The Transmission of External Shocks to the Irish Domestic Economy: A Study of the Relevant Risks Facing Irish Businesses Today

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A master thesis submitted in the fulfilment of the requirements for an MSc in International Business
Statement of Originality

This master thesis is entirely the work of the author except where otherwise stated.

This paper contains no material that has been accepted for the award of any other degree at any university.

Date: 29th August 2018

Samantha Kim Toner
Abstract

This study aims to examine a series of shocks to key external variables that influence the growth of the Irish domestic economy.

This is achieved by measuring the potential impact external shocks can have on a small, open economy in the context of Ireland by investigating current and relevant scenarios such as Brexit, Donald Trump, and Foreign Direct Investment (FDI).

This paper will focus on the three most impactable variables for Irish businesses under these scenarios which are exchange rates, employment rates and trade.

Ireland's domestic economy has proved it is sensitive to external shocks in the wider macro economy. The global financial crisis of 2008 had a significant impact on Ireland and its Celtic Tiger years.

The objective of this study is to help Irish businesses prepare for uncertainties facing the Irish economy today by modelling the potential effects external forces, such as Brexit, will have on the Irish economy. This paper draws on international literature by using scenarios developed by NiESR to create alternative international scenarios for Ireland by incorporating the findings into a new macroeconomic model (COSMO) in an attempt to quantify the results of such external forces (Brexit).

The results aim to highlight a series of outcomes that can be used to create business and economic strategies to protect the Irish economy.
Acknowledgements

I would like to extend my gratitude to my supervisor Susan Duggan for her support and expertise throughout the process of creating this master thesis.

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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>IDE</td>
<td>Irish Domestic Economy</td>
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<td>EU</td>
<td>European Union</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>NiGEM</td>
<td>National Institute Global Economy Model</td>
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<td>COSMO</td>
<td>Core Structural Model of the Irish Economy</td>
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<td>NIESR</td>
<td>National Institute for Economic and Social Research</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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<td>Irish Farers Association</td>
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<td>Industrial Development Authorities</td>
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<td>Multinational Enterprise</td>
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<td>SME</td>
<td>Small Multinational Enterprise</td>
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<td>ESRI</td>
<td>Economic and Social Review Ireland</td>
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<td>CBI</td>
<td>Central Bank of Ireland</td>
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<td>LLC</td>
<td>Limited Liabilities Corporation</td>
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<td>S-Corp</td>
<td>Small Corporations</td>
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<td>CTA</td>
<td>Common Trading Area</td>
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<td>CSO</td>
<td>Central Statistics Ireland</td>
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Chapter 1 – Introduction

1.1 Introduction

Ireland, a small economy with lingering vulnerabilities from the most recent financial crisis of 2008 and beyond is uniquely exposed to the current external shocks facing Ireland today.

Brexit poses some serious threats to Irish businesses, but also some potential opportunities. With so much uncertainty in the air, how should businesses react and prepare themselves?

There are several international variables to which economists must study to accurately project the outcome of the different Brexit scenarios we face such as interest rates, exchange rates, employment rates, oil prices, trade, the non-traded sector, FDI, competitor prices and conditions in the different labour markets. This study will examine the three factors that are most likely to impact Irish businesses – trade, exchange rates and employment rates.

This paper will analyse these three different factors under the three most concerning scenarios for Irish businesses today – a “hard” or “no-deal” Brexit, a “soft” Brexit and how the 700 US firms currently operating in Ireland will react to Donald Trump’s tax reform plan (Tax Cuts and Job Act of 2017).

As the nature of this subject is relatively new, there is currently very little academic literature that examines these topics. Nonetheless, the literature sourced is recent and of relevance.

The results of this paper are aimed to highlight and recognise any potential impacts Brexit will have on the economy and how they will affect the future growth of Ireland’s domestic economy, so businesses can prepare for this eventuality. In such economic uncertainties, our government has an obligation to protect businesses and the economy from economic complications such as Brexit.

