Brexit Blog

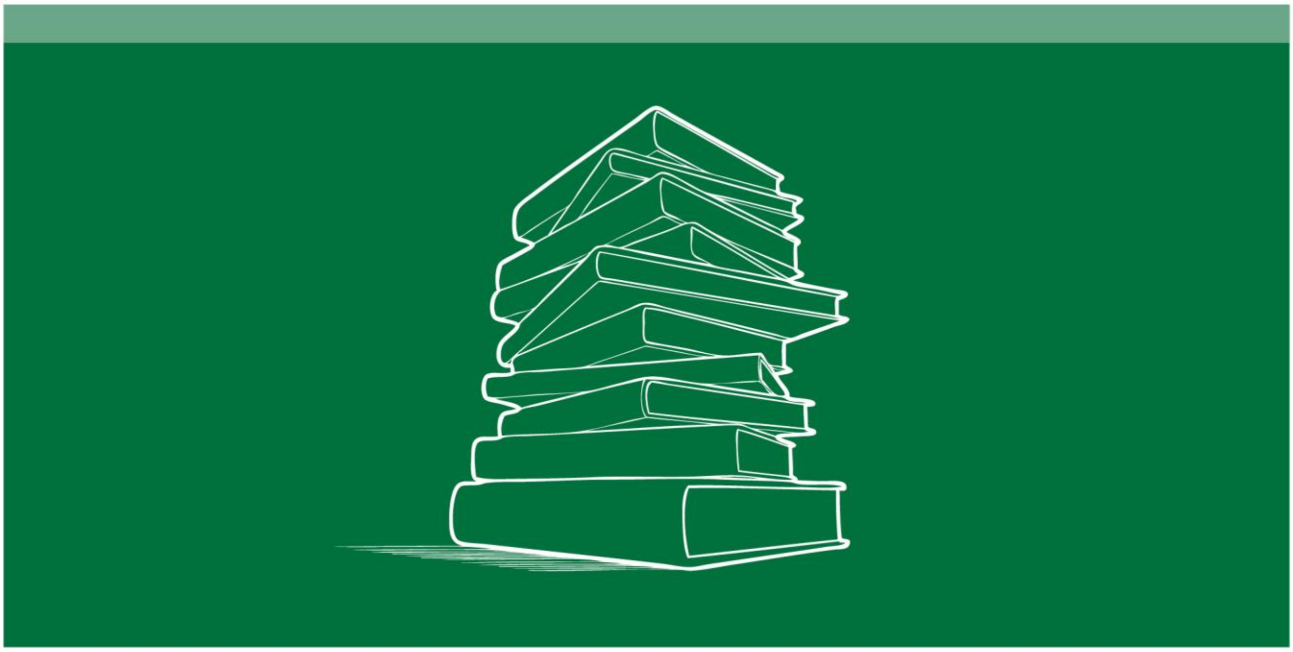
There is a view across the UK that Ireland stands to gain as a result of Brexit. While that may well be true, it is only a very small part of the story and Ireland is likely to lose far more than it will gain.

The physical, cultural and historical affinity between Ireland and the UK is well known and accepted. The UK is Ireland's largest trading partner with between €1 billion and €1.2 billion worth of goods and services traded between our respective countries every week. Britain's exit from the EU will inevitably result in increased costs, higher tariffs, barriers to trade and ultimately fewer sales. As a result of our affinity, ripples in the UK can become major tremors in Ireland.

Ireland's commitment to the EU is unquestionable and we have been a net beneficiary from our membership. Our continued membership means that we are unlikely to be able to deal with the UK in isolation. As much as we might wish to strike side deals with the UK, particularly in relation to trade and common travel, it is hard to see now how this will be possible.

Theresa May, during a recent visit to Ireland, pledged to seek to avoid a hard border between our countries. Both she and the Irish Prime Minister (Taoiseach), Enda Kenny have spoken about a "seamless" and "frictionless" border. However, neither leader has explained how they see that working in practice. This pledge and Ireland's unique relationship with the UK is called out in the White Paper published on 17th January 2017. "*Protecting our strong and historic ties with Ireland and maintaining the Common Travel Area*".

Dublin, London & New York



Ms May commits to working *"…to deliver a practical solution that allows for the maintenance of the Common Travel Area, whilst protecting the integrity of our immigration system and which protects our strong ties with Ireland...*". All of this is positive but it remains light on detail and provides no answer to the real question – How?

Ireland and the UK have worked hard over the past 20 years to put the troubles in Northern Ireland behind us. There were joyous celebrations at the time of the ceasefire in 1994 and, indeed, when the Good Friday Agreement was signed in April 1998. The thought of re-establishing a hard border around the six counties of Northern Ireland would seem an anathema to most Irish people residing both North and South of it.

Peace and politics aside, almost as many social insurance numbers are issued each year to Britons entering the Irish workforce as Irish citizens entering the UK workforce. The traffic flows both ways and, while this might not be surprising, one has to wonder what will happen if a time comes when Irish people will need permission to work in the UK and vice versa. While there is talk of amnesties for EU citizens (including Irish) currently working in the UK and UK citizens working throughout the EU, it is almost inevitable that any barriers to the free movement of people as between the UK and Member States of the European Union will have a disproportionate effect on the Republic of Ireland.

Once the UK leaves the Union, Ireland will be the only English speaking country remaining which, coupled with our common law jurisdiction, will make it an attractive gateway to Europe. Ireland as a small island with an open economy which is built on international trade will always be affected by political and economic changes in the EU and the US. We have been here in (too!) recent times; the 2008 collapse of Lehman Brothers triggering a global recession and resulting in Ireland requiring EU-IMF financial assistance in 2010.

Since then the Irish economy has performed strongly. GDP growth for 2016 is expected to be 4.2% with forecasted growth of 3.5% in 2017, significantly higher than EU and OECD equivalents. Unemployment at 7.3% of the labour force in late 2016 is forecasted to fall to 6.8% by the end of 2017 (down from a high of 15.1% in 2012). Gross Irish Government debt peaked as a percentage of GDP in 2013 at 119.5%. This debt ratio is expected to have fallen to 76% by the end of 2016.

The recovery in the Irish economy has been driven by a number of key factors:

- a young, well-educated, and highly adaptable workforce with relatively stable labour costs;
- a population which is pro enterprise, accepts change, and is positively focused on the future;
- a progressive tax system which encourages economic growth in an environment of legal and fiscal stability;
- one of the most advanced and competitive IT and telecoms infrastructures in Europe; and
- membership of the EU and Euro currency zone providing easy access to the EU internal market.

We wait to see how President Trump's economic plans and Britain's triggering of Article 50 of the Treaty of Lisbon will affect the global economy and Ireland in particular. The fact of the matter is that we will be divided from our closest neighbour, ally and friend. This is a time of uncertainty – for everyone. The public pledges and papers have done little to lend clarity to what might happen.

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