# Why Brexit Should Be Accompanied by Irexit (Ireland exit)

Report of a Private Study Group

Drafted by Anthony Coughlan

The Bruges Group

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The Bruges Group, 214 Linen Hall, 162-168 Regent Street, London W1B 5TB
www.brugesgroup.com

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*"When the facts change I change my mind. What do you do, Sir?"*

**JM Keynes**

*"There is another country in Europe with an unsustainable business model: Ireland. It offers low corporate tax rates and legal tax avoidance to foreign investors. The ruling by the European Commission to force Apple to pay €13bn to the Irish Government in taxes is a sign that this model may not be sustainable for much longer. Brussels is also pushing towards a harmonisation of the corporate tax base – the rules of what to tax.*

*"Dublin has been resisting such a change, but with the UK out of the EU it will lose an ally in the fight against EU-imposed tax harmonisation. Ireland has done well from its tax haven status. But this model is unsustainable.*

*"Perhaps the confluence of Brexit and the long-term loss of a business model will persuade Ireland to follow the UK out of the EU. This will obviously depend on whether Ireland can find an alternative model inside the EU. It is possible, but not inevitable. An Irish exit will not happen unless and until there is more clarity on the costs of Brexit. It will also depend on whether the eurozone successfully manages the various crises facing it.*

*"If all this develops as I expect – badly – the economic case for an Irish exit would strengthen. Ireland might choose to stay in the EU for political reasons. But those in Ireland in favour of EU membership should give some thought to what could go wrong. They might otherwise end up in the same place as the overconfident Remain supporters in the UK: bitter and without influence."*

**Wolfgang Munchau,** *Financial Times*,10 October 2016

# EXECUTIVE SUMMARY

The Republic of Ireland joined the then EEC in 1973 because Britain and Northern Ireland did so. Now Brexit should be accompanied by "Irexit" (Ireland Exit), according to a group of Irish economists and lawyers whose report has been drafted by Professor Anthony Coughlan of Trinity College Dublin.

If the UK leaves the EU customs union while the Republic stays, the North-South border within Ireland would become an EU frontier, with customs controls being inevitable and possible passport controls. The only way for the Republic's politicians to avoid adding new dimensions to the partition of Ireland is for them to leave the EU along with the UK.

For forty years from 1973 the Republic was a major recipient of EU money through the Common Agricultural Policy. Since 2014 the Republic has become a net contributor to the EU Budget. In future money from Brussels will be Irish taxpayers' money recycled. This removes the principal basis of Irish europhilia, official and unofficial.

If Dublin seeks to remain in the EU when the UK leaves it will have to pay more to the EU budget to help compensate for the loss of Britain's net contribution. A bonus of leaving along with the UK on the other hand is that it would enable the Republic to get its sea-fisheries back - the value of annual fish-catches by foreign boats in Irish waters being a several-times multiple of whatever money Ireland got from the EU over the years.

As regards trade and investment, the Republic sends 61% by value of its goods exports and 66% of its services exports to countries that are outside the continental EU26, mostly English-speaking. The USA is the most important market for its foreign-owned firms and the UK for its indigenous ones. Economically and psychologically it is closer to Boston than Berlin and to Britain than Germany.

It is not a question of the Republic having to choose between one export market and another if it decides to leave the EU along with the UK. If common sense prevails, there should be continuing free trade between the UK, Ireland and the EU in the context of Brexit and Irexit occurring simultaneously.

The main argument for the Republic staying in the EU when the UK leaves is the negative one that it is a member of the Eurozone while the UK is not. When the euro was established Dublin's europhile politicians were so foolish as to adopt the currency of an area with which it does only one-third of its trade. The Republic now desperately needs to get its own currency back so that it can devalue along with sterling and the dollar, and not be stuck with an implicitly overvalued euro that is now crucifying its exports.

That is why Dublin should aim to leave the Eurozone in a planned, concerted manner, negotiating its departure with Germany, the ECB, the UK and the Bank of England in private behind the scenes as part of its move to leave the EU along with the UK, rather than be forced to abandon the euro anyway in the next Eurozone financial crisis.

Ireland's political Establishment is only now realising that Brexit really does mean Brexit and that the case for an accompanying Irexit is overwhelming. Irish opinion is likely to move in this direction over the coming two years and UK policy-makers should encourage that.

# INTRODUCTION

Whether one has hitherto regarded the European Union as a good thing or not is now irrelevant. The reason is that everyone in Ireland, whether in the Republic or Northern Ireland, and regardless of whether they have positive or negative attitudes to the EU, will be profoundly affected if Britain and Northern Ireland withdraw from it during the next couple of years, as now looks inevitable.

If the Republic seeks to remain in the EU when the UK leaves, it is the EU acting collectively on the basis of qualified majority voting under Article 50 of the Treaty on European Union that will decide the Irish State's future relations with Britain and Northern Ireland, and not the Republic's Government acting independently. Ireland will have 0.9% of one vote In taking this decision, under the EU's new, post-Lisbon-Treaty voting rules. In this situation it is inconceivable that Irish interests will have priority or be taken adequately into account by the 26 other EU Member States. If the eventual EU-UK agreement does not suit the Republic and if the Irish Government has cast its vote against it, it will still have to abide by it if it remains an EU member.

On the other hand, the many problems that will arise for the Republic if it should seek to remain in the EU when Britain and Northern Ireland leave, and which have been highlighted in the Irish media since the 23rd June 2016 Brexit referendum, would largely disappear if Brexit were to be accompanied by "Irexit"(Ireland Exit).

Some "Remain" people in Britain, Ireland and elsewhere in the EU cherish hopes still to overturn the result of the Brexit referendum even though that was the democratic choice of the citizens of the UK, who were asked to vote on the course they wished the UK State as a whole to follow, and not Scotland, Wales or Northern Ireland taken separately. Showing a deeply undemocratic mind-set, these "Remainers" would like to reverse that result, as was done in the case of the Irish referendums on the 2001 Nice Treaty and the 2008 Lisbon Treaty and the French and Dutch referendums on the 2005 EU Constitution. As Mr Peter Sutherland wrote just after the UK Brexit vote: *"Somehow this result needs to be overturned."* (*Irish Times*, 27 June 2016)

US President Barack Obama, encouraged by British Prime Minister David Cameron, told UK voters during the referendum that if they voted to leave the EU they would be "at the back of the queue" when it came to American support for any post-Brexit trade deal. Supporters of further EU integration were hoping that if Democratic Party candidate Hillary Clinton succeeded President Obama there would be concerted American, German and Brussels pressure on British Prime Minister Theresa May to go for the "softest" possible Brexit, and ideally abandon the idea altogether. Republican Donald Trump's election victory in November 2016 put paid to that hope. Mr Trump said as president-elect: *"I'm not going to say front of the queue, but it wouldn't make any difference to me whether they were in the EU or not. You would certainly not be back of the queue, that I can tell you."*(*Financial Times*, 10-11-2016) And again two months later: *"You look at the European Union and it's Germany. Basically a vehicle for Germany. That's why I thought the UK was so smart to get out."* (*The Times*,16-1-2017)

Prime Minister Theresa May has made clear that Brexit means Brexit and that one way or another the UK intends to leave the EU and its single market and Court of Justice, abandon supranationalism and resume the capacity to make all its own laws and decide its State policies, domestic and external, in its own Parliament at Westminster, like any normal independent modern democracy.

