Irish government to appeal European Commission ruling on Apple's tax bill

Steve James
5 September 2016

The Irish government decided Friday to appeal the ruling of the European Commission (EC) that exceptionally favourable tax arrangements offered to the Apple Corporation in Ireland amounted to "illegal state aid."

The EC, the executive arm of the European Union (EU), demanded that the Irish government collect some €11 billion due in back taxes and up to a further €6 billion in interest. In foregoing a sum that amounts to around two thirds of Ireland's annual public spending, the Fine Gael-led coalition is making clear it intends to defend Ireland's position as a favoured tax haven and investment host for US and global corporations. The government's stance, supported by denunciations of the EU in the Irish media and business circles, means the dispute will head for the European courts and could take years to conclude. It places Ireland on the geopolitical fault line of growing tensions between Europe and America.

Earlier reports had raised doubts that Fine Gael leader Enda Kenny would persuade coalition partners, the Independent Alliance, to support an appeal. The government was thought to be in danger of falling. However, the alliance, a loose combination of six "independent" members of parliament, concluded that a rubber stamp debate in parliament this Wednesday and a review of the tax regime serves as adequate cover for their support.

Kenny, responsible for imposing billions of austerity cuts, sought to defend his government's venal tax deals by invoking the right of self-determination. He stated, "This is about us as a sovereign nation. This is about the rights of a small nation."

Fine Gael Finance Minister Michael Noonan portrayed the move as an EU assault on Ireland's low tax regime. "There is a lot of envy across Europe about how successful we are in putting the HQ of so many companies into Ireland," he said. He accused EU competition commissioner Margrethe Vestager, architect of the EC ruling, in Churchillian terms: "No bridgehead by any commissioner is going to change that perspective in Ireland. We will fight it at home and abroad and in the courts."

That Kenny and Noonan felt obliged to defy the EC in defence of the Irish tax system testifies to deepening transatlantic divisions. These threaten to destroy the basis on which the Irish bourgeoisie has operated for more than half a century—as an EU-based investment location for US capital.

By the 1950s, Ireland was forced to abandon its autarkic programme of development, instigated following independence from Britain, in favour of a strategy based on drawing in international investment. During the 1960s, as many as 350 corporations, many from the US, including General Electric and Pfizer set up operations in Ireland.

When Ireland joined the European Economic Community, the predecessor of the EU, in 1973, this was based on attracting overseas investment based on tax breaks, and the exploitation of its poorly paid and English-speaking labour force. It gave corporations critical access to European markets. By the 1990s, Ireland became known as the "Celtic Tiger" in reference to the then "Tiger" economies of South East Asia, and posted annual growth rates in excess of 10 percent.

By the early 2000s, however, the rapid expansion of production in Eastern Europe and particularly in China eroded Ireland's competitive edge. The economy rested ever more heavily on a property bubble which collapsed spectacularly during the 2008 financial crisis. Ireland became synonymous with the massive

swindling, organised by a subservient and corrupt political elite willing to impose any level of austerity on the working class.

A favourable Corporation Tax rate of just 12.5 percent and low wages continued to attract investment, but of an ever more parasitic character. Companies, primarily US based, increasingly utilised Ireland as a location to transfer cash, corporate headquarters, intellectual property and patents. Both Google and Facebook base their international HQs in Dublin.

A 2015 report from the American Chamber of Commerce Ireland claimed that, by 2013, US total investment stock in Ireland was worth $240 billion. This was more than US investments in France and Germany combined. Ireland accounted for 6.4 percent of total US investment in Europe in 2007 and by 2013 the figure stood at 17.1 percent. Post 2008, US firms have invested more capital in Ireland, $81.1 billion, than the BRICs (Brazil, Russia, India, China, South Africa) combined ($52 billion).

As a result, Ireland posted an annual growth rate last year of 26 percent. This figure bears no relationship to real economic activity in a country which still sustains youth unemployment of over 17 percent. The country's reported capital stock jumped $300 billion in 2015 alone. Ireland, therefore, as the foremost US investment and tax dodging location, particularly for its vast IT corporations, is uniquely vulnerable to the deepening divisions between the US and the European Union.

Last week the *New York Times* editorialized that the EC ruling was an assault on US corporate interests. Outfits such as Apple, Microsoft, Google, Cisco and Oracle have stashed around £2 trillion around the globe. Collectively, these are pressuring the US government to arrange a "tax holiday," during which time profits extracted from the working class globally can be returned to the US at a rate vastly below the official 35 percent corporation tax rate. A previous tax holiday in 2005 saw £300 billion repatriated. "But the money won't be repatriated and taxed under American law if Europeans, in the course of enforcing their own laws against tax havens, get their hands on it first," the editorial warned.

Division over Apple's tax bill are only one of a growing list of economic and geopolitical tensions between Europe and the world's primary military power, the US.

In 2015, the British government signed up to China's Asian Infrastructure Investment Bank (AIIB), the funding organ for China's proposed One Belt One Road infrastructure project, in defiance of US wishes and interests. This prompted a rush to join by other European countries. Earlier this year Germany's Foreign Minister Frank Walter Steinmeier, while advancing Germany as a world power, warned that US-led NATO forces would be "well advised not to provide a pretext for a new confrontation" with Russia. In August, German Economics Minister and Vice Chancellor Sigmar Gabriel warned that talks on the Transatlantic Trade and Investment Partnership (TTIP) with the US were on the brink of collapse "because we as Europeans naturally cannot submit to American demands."

June's Brexit referendum vote for the UK to leave the EU has further destabilised transatlantic relations by removing America's closest ally from influence and positions within the EU's leading bodies. With Britain setting out to leave an unraveling EU, Ireland's response to the Apple ruling necessarily calls Ireland's relationship with the EU into question.

While Germany warns of a punitive attitude towards the UK in negotiations over its EU exit, and with Ireland seeking to defy the EU over tax, one likely focus of transatlantic tensions is the border between the Irish republic and Northern Ireland, which, post-Brexit, would be an external EU border. Commenting on Brexit, Peter Sutherland, a former World Trade Organisation director general and chairman of Goldman Sachs International, warned that he was "very fearful that they may be heading towards a negotiation that will require a hard Border between north and south in Ireland."