

# AT THE CENTRE OF THE UNION:



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play a  
full part

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## Introduction

A Union without Britain will be a challenge in its own right. Ireland playing a full part at the centre of that Union only magnifies what is already a huge challenge, the biggest since 1939 in the words of Ruairi Quinn.

In considering how we respond, I want to start with what the Union is and what is meant by the centre, in which we're being asked to play a full part.

## Franco/German Project

The Union is a Franco/German project. They are building a European home together.

Other countries may join in, but must obey the rules. Joining is voluntary. You don't have to join. Membership is voluntary too. You don't have to stay. You can leave if you want to. And if you misbehave, you can be asked to go.

The European Union was famously described as 'Journey to an Unknown Destination,' by Andrew Shonfield in his Reith Lectures given in 1972. It has a history of progressively enlarging its membership, extending its activities and deepening the interdependence of its members. Progress goes forward in spurts, sometimes at speed. I suspect we are at such a moment.

One thing is clear from the very nature of the enterprise: you can't say, thus far have we come, and we're going no further, as the UK tried to do repeatedly. You can minimise your engagement, as the Scandinavians have done, or optimise it, as Benelux has done. Your choice.

The organisers have asked the panel to consider how Ireland might be an active part of the centre. The previous observations constitute the framework for the analysis that follows.

## The Centre

It's easy to define what's meant by the centre of the Union. A list of common policy areas could be read out: membership of the common market, the single market, the eurozone, the Schengen area, Justice and Home Affairs provisions and so on. Each of these is a *sine qua non* for being at the heart of the Union.

But there's no need to be so cumbersome. The centre is easily defined. It's what France and Germany do together. If you want to be at the centre then you join in. It goes back to the fact that it's a Franco/German enterprise.

Garret FitzGerald understood that instinctively, and elaborated Ireland's European policy on that principle in 1973. The key was to understand the Franco/German agenda and not only adopt it but adapt it to our needs, with their consent.

## Three Legacy Issues

It's my starting point. There are three things we have to tackle if we want to play a full part at the centre of the Union that's about to emerge. These are security and defence, corporate taxation and separation from Britain.

These issues are legacies from the past. If not addressed and rectified then they will prevent us from being a fully paid up member of the centre.

That could have unwelcome consequences for we will need help to counteract the asymmetric shock which Brexit will impose on the Irish economy, help from the Union, which in practical terms means financial help from Germany. That's where this presentation will finish up.

So, let's recall why we volunteered to join the Union in the first place and how those legacy issues emerged and remained unresolved.

## Applying for Membership

It is true that Ireland had no option but to apply for EEC membership when the UK did in 1961.

But there was no guarantee that we would be accepted. In fact, our application was unwanted and lay unopened. Lemass had to fight to get a hearing, which he did months after discussions had commenced with the other applicants.

There were doubts, indeed opposition, to our application under three headings: non-membership of NATO, economic under-development and political over-dependence on Britain. Of these, non-membership of NATO was the biggest drawback.

## NATO

Lemass took this head on and asserted we had always agreed with the general aims of the NATO Treaty, that we were not neutral in the conflict between democracy and communism and that we would be prepared to join in the common defence of the EEC if admitted as a member.

He did so when launching Ireland's application before the Council of Ministers in Brussels in January 1962.

He repeated that line in the Dáil, at press conferences, and during a tour of EEC capitals.

The commitment to common defence got lost due to the outbreak of violence in the North from 1968 onwards and the effects of the first oil shock in 1973. It is now forgotten. The issue is never discussed. It is off limits.

As a result, we have not refined our concept of neutrality as the Finns and Swedes have done. We are not quite stuck in a time warp, but we are pretty close.

## Isolation

Lemass was open to new thinking because he was haunted by the spectre of isolation. He knew we could not survive on the basis of 'ourselves alone', that is, survive either economically or politically.

That is why he almost broke down the doors in Brussels to get inside the new community.

We should take his thinking as the starting

point in defining what's meant by playing full part at the centre of the Union.

We should also take the views of Chancellor Merkel and President Macron as the other starting point. For them, Cold War certainties are past and Europe has to start looking after itself in terms of defence. That's why this is one of those moments when Europe lurches forward, and the common agenda is enlarged.

## Common Defence

Proposals on security and defence will emerge shortly from the Franco German alliance, and for which we not prepared. They could undo any ambition to be at the centre of the Union. Consequently, a rethink of national policy on defence is unavoidable.

We need to distinguish between NATO membership, which is not at issue, and what Lemass called the duties and obligations of EU membership.

The former is a military alliance led by the US. The latter arises from the principle of solidarity whenever national or European security is threatened from whatever source, conventional, terrorist or cyber. It is best summarised in the Solidarity Clause of the Lisbon Treaty (Art 222 of the TFEU) which is a straightforward commitment to protect democratic institutions and civilian populations throughout the Union.

We need to follow the logic of what is in the Treaty, to which we have already agreed, and then to act on that logic. That will mean being proactive in devising and implementing a common defence policy which leads on to common defence.

It's obvious that Franco German security and defence cooperation will speed up after the Federal elections and will redefine what's meant by the centre of the Union. If we wish to be there we will need to do our own bout of re-defining.

This is issue number one on the new agenda. It's going to be a painful exercise to think anew

because neutrality has become a matter of theology rather than international politics.

## Corporate Taxation

If defence remains an obstacle to being at the centre of the Union then corporate taxation is another. What started as a sensible policy on taxing export profits was later refined into a sophisticated policy on encouraging FDI. It was a huge gamble, and it has proved to be a huge success.

However, it was never intended to be the means whereby international business avoided paying corporate taxes at the appropriate level and Ireland did not set out to become a tax haven.