The implications of this development are enormous - for Britain, for Ireland and for the EU as a whole. The Irish State is quite unprepared for them, as are the Irish media and public opinion, for most Irish people expected the “Remain” side to win the Brexit referendum. The Irish Taoiseach, the Irish Embassy in London and various Irish politicians intervened heavily in that on behalf of the “Remain” side, speaking at public meetings in Britain and the like – violating all the norms of proper behaviour governing the conduct of politicians from different States in so doing.

All fundamental debates in British politics take place inside the Conservative Party, with everyone else having bit parts. This was true of the debates on the Corn Laws and imperial preference in the 19th century, on the appeasement of Nazi Germany in the 1930s and on Britain’s relations with the EU from the 1960s to today.

The Brexit referendum was a defeat for the Cameron-led UK Government’s policy, supported as it was by the Brussels institutions, by all the other EU Governments, by the President Obama-led US Government, the City of London, Messrs Goldman Sachs and related financial interests and international big corporate capital generally. All of these favoured “Remain”. In British economic terms the Brexit referendum result was a defeat for the UK’s financial interest, represented iconically by the City of London, and a victory for those manufacturing and business interests that still aspire, despite decades of deindustrialisation, to keep Britain as one of the world’s great centres of manufacturing and scientific innovation. These were supported in turn by the industrial working class in the old centres of British industry whose members find themselves victims of that deindustrialization, one of whose agencies they see as the EU.

In the UK referendum on EEC membership in 1975, the first ever referendum to be held in the UK, 67% of voters voted to remain in the European Community, as against 32% who did not, on a turnout of 64% of the electorate. In 2016, following forty-three years’ experience of European integration, they voted 52% to 48% to leave the EU on a voter turnout of 72%, with 33.5 million people voting in all and 17.4 million voting to leave. Clearly the experience of EU membership had disillusioned millions.

The “Leave”-side result in the 2016 Brexit referendum represented a victory for those who sought to return to the position where all laws for the United Kingdom would be made once again at Westminster by people who are democratically elected to make them, rather than large numbers of those laws being made by the EU institutions supranationally. Mrs Theresa May’s Government seems to have genuinely committed itself to implementing this decision of UK voters in the period ahead.

In this new situation hard-headed realism is called for from Irish policy-makers - not wishful thinking. It would be foolish of them to allow themselves to be led by the momentum of past policy commitments. They need to look with fresh eyes at Ireland’s relations with the EU on the one hand and with the UK on the other. Do they really want to be responsible for a new Partition of Ireland? To have to get permission from the EU for people to travel without passports between Derry and Donegal? And have customs posts once again on the North-South border? We seem now to be moving into quite a new phase of European and perhaps world history when the legacy of World War 2, a legacy of which the EU is part, is being left behind. This situation calls for a radical reappraisal of existing conventional wisdom, not least in relation to the EU.

It is the conclusion of this Private Study Group, consisting of a number of Irish economists and lawyers, that there are no good arguments for Ireland remaining in the European Union if the United Kingdom leaves it. Rather, it is in the political and economic interest of both the Irish State and the country as a whole that we should leave the European Union at or around the same time as the UK for the reasons set out in this paper.

# IRELAND NOW A NET FINANCIAL CONTRIBUTOR TO THE EU…SOME ECONOMIC ISSUES

The Irish State is now a net contributor to the EU Budget. In 2014 it became a net contributor for the first time, paying in €1.69 billion and receiving €1.52 billion. **This means that in future any EU moneys that come to the Republic under the Common Agricultural Policy (CAP), EU cohesion funds, Erasmus programmes, research grants and the like, will be Irish taxpayers' money recycled through Brussels,** as is also the case for the UK.

There is no reason in principle therefore why these funding programmes should not be continued by the Irish Government, at the same or even more generous levels than at present, or be better adapted to Irish requirements if that is thought desirable. Henceforth the EU will no longer be the "cash cow" that it has widely been regarded as for decades and that is the basis of much Irish europhilia, official and unofficial.

If Ireland should remain in the EU when the UK leaves, it will be required to contribute an extra couple of hundred million euros to the EU budget on top of its current contribution as its proportionate share of the extra money that will be needed to replace the UK's €10 billion or so annual net payment to the EU. Escaping this further imposition would be another advantage of leaving the EU alongside the UK.

One clear positive gain for Ireland of leaving the EU is that it would enable it to take back control of its extensive sea-fishing waters, whose value if they had been exploited in the Irish interest over the years has been estimated to be a several-times multiple of the net receipts the Republic obtained from the EU since 1973 (cf. Eurostat estimates of the value of fish catches by non-Irish boats in Irish waters over that time).

Over recent years the EU has blindly presided over a ravaging of the renewable biological resources of the North-East Atlantic, including pillage by heavily subsidized Southern EU fleets, and has deplorably managed its nearshore and offshore resources.

Furthermore, Ireland's potential Exclusive Economic Zone out to 200 nautical miles and the Continental shelf further out still would be a huge national asset going well beyond fisheries into offshore resources of all kinds, for example undersea minerals, oil and gas and even farmed seaweed, with its potential in certain specialised markets. Of the present EU countries Ireland has more potentially exclusive offshore-Atlantic economic territory than any other EU Member State, apart from Spain and Portugal. This would offer huge economic benefits if sustainably managed in the Irish interest.

Most of the major players in the management of the North Atlantic fisheries and offshore resources will be outside the EU following Brexit – Iceland, Faroes, Norway, and soon Britain itself and Northern Ireland along with her. A Republic that was also outside the EU could and should join them and put the nightmare of the EU's Common Fisheries Policy behind it. If Ireland continues to be tied to blinkered EU management by seeking to stay in the EU when the UK leaves she will become increasingly isolated in marine affairs and her coastal communities will continue to haemorrhage. An Ireland outside the EU would do wonders for the economic future of the communities along the South, West and North coasts of Ireland – which have largely missed out on the surge in foreign direct investment into Ireland's cities in recent decades.

Without Britain, her sister island, beside her, Ireland would be in a weaker position to defend her fishery and other nautical interests in the EU. Irish fishermen would face a host of new problems if the Irish State attempts to stay in the EU when the UK leaves.

