Brexit and the South of Ireland

Choppy times ahead for the Leprechaun economy

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It is beyond doubt. The Southern economy will suffer a considerable impact from Brexit and from the imminent recession, the approach of which has accelerated due to the Brexit vote.

Capital inflows to Britain have already faltered and an ERSI study, titled â€˜Scoping the possible', estimates that trade with the UK could be reduced by an average of 20%, and in some sectors more. This was confirmed by a Stormont Research and Information Service paper which found that southern “sectors such as Agriculture, Food and Beverages and Basic Metals are relatively more dependent on exports to the UK and so the impacts on them would be severe”.

This has obvious repercussions for an economy that has around â‚¬1bn a week, 40% of its trade, with the UK which the Stormont study found represented around 200,000 workers, or 10.4% of the total workforce, employed as a direct result. An earlier Oireachtas inquiry heard evidence that the “agri-food sector is reliant on the UK market” and that “GDP could decrease by 3.6% were the UK to withdraw from the EU and the single market”.

The fall in Sterling has immediately hit trade meaning that Irish exporters to Britain are already getting less for their product. The possibility of the 4% tariff that the EU currently imposes on non EU produce, 20% on agricultural produce, affecting British goods and the probability that the UK would reciprocate that tariff would further impede the flow of goods.

Even if a 'favourable' trade deal between Britain and the EU is put in place and no tariffs are raised the Oireachtas investigation heard that there would be an additional cost imposed by the establishment of “customs controls, rules of origin checks, import licence requirements, as well as the additional costs of complying with two different regulatory regimes where regulatory divergence occurs”.

In the absence of a 'favourable' deal the Dublin government cannot negotiate separately with Britain as individual EU member states cannot make separate trade deals with non-member states so the deal worked out between the EU and the UK will be the deal that the Irish capitalism is tied to.

In addition, Britain would no longer be part of the Common Agricultural Policy and could trade freely around the globe which would mean South American beef and agricultural produce being increasingly imported and at least staunching the British consumption of Irish agricultural produce which stands at half of all Irish beef and one third of dairy output.

Foreign Direct Investment

Irish growth figures depend heavily upon the performance of imperialist capital as it skims across the economy leaving hardly any local imprint, apart from fantastic sounding statistics, the latest of which at 26% has been dubbed 'Leprechaun economics' by Paul Krugman. The Irish capitalists' hopes that the transfer of financial institutions to Dublin can compensate for the overall impact on trade are ill founded. The ERSI's report found that any “additional attractiveness of Ireland to new FDI projects is likely to be small.” and goes on to suggest that a fall in UK FDI would be of “no real advantage to Ireland”. It envisions that the “larger EU member states, such as Germany, France, Italy, Spain and Poland, would benefit more from the redirection of new FDI away from the UK.”

The Stormont report's authors also argued that the south will remain an attractive destination for FDI relative to the UK due to â€˜more competitive corporate taxation’ but even this marginal advantage has been thrown in to doubt by the British Tories rushed commitment to lower corporation tax. Any advantage would only at best be marginal and the shrinkage of British economic growth would erode that advantage due to its negative impact on the real economy.

In any case the relatively small number of specialised jobs created by increased FDI would be of no consolation to small farmers or workers being laid off from export dependent industrial sectors. The difficulties created by Brexit for Irish capitalism is only the first wave to break in a recessionary flood stemming from the global capitalist crisis.

ICTU

The Irish working class faces into this capitalist crisis without a coherent political leadership and dominated by a bureaucracy that is tied hand and foot to the capitalist state. ICTU accepts that the solution to the capitalist crisis lies in promoting “an agenda of growth within the narrow parameters of the TROIKA program”, but if those parameters felt narrow in 2012 then the advent of Brexit and a looming recession means they will soon feel a whole lot narrower.

The working class has been carefully manipulated by a section of the trade union leadership, taken on a series of token protests then directed off the streets and, to the delight of the reformist left, into an electoral campaign. The resulting elected socialist opposition is isolated in a corner of the Dail and faced with the prospect of limiting their demands, on the housing crisis for example, to fit within 'realistic' fiscal parameters, or acting as a left rump to Sinn Fein, an austerity party.

ICTU's view is that the workers must pay for the crisis while they trust in an imminent recovery in the real economy to soften the blow, a view summed up by Jack O’Connor’s call for the re-election of the last coalition government, but the recovery is not coming. Brexit is the latest political crisis to hit a European capitalism driven by a global systemic economic crisis; the system is failing, and the working class needs a leadership that is not prepared to sacrifice the interests of the working class and poor on the altar of capitalist profitability.

Socialist Democracy