In some sectors the UK is an especially important market, for example the Agriculture and Food sector which exports around 40% of its goods to the UK. In addition, around two thirds of Irish exports use the UK’s land bridge to access continental markets. (Copenhagen Economics, 2018)

This study also focuses on the area of Foreign Direct Investment (FDI) in Ireland. With the uncertainty of Brexit, 150 foreign companies have already applied via the Industrial Development Authority (IDA) to home themselves in Ireland. But complications will arise as Ireland is currently going through a housing crisis and lacking sufficient skilled workers. There
is also the risk of the flight of FDI back to the US if Donald Trump succeeds in retracting FDI back to the US via his tax reform plan (Tax Cuts and job Act of 2017).

1.2 Content and Rationale

The Irish economy has had a speedy recovery from the worldwide financial crash of 2008 and beyond.

This study gives a brief overview of Ireland's economic history to show how sensitive it is to global shocks.

The aim of this study is to monitor economic trends in the Irish economy to measure how sensitive it will be to current and future external shocks.

This study covers three different external shocks including the potential impact of two Brexit scenarios (the most and least impactable) on the Irish economy, the potential impact Donald Trump's tax plan will have on the Irish economy and the potential influx or flight of FDI as a result of both Brexit and President Trump.

The first area estimates the impact of the potential shock of Brexit on the Irish economy taking a two-step approach. Firstly, this examination will use the NiGEM (National Institute of Global Economics) model of the National Institute of Economic and Social Research (NIESR) in the UK to measure the impact on the international environment. The next step is to run these results
through a second macroeconomics model - COSMO (Core Structural Model of the Irish Economy). This aims to estimate and quantify the results of external shocks on key exogenous variables on the Irish economy, specifically exchange rates, employment rates and trade.

This is applied to two potential Brexit scenarios - the potential impact an EEA scenario will have on the Irish domestic economy by analysing forecasts of GDP over the medium term. Secondly, the same analysis will be employed to examine the effect of a WTO scenario Brexit. This work is built on previous research for Ireland by Conefrey et al (2018).

The second area of this study is to estimate how the 700 US corporations currently operating in Ireland will react to Donald Trump’s comprehensive tax reform plan (Tax Cuts and Job Act of 2017). The corporation tax reduction from 35% to 20% could potentially sway FDI back to their homeland to avail of this lower tax rate.

The final area of study is the impact FDI has on the Irish domestic economy. Currently, FDI enriches the Irish economy as it hosts over 1030 foreign businesses. Since the UK have exited the European Union (EU) over 150 businesses have applied to Ireland via the IDA (Industrial Development Authority) Some are businesses are of great significance such as Barclays and Bank of China which will serve to further enrich the Irish economy.

1.3 Research Aims and Objectives

The research aims of this paper is broken into three different areas as previously discussed. The objective is to create the foundations of a study that businesses can use to build a current and relevant domestic economy strategy to protect their businesses from these external shocks. These topics are very relevant to small-to-medium sized businesses in Ireland today and something that not only needs to be monitored daily, but businesses really need to start preparing for. “Companies cannot be complacent, there will be mood swings over the next couple of months as negotiations continue and there will be uncertainty and volatility which will impact on exchange rates and companies need to plan for that.” (Julie Sinnamon, Enterprise Ireland on Brexit)

Throughout this study I will incorporate interesting concerns, insights and challenges that several Irish entrepreneurs and business owners have posed in my interviews.
1.4 Structure of the Thesis

Chapter two holds the literature review which contains an overview of the history of the Irish economy to give an insight to Ireland’s recent economic trends, thus proving its vulnerability to future external shocks. Chapter two will also explore two of the most likely Brexit scenarios under three key variables for Irish Businesses and a brief study of how current uncertainty and Donald Trump is impacting FDI in Ireland.

In Chapter three I will cover the methodology I used to further analyse my research. Using studies of the COSMO model to predict GDP over a ten-year period in Ireland to get an idea of where our economy is likely to be in 2030.

Chapter three will also show how interviews with local, small businesses in Ireland are preparing themselves for these uncertainties.

This research uses qualitative data to gain a more relevant study. Getting insight into the minds of Irish Entrepreneurs enhances the research by getting a better overview of Irish business owners concerns.