How would the fishing waters of the two adjacent islands be divided in these circumstances? At present the Republic's fishing boats take over one-third of their catch from UK waters. Presumably after Brexit the fishing fleets of the other EU States would continue to fish in the Republic's waters but not in the UK's, unless the Republic leaves the EU too. Its fishing boats would presumably no longer be able to fish off Northern Ireland or to land their catches there or in Britain, as many of them now do.

If the Republic were to remain in the EU when the UK leaves, any oil or gas finds in its territorial waters would be governed by the EU's energy policy. As in the case of fisheries, without the UK beside her Ireland would be in a weaker position to defend her interests as regards these and other natural resources.

At present the Republic imports most of its energy from the UK. Would these energy imports have an EU external tariff imposed on them if Ireland were to stay in the EU when the UK leaves, with consequent higher prices for Irish consumers?

If the Republic leaves the EU along with Britain and the North it could, like the UK, get rid of various unsuitable EU rules and regulations that inhibit its economic growth and weigh particularly heavily on the small and medium-sized enterprises, mostly indigenous, that are especially important to its economy.

These small and medium-sized Irish enterprises are hugely important for the Republic's employment. In so far as they export goods or services, especially in the food sector, tariff-free access to the UK economy is vital for them. This calls for continuing free trade with a Britain and Northern Ireland that will be outside the EU post-Brexit.

Badly drafted EU Directives, as so many now tend to be because the EU has become so large and diverse, can prevent Member States from taking reasonable actions to support business firms that they would otherwise take if they could put their own national interests first.

Outside the EU Ireland can agree trade and other economic arrangements with the UK and other countries, opening itself to the wide world, having regained the power to sign international commercial treaties, which has currently been surrendered to Brussels where it is an exclusive EU competence, exercised by the EU Commission.

Leaving the EU would mean that the Irish State would not be bound by such collective trade agreements as the Transatlantic Trade and Investment Partnership (TTIP), which the European Commission has been negotiating with the USA, with its provisions for common regulatory zones and anti-democratic disputes procedures.

It is probable that Britain will revert to a so-called «cheap food policy» when it leaves the EU and import its food from wherever in the world it can get it cheaply and of good quality. This makes every sense for a crowded industrial country with world-wide links. Britain's submission to the dear-food Common Agricultural Policy of the EU was an historical aberration that raised its household bills and labour costs for two generations.

What Irish food producers and exporters should do in response in the years ahead is to market Irish agricultural products to Britain and the world under the slogan, *"Food that has taste in it"* ! They should ensure that their food products really do have that and eschew all the artificial fiddling that goes with so much food produce nowadays - e.g. tasteless tomatoes, water-filled bacon, chickens that never see the sky etc. And they should orient Irish food exports to the growing high-income, high-quality markets in Europe and round the world, having been released from the bizarre coils of the CAP. There should be plenty scope for the Republic's 80,000 or so farmers in doing that.

The EU subsidies that Irish farmers now get, or think they get, do not come from Brussels but from Irish taxpayers. Outside the EU these ostensible EU subsidies can be revamped by a once more independent Irish Government to reflect specifically Irish needs and circumstances – for example by orienting them to small rather than big farmers, in contrast to the general thrust of the EU's Common Agricultural Policy, which favours big producers, and to sustain viable rural communities throughout Ireland.

In 2016 EUR-LEX estimated that there were over 123,000 EU rules, international agreements and legal acts binding on or affecting citizens across the EU, including Ireland. These included 1,683 EU Directives; 12,915 Regulations; 15,561 Decisions; 5,337 international agreements, 16,592 EU Court verdicts and 71,077 international standards from such bodies as CEN, CENELEC, ETSI and the Codex Alimentarius, which the EU has signed up to and which are therefore binding on all EU Member States and their citizens as supranational EU law.

Most people in Ireland do not realise how undemocratic interference by the EU now affects most aspects of their lives. The EU is the "elephant in the room" in several of the Republic's recent political controversies: Water charges - an EU requirement; Bin charges for houshold waste - an EU requirement; Social housing - restricted by EU requirements on State aid; Mass governmental surveillance of e-mails, internet usage and social media - an EU requirement; Dáil private members' Bills with financial implications having to be submitted first to the European Central Bank (ECB) for vetting – an EU requirement; Irish taxpayers having to pay significant extra sums to the EU Budget on top of existing payments because of misleading Brussels-formulated national output statistics - an EU requirement. . . And the list goes on.

This situation is clearly far from *"the unfettered control of Irish destinies"* which the men and women of the 1916 Easter Rising aspired to for the independent Irish Republic that they fought and died to establish. Their slogan was: *"We serve neither King nor Kaiser but Ireland."* Yet some of their successors today want to keep the Irish State subordinate indefinitely to a German-dominated supranational EU that now makes most of Ireland's laws.

This raises serious and disturbing questions about the compatibility of EU membership with genuine national democracy.

The widely acknowledged *"democratic deficit"* that attaches to EU membership is leading citizens in every EU Member State today to organise to take back control of their own law-making and decide their international relations independently. They form part of an international movement to restore national democracy. This is a movement that Irish politicians that seek to put the Irish people's welfare first should henceforth aim to be part of, in line with the best traditions of the Irish national independence struggle and the Irish State.

# ADDING NEW DIMENSIONS TO THE NORTH-SOUTH IRISH BORDER

The Brexit-related problems regarding trade and travel that people in the Republic worry about would largely disappear if the Republic left the EU along with the UK.

On the other hand, if the Republic tries to stay in the EU when the UK leaves, the North-South border must inevitably have a wide range of EU-related dimensions added to it, affecting trade, travel, passport controls, extradition requirements and different laws and standards on either side. While this would not destroy the Peace Process, it would not help it either. Thus without the UK as an EU Member State beside it the Republic would be much less able to withstand pressure to adopt continental norms in EU crime and justice policy, which differ significantly from the jurisprudence of the Anglo-Saxon world in such areas as trial by jury, the presumption of innocence and habeas corpus. Such divergence would adversely affect good relations within Ireland as a whole. At present the Republic has legal opt-outs from most of the crime and justice provisions of the Lisbon Treaty along with the UK. Could it realistically sustain such opt-outs on its own over years and possibly decades to come if it were to seek to remain in the EU when the UK leaves?

Maintaining the long-established Anglo-Irish common labour market and travel area, which have existed since the Irish State was established in 1922, and minimizing North-South border controls were key determining factors in the Republic's original application to join the then EEC simultaneously with the UK in 1961, and the two States actually joining the EEC together in 1973. The same considerations remain relevant today.

