

SEANAD SELECT COMMITTEE ON BREXIT:
WITNESS STATEMENT BY ANTHONY COUGHLAN, THURSDAY 1 JUNE 2017

Most of the problems the Select Committee has been considering in previous hearings as resulting from Brexit would be avoided if Ireland left the European Union at or around the same time as the UK, for five principal reasons:-

- (i) Leaving the EU would save the State money, as we are now net contributors to the EU Budget rather than net recipients from it;
- (ii) It would give us back control of our valuable sea fisheries, the annual value of catches by foreign boats in these being a several-times multiple of the money we have got from the EU over the years;
- (iii) It would give us back control of our law-making, free us from the rulings and sanctions of the EU Court of Justice and thereby restore our State sovereignty and national democracy;
- (iv) It would give us back a national currency - one of the two pillars of any independent State - and with it the capacity to run the independent exchange rate policy that is vital for our economic competitiveness, especially in the context of Brexit; and above all,
- (v) Leaving the EU along with the UK is the only way to save the Irish Government and the parties that support its policy from the guilt before future generations of implementing in our time a new Partition of Ireland.

These reasons are expanded on in the accompanying annexed documents, Annex 1: "Taking Back Control: the logic of accompanying the UK out of the EU", and Annex 2, "Why Brexit should be accompanied by Irexit (Ireland Exit)", the Report of a Private Study Group of Irish economists and lawyers which this witness was responsible for convening during the past year and whose report he drafted.

It is hard to point to any significant advantage for the Republic of remaining in the EU when the UK leaves. Because of this it is probable that at the end of the day Brexit will be accompanied by Irexit, as the adverse consequences of us seeking to stay in the EU become evident to the Irish public and to major Irish interest groups over the coming two years. Even if we do remain members of the EU without the UK for a period post-Brexit, we are likely to find that experience so painful that it will induce us to leave – except that to wait until then would mean that we were leaving from a position of considerable weakness. That is why we should start preparing for leaving now, and especially prepare for leaving the Eurozone.

Consequently the course of action of the Government that is most in the Irish People's interests is to use the East-West and North-South strands of the Good Friday Agreement to concert a joint approach with the UK Government aimed at both States leaving the EU simultaneously and to work towards a UK/Ireland agreement and an Ireland/EU agreement embodying that policy. The contrary course, which is for the Irish Government to seek to stay in the EU and Eurozone as part of so-called "TEAM EU26" would be a course of folly and if persisted in will come to be seen as such in time.

May I add some points re the North-South aspects of the matter. The UK leaving the EU and the Republic remaining in it would greatly strengthen Partition and make eventual Irish reunification more difficult for the following three reasons:-

(1) It would add several new dimensions to the existing Border: food and EU veterinary checks on milk and animals moving North-South, customs posts, possible passport controls, growing divergence between EU-harmonised law and justice provisions in the South and British ones in the North etc.

(2) London's statement that it has "no strategic interest" in staying in Ireland if the majority in the North should wish otherwise underpins the 1993 Downing Street Declaration and the 1998 Good Friday Agreement. But if the South remains in the EU when the UK leaves it, any future Irish reunification would mean that the whole of Ireland would become part of an EU security/military bloc under German hegemony. That can never be in Britain's - or even England's - security interests. It would give London a new strategic security interest for holding on to the North, and give future UK Governments good reason from their point of view to discourage rather than welcome future moves towards a United Ireland.

(3) The South staying in the EU when the UK leaves would give Northern Unionists a whole series of new and objectively valid reasons for opposing a United Ireland. For them Irish reunification at some future date would mean that they would have to join the EU, with its 123,000 supranational rules, international agreements and legal acts - which is hardly real freedom. They would have to adopt the dysfunctional euro-currency. They would have to take on the burden of helping to pay for the private bank debt that the Troika imposed on the Republic when it decided in 2010 that no Irish bank should be let go bust. And they would have to agree to be bound by all the new EU laws and regulations that will be passed between now and whenever Partition might go. It is hard to see significant Unionist consent to Irish reunification occurring in those circumstances. And as the Good Friday Agreement recognizes, Partition can never be ended without that consent.

The Irish Government and all the Irish political parties ought therefore to support and work towards a policy agreement with the UK Government and the EU that would bring about Irexit alongside Brexit on the following desirable lines: -

(A) That the relevant UK governmental powers that will be repatriated by London from Brussels would be devolved to the Northern Ireland Executive in Belfast. These should include:

(i) control of Northern Ireland sea fisheries and other underwater resources;

(ii) a comparable rate of corporation profits tax being introduced for the North as exists in the South so as to encourage foreign investment on an All-Ireland basis;

(iii) generous direct payments to be provided by the UK Exchequer for Northern Ireland farmers to compensate them for the loss of current CAP payments and the impact of cheap food imports to the British market post-Brexit. Northern Unionists would presumably support these demands.