In chapter four I will explain the results of my findings. Chapter four will be the conclusion of my studies and will have a brief draft of a proposal that will hold research direction and some implications that should be made by our government to soften the blow of the next possible recession as a result of Brexit and potential flight of FDI.
2. Chapter 2 - Literature Review

2.1 Introduction

Little is known about the impact Brexit will have on Ireland and its indigenous businesses. The uncertainty is a factor that puts Ireland in such a position that it makes it hard to forecast.

Understanding our economy, its trends, and the affects external shocks may bring is the key success factor in keeping our economy prepared and protected from uncertainties. “Uncertainty is an ever-present dimension of all forecasting exercises, the outlook for the Irish economy is currently clouded by the presence of a large number of risks related to the external environment.” (Conefrey, O’Reilly and Walsh, 2018)

This uncertainty can affect investment which in turn can impact the economy before any decisions have been made on a Brexit outcome. Any forecasts made at present take into consideration a couple of different potential Brexit scenarios. This study will research the two extreme Brexit scenarios. A “hard” Brexit and a “soft” Brexit.

2.2 A Brief Overview of the Irelands Economic History

For decades Ireland was the poor man of Europe. From 1922, when Ireland became a free state, Ireland celebrated its freedom with mass emigration, high unemployment, inflation, and poverty.

Ireland hit a real crisis in the 1980’s, unemployment had risen 20%, middle income earners were paying 60% of their marginal income tax and naturally more people started to flee the country.

Then came Irelands economic miracle. In the mid-90’s Ireland embarked on a journey known as the Celtic Tiger that helped Ireland’s economy to finally catch up with its European neighbours.

In 1986, Irish GDP per head of population was a miserable two thirds of the EU average, in 1991 it was just over three quarters. In 1999 it was 111% of the EU average. The Irish share of foreign investment by US corporations rose from 2% to 7% by 2000. Ireland had, in 2000, $38.000 of foreign investment for every man, woman and child, more than six times the EU average. (Fintan O’Toole, 2009)

The Irish economy continued to grow rapidly over a 10-year period and became one of the world’s highest incomes per capita.
This rapid growth was due to a couple of factors.

One factor was the exchange rate the Euro brought to Ireland when we changed from the Irish Pound to Euro’s. Charlie McCreevy served as the Minister for Finance for Fianna Fail between the years of 1997-2004. McCreevy, responsible for the agreement to bring the Euro to Ireland, knew that the reduction of interest rates the Euro would bring to Ireland would bring a wall of money to our Economy. The Irish were overjoyed with this “new” money and they began to spend on property, cars and luxury goods that they simply could not afford for decades pre-Celtic Tiger.

As the economy came into this new money and low exchange rates, International finance institutions, banks and investors decided that they would invest in Ireland too, they got positive return for investing in the paper that Irish banks were putting forward because Irish banks were making huge profits. And so, they did too.

Foreign Direct Investment started to pour into Ireland to take advantage of its low interest rates. “The biggest source of money that came into Ireland was the German banks, they were lending into Ireland because they could make bigger profit margins….6-7% return in Ireland in comparison to 2-3% in Germany.” (Fintan O’Toole, 2010)

Irish banks shovelled this money back out to the public as quickly as they got it. Low interest rates simply added fuel to the Irish economy, they pushed up the demand for credit and have contributed to the rise in house prices.

This “boom” was also a result of the global boom of the 1990’s. The growth in the world economic output between 1995 and 1998 exceeded that during the entire 10,000-year period from the dawn of agriculture to the start of the twentieth century. The growth of the world economy in 1997 alone far exceeded what was achieved in the seventeenth century.

In 2010 Irelands boom came to a bust. The global financial crisis and the banking crisis in Ireland brought the Celtic Tiger to a halt.

The Irish banking crisis was due to a total lack of government regulations on the Irish banks. Banks lent out more than money than they had and gave significant loans to their directors. Ireland was a haven for corruption. Representatives of the IMF and the EU negotiated an €85bn bail out for Ireland. Initially, the people of Ireland did not understand the implications of this. The liabilities, the loans and the deposits were guaranteed 100% by the Irish government. What this meant for Irish people was the debt of the banks was now the debt of the Irish people.
2013 saw Ireland exit the EU-IMF financial support regime and from then until now, domestic demand has increased at an average rate of 5.2% per annum leaving Ireland today in a relatively stable position. Economic recovery is still gaining strength despite the elevated uncertainties of Brexit and the protectionist policies of US President Donald Trump.