It seems unrealistic of the Republic's policy-makers to think that the Irish State can retain the common labour market and travel area with Britain and Northern Ireland when the latter leave the EU, however willing the UK Government might be to facilitate that. There are some seven times more non-Irish migrants in the UK than there are Irish ones. Would a post-Brexit EU countenance a special deal for Irish migrants going to a non-EU State? Would such continuing EU members as Poland, Latvia, Romania etc. be happy for Irish EU citizens to be especially accommodated by the UK while their own nationals, who are EU citizens also, would have lost the legal right to move and settle there? A visa-free travel area is not the same as a common labour market.

Ireland without the UK beside her would be under greater EU pressure to join the EU's Schengen passport-free travel area from which UK and Irish citizens in Northern Ireland would be excluded. If the Republic continues as an EU member it is the EU as a whole that will decide such matters. It might take the Irish Government's wishes into account, but then again it might not. After all Ireland under the EU Treaties (Article 1 of the Treaty on European Union) would still be committed to *"an ever closer union"* of the EU's peoples and to all the treaty obligations, explicit and implicit, that derive from that, which have the force of constitutional law in the Republic.

If the UK Government were to decide that it was in its best interests that the Republic should also leave the EU, it is in a position to use the continuance of the common labour market and travel area between the two States as a bargaining chip. For successive Irish Governments and generations of Irish politicians the existence of the common labour market and travel area between the Republic and the UK has been a social "safety-valve". It has made it possible for the negative consequences of the Irish State's failure to provide enough jobs at home for its own people to be avoided by its exporting much of its labour force to Britain because of the ease with which Irish emigrants are permitted to travel, work and vote there. Pressures for relevant economic and political reform within Ireland have thereby been reduced. Irish policy makers can be expected to do whatever they can to prevent this situation changing. For this reason amongst others they will be most anxious to ensure the continuance of the Anglo-Irish common labour market and travel area. While the authors of this paper favour the continuance of Britain and Ireland as a common labour market, they acknowledge that its termination could bring about much needed political reform in the Irish State.

When Brexit occurs and if the Republic seeks to remain in the EU it would mean that for Irish reunification to come about at some future date, however distant, the people of Northern Ireland, if a majority of them were to vote in favour of that, would have to rejoin the EU once Britain had left it, adopt the euro-currency, take on board a share of the €64 billion of private bank debt that the European Central Bank insisted that Irish taxpayers finance during the 2008-2010 currency crisis, and implement the further integration measures that are likely to be needed in the coming years if the Eurozone is to be held together. It would give 26 EU Governments in addition to the UK and the Republic a veto on eventual Irish reunification. Such developments would be unacceptable to many Irish people.

Suggestions that the UK's departure from the EU would adversely affect the Northern Peace Process and the 1998 Good Friday Agreement are nonsensical. The passing references to the EU in the Agreement's text allow of no such interpretation. The EU was not a party to the Good Friday Agreement. EU funding for various cross-Border projects is UK taxpayers' money coming back. Suggestions on these lines have been advanced in Northern nationalist circles by people who do not want to accept the result of the clearly democratic UK referendum. It puts them in the same company as those party politicians in the Republic who twice rejected solemn decisions of Irish voters in referendums.

In the past these so-called "Republican" critics claimed to stand for Irish independence and democracy vis-a-vis the EU. Yet they now condemn the majority of UK citizens for acting similarly, while they themselves join the ranks of Ireland's upholders of supranationalism. Having sought to coerce the Northern Unionist population into a United Ireland by means of a quarter-century-long military campaign against British rule, these quondam EU-critics now proclaim opportunistically that *"Ulster must not be coerced"* into leaving the EU, while the rest of Ireland must bow to continuing rule from Brussels! And some of the Republic's politicians foolishly echo them in a congruence of rhetoric verging on the tragicomical.

Relations between Britain and Ireland that touch on Northern Ireland should be settled bilaterally as they always have been. But this will be difficult if not impossible to ensure if the Republic remains an EU member when the UK leaves. As regards voting figures for Northern Ireland in the Brexit referendum, of the 1.9 million people living there some 1.3 million were on the electoral register. The referendum turnout was 62.7% in the North as against 72.2% in the UK as a whole. This was a figure of 789,879, of which 55.8% voted "remain" (440,437) and 44.2% (349,442) voted "leave", while 471,109 did not vote at all.

Opinion polls in Scotland and Northern Ireland that have been taken since the Brexit referendum show that a significant majority of those polled would prefer to remain in a United Kingdom that was outside the EU rather than live in either an independent Scotland or in a Northern Ireland that was united with the Republic. As regards long-term Scottish, Welsh and Northern Irish attitudes to the EU, it is worth noting that in the key Westminster votes on joining the then EEC in 1972 a majority of Scottish, Welsh and Northern Ireland MPs voted against joining, so that it was the votes of English MPs that took the United Kingdom into the EEC at that time.

# TRADE AND FOREIGN DIRECT INVESTMENT IN IRELAND GEARED MAINLY TO ENGLISH-SPEAKING MARKETS

The foreign trade and foreign investment case for the Republic staying in the EU diminishes significantly if Britain and Northern Ireland leave it.

The principal attraction of Ireland for foreign investors is its low corporation profits tax rate of 12.5%. The Irish State's ability to use a low tax rate to attract foreign investment is already under attack in the EU, as evidenced by the Brussels Commission's power-grab over taxation in the 2016 case on taxes allegedly owed to Ireland by Apple and the Commission's commitment to introducing a Common Consolidated Corporate Tax Base for levying company taxation across the EU.

Britain has been Ireland's principal ally in the EU in resisting such attacks. If Ireland remains in the EU when the UK leaves, these attacks will assuredly increase, while Ireland will be in a weaker position to defend the current arrangements.

**Foreign direct investment in the Republic is in any case geared more to exporting to English-speaking markets, primarily the USA and UK, than to continental EU ones. Once the UK leaves the EU three-fifths of Irish goods exports will be going to countries that are outside the EU, mostly English-speaking, and two-thirds of its goods imports will be coming from non-EU countries. For Ireland's foreign trade in services 66% of exports will be outside the EU26 and 72% of imports will be from outside the EU26.** So overall the Republic does some one-third of its trade with the continental EU26 and two-thirds with the rest of the world, with the USA and UK predominating. This puts exaggerated talk of the EU's *"giant market of 500 million"* in perspective. Without the UK the EU's population falls to 435m, while the joint population of the USA, Canada and the UK becomes 425m. That of the wider English-speaking world is much bigger still. Some 7 billion people in all live outside the EU.