But in the eyes of many the policy has become an instrument for circumventing tax obligations and in lowering corporate tax burdens.

There is now a perception, held by many, that Ireland facilitates what the OECD calls profit shifting. Rightly or wrongly, this is a problem that has to be addressed - if we are to be at the centre of the Union.

This means accepting the principles behind the Commission's proposals on the Common Consolidated Corporate Tax Base. It means also signing on for the Financial Transaction Tax, especially as it is so favoured by Germany.

Otherwise, our continued opposition to both proposals will be taken as a defence of unacceptable practices. However unfair that might be, it's what others will think.

Our stance on corporate tax harmonisation has to be modified if we wish to play a full part at the centre of the Union, intelligently modified, but modified none the less.

## Dependence on Britain

And then there is political dependence on Britain, or being seen to be a satellite of Britain, and being treated as such.



It's ironic that the record points in the direction of independence: Jack Lynch deciding Ireland should join the EMS in 1979 when Britain did not; Garret FitzGerald voting for the IGC on the Single Market in 1985 when Mrs Thatcher opposed it; Albert Reynolds committing Ireland in 1992 to EMU when John Major demanded an opt out for the UK; and so on, including Enda Kenny signing onto the Fiscal Compact in 2012 when David Cameron not only refused to commit the UK to the Compact but prevented it becoming part of the law governing the Union.

That is an honourable record, which has many other examples to buttress it. But, it's not completely convincing.

Here again, perception is political reality.

Rejecting the Schengen Agreement to sustain the Common Travel Area is one example of Ireland consciously prioritised Anglo-centrism over Euro-centrism. Non-participation in the full suite of JHA provisions is another.

There will be a choice to be made pretty soon over which border is to be prioritised if the UK goes for the hard Brexit the Tory government has spelled out since the beginning of the year, and still spells out.

Leaving the Customs Union and the Single Market in order for the UK to do global trade deals and control immigration from the EU will lead to customs and frontier controls between the UK and the EU, between the Republic and the North. In common parlance that means a Hard Brexit - and that means a hard border.

If it comes to it, which it probably will, then we will have to choose between a hard border with Britain and a hard border with the EU.

If the choice were for a hard border with the EU the consequences would be clear. They do not have to be spelled out. Yet many will balk at a choice that imposes a hard border with Britain, that unwinds the past and weaves a new future.

But accepting the consequences of a hard border with the North, and the island of Britain,

is unavoidable if we want to be centre stage within the Union.

Perhaps the tooth fairy will conjure up a seamless and invisible border on this island, but I doubt it.

## Being at the Centre

In sum, playing a full part at the centre of the Union means playing a full part in the future common defence and security policies, playing a full part in creating a fiscal union involving corporate tax harmonisation, playing a full part in the Franco-German re-launch of Europe and ending our psychological dependence on Britain. It means finally cutting the umbilical cord.

These are not easy choices. They go against the grain of custom and practice. They mean replacing inertia with initiative; with changing direction, and explaining why; with winning popular support for what will start out as unpopular measures.

That puts a premium on leadership.

## Lemass as Leader

It is misleading to say that Lemass showed leadership in lodging our EEC application in 1961. He didn't. He accepted the inevitable.

But he showed leadership in reversing the very policy he had introduced himself thirty years earlier in order to make EEC membership possible; by going against the instincts of his own party in committing Ireland to be at the centre of the new Europe; to act in a spirit of loyal and constructive cooperation with the other member states and, above all, to accept what he called the duties, obligations and responsibilities which European unity would impose; and by accepting them without qualifications or caveats.

A new Europe is being constructed today. A European renaissance is underway. The centre has held, and it is the best who are full of passionate intensity, not the worst. Things are taking their course, as Beckett said.

We need the same pragmatic determination to accept the inevitable, the same leadership to deal with the unavoidable, the same willingness to make the difficult choices, the same capacity to vision, as Lemass did.

## Solidarity

There is one eminently pragmatic reason to be at the centre, and it's economic. The disruption from Brexit will be widespread and long lasting and far greater here than in any other EU state.

In the words economists like to use, Brexit constitutes an asymmetric shock for Ireland, one that will necessitate a long period of adjustment, something analogous to what we experienced in the first decade of EEC membership.

We will inevitably be looking for assistance on grounds of solidarity. But to win solidarity you must show solidarity.

Solidarity is a two-way street. That's why playing a full part at the centre of the Union is more than a matter of sentiment, or altruism, it is an exercise in realpolitik. Without sympathy and good-will we will suffer more than we need to. With both, we can come through this, the biggest challenge since 1939.

## Endurance

Realpolitik should dictate national strategy from yet another perspective. The European Union is not going to go away, or to implode as the populists pronounce, and as Anglo-Saxon propaganda predicts.

It will endure and it will continue to deepen, to widen, to record concrete achievements and to build the de facto solidarity foreseen by the Schuman Declaration.

There will be predictions to the contrary, of course, and siren calls to join the UK as it abandons the European home of which we are part, and for us to reverse history and become a province once again.

Mad as it sounds, it will be pushed with fervour through a combination of economic

illiteracy and political idiocy, a fervour that will grow more intense as it becomes clearer that the UK is indeed heading for a hard Brexit, as it is.

Neither the isolation that Lemass feared nor re-incorporation in the UK, as some desire, is compatible with the path Ireland chose a hundred years ago. Along the way we opted to join what John Hume called the greatest peace experiment in history. It was our salvation.

The European Union was the friend we were always looking for, said Garret FitzGerald. Joining would be a psychological liberation, he forecast four decades ago. He was right on both counts.

Playing a full role at the centre of the Union, having the courage to honour the commitments on which we joined, would be consistent with the path on which Lemass embarked, would fulfil the destiny he chose and would provide a future imbued with honour and hope.

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