This speedy recovery saw Ireland’s GDP go from its peak in 2007 at €197.1bn to €166.2bn in 2010. This rose to €189bn in 2014 to €200.569bn (Central Statistics Office, Ireland)

Unemployment rates have gone from 16% to 6% (Conefrey, O’Reilly and Walsh, 2018)

This impressive recovery was down to several macroenvironmental factors, the most prominent one being Foreign Direct Investment (FDI) that currently enriches our economy.

2.3 Brexit

2.3.1 Introduction

As Britain foolishly voted itself out of the EU Mid-2016, Ireland panicked. It seems no matter what way Brexit is approached, it will inevitably affect the growth of the Irish economy. The greater the break between Britain and the EU, the bigger the impact it will have on trade between Ireland and Britain.

It is also important to know the effects Brexit will have on other EU countries that Ireland currently trades with Ireland as this can also have significant effects on its economy.

2.3.2 Northern Ireland

The Republic of Ireland and Northern Ireland have created an invisible boarder between the two states as both have agreed to the Common Travel Area (CTA) to provide citizens in Ireland with migratory freedom.

Under the Good Friday Agreement, an international treaty signed by the UK and registered with the United Nations, states that anybody in Northern Ireland has the right to be Irish or British, or both.

What Brexit means for Northern Ireland citizens is they can choose to be British (a non-EU member) or Irish and an EU citizen. Northern Ireland has 1.5 million citizens who have a guaranteed right to be EU citizens.

If the Good Friday Agreement is torn up and abolished Prime Minister May runs a high risk of reversing years of peace after 30 years of conflict.
The stability of Ireland’s future depends on the decision of the UK government. The same government that voted the UK out of the European Union. Creating barriers for its own country, its own people and jeopardising future generations of citizens to come through lack of freedom to live, work and study in the EU and trading restrictions.

It is hard to envisage what will happen between Northern Ireland and Ireland as Theresa May made two things clear in her mansion house speech for the ‘Our Future Partnership’ campaign in 2017. The UK is leaving the single market - “we’re leaving the single market, life is going to be different…in certain ways, our access to each other’s markets will be less than it is now.”

And secondly, May speaks “As Prime Minister of the whole of the United Kingdom, I am not going to let the departure from the European union do anything to set back historic progress that we have made with Northern Ireland…. we also want as frictionless a border as possible between us and the EU so that we don’t damage the integrated supply chains that our industries depend on.” (May. T. 2017)
2.3.3 The EEA Scenario

A “soft” Brexit, also known as the EEA scenario is the least impactable of all the Brexit scenarios. If the UK do an agreement like that of Norway, GDP is predicted to be 2.8% lower than a no-Brexit baseline. Although Norway is not part of the EU it is a member of the European Economic Area (EEA) meaning it still has access to the single market.

Norway’s Prime Minister Erna Solberg is keen on this idea - “I think we will cope very well if the Brits come in”. (Financial Times, 2018)

The Norwegian model is playing an increasingly significant role in the UK’s debate about how Brexit will unfold. But this model will prove difficult for the UK as it permits free movement of people and most other rules from Brussels which include contribution to the EU budget. The UK’s Prime Minister Theresa May is opposed to this option as she sees the free movement of EU nationals politically unacceptable.

If the UK agree to this type of Brexit the UK will obtain duty free trade for most goods, but some tariffs will apply on products such as those within the agri-food sector.

In this scenario, despite retaining access, the UK will be leaving the Single Market, the UK will still have to have boarder inspections on EU-UK trade. The UK will still have access to the Single Market, but UK exporters will face high costs regarding border control costs and tariffs. But the decline in GDP is predicted to be less in an EEA scenario.

Norway joined the EEA in January 1994. GDP grew 5.1% in the year of 1994 compare to just 2.1% in the previous year. (Country Economy, 1994)

Trade

The biggest threat Ireland faces with any Brexit is trade. Ireland’s three key trading partners are the UK, US and EU.