**From the standpoint of most foreign investors in Ireland therefore, it is access to English-language markets rather than continental EU ones that is most important if a choice has to be made between them. But there will be no need for any such choice if a free trade arrangement continues between the EU and a UK and Ireland outside the EU, as common sense and mutual interest dictate should happen, and as long as the EU does not seek to "punish" Britain, or indeed Ireland, for having the temerity to seek to take back control of their own laws, economic policies and international relations.**

In 2015, the most recent year for which figures are available, the Republic exported £112 billion worth of goods and imported €70 billion. Its two most important single-country markets were the USA and UK. When the UK leaves the EU the Republic will be sending 61% of its goods exports to countries outside the continental 26-State EU and will be buying 66% of its imports from outside this shrunken EU, on the basis of 2015 trade patterns as the Table below shows:

**Distribution of Irish foreign trade in goods by area, 2015**

| | Exports | Imports |
|---|---|---|
| EU26 without the UK | 39% | 34% |
| Rest of World including the UK | 61% | 66% |
| UK | 14% | 26% |
| USA and Canada | 25% | 16% |
| USA and Canada + UK | 39% | 42% |

Source: CSO StatBank, External Trade, Tables TSA01 and TSA05

When it comes to the Republic's export trade in services, the greater importance of markets in the English-speaking countries compared to the continental EU26 is even more striking. Ireland's trade in services is more valuable than its trade in goods. It amounted to €122 billion in exports and €151 billion in imports in 2015. The principal items involved are computer services, financial services, other business services, royalties and licenses, transport, tourism and insurance.

**Distribution of Irish foreign trade in services by area, 2015**

| | Exports | Imports |
|---|---|---|
| EU26 without the UK | 34% | 28% |
| Rest of World including the UK | 66% | 72% |
| UK | 20% | 8% |
| USA and Canada | 11% | 21% |
| USA and Canada + UK | 31% | 29% |

Source: CSO, International trade in services, 2015, Table 2A

Moreover, the continental EU26 market for Irish exports has been relatively declining, as the EU is a low growth area affected by the austerity policies for the Eurozone, while the English-speaking markets of the UK, USA, Canada etc. have been relatively growing.

Outside the EU and Eurozone, with an Irish currency restored, with the competitive currency exchange rate that that would make possible, with a corporation tax rate maintained at low levels and a bank credit policy that encouraged investment for productive purposes rather than stoked asset bubbles, the Republic should become significantly more attractive for foreign investment than if it were to remain in the EU following the UK's departure. This would be because its competitiveness would increase as a result of its following an independent exchange rate and credit policy.

This situation would be similar to that which prevailed during the Republic's so-called "Celtic Tiger" period of 1993-2000 when the highly competitive exchange rate policy of those years helped give it an annual average growth rate of 8%, the highest in its economic history, while simultaneously boosting domestic demand.

Outside the EU the Irish State would be able to take full advantage of its strategic geographic location as a hub for trade and communications between Europe and North America and further afield, as well as restore Duty Free facilities for international flights, which EU membership forced it to abolish. The Republic would also benefit from the greater UK prosperity that is expected in time once Britain is freed from its EU constraints and resumes its classical vocation as "Global Britain", an advocate of free trade world-wide, at least for developed countries.

Ever since the Telesis Report on the Republic's industrialization policy in 1982 it has been recognized that that policy should put less emphasis on the foreign capital sector and more on encouraging indigenous industry with wider domestic linkages oriented towards exporting. The policy instruments available for doing this, most obviously an independent exchange rate and national control of credit policy, would only become available to an Irish Government if the Republic frees itself from the stranglehold of the euro-currency and the European Central Bank.

Leaving the EU at or around the same time as the UK would provide an opportunity for a thorough reassessment of the Republic's current industrialisation model, as *Financial Times* economics commentator Wolfgang Munchau has pointed out (see inside the title page above), something that is desirable in any case, regardless of Brexit.

# THE DRAWBACKS OF IRISH EUROZONE MEMBERSHIP

Ireland's relations with the UK and the EU in the Brexit context are complicated by its membership of the Eurozone. Irish policy-makers abolished the Irish pound and joined the Eurozone in 1999 on the assumption that the UK would do so also and that by going first they would show how *communautaire* they were. It was a terrible mistake.

There was a belief in the relevant policy circles at the time that after eighty years of, at times, recklessly imprudent independent government, abolishing the currency would make life easier for those who had to deal with the consequences of such recklessness. The opposite of course happened. If the Republic was going to surrender one of the two key economic levers of an independent State, viz. monetary policy, which decides the supply of money and credit, or fiscal policy, which decides government tax and spending, it chose the wrong one.

The economic history of the Irish State has essentially been one of reckless fiscal policy accompanied by a conservative monetary policy. After 1999 no effort was made to restrict unwise political decisions in relation to fiscal policy because it was believed that Irish policy-makers would never have to worry about monetary policy again as they would now be using the euro.

The Republic sends nearly two-thirds of its exports outside the 19 Member Eurozone and buys three-quarters of its imports from outside that entity - some 63% of exports and 72% of imports. It does some one-third of its foreign trade, that is imports and exports together, with the Eurozone, another third with Britain and Northern Ireland and the remaining third with the USA and the rest of the world.

Joining the Eurozone when the Republic does most of its foreign trade outside it was reckless even by the low standards exhibited by those responsible for running the Irish State in the previous eighty years and was almost criminally irresponsible. Although the competition is stiff, the decision to join the Eurozone without the UK remains the worst decision made to date by the Irish State. Attempting to remain in the EU while Britain and Northern Ireland leave it would assuredly trump that error.

As the pound sterling falls vis-a-vis the euro as the UK disengages from the EU, Ireland desperately needs an Irish pound that can fall along with it, thus maintaining its competitiveness in its principal export markets – the USA and the UK. That is why the Irish State urgently needs to get its own currency back.

Just as North America is the most important export market for Ireland's foreign-owned firms, the UK is the most important market for its Irish-owned ones. Some 40% of exports by Irish-owned companies go to the UK. In July 2016, one month after the Brexit referendum, the Irish Business and Employers Confederation (IBEC) called for Government subsidies to compensate exporting firms that were hit by the fall in sterling as they sought to sell in the UK market. It called for *"a drive to secure exemptions to EU State aid restrictions to allow the Government to match grants available to UK-based manufacturers".* Otherwise thousands of jobs in Ireland's food and drinks industry would be at risk. This was hardly a realistic call, for such aid would violate EU rules, but it surely presages many similar calls in the coming years if the Irish Government is so foolish as to try to remain in the EU when the UK leaves.

Economist Chris Johns noted in the *Irish Times* on 20 August 2016 that if the Irish pound existed on that date it would be worth roughly 10 percent more than the pound sterling. This was the level the Irish pound reached in January 1994 when Irish industry and agriculture were in crisis because of the overvalued exchange rate – explicitly then, implicitly today. That in turn precipitated the major devaluation which inaugurated the Republic's high-growth "Celtic Tiger" years. It is essential for the economic welfare of

Irish citizens that the State regain the freedom to determine its own exchange rate, and for that it needs its own currency back.

