd2e1c81cca.html#ixzz3gK6WN8Y7> (<http://www.ft.com/cms/s/0/e8f91360-2ad4-11e5-acfb-cbd2e1c81cca.html#ixzz3gK6WN8Y7>).

[19] Cf. <http://www.ft.com/intl/cms/s/0/ca6d5ed2-587f-11e5-a28b-50226830d644.html?siteedition=uk#axzz3lvIZGe9z> (<http://www.ft.com/intl/cms/s/0/ca6d5ed2-587f-11e5-a28b-50226830d644.html?siteedition=uk#axzz3lvIZGe9z>).

[20] Cf. <http://www.bbc.com/news/uk-northern-ireland-32038254> (<http://www.bbc.com/news/uk-northern-ireland-32038254>).

[21] Cf. http://www.euractiv.com/sections/uk-europe/irish-trade-minister-uk-referendum-worry-ireland-315623?utm_source=EurActiv+Newsletter&

[utm_campaign=ea8af507c7-newsletter_daily_update&utm_medium=email&utm_term=0_bab5f0ea4e-ea8af507c7-245800877](http://www.euractiv.com/sections/uk-europe/irish-trade-minister-uk-referendum-worry-ireland-315623?utm_source=EurActiv+Newsletter&utm_campaign=ea8af507c7-newsletter_daily_update&utm_medium=email&utm_term=0_bab5f0ea4e-ea8af507c7-245800877) (http://www.euractiv.com/sections/uk-europe/irish-trade-minister-uk-referendum-worry-ireland-315623?utm_source=EurActiv+Newsletter&utm_campaign=ea8af507c7-newsletter_daily_update&utm_medium=email&utm_term=0_bab5f0ea4e-ea8af507c7-245800877).

[22] Cf. <http://www.bbc.com/news/uk-politics-33171204> (<http://www.bbc.com/news/uk-politics-33171204>).

[23] Cf. <http://www.theguardian.com/politics/2015/jun/25/concern-brexite-impact-political-landscape-northern-ireland> (<http://www.theguardian.com/politics/2015/jun/25/concern-brexite-impact-political-landscape-northern-ireland>).

[24] Cf. <http://www.bbc.com/news/world-europe-33242149> (<http://www.bbc.com/news/world-europe-33242149>).

[25] Cf. http://www.euractiv.com/sections/trade-society/brexit-irelands-biggest-ever-foreign-policy-challenge-316798?utm_source=EurActiv+Newsletter&utm_campaign=344e3dc15a-newsletter_daily_update&utm_medium=email&utm_term=0_bab5f0ea4e-344e3dc15a-245800877 (http://www.euractiv.com/sections/trade-society/brexit-irelands-biggest-ever-foreign-policy-challenge-316798?utm_source=EurActiv+Newsletter&utm_campaign=344e3dc15a-newsletter_daily_update&utm_medium=email&utm_term=0_bab5f0ea4e-344e3dc15a-245800877).

[26] Cf. http://www.politico.eu/article/irish-central-bank-prepares-for-brexit-fallout/?utm_content=buffer8b525&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer (http://www.politico.eu/article/irish-central-bank-prepares-for-brexit-fallout/?utm_content=buffer8b525&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer) and <http://www.bbc.com/news/uk-politics-33171204> (<http://www.bbc.com/news/uk-politics-33171204>).

[27] Cf. <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/eu-austritt-irlands-nach-einem-brexit-13592917.html> (<http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/eu-austritt-irlands-nach-einem-brexit-13592917.html>).

November 12, 2015 / November 12, 2015 / [Brexit](#), [British Economy](#), [CEFEUS](#), [Europe](#), [HE](#), [Higher Education](#), [Ireland](#), [Jean Monnet](#)