Ireland’s economy relies heavily on exports – just under 14% of goods and 17% of services are exported to the UK market and 16% of Irish imports come from the UK (National Institute Economic Review No. 244, 2018)
Ireland is less dependent on the UK when it comes to services with just 13% of services being from the UK. €13 billion of services imported from the UK made up just 8% of Irish service imports in 2015.

**Figure 1. Irish Trade with the UK and the rest of the World, 2015**

![Bar chart showing Irish exports and imports to the UK and the rest of the world in 2015.](image)

**Note:** Based on CSO updated data from September 2017  
Source: Copenhagen Economics using data from the CSO

Irish exports to the UK declined during the financial crisis and only built back up in 2014 but never fully recovered. In 2008 exports to the UK were a total of 20% yet 2017 was just 14%.

Irish imports from the UK have recently hit pre-crisis level. In 2007 Irish imports from the UK were 24%, in 2015 it was up to 26%.

The unique exposure Ireland has to Brexit is a result of the deep integration between the two economies over generations. Both have been EU members since 1973 and Ireland’s high intensity of trade with the UK and the political history plays a huge part too.

In an EEA scenario, it is predicted that Ireland’s total exported goods and services will drop 3.3% below a no-Brexit scenario baseline after ten years. This figure can vary depending on the type of deal struck between the EU and the UK. (Copenhagen Economics Report for Ireland)

The trade deal with a soft Brexit could mimic that of Norway’s trade deal with the EU. Norway is not part of the EU, so it does not have seat in the European Council and does not have an EU
commissions officer. Norway must contribute to the EU budget and follow the four freedoms of the EU – Free movement of goods, freedom of establishment and freedom to provide services, free movement of capital and free movement of workers.

Exchange Rates

Brexit has already massively affected the British pound. Just one-month pre-Brexit vote the sterling was €1.31. The highest pound to Euro rate in the last year post Brexit has been €1.15 and it’s lowest has been €1.08.

In an EEA scenario the exchange rate of the British pound to Euro is predicted to be at about €1.14. This is still a significant drop. The fall of the sterling will have a significant impact on Irish businesses and this has already started to materialize.

A depreciation in the sterling negatively impacts the tradable sector where Irish firms are price takers on international markets.

A drop in the sterling against the Euro is having a stifling effect on the agri-food industry. The last six months of 2016 saw a loss of €150 million to the beef industry alone. (Michael Wallace, 2018) This equates to 5.5%. The fall in the sterling reduced the value of total Irish exports by €500 million in 2016. This fall was purely due to uncertainty in the markets as we have yet to wait for an outcome on Brexit.

Employment Rates

A lack of investments would ultimately lead to a reduction of employment. Unemployment levels lead to less expenditure and less money circulating our economy. With less people having less money to spend Irish businesses will surely suffer, leaving no alternative but to increase prices which affects competitiveness in the Irish market place. Usually in this case, large multi-nationals win consumer loyalty as they can afford the lowest prices.

“Although the results predicted only a potential one percent drop in unemployment, the largest and most adverse potential impacts come in the form of wages, with low skill workers experiencing decreases as much as 3.9%, and 5% for skilled-labour. These potential drops in wages could adversely affect the population and economy of Ireland” (Wordin, Abigail 2018).

In the EEA scenario, impacts will be smaller and range between 2.6% for high skilled workers and 3.5% for low skilled workers.
2.4 The WTO Scenario

2.4.1 Introduction

A “hard” or “no-deal” Brexit means the UK will no longer have access to the four freedoms of the EU. Prime Minister of the UK Theresa May has made it very clear that the UK intends on leaving the single market but wants to negotiate a trade deal. If a trade deal is not negotiated, the UK has no other choice but to abide by the World Trade Organisation (WTO) rules. Therefore, tariffs for trading between the UK and EU will be set higher which will force companies to brake trade with the UK and vice versa due to this price inflation. Higher tariffs will affect profitability and therefore most companies will seek for alternative trade to avoid these higher tariffs.

