

‘The implications for the Irish economy of hard and soft Brexit scenarios’



Opening Statement to the Seanad Special Select Committee on the Withdrawal of the United Kingdom from the European Union

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On behalf of the Board and Members of the British Irish Chamber of Commerce, thank you for inviting me to present to your hearings here today. The British Irish Chamber of Commerce is the only organisation focused exclusively on the trade between Ireland and the United Kingdom, championing it, protecting it from being undermined and growing its current value of over €60 billion per annum and the 400,000 jobs which that sustains directly and many more indirectly.

We respect the will of UK voters to Leave the EU but we know that a bad outcome for the UK in its future trade relationship with the EU would also be a bad outcome for Ireland because of the extent of our connectedness economically, culturally and otherwise.

Brexit has rightly been described by Minister for Foreign Affairs and Trade, Charlie Flanagan, as the most important challenge faced by the island of Ireland in modern times. While Brexit is about more than the Economy, I appreciate that your focus today is on Economic challenges and on seeking potential Solutions so I will keep my remarks in that context.

The UK is Ireland's largest 2-way trading partner, not just for our Exports but even more so for our Imports. Because no other organisation speaks to the business of Importers, it's not often highlighted that while the UK accounts for about 16% of our Exports, this figure rises to 50% for indigenous Irish firms, we also depend on the UK as the source of approximately 33% of our Imports - and as a relatively small island economy without the UK's heavy industrial manufacturing tradition, we need those Imports to keep our own economy running efficiently and competitively and to sustain thousands of Irish jobs in such as Retailing, Packaging, Medical Devices, Clothing, Food Processing and many more sectors.

Turning to such effects of Brexit as we can predict, Ireland's Economic and Social Research Institute has calibrated that, depending on just how Hard a Brexit we actually end up with, UK/Ireland trade could decline by as much as 20% as a consequence of Brexit, with the loss of as many as 40,000 jobs and a decline in Irish GDP of as much as 3.5% over subsequent years, based on current GDP figures that amounts to a €9bn loss to the Irish economy and rising.

And nobody in Ireland would be unaffected. Given the nature our open economy, every business and employer in Ireland effectively either trades with the UK or trades with somebody else who does. If you're a barber in Barberstown, you obviously don't export to the UK but you probably cut the hair of somebody from Intel who does.

The UK and Ireland have always traded together and we always will but - because of tariff and non-tariff costs imposed by Brexit - that trade will be at lower value and therefore fewer jobs.

We know that the most exposed sectors are such as food & agribusiness - where WTO tariffs would make our exports significantly more expensive to the UK consumer - and tourism where a weaker pound sterling and barriers to free movement of people could make Ireland a less attractive destination for our largest tourism market, which is the UK.

In the same way, we would see loss of opportunity in Education and Research where British, Northern Irish and Irish students and researchers currently choose freely between our respective colleges.

A Hard Brexit - with no Deal between the UK and the EU for Free Movement of People, Goods, Services and Capital - would present these and many more examples of very real barriers to the conduct of business, trade, investment and employment in the ways we've come to take for granted since we joined the EU (together with the UK) over 40 years ago.

And while nobody has left anybody yet, already we see the effects of the risk that such a Hard Brexit situation might come about, with Irish businesses looking to establish operations within the UK to protect their access to the more than 60 million consumers in the UK while retaining their Irish business to serve the EU. Take the example of a Call Centre in Dundalk today servicing the customers of a UK retailer. Faced with the need to match sterling income with sterling costs, it can simply pull out the phones in Dundalk and plug them back in in Newry - and it's no surprise that some are already thinking this way, with consequent danger to employment here in the Republic.

The good news is that almost nobody anywhere today truly wants a Hard Brexit. It seems certain that few if any of the UK voters who voted to Leave in last year's Referendum meant that the UK should negotiate to walk over a Cliff to an inability to trade with an EU it already knows or with others who've shown no urgency to agree new bilateral trade partnerships.

