

Brexit Insight Issue 4:

24 February 2017



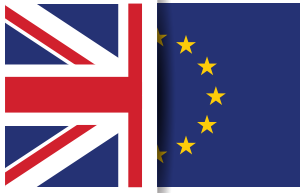
| BREXIT Insight

A Weekly Analysis for Senior Executives

Issue No.4 | 24 Feb 2017



By Brendan Halligan



| BREXIT Insight

A Weekly Analysis for Senior Executives

Issue No.4 | 24 Feb 2017



iiea.com
Sharing Ideas
Shaping Policy

On 15 February the Taoiseach, Enda Kenny, gave a landmark address on Brexit. It can be taken as a direct response to Mrs. May's speech last month in Lancaster House. Delivered in the Mansion House to over four hundred members and guests of the IIEA, the address left no room for ambiguity about Ireland's position. Britain is leaving the EU. Ireland is staying put. Brexit, the Taoiseach said, was a British policy, not an Irish one, or a European one. He believed it was bad for Britain, bad for Europe and bad for Ireland. This was the context in which he outlined an economic strategy for dealing with the fall-out. The following is a summary of the address.

Brexit is now going to happen and its most severe impact could well be felt on this island. To succeed as an open economy, Ireland must remain at the heart of Europe. Membership of the Single Market and the Customs Union are “absolutely fundamental” to our economic strategy. These were the key messages for business.

Having identified a number of economic sectors particularly vulnerable to the effects of Brexit, the Taoiseach said we needed to negotiate the closest possible economic

and trading relationship between the EU and the UK “even if it will not now involve UK membership of the Single Market”. Emphasising this gap

between the British and Irish positions he stressed that during the negotiations Ireland will be on the EU side of the table. The new reality is that “we will be one of the 27” he said.

Mrs. May had warned that no deal was better than a bad deal but argued she wanted to avoid “a cliff-edge”

“To succeed as an open economy... we must remain at the heart of Europe”

whereby the UK left the EU abruptly with no new relationship in place. For the Taoiseach, talk of cliff edges or of punishment (as some in the UK have feared) “is deeply unwise and can only be harmful

to everybody in Europe”. His alternative vision is one of very detailed discussions on the shape of the future EU/UK relationship to be based on a level

playing field, clearly a warning shot against any UK temptation to claw back competitive advantage via a low tax regime or a lowering of labour and environmental standards.

In a passage that got little media attention he outlined a different timetable for the negotiations to that favoured by Mrs. May. She wants the divorce and new relationship to be negotiated simultaneously. The Taoiseach anticipates the divorce proceedings to be followed by separate negotiations on the new relationship. In terms of a timeline “it means that, after 2019, we should have an appropriate period of transition during which the full legal framework of that new relationship can be concluded”. On that basis, the negotiations will not only last longer than many believe but will crucially involve working out a transition regime to bridge the gap between the divorce taking effect and the start of the new relationship.

This is hardly good news for business as it simply adds to the uncertainty ahead. But, and this is the point, it is the most credible forecast of what is going to happen. And forewarned is forearmed.

The other point of reassurance is that the government is “fully prepared” to deal with Brexit. The Taoiseach spelled out twelve major initiatives which taken together constitute the government’s plan for Brexit. They are listed separately in the accompanying box for ease of reference. With a ten-year perspective,

they add up to a comprehensive response to the challenges posed by Britain’s withdrawal from the Single Market and Customs Union and provide a framework for long-term strategic business planning.

So, the die is cast. Mrs May will trigger Article 50 next month. The European Council will then meet to agree Michel Barnier’s negotiating mandate and the negotiations will open. According to M. Barnier the first item on the agenda will be the Brexit Bill to be paid by Britain, reputedly put at €60bn. To say the least, this is going to be explosive. To clarify such matters, the next issue of the Brexit Insight will deal with the negotiating timetable.

Exciting times ahead.





The Taoiseach's address to the IIEA on "Ireland at the heart of a changing European Union" can be found [here](#) on the Institute's website.

His opening remarks to the All Island Civic Dialogue on Brexit can be found [here](#).

The Government's Economic Response to Brexit

The Next and Decisive Phase

1. Focus on growing indigenous enterprise and exporting to traditional and new overseas markets.
2. Strategically target key sectors for FDI with clear linkages to the domestic economy.
3. Attract enterprises that will thrive in the Single Market.
4. Reduce the Debt/GDP ratio.
5. Achieve a balanced budget in 2018.
6. Publish a Trade and Investment Strategy.
7. Benchmark our competitiveness against the UK.
8. Finalise the National Planning Framework for Ireland 2040.
9. Complete a multi-annual 10 year capital plan.
10. Update Enterprise 2025 to include a medium-term stabilisation and adjustment plan for businesses most affected by Brexit.
11. Make the case for EU support to offset serious disturbance to the Irish economy.
12. Protect jobs in the sectors and regions most affected by Brexit.

The Brexit Insight is produced by the IIEA Brexit Project Group chaired by Dáithí O’Ceallaigh, former Ambassador to the UK. This issue is written by Brendan Halligan, President of the Institute.

As an independent forum, the Institute does not express any opinions of its own. The views expressed in the article are the sole responsibility of the author.



The Institute of International and European Affairs,

8 North Great Georges Street, Dublin 1, Ireland

T: +353-1-8746756 F: +353-1-8786880

E: reception@iiea.com W: www.iiea.com