



# **Economic Impact of Brexit on Jobs and Investment- Steps to Mitigate These Risks**

*Submission to Joint Oireachtas Committee on  
Jobs Enterprise and Innovation*

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## **Introduction**

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses from all areas in the country and represent their views.

Chambers Ireland works not only to represent the views of Irish business nationally, we also work with a network of European Chambers of Commerce to ensure that the interests of Irish business are represented at European level. A core part of our work is to monitor and influence legislation debated and agreed at European level to ensure that Irish business can provide input on any regulatory changes that may impact them in the future. In the post-Brexit climate, it is now more important than ever for Irish business to engage with the European Union. Chief Executive of Chambers Ireland, Ian Talbot, was appointed Deputy President of Eurochambres in 2016 and is the Chairperson of the Eurochambres Finance and Economy Committee.

We welcome the opportunity to contribute to the work of the Committee on Jobs, Innovation and Enterprise and look forward to further engagement with the Committee over the coming months and years as the United Kingdom moves towards triggering Article 50, and exiting the European Union.

## **Risks for Business**

Following the UK's vote in June to exit the European Union, there continues to be a large degree of uncertainty as to what will happen next. In the immediate term, it is likely that there will continue to be significant market and currency volatility with knock-on consequences for investments and pensions and it is unclear how long this period of uncertainty will last. We have seen how this has played out since June, with the UK losing its AAA rating.. With regard to the impact of a Brexit on Ireland, at this point nobody is certain what the impact will be. Since the referendum results in June, the Irish Chamber of Commerce Network has been working with its members to brief them on what a UK exit from the EU will mean for their business. Throughout our Network, business uncertainty is prevalent. What precisely does "Brexit" mean for the Irish economy and what is going to happen next? While it has been repeated by Prime Minister Theresa May that "Brexit Means Brexit", what this means in practice is far from clear. Will this mean a departure from the Single Market, or both the Single Market and the Customs Union? If this is the case, what will become of the land border between Northern Ireland and the Republic of Ireland? Without definitive answers to these questions, businesses find themselves in the precarious position of attempting to prepare for a future reality that, at this point, is unclear.

Among the key concerns of our chamber network are the exposure of our domestic economy to the UK's departure from the European Union. Interruption and likely reduction in trade between Ireland and the UK will have a disproportionate impact on our indigenous

firms, especially our exporting SMEs who are hugely reliant on the UK as their primary market. Larger multi-nationals, who trade in international markets are likely to be much better insulated from the consequences of a UK exit from the European Union. Smaller firms will feel a much more profound impact and will be less capable of absorbing it.

Even without the prospect of the UK leaving the European Union, the business community has been vocal over the past several years regarding the need for Ireland to remain competitive if our economy is to continue to grow. This becomes even more important in the face of our closest neighbour leaving the European Union. While there has always been healthy competition within and between EU member states, this was predominately on a level playing field, as all had to operate within a common regulatory and legal framework. This may no longer fully apply in the event of Brexit. This relates not only to our attractiveness as a location for foreign direct investment, but it also impacts on how Irish companies will be able to compete in international markets with UK companies.

Beyond the more obvious risks Brexit presents to trade and competitiveness, the broader geopolitical and economic risks of a global economic downturn remain on the minds of both Irish businesses and our European counterparts. The EU economy has struggled for some years now due to stagnant growth, historically low inflation, and high unemployment rates. The loss of the UK, its fifth biggest market, could quickly force the entire European Union into recession.