The purpose of leaving the Eurozone and adopting a competitive exchange rate for a restored Irish currency would be to maximize Ireland's long-term economic growth rate and employment. Many of the country's foreign debts would be in euros post-Brexit, but it is not the absolute level of foreign debt that matters, but the ability of a national economy to service it. A high economic growth rate facilitated by a competitive exchange rate and related measures would help the country earn the foreign currency to run down its foreign debts and rapidly reduce its debt-to-GDP ratio.

There is no legal way for a State that uses the euro to re-establish its currency other than by leaving the EU altogether, for membership of the Eurozone is supposed to be for ever. The EU Treaties do not provide for any country to revert to its national currency while still retaining its EU membership.

Membership of the Eurozone has caused and is still causing major problems for Ireland. Amongst other things the unsuitable interest-rate regime that it imposed was largely responsible for the Republic's 2001-2008 financial boom/bust, which in turn led to the ECB imposing €64 billion of private bank debt on Irish taxpayers.

If Ireland seeks to remain in the EU following the UK's departure, it is likely to be subjected to ever further integration measures as Brussels and Frankfurt seek to hold the Eurozone together, essentially for political reasons. Such measures, entailing an EU banking union, detailed budgetary surveillance, the establishment of a Common Consolidated Corporate Tax Base for taxing business firms, pressure to harmonize corporation tax rates and the commitment to collective EU trade agreements, can be expected to damage the Republic economically in the years ahead, while adding further dimensions to the North-South border within Ireland – if it should seek to stay in the EU.

UK support for Ireland's leaving the Eurozone is highly desirable. It should be readily obtainable if Irish policy-makers make clear that they want Irexit to go along with Brexit.

The Eurozone is unlikely to last in any case, at least not for its current nineteen members. It is clearly more sensible for Ireland to leave it sooner rather than later and to do so deliberately in a planned constructive fashion, concerting such a course behind the scenes with Germany and its principal Eurozone partners well beforehand, rather than being pushed to do it in the midst of the next international financial crisis.

The alternative course is to wait until the savings of the "PIIGS" countries start moving to Germany in the expectation of the Deutschemark coming back, when there will be fewer euros under potential Irish Government control and banks start being bled of their deposits – an eventuality this Study Group believes is probable in time unless Irish policy-makers act early to escape it.

Restoring the national currency will presumably occur over a long weekend when the State's banks are closed and a new Irish pound is issued, initially at par with the euro, or as existing euros over-stamped as Irish pounds or púnts. Support from the Bank of England to prevent that currency depreciating excessively in the initial days and weeks while it is being introduced would be desirable in this event and it should be in the interest of both the Irish and UK Governments that it be provided, especially if the Republic is leaving the EU side by side with the UK.

The ECB and other Eurozone and non-Eurozone national Central Banks should have an interest also in minimising disruption to the euro and pound sterling and in ensuring that the new Irish currency is launched in as constructive a manner as possible in the context of Brexit and Irexit.

Because of the closeness of Anglo-Irish relations and the fact that the Republic, unlike all the other Eurozone members, does most of its trade outside the Eurozone rather than inside it, Ireland is probably the only one of the Eurozone's 19 Member States whose departure should not in principle cause a general crisis for the euro-currency as a whole. This may colour German and other attitudes to the proposal that Ireland leave if the Irish Government puts that to them privately as it necessarily would have to do.

The value of having its own currency for a State that values its independence was shown for the Republic in its "Celtic Tiger" years 1993-2000 before it adopted the euro. Those years were the only ones in the ninety-year history of the Irish State that it followed an independent exchange rate policy. In those years the Irish State's management of an effectively floating exchange rate enabled it to give priority to the real economy of maximising output and employment rather than maintaining a fixed exchange rate.

**Currency exchange rates are always fixed for political reasons, and there are few things more political than a monetary union such as the Eurozone. The euro-currency is essentially a project to advance a political union in the EU, under Franco-German hegemony, using economic means that are quite unsuitable for that purpose. It has already proved to be an economic disaster for the Mediterranean countries and Ireland, and the sooner these countries leave the Eurozone the better for the economic welfare of their peoples.**

Maintaining a fixed exchange rate at par with the UK's pound sterling had been Irish policy from 1923 until 1979, when it broke that link. Maintaining a fixed exchange rate with the Deutschemark and related currencies in the European Monetary System (EMS) then became its policy from 1979 to 1993, in preparation for eventual EMU (European Monetary Union). This gave Ireland a consistently over-valued currency for that entire seventy-year period. Breaking with the EMS in January 1994, four months after the UK left it, and devaluing the Irish pound (púnt), was the principal factor responsible for the Republic's radically increased competitiveness and its extraordinarily high economic growth rates in the "Celtic Tiger" years that followed, as the Table below shows.

Between 1993 and 1999 the Irish pound devalued from 110 pence sterling to a nominal 90 pence. It had a similar devaluation against the currency of its other main trading partner, the US dollar. What economists term its real effective exchange rate was devalued even more, taking account of the Republic's relative costs vis-a-vis its main trading partners. In its first years of euro-currency membership the Republic's competitiveness increased because of the decline of the euro vis-a-vis sterling then, but when that changed, its competitiveness and growth rate declined radically. This Table shows the benefit to Ireland of having its own currency and independent exchange rate:

**Average annual % change in the Republic's real GDP**

| | % |
|---|---|
| 1970-1986 | +3.4 |
| 1987-1993 (start of social partnership) | +3.9 |
| 1994-2000 (floating punt /"Celtic Tiger") | +8.6 |
| 2001-2007 (euro-currency, early years) | +5.0 |
| 2008-2013 (euro-currency, later years) | -1.2 |

Source: CSO: National Income and Expenditure

# NEED FOR AN ANGLO-IRISH FREE TRADE AGREEMENT FOR THE REPUBLIC OUTSIDE THE EU

That would be required if both States left the EU, as well as a bilateral treaty between them governing other relevant issues, and should be readily negotiable if Ireland leaves the EU along with the UK. Such agreements would in various respects be a return to the pre-1973 arrangements between the two States, while recognizing the Republic's post-1979 breaking of its link with the pound sterling and that both States now had independent currencies.

A negotiation between Ireland and the EU under the Article 50 TEU procedure should be held in parallel with the UK's negotiations.

There is no good reason why such positive aspects of EU membership as the Erasmus scheme for student exchanges, participation in cross-national research projects, access to cross-national health care entitlements and travel rights in EU countries, coordination of environmental protection measures and internal market measures such as SOLVIT, which recognize cross-national professional qualifications, should not be agreed in such negotiations so as to apply to former EU Members like the UK and Ireland, as they already apply to some non-EU countries. This should be mutually beneficial to the States remaining in the EU as well as to those leaving it.