(B) That the UK would cooperate with the Irish Government to secure a mutually advantageous agreement post-Brexit between the UK, Ireland and the EU that would ensure free trade, including in agricultural products, between these parties, and that the UK

would/might maintain comparable direct payments for a period for the Republic's farmers as for those in Northern Ireland to recompense them for the removal of the EU's CAP payments in the interests of North-South and Anglo-Irish cooperation.

(C) That the UK Government would cooperate with the Irish Government, the European Central Bank and the governments of the 19 Eurozone countries, in particular Germany, in facilitating Ireland's leaving the Eurozone and re-establishing an Irish currency in as constructive and least disturbing a manner as possible for the Eurozone as a whole. It was the highly competitive exchange rate that an independent Irish currency made possible which gave the Republic the 8% annual average economic growth rate of its "Celtic Tiger" years 1993-2000. This was the only period since its foundation in 1922 that the Irish State followed an effectively floating exchange rate policy. At present Dublin is stuck with an overvalued euro-currency which is hitting its exports and encouraging competing imports. The Republic desperately needs to get its own currency back to restore its economic competitiveness and prevent Southern customers streaming North for their shopping in face of a regularly falling British pound sterling. A restored Irish pound will need to be devalued to restore the South's competitiveness, and the support of the Bank of England would be helpful to prevent that devaluation going too far in its initial days and weeks.

(D) That the UK Government would cooperate closely with the Irish Government in negotiating joint trade agreements and foreign investment deals with third countries post-Brexit and Irexit, aimed at benefiting both parts of the island of Ireland in cooperation with the Northern Executive in Belfast.

These provisions or variants of them would bring major benefits to both parts of Ireland. The politicians who advocated them would get public support for their realism, their public-spiritedness and the genuine national leadership that they would be showing in face of the challenges of Brexit.

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ANNEX 1: - TAKING BACK CONTROL: THE LOGIC OF ACCOMPANYING THE UK OUT OF THE EU

If Britain leaves the EU single market and customs union while the Republic stays in the EU, the North-South border within Ireland will become an EU land frontier, with customs controls inevitable and possibly passport controls. EU-based laws and standards, for example in relation to crime and justice, which the EU aims to harmonise, will prevail in the South and British-based ones in the North.

Logically therefore the only way to avoid adding new dimensions to the North-South border post-Brexit is for Brexit to be accompanied by Irexit (Ireland Exit).

This thought may be so novel it will shock many. EU membership has brought the Republic various good things. Most people there have positive attitudes towards the EU. But if the North is leaving the EU along with Britain we should be able to consider dispassionately the

advantages of leaving too - and the drawbacks of remaining in the EU without the UK as a fellow member.

Irexit clearly has some benefits. It would save us money for one thing. Since 2014 the Republic has become a net contributor to the EU Budget. This is a big change from the previous forty years when we were major net recipients of EU cash, mainly through the EU's Common Agricultural Policy.

From now on money from Brussels will be Irish taxpayers' money recycled, as is already the case with the UK. Farm payments under the CAP will come from Dublin not the EU.

This removes what hitherto has been the principal basis of Irish europhilia, official and unofficial - namely cash. That has always been more important here than ideological enthusiasm for Eurofederalism or "the EU project".

If the Republic remains in the EU post-Brexit it will have to pay more to the EU Budget as its proportionate contribution to help compensate for the loss of Britain's annual net payment.

On the other hand a bonus of leaving is that we would get our sea-fisheries back. The value of annual fish-catches by foreign boats in Irish waters is a several-times multiple of whatever money we have got from the EU over the years.

As regards trade and investment, the Republic sends 61% by value of its goods exports and 66% of its services exports to countries that are outside the continental EU26, mostly English-speaking. It gets two-thirds of its imports from outside the EU26. The USA is the most important single-country market for the Republic's foreign-owned firms and the UK for its Irish-owned ones - the latter being especially important for domestic Irish employment.

The UK and US markets together are comparable in importance to that of the EU26 post-Brexit. Taking other English-speaking markets into account makes trade with the English-speaking world much more important for the Republic than the EU26, with Britain gone.

This is a consideration also for foreign investors coming to Ireland. Economically and psychologically, Ireland is closer to Boston than Berlin, and to Britain than Germany. This puts exaggerated talk of the EU's "giant market of 500 million" in perspective. That shrinks anyway to 435 million with the UK gone. Some 7000 million people live outside the EU.

It is not of course a question of the Republic having to choose between one export market and another if it should decide to leave the EU along with the UK. If common sense prevails in the negotiations, there should be continuing free trade between the Republic, the EU and the UK in the context of any Brexit or Irexit.

Without Britain beside her in the EU Council of Ministers the Republic would be in a weaker position to defend its low rate of company profits tax, important for attracting foreign investment, for which Germany and the Brussels Commission are now gunning. It would be less well able to defend its fishery interests, its trade interests, its distinctive Anglo-Saxon-based traditions in the area of law and justice, which the EU aims to harmonise, and its neutrality.

