Irish ruling elite in deep crisis over Brexit

Steve James
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The British decision, June 23, to leave the European Union (EU), simultaneous with damaging tax rulings, has raised broad concerns for the future of Ireland's low-tax investment strategy and the entire basis of the Irish economy.

Brexit also raises the possible imposition of a "hard" border or passport controls between Northern Ireland and the Irish Republic. It threatens the Common Travel Area, first agreed in 1923, under which there are 30,000 border crossings a day.

Ireland joined the European Economic Community (EEC), forerunner to the EU, on the same day as Britain in 1973, following an 83 percent majority vote the previous year. Membership allowed the Irish bourgeoisie to exploit the republic's endemic poverty to provide a low-wage, English-speaking workforce to primarily US-owned transnational corporations seeking access to the European market. On this basis Ireland became known, prior to the 2008 meltdown of its banking sector, as the "Celtic Tiger," with annual growth rates above 10 percent.

In the aftermath of the 2008 global financial collapse, the Irish government imposed billions of euros of austerity measures on the working class, at the behest of the EU-led "troika." Over the same period, British and Irish membership of the European trading bloc allowed tariff free export of a large volume of Irish agricultural products to Britain. Overall trade between Ireland and Britain amounts to more than €1 billion a week.

Large European subsidies also provided a steady funding stream towards infrastructure projects, to cross-border bodies and agriculture.

Both these pillars of the Irish economy are collapsing. Earlier this year, the European Commission demanded that the Irish government collect some €11 billion due in back taxes and up to a further €6 billion in interest from the US tech giant Apple. The ruling followed similar European moves against Starbucks and Amazon and expressed sharply deepening transatlantic tensions. These are likely to escalate following the election of Donald Trump as US president.

In response, last week Ireland's Fine Gael Finance Minister Michael Noonan formally launched an appeal in defence of the right not to tax the world's richest corporations. Noonan said he intended "to challenge the encroachment of EU state aid rules into the sovereign member state competence of taxation."

The immediate consequence of the Brexit decision, however, is the fall in the value of the British pound against the euro. This has already caused a sharp crisis for Irish agriculture, long before the British government has taken any formal step to trigger the Article 50 EU exit process. Sterling has declined against the euro by nearly 15 percent since June 23, from €1.31 to €1.15, with a comparable increase in the price of Irish exports to Britain. Of €11 billion in food exports from the republic, some €4.4 billion is directed towards Britain; 230,000 workers are employed in the industry.

In October, two former holders of the office of Taoiseach (Irish premier), John Bruton and Bertie Ahern, gave evidence at a House of Lords select committee in Westminster. Bruton, once leader of Fine Gael, warned that Brexit threatened to disrupt the food processing industry that operates across the Northern Ireland border. Thirty percent of milk produced in the North is processed in the South, while 40 percent of chicken produced in the North is consumed in the South. Brexit will require some form of tariff reckoning on all such transactions.

According to Ahern, a senior figure in Fianna Fail, the British-based supermarket chain Tesco obtains 60 percent of its cheese and 84 percent of its chicken produce from Ireland. The *Guardian* reported that one in 10 of Ireland's mushroom farmers had gone into bankruptcy post-Brexit. Representatives of the Irish meat industry warned that a post-Brexit Britain might strike a trade deal with rivals such as Brazil, which would further undercut the Irish position. A recent survey by the Dublin-based Economic and Social Research Institute reckoned that over 10 years, the impact of Brexit would cause a drop in Irish output of between 2.3 and 3.8 percent.

Around 300 attended a conference of an All-island Civic Dialogue in early November. The conference, initiated by current Taoiseach Enda Kenny to discuss the implications of the Brexit crisis, brought together employers, trade unions, non-governmental organisations and most of the major parties on both sides of the border.

The conference followed the rejection of a legal challenge against Brexit by the High Court in Belfast. Two challenges were made in separate proceedings. One was by a cross-party group of Members of the Legislative Assembly (MLA) and another was by a citizen, Raymond McCord, whose son was murdered by loyalist paramilitaries. The basis of the challenge was that Northern Ireland should be able to veto any change to its constitutional position as a devolved government and the arrangements in the 1998 Good Friday peace agreement.

On October 28, a High Court judge ruled there was nothing in the Good Friday Agreement to prevent the government triggering Article 50. McCord said he would appeal the ruling to the Supreme Court.

Kenny opened the all-island conference, stating that Brexit "presents the most significant economic and social challenge of the past 50 years." He reiterated his aspiration to avoid a "hard" border, but warned the problems this might face because "there are those around the European table that take a very poor view of the fact that Britain has decided to leave."

Sinn Fein leader Gerry Adams called for some form of special status for Northern Ireland that would avoid border controls. According to Adams, the Irish government "as a continuing member of the EU, has the right, and in our view the obligation to bring forward such a proposal."

The conference was boycotted by Northern Ireland's Ulster Unionists, who were in favour of Remain, and the pro-Brexit Democratic Unionist Party (DUP). Northern Ireland First Minister and DUP leader Arlene Foster denounced the conference as full of "grandstanding remoaners." A majority of the population of Northern Ireland voted to remain in the EU by a margin of 56 to 44. Foster complained the Irish government was exaggerating the uncertainty around Brexit to "poach" investors from the North.

Contradicting Foster, the head of the Northern Ireland Confederation of British Industry complained that Northern Ireland was particularly vulnerable because its businesses were generally quite small, and traded heavily with the Republic of Ireland. Northern Ireland is annually in receipt of around £260 million in EU farm subsidies.

On Friday Fine Gael's Joe McHugh, the republic's minister for the diaspora and international development, stated his opposition to moves by Scottish First Minister Nicola Sturgeon to thwart Brexit. Sturgeon's Scottish National Party government is opposed to Brexit on the basis that it threatens access to the EU Single Market. To this end, Sturgeon has held talks with representatives from Germany, France and other EU nations.

McHugh said talks over Brexit involving the devolved governments of Northern Ireland, Wales and Scotland had to take place under the auspices of Westminster. Speaking to Scottish daily the *Herald*, he said, "It's a UK Government position and what I like about their approach is they're looking to involve the devolved assemblies. I think that's important. They're already doing it, it's already happening."

Last week Sturgeon confirmed that the Scottish government is joining legal action on the side of those opposing May's plan to trigger Article 50 by the end of March. On December 5, a Supreme Court panel of 11 senior judges will hear an appeal by May's government to this month's ruling by the High Court that she did not have the legal right to bypass Parliament.