It has been argued by some Irish commentators, for example former Brussels Commission Secretary-General Catherine Day and Professor John FitzGerald of the ESRI, that Ireland needs to be part of a multinational bloc in order to deal equitably with Britain and that if the Republic leaves the EU it must become a UK client or dependency. This shows a sad lack of national self-confidence, arising perhaps from decades of EU involvement following centuries of colonization. It may also be a cover for those whose reputations and career interests are bound up with the supranational EU project and who want the least change from the present situation.

There are 170 or so States in the world outside the EU, most of them small or middle-sized and all of which make all of their own laws and do not depend on a supranational law-maker to defend or advance their interests. Geography and history have placed an Ireland of 6.5 million people beside a Britain of 62 million. They have placed Denmark beside Germany, Finland beside Russia, Canada beside the USA, Korea beside Japan, Vietnam beside China, Ceylon beside India, without the smaller countries in these and various similar pairings thinking that they have to merge themselves in some larger entity to defend their interests. Small size has the great advantage of flexibility – as long as one retains the legal right to be flexible, which EU membership denies.

Ireland is part of the English-speaking world. It is psychologically closer to Boston than Berlin - and to Britain than Germany. Northern Ireland is leaving the EU along with the rest of the UK. The proportion of both Irish and British trade with the Eurozone has been declining in recent years as exporters move into the more dynamic expanding markets of America and Asia.

Leaving the EU, getting its own currency back and with it control over interest rates or the exchange rate, and regaining the ability to negotiate commercial treaties with other States, would put Ireland, like the UK, in a better position to develop trade and other economic links with the world outside the low-growth EU/Eurozone, with its dysfunctional currency, its bureaucratic zeal for ever more centralization, its ageing population and its arrogant ambition to turn itself into a world power under Franco-German hegemony.

# THE SECURITY AND DEFENCE DIMENSION

During the years of the Cold War Northern Ireland's membership of the United Kingdom ensured that Britain and NATO had military bases in Ireland, enabling command of the North-Atlantic approaches to Europe. The end of the Cold War removed the need of these. This was the basis of the UK Government's statement that it had *"no strategic interest"* in Ireland and was presumably a factor in Britain's commitment under the 1993 Downing Street Declaration and the 1998 Good Friday Agreement to facilitate Irish reunification at some future date if a majority in Northern Ireland should come to favour that. However, if Ireland remains in the EU while the UK leaves, this security calculus is significantly changed.

While this Private Study Group would not presume to tell the UK what was and was not in its security and defence interests, its members strongly suspect that the Britain would have reservations about the Republic continuing to participate in EU security and defence policy and implementing ever closer political and economic integration with an EU/Eurozone that is likely to come under greater Franco-German hegemony following Brexit. British policy-makers may well fear that in such circumstances a continental power or coalition of powers potentially hostile to British interests could secure a military foothold in Ireland at some time in the future, in circumstances unforeseeable today.

This possibility could give Britain a significant new interest in opposing any moves towards Irish reunification at a future date, as such a development in a situation where the Republic remained an EU member would remove Britain's ability to have military bases in Ireland, as it has them in Northern Ireland at present. If Ireland were to be reunited at some future date while remaining in the EU, it would make the whole island part of a continental defence and security bloc dominated by Germany, which could then have military bases in Ireland while Britain had none.

If the Republic ceased to be an EU Member State, however, and resumed its traditional policy of neutrality and military non-alignment in a relation of friendship with Britain, such objections would disappear. If both Britain and Ireland were outside the EU it would presumably be in Britain's interest to have good relations with an Ireland that was militarily non-aligned – something that is fundamentally incompatible with participation in the EU security policy and defence system envisaged by the EU's Lisbon Treaty.

Military matters are likely to be particular EU preoccupations post-Brexit. The UK has always given priority to NATO as against EU defence and security policy. There is now talk in EU circles of moving towards an EU army. The UK leaving the EU, most of whose members are in NATO, while the UK remains in NATO, will presumably require readjustments by both the EU and NATO.

If the Republic stays in the EU when the UK leaves it will also come under further heavy pressure from the remaining EU Member States to increase its military spending, as is provided for in Article 42.3 of the Treaty on European Union. It is not in its interest, especially with its tradition of neutrality, to continue with EU security and defence commitments in these circumstances, not to mind to take on NATO ones.

# POSSIBLE GERMAN SUPPORT FOR “IREXIT”WHEN THE UK LEAVES

Germany, like the other 27 EU Member States, will seek to prevent Brexit if it can, but if it is unable to thwart it, it will accept it, as will the others.

This and other considerations may possibly encourage the German Government to support “Irexit” alongside Brexit if that should become Irish Government policy. Germany could more easily aspire to greater hegemony over the continental EU Member States if Ireland as well as Britain were not EU members. This should appeal to influential sections of Germany’s current political elite.

Germany may not in any case wish to challenge the UK for influence in Ireland. The French Government by contrast may have other views and may want to develop closer links with Ireland in opposition to UK interests.

It is to be hoped that Irish policy-makers will not need to be reminded that one Battle of the Boyne was quite enough! Rivalry between foreign powers regarding Irish territory should not be facilitated.

# THE EU'S MYTH OF ORIGIN

The "myth of origin" of the EU is that it is essentially a peace project to prevent a recurrence of Europe's wars, and particularly wars between France and Germany. Many people support EU membership for this reason. Yet most people are unaware of the EU's true historical origin: that supranational integration in Europe was originally pushed by the USA in the years following World War 2 to provide an economic underpinning for the NATO military alliance in Europe.

The Frenchman Jean Monnet, often referred to as "the father of the EU", was America's man in this affair. America's Central Intelligence Agency (CIA) helped to finance the cross-national European Movement for decades as it pushed the integration project in the different EU countries. The first step to supranational integration, the 1951 European Coal and Steel Community, was taken at America's behest to reconcile France to German rearmament at the start of the Cold War. The EU's actual historical origins were thus in war preparations.

The Schuman Declaration which launched the European Coal and Steel Community styled that entity *"the first step in the federation of Europe".* A federation is of course a State. The date of this Declaration, 9 May, is still commemorated as "Europe Day" by the EU.

The second big step towards today's European Union, the 1986 single market with its common regulatory zone and widespread use of majority voting, was followed by the third, the establishment of the euro-currency. The latter step was taken in the 1990s to reconcile France to German reunification following the collapse of East European communism. The Franco-German relation is the basis of the EU. One recalls French President Charles de Gaulle's remark: *"Europe is France and Germany. The rest is just the trimmings."*

For those who subscribe to the myth-of-origin story that the EU exists essentially to prevent war and who would regret Ireland leaving it for that reason, it is worth recalling that most wars are civil wars, that EU intervention in former Yugoslavia in the early 1990s and in Ukraine in 2014 contributed significantly to those countries' civil wars, and that international tension between EU Member States, for example between northern and southern European ones, has risen markedly in recent years because of the euro-currency and migration crises.