The main argument for us staying in the EU when the UK leaves is the negative one that we are members of the Eurozone while the UK is not. When the euro was established in 1999 our politicians decided to adopt the currency of an area with which we do just one-third of our trade. They thought at the time that Britain would be bound to adopt the euro-currency too and that by going first they would show how “communautaire” they were.

The Republic now desperately needs to get its own currency back so that it can devalue it along with sterling and the dollar, and not be stuck with an implicitly overvalued euro that is hitting its exports and encouraging competing imports. Failing that the North-bound shopping queues will grow.

The Republic did very well when it had its own currency and it allowed the Irish pound to float vis-a-vis the currencies of its major trading partners between 1994 and 1999, when it adopted the euro. Those were the years of the so-called "Celtic Tiger" economy, when the Republic had an annual average economic growth rate of 8% a year. This was the only period in the ninety-year history of the Irish State that it followed an effectively independent exchange rate policy, which made it highly competitive.

This is why Dublin should aim to leave the Eurozone and re-establish an Irish currency in a planned concerted manner, negotiating its departure with Germany, Britain and the ECB in private behind the scenes as part of its move to leave the EU along with the UK, rather than be forced to abandon the euro anyhow in some future Eurozone financial crisis.

Britain will presumably revert to its traditional cheap food policy when it leaves the EU. Contrary to some Irish commentary, there is nothing immoral in a country importing its food from wherever in the world it can buy good quality products cheaply. At the same time the British Government will want to support UK farmers for political reasons, presumably by means of direct farm subsidies to replace the price supports they now get from the EU's CAP.

Nearly half the Republic's agricultural output goes to the UK market at present, so such a development will have major implications for us. Will Irish farm producers be displaced in the UK market post-Brexit by New Zealand lamb, Brazilian beef, American chicken etc.?

These are the main reasons why the focus of intelligent Irish policy should now be on negotiating a comprehensive deal with London for this State to leave the EU along with the UK, while maintaining maximum free trade with both EU and UK post-Brexit. Such a deal should guarantee continued free access for Irish food exports to the UK market on the most favourable terms. It should also cover Bank of England support for a restored Irish pound so that it did not have to devalue excessively in the initial weeks following its re-launch.

The security dimension of Brexit is relevant here. The end of the Cold War removed the need for Britain and NATO maintaining military bases in the North. This was the basis of London's statement that it had “no strategic interest” in Ireland and its commitment under the Downing Street Declaration and Good Friday Agreement to facilitate Irish reunification when and if a majority in Northern Ireland should come to favour that.

What the Good Friday Agreement implicitly envisaged as a possibility was a genuinely neutral united Ireland having a friendly and cooperative relation with Britain at some time, however distant, in the future.

But if the South stays in the EU while the North leaves the EU along with the rest of the UK, this security calculus significantly changes.

Future Irish reunification in those circumstances would mean that the whole island would become part of an EU security and military bloc dominated by Germany - which is now openly talking about a Brussels military HQ and an EU army - and potentially hostile to British interests in some future international crisis. This would give Britain a new “strategic interest” in staying indefinitely in Northern Ireland and actively discouraging any moves to Irish reunification.

Britain has an interest in preventing these developments, as indeed has the Republic.

The logic of the new situation posed by Brexit points to the desirability of a comprehensive Anglo-Irish deal covering economic and security matters to underpin a Brexit plus Irexit.

PS. Below are the figures for Irish foreign trade in goods and services by area for 2015. They show that our trade with the world outside the EU26, of which the UK and USA are for us the principal markets, is much more important than our trade with the EU, although there is no good reason why we should not continue to trade with both the EU and the rest of the world when Irexit occurs.

In 2015, the most recent year for which Central Statistics Office figures are available, the Republic exported €112 billion worth of goods and imported €70 billion. It exported €122 billion worth of services and imported €151 billion. The tables below show the distribution of this trade by area:

Distribution of Irish foreign trade in goods, 2015

	Exports	Imports
EU26 without the UK	39%	34%
Rest of World including UK	61%	66%
UK	14%	26%
USA and Canada	25%	16%
USA and Canada + the UK	39%	42%

Source: CSO Statbank, External Trade, Tables TSA01 and TSA05

Distribution of Irish foreign trade in services, 2015

	Exports	Imports
EU26 without the UK	34%	28%
Rest of World including UK	66%	72%
UK	20%	8%
USA and Canada	11%	21%
USA and Canada+the UK	31%	29%

Source: CSO International trade in services 2015, Table 2A

(Annex to submission to the Seanad Special Select Committee on Brexit by Anthony Coughlan, Director of the National Platform EU Research and Information Centre and Associate Professor Emeritus of Social Policy, TCD, Thursday 1 June 2017)