So in general we can assume that, political buffeting aside, the shared focus of all Negotiators will be on achieving a Soft Brexit with MANAGED trade and MANAGED movement of people, ideally with minimal operational intrusion on day-to-day community or business life. And key to this will be to intelligently square the circle of the UK's rejection of Free Movement of People with the shared UK/EU desire for Free Trade among 28 countries.

That will be challenging for all Member States but, of all the regions of these islands, Northern Ireland is the most exposed to the downsides of Brexit and so most in need of ensuring the Softest possible separation from the EU. Solutions for Brexit's threats to Northern Ireland touch all of the wider Brexit risks - border checkpoints, proof of origin of goods in transit, proof of nationality and status of non-nationals, fishing rights, access to markets and continuity of key EU support programmes. Physical Security of communities in Northern Ireland is heavily predicated on Economic Security for the region and on the

avoidance of abuse of economic freedom as much as civic freedom. While we know that here, it's a huge achievement of Irish political and diplomatic skills that the unique circumstances of this island are to be given particular acknowledgement in the context of the forthcoming Brexit Negotiations. However, as Vice President Timmermans has said, it will take all of Ireland's famed creativity to devise ways and means by which this island's particular needs can be satisfied "in the context of EU Law".

So what we clearly need to do - and we need to start doing it now - is to bring business and legal expertise together to quickly develop fully thought-through and legally-proofed Solutions for our Negotiators. And it seems that key to the stress-testing of any such measures will be their impact in the context of Northern Ireland. Thus we have to devise Solutions for Brexit that work for Northern Ireland, softening the terms of the UK's departure from the European Union and from the Customs Union.

The British Irish Chamber's Sectoral Policy and Brexit Committee fora - spanning our Members who together employ over two million workers - are focused on SOLUTIONS of the type I'll reference here... these Members bring together the experience and expertise of numerous businesses who know the issues and are motivated to solve them for mutual good.

Our focus now is on working together with public representatives and agencies such as Enterprise Ireland, our Revenue and Customs officials and suchlike to develop practical solutions (including anti-abuse measures) that acknowledge the unique circumstances of the island of Ireland.

While it will naturally take further time to proof any concepts, here are some potential ways forward currently under consideration in the work we're already doing -

1. regarding **Free Movement of People** - bearing in mind that there's a difference between a person's RIGHT to travel and the PROCEDURES to validate that right (such as presenting your Irish passport when you fly home to Dublin from the UK) , the SOLUTION might be such as fully preserving the Common Travel Area notwithstanding that it has never operated with both Ireland and the UK either In or Out of the EU. To ensure anti-abuse of Free Movement between Ireland and Britain/Northern Ireland, we may need to introduce a system of well-managed movement as is already the practice in Belgium to which EU citizens may move for work and if they fail to get it within three months, they leave. We also need continuity of the existing **Shared Visa/Waiver Schemes** between Ireland and the UK, enabling permitted Asian visitors to visit both sands on one permit.
2. regarding **Free Trade in Goods** - bearing in mind that truckers already are accustomed to presenting other documents when boarding vessels etc, the SOLUTION might be such as a pre-clearance model for through-traffic (that is Trucks and **Drivers** (regardless of the driver's nationality) through the UK **Landbridge** to/from the EU. For trade with Britain and Northern Ireland, Irish traders could pre-register loads through an easily accessible online platform and already-used portable or fixed Number Plate Recognition and/or GPS locator systems can track movement of those loads. We do NOT propose the Norway/Sweden border model which limits the number of border crossing points (thus rendering some roads as Unapproved) and which allows for Hot Pursuit by Border Police into each other's territories for up to 15

kilometres. Nor do we propose fixed checkpoints at either today's national border nor at air or sea ports where the physical infrastructure to address massive slowing of freight in transit would be impossible to provide and impossibly disruptive of trade, not least in fresh or chilled food trade. Reasonable anti-abuse measures will need to allow mobile spot-checks for **proof of Origin** throughout the UK and Ireland.