Due to the existence of a land border between the Republic of Ireland and the United Kingdom, the Irish situation is unique in Europe, meaning we will inevitably be impacted much more significantly than other European Member States. The economies that have developed and evolved over a number of decades along the border between Northern Ireland and the Republic of Ireland face enormous challenges over the years to come. While our Chambers along the border have long coped with the realities of currency fluctuations and doing business across jurisdictions, the uncertainty as to how the border will manifest itself once the UK exits the EU is causing significant concern and uncertainty. Any restrictions on the free movement of goods, capital or people or the introduction of new tariffs will have serious implications for the border economies. In the Louth/Armagh region alone, nearly 3,000 commuters cross the border daily. Changes to how the border operates will impact not just those doing business cross-border, but also those travelling for work, school, childcare etc. The concern amongst the business community is that any new restrictions to free movement of goods and people could severely damage already fragile economies and indeed the ongoing peace process.

### **Opportunities for Business?**

There is a sense within our network of chambers that Brexit may also provide some opportunities for Ireland. If we can enhance Ireland's competitiveness relative to the UK and other EU member states we may see FDI companies choosing to locate operations here.

While Ireland cannot control the negotiations or the effects of Brexit, we can ensure that we are an attractive location for investment and that Ireland continues to be an excellent environment in which to do business.

Following years of underinvestment in Ireland's infrastructure and currently faced with a housing crisis, it is vital that we increase investment in key areas that will ensure Ireland is ready for any opportunities that may arise following the UK's exit of the European Union.

Maintaining competitiveness and enhancing Ireland's attractiveness to FDI companies can be ensured by Government through a number of measures including:

- *Investing in Ireland's transport network in order to connect regions and cities with one another while also enhancing intra-urban connectivity.*
- *Ensuring our education and training system is providing students with the right skills and producing workplace-ready graduates.*
- *Retaining a focus on maintaining the cost competitiveness of our enterprises, particularly those costs which can be impacted by Government.*
- *Ensure affordable cost of living by tackling childcare costs and the housing crisis.*

### **Proposals for Mitigation**

It has been said repeatedly that Ireland needs to be prepared once Article 50 is triggered and the process of the UK leaving the European Union begins. The objective of Budget 2017 was to help "Brexit-proof" the economy. While the big threats to Ireland's economic development relate to the need to maintain our competitiveness with the UK, rapidly expand our investment into infrastructure and ensuring our export driven economy and exchequer receipts can be sustained in the face of diminishing international demand, there are practical steps Government can take to mitigate the risk of Brexit.

For example, Government, public and private sectors must work together collectively to identify the core risks to Ireland and to develop solutions. Ireland is a small country and it is only through adopting a collaborative approach can we respond to what is a crisis. Once such measure we would suggest would be to introduce an Export Working Capital Scheme. By offering increased support to access new customers overseas the Government can help protect jobs in export based industries which are exposed to the UK market and face uncertainty and risks from the recent Brexit referendum result. Chambers Ireland proposes that the Scheme target SME exporters who have reached the limit of their credit facilities but require additional trade finance or working capital to process new orders or service new clients. Post-Brexit, there is an increased imperative to support SME exporters to expand to new markets, as accessing UK market will become more challenging.

On a broader scale, we also urge Government and all elected representatives to support the European Commission's trade strategy. It is vital that Ireland continues to get access to new

markets. Trade agreements with the US and Canada will be necessary if our exporters, both indigenous and multinational, are to have alternative markets to the UK for their goods and services.

## **Conclusion**

We see initiatives like the All Island Economic Dialogue and this committee hearing today as just the start of what will be a long conversation between business, Government and all key stakeholders on the nuances of what the UK leaving the EU will mean both for the economy and the stability and security of this island. It is imperative that we stress the unique risks Brexit poses to the economy on both sides of the border. Our experience is that our European counterparts, both in politics and in business do not yet appreciate the enormous challenges we are facing in the coming years, from trade, to education, energy, fisheries, and infrastructure.

We accept that the UK exit from the EU is only one part of a much broader set of challenges to the EU economy (migration, terrorism, security risks in Eastern Europe), we must make great efforts to communicate the uniqueness of our situation going forward. Chambers Ireland, through the wider European Chamber Network, will be making this case and articulating our challenges so that we may be recognised as a special case once negotiations for the UK exit from the EU begin.