



CNI

PRESS WATCH - Ireland needs to consider its future in the EU

The Republic looks to have two choices: get special status within the EU or leave the same day as the UK, writes Brian Monteith in The Scotsman

While Scotland's political focus is likely to concentrate this week on the triggering of Article 50 by the UK government and the Pavlovian response about another independence referendum from Nicola Sturgeon, the rest of the world will not stand still. In other parts of Europe some hard thinking will be required about what will come out of Brexit, and no more so than in Dublin – where the pressure to properly consider Ireland's future in the European Union is beginning to gain traction.

Many Irish politicians have used the last eight months to deflect the hard reality of how Brexit will impact on the Irish economy by talking up the

potential problems for Northern Ireland of a return to violence or an EU trade war. All of this has been a deflection designed to stall or distract from discussion about the real difficulty that Brexit presents for the Republic, namely that Ireland's economic interest may lie in joining the UK outside the European Single Market and its Customs Union.

It should be remembered that the Republic of Ireland and Denmark both joined the European Economic Community in 1973, at the same time as the UK. This was no coincidence, both had strong economic interests in exporting to the UK, especially in agriculture and processed foods.

To be outside the EEC customs barrier would result in tariffs and quotas on their UK exports, but unlike New Zealand they could do something to avoid the seismic shock. Being European nations they could become members too.

There were other anticipated benefits for Ireland, such as the possibility of re-orientating its foreign policy away from the domination of Anglo-Irish relationships towards Europe – and becoming a net recipient of EEC/EU funds, be they for agricultural support or economic development.

There are few in Ireland that would argue 1973's decision was an economic or foreign policy error, but that certainty was built upon the UK remaining a member. Now, with the UK's departure fast becoming a reality, discussion has begun on where Ireland's real interests lie. Uncomfortably for Ireland's political establishment the answer is not as cut and dried as they would wish.

Irish trade figures make sobering reading once the locus of the UK is changed to it being outside the EU Single Market and Customs Union. Fifty per cent of Irish beef and 42 per cent of food and drink exports went to the UK in 2013. Fifty-five per cent of Irish exports in the timber and construction and almost half of Irish technology and electronics exports also went to the UK. Ireland depends on the US and UK markets so much that after Brexit almost two-thirds of Irish goods and services will be destined to reach markets outside the other remaining EU 26 members.

More problematic for Ireland is its location on the periphery of the western side of the European continent. This results in a large majority of its goods being transported through British ports on

the west coast, then across Britain's motorway network before leaving British ports on the south and east coasts for EU destinations. With the UK electing to be outside the Single Market and Customs Union there could suddenly be a huge administrative and financial obstacle to getting goods to their destination without obvious alternatives that would be quicker and cheaper. Whilst discussion about the impact on trade has, surprisingly, been muted, attention has been given to the problems for the UK in handling migration and if this will necessitate a hard border.

Irish citizens are in fact treated as British citizens in all but name, for instance having greater rights than UK Crown dependents. The combination of being outside the Schengen Agreement and the Common Travel Agreement established in 1949 means that the UK's borders begin at Ireland's airports and shores – and Ireland's borders begin at the UK's airports and shores. The real threat of a hard border comes not from migration but from a trade war that would put the Irish-UK border on a par with that between Poland and Russia, a prospect that could also face an independent Scotland.

It has also been missed in most British quarters that in 2014 Ireland became, for the first time ever, a net contributor to the EU by some €168 million. Ireland contributed €1.69 billion and received €1.52 in return, a gap that is expected to now increase year-on-year. When the UK leaves and the EU faces a budget black hole, Ireland will be expected to become a bigger contributor to the pot.

Add this to the recent EU decision against Ireland's tax arrangement with Apple that could cost €13bn with multinationals no longer able to ship their UK turnover across the Irish Sea to be taxed at a far lower Irish rate – and the original attraction for Ireland being inside the EU begins to wear thin.

The EU can now be seen as an institution limiting Ireland's independence on business and corporation taxes; provoking a trade war with its second largest market necessitating huge costs and a hard border – and suddenly being a cost for that privilege.

When Article 50 is triggered this week Ireland will become one voice amongst the 27 EU members looking for an agreement. Its importance to the

rest of the EU will be sorely tested. If there is no trade agreement that keeps tariffs and regulations at bay, like they are now, then Ireland will be looking for some dispensations that recognise its particular difficulties in traversing the UK to reach its markets and allow for the scale of its exports to the UK. Why should it find a sympathetic ear in Brussels?

During the financial crisis the British gave Ireland a £10bn gift of support without the strings of austerity attached by EU overlords.

As Lord Kilclooney wrote of Ireland's predicament recently in the Belfast News Letter: "The two alternatives are for the Republic to get special status within the EU or for the Republic to exit the EU the same day as the UK – that would mean there would be no problems at the border and would eliminate the damage now being caused to the Southern Irish economy."

Nicola Sturgeon would do well to ponder this situation before she responds in haste to the triggering of Article 50 this week.

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