3. regarding **Free Trade in Services** - bearing in mind that Services (ranging widely from such as Education to Legal Advisers to downloadable Software) are typically provided by mobile persons (which are to be treated as provided for in my earlier remarks) or through internationally transmitted data, the issue will be to enable unrestricted Payment for such services between the UK and Ireland, without Exchange Controls of the type previously a feature of certain UK/Ireland transactions.
4. regarding **Fishing** - we believe the UK will not set as high a priority on retrieving its pre-EU fishing grounds as on ensuring the stability of Northern Ireland and on ensuring maximum market access for fish caught by UK fishermen and so we propose that today's status quo of fishing rights as between Ireland and the UK remain as is.
5. regarding **Energy** - as set out in the most recent publication by the British Irish Chamber of Commerce, the wellbeing of Ireland, of Northern Ireland and indeed of Britain depends on access to an Energy Supply which is resilient, decarbonised and competitive and the best way to assure this is through physical interconnection of existing and planned energy connectors between our two islands and between North and South on this island.
6. regarding **Financial Services**, there is a natural co-habitation and complementarity in delivery of Financial Services among service providers on both islands, both grounded in Common Law unlike the European system and frequently working to each other's natural competencies. For its economic security, Northern Ireland needs to retain its opportunity to trade in these services with the Republic of Ireland and so provision should be made for such a Trade Corridor for a pre-agreed menu of passported services.
7. Alongside all of these provisions, both the UK and Ireland will need to give disrupted operators **phased support for adjustment** to the new environment; such supports may be both financial and non-financial (e.g. Training and new Market Development advice etc).
8. And above and beyond such operational provisions as I have outlined, both Ireland and the UK will need to **invest in assuring the infrastructure for long-term successful growth in the economy and in our communities**. For us this must - as the great Dr TK Whitaker knew - include assuring the future of the highest quality of Third Level and Post-Graduate Education - and an immediately actionable step towards this would be to implement the proposals of the languishing Cassells Report - now.
9. At fair cost to the UK in Contributions etc, there is also the need **preserve EU funding programmes** into Britain and Northern Ireland
10. Regardless of the timing of changed arrangements, we clearly have to provide

together for a **Phased Transition** model to give all affected adequate time to prepare. vital.

11. We also suggest that there is now scope to craft together the wider opportunity of a **UK/Ireland Powerhouse** model. In the context of newly shaped arrangements, Ireland and Britain can leverage our respective competencies in manufacturing and services, in education and research, in food and tourism, in technology and cyber, and at the same time deliver **convergent costs of doing business on either side of Border**. This will promote MORE trade and employment among us, not LESS, supported by initiatives like the **BIG British Irish Gateway for Trade** project connecting many more UK and Irish businesses online with the involvement also of trade support agencies like Enterprise Ireland, UKTI and the various Chambers of Commerce throughout the UK and Ireland.

In conclusion, the Agenda for action is clearly huge and apart from anything else, there will be a practical need to avoid swamping our Negotiators with more questions than answers.

To that specific end, we today invite the government to **engage a tight well-resourced collective of business representation (e.g. BICC, IBEC, CBI, IIEA and IFA)** to draw together the business community to firstly triage the issues offline and to bring forward really powerful solutions that are fully worked-up to satisfy the EU legislative framework. For instance, the government can have understandable difficulty commissioning any one lawfirm to opine on a given matter but the Chamber in coordinating this expert group can also **bring together best legal thinking of Ireland and the UK** so as to bring forward proposals capable of making it through the Negotiating process, ideally in ways which can also strengthen the EU itself as it requires for its future viability.

The British Irish Chamber of Commerce will be glad to lead and facilitate this collective contribution to the work of governments and the Oireachtas and our Negotiating officials and we strongly commend this valuable offer to your consideration and endorsement.

Go raibh mile mhaith agaibh a Sheanadoiri ...