

# Growing Apart: Issues for Ireland arising from Brexit

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# Three Topics

- Irish administration began preparing for Brexit in 2014
- Macro-economic channels
- Distribution and Imports
- A Fractured United Kingdom

# Macro-Economic Channels

- Trade
- FDI – Financial sector and other sectors
- The Labour Market
- Financial channel
- Distribution and Logistics
- Other Channels: Energy, Health, Welfare etc. etc.
- Overall probably bad for Ireland
  - Possible range – effects on GNP: +1% to -7%

# Distribution and Logistics - 1

- Customs Border of some kind inevitable – the choice of the UK
- Importance of Imports from UK
  - Much bigger than exports
- Distribution sector – heavy UK presence
  - Centralised Distribution – not possible with customs barriers
- Even with free trade agreement and no tariffs – still have customs
  - Problem of third country imports
- Will greatly increase costs and reduce competition
  - Need new entry by non-UK distribution companies

# Distribution and Logistics - 2

- Ireland imports a lot of goods through the UK
  - Need free transit for imports from Rotterdam etc. through UK
  - No Adverse tolls as with Austria per 1995.
- Transit between Donegal and rest of Ireland

# A Fractured UK?

- Concentration on Brexit – very little attention to fracturing of the UK
  - Brexit crystallised fracturing
- Similar political configuration to early 20<sup>th</sup> century
  - No Scottish or Northern Ireland participation in government
- Rise of English nationalism
  - Preoccupation with interests of England. Brexit opposed in North & Scotland
- Breakdown in regional solidarity
- Even if UK survives intact will have economic effects

## UK – Regional Differences per head, percentage of UK average

|                  | GVA  | Disposable<br>income | Public<br>Expenditure |
|------------------|------|----------------------|-----------------------|
| Northern Ireland | 72.6 | 81.5                 | 124.6                 |
| Scotland         | 92.5 | 95.2                 | 116.4                 |
| Wales            | 70.3 | 85.2                 | 111.1                 |
| North East       | 73.9 | 84.5                 | 104.9                 |

# Possible Consequences

- Redirection of transfers to English regions away from ungrateful Remain regions?
- Orphan Northern Ireland, even if UK survives intact
  - Since Belfast Agreement the economy has fallen further behind
  - North will be hit harder by Brexit than rest of UK
  - A cutback in transfers could have major social and political effects
  - Ireland could not support Irish unity economically – dramatic cost for Ireland
- Balkanisation of the UK?
  - Even if the UK remains the UK the fracturing will have consequences
  - Problem with an unhappy state on our borders
- Brexit bad for Ireland but internal problems of UK could aggravate them