It is worth recalling also that no two democracies have ever gone to war with one another and that the key to permanent peace in Europe is not the creation by political and economic elites of a supranational quasi-federation, which is not desired by the peoples of Europe, but the fostering of a strong democratic culture in every European State.

This requires that these States should make all their own laws independently in parliaments elected by their own peoples. Only this can be the basis of a Europe of cooperating independent national democracies, including Ireland and Britain. This is the true "European ideal" – an ideal that accords with the values of classical democracy and true internationalism. Good fences make good neighbours.

# CONCLUSION…NO REFERENDUM NEEDED IN IRELAND

Although Ireland has a written Constitution that was adopted by popular referendum of the people in 1937 and can only be altered by referendum, it does not require a constitutional referendum to leave the EU/Eurozone. This can be done by the Irish Government on behalf of the State without a referendum.

Article 29.4 of the Irish Constitution lays down that the State *"may ratify"* the Treaties establishing the European Union and Euratom and take on the associated obligations of the Treaties, without providing that it "shall" or "must" do this. The Constitution then provides that EU law necessitated by the obligations of EU membership has primacy over any contrary provision of the Constitution – implicitly for as long as Ireland is an EU member.

The Irish State is therefore a member of the EU by decision of its Government under a permissive power of its Constitution, a license given to it by the Irish People, not a mandatory or obligatory one. Using this permissive power the Irish Government may constitutionally withdraw from the EU if that should become its policy and it has the assent of the Oireachtas that elects it, in which case the other articles in the Constitution that refer to the EU become redundant and fall out of use, as is already the case with some constitutional articles.

This is in any case the only practical way for Ireland to leave the Eurozone, for if the Irish Government had to give several months notice that it intended to hold a referendum in the hope of getting a majority of citizens to vote in favour of leaving the EU, abandoning the euro-currency and re-establishing the Irish pound or punt, it would immediately have a currency crisis on its hands because of speculators.

Opposition to Ireland leaving the EU is to be expected from Irish MEPs, Commissioners, EU Court judges, EU media correspondents and the large number of public servants, academics, translators, lobbyists, researchers etc. who are paid by or receive pensions or funding support in some form or other from the EU's institutions. Such resistance is natural, but there is no reason why the legitimate career, monetary and pension concerns of such Irish personnel should not be met and their anxieties assuaged, as with their UK counterparts. They should not, however, be allowed to override the democratic interests of the people of Ireland, now and for future generations.

Ireland and Britain share the English language, which is an inherent attraction for foreign investors in modern conditions, although the first official language of the State is Irish. If Ireland leaves the EU along with Britain there would be no English-language-speaking country remaining in the EU, apart from Malta, one of whose two official languages is English. For foreign investors this should add to the attraction of the two island countries, each with a global trade perspective, if they are both together outside the EU.

Ireland and the UK face similar economic challenges if they are to take advantage of the opportunities arising from the restored political independence and sovereignty that leaving the EU would provide. These have implications for, *inter alia*, exchange rate policy, interest rate policy, taxation policy and investment policy.

Economic growth depends primarily on credit flowing into productive investments, particularly long-term ones. For Ireland this implies less reliance on foreign investment attracted by low rates of corporation tax as the principal engine of growth, more Governmental support for indigenous investors in manufacturing, agriculture, fishery and marine resources and services, better targeted bank credit support for these, and the fostering of closer synergies between foreign and domestic investment.

For the UK it means taking steps to counter the significant deindustrialization of Britain that has occurred in recent decades and placing less policy emphasis on encouraging banking and inancial services and the associated strong currency that serves the interest of those concerned with investing abroad rather than at home. The more prosperous, confident and dynamic Britain that is possible outside the EU would indirectly bring significant positive economic benefits to Ireland.

It is probable that those running the Irish State will not take a final definitive course of action in response to Brexit until the lineaments of the UK's future trade and other arrangements with the EU become clearer during the period following the triggering of Article 50 TEU. Ireland should be principal champion of a good deal for the UK as long as it remains an EU member. It is obviously desirable that there be the closest possible coordination between the two Governments from the beginning of the process, behind the scenes if necessary, and especially in relation to the Republic leaving the euro and reestablishing an Irish currency. Irish public opinion will expect no less.

Moreover, Irish public opinion is likely to be well in advance of political and elite opinion in the Republic in supporting a policy of leaving the EU along with the UK. On 31 October 2016 the *Irish Daily Mail* published the result of a poll which showed that almost four in ten Irish people would choose open borders and free trade with the UK over the EU.

This result was remarkable because that poll was taken before any adverse effects of Brexit had yet begun to be felt on the Irish economy and relations with Northern Ireland if the Republic should seek to stay in the EU when the UK leaves. As the newspaper commented: *"The fact that before Brexit hits home here, almost four in every ten Irish people would prefer to ally with Britain than the EU will give their views more weight in future debates."*

For the reasons set out in this report it is the conclusion of this Private Study Group of Irish economists and lawyers that the balance of the Irish State's and country's interests in the new situation arising from the UK Government's decision to opt for Brexit is that the Republic should leave the EU at or around the same time as the UK. It can thereby restore the State sovereignty that it has lost to the EU and take back control of its full law-making capacity and its currency so that these can be used in the Irish people's interests. The Irish Government should concert its policy with the UK Government to that end in the period ahead.

There are no good arguments for the Irish State to stay in the EU when Britain and Northern Ireland leave. The authors of this report invite the supporters of continuing EU membership for Ireland to set out what benefits such membership could possibly bring that would outweigh the benefits that would arise from the Republic taking advantage of Brexit to bring about Irexit, as proposed in this report.

**Enquiries about the contents of this report may be made to the convenor of the Private Study Group of Irish economists and lawyers responsible for it, who drafted its text: Anthony Coughlan, Associate Professor Emeritus in Social Policy, Trinity College Dublin. He may be contacted at Tel.: 01-8305792 / 00-353-1-8305792; E-mail: janthonycoughlan@gmail.com**

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## THE BRUGES GROUP

The Bruges Group is an independent all–party think tank. Set up in February 1989, its aim was to promote the idea of a less centralised European structure than that emerging in Brussels. Its inspiration was Margaret Thatcher's Bruges speech in September 1988, in which she remarked that "We have not successfully rolled back the frontiers of the state in Britain, only to see them re–imposed at a European level…". The Bruges Group has had a major effect on public opinion and forged links with Members of Parliament as well as with similarly minded groups in other countries.
The Bruges Group spearheads the intellectual battle against the notion of "ever–closer Union" in Europe. Through its ground–breaking publications and wide–ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

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**Contact us**
For more information about the Bruges Group please contact:
Robert Oulds, Director
**The Bruges Group**, 214 Linen Hall, 162-168 Regent Street, London W1B 5TB
**Tel:** +44 (0)20 7287 4414
**Email:** info@brugesgroup.com


The Bruges Group

www.brugesgroup.com