The Copenhagen Economics report for Ireland has predicted a 7% fall in GDP for Ireland in a WTO scenario which corresponds to €18 billion.

Figure 2, taken from the NiGEM (National Institute Global Economic Model) shows the impact of an EEA Scenario on the UK economy. Only by monitoring the impact Brexit will have on the UK can we then examine its impact on the Irish economy.

To examine the impact on the Irish economy the COSMO (The Core Structural Model of Ireland) is used. This is a relatively new model designed to effectively analyse economic projections and policy analysis. The main use of the COSMO model is the incorporation of financial frictions in a small open economy (ESRI, 2017).

The model is used in many papers that attempt to predict the outcome on the Irish economy in the event of a hard Brexit.

This paper examines these studies to identify these potential threats to the economy and thus, Irish businesses.

Confrey, O’Reilly and Walsh in their “Modelling External Shocks in a Small Open Economy” do a two-step approach to measure the effects of external shocks in the Irish economy. They firstly estimate the potential effects Brexit will have on the UK economy by using the NiGEM (National Institute Global Economic Model) to estimate the impacts of a hard Brexit on an international scale and then take those findings and apply it to the COSMO model to get a rough idea of the impacts of external shocks on Ireland to attempt to quantify the medium-to-
long-term effects of Brexit on the island of Ireland. This paper uses this analysis to assesses the impact of Brexit on the Domestic Irish Economy.

Figure 2. The Impact of an EEA Brexit Scenario on the UK Economy

Source: NiGEM Authors’ Calculations

UK GDP is projected to be 3.5% lower after ten years. In this figure we can see the decline in the UK export market as a direct result of the reduction of trade between the UK and EU which is the main driver of the overall fall of GDP in the UK. (Conefrey, O’Reilly and Walsh, 2008)

In Ireland, a reduction in trade (with the UK) could result in the decline of Irish businesses’ profitability. This in-turn could lead to a fall in investments which affects also, the non-trade sector.

Table 1 shows the estimated impact of an EEA scenario or “soft” Brexit on Ireland. This estimation comes from data from the Figure 1’s NiGEM model and put through the Core Structural Model of the Irish economy (COSMO) model to get a rough idea of what the outcome will look like for Ireland. Output is reduced by 3.2% after ten years with the trading sector taking the hardest hit of 3.7% lower after ten years. This reduction rate could result in the fall in demand for Irish exports along with the deterioration in Ireland’s relative competitiveness caused by the depreciation of the sterling. (Conefrey, O’Reilly and Walsh, 2008)
Table 1 – COSMO Simulation Results

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<th>Year 3</th>
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<th>Year 10</th>
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<td>Non-traded</td>
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<td>-2.4</td>
</tr>
<tr>
<td>Wages</td>
<td>%</td>
<td>-0.2</td>
<td>-0.4</td>
<td>-1.0</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt (% of GDP)</td>
<td>p.p</td>
<td>2.4</td>
<td>5.1</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Conefrey, O’Reilly and Walsh, 2008

Trade

The uncertainty around future trade between the EU and UK makes it considerably hard to adequately forecast the future growth of the Irish economy but figures are looking considerably low. Irish businesses that rely on importing or exporting with the UK need a hard Brexit strategy.

If Ireland breaks trade with the UK 13% of goods on exports, 16% of services in exports and 16% of goods on important is at risk putting huge pressure on businesses in Ireland that rely on these imports and exports. (Bergin, Garcia-Rodriguez, Morgenroth & Smith, 2017)

In a WTO or “no-deal” scenario total Irish exports are predicted to be 7.7% below a no-Brexit baseline at the end of a 10-year period. (Copenhagen Economics Report for Ireland)

Irish imports will be affected more in a WTO and EEA scenario than exports due to a higher exposure towards the UK in relation to the import of goods.

Trade with Ireland and the rest of the UK is at risk too. Ireland transports 53% of its goods to the EU via the UK. (ESRI, 2017).
If Brexit results in a WTO scenario, EU traders that use the UK land bridge as a transport route for goods would be subject to border procedures which will ultimately impact efficiency, speed of land bridge routes and therefore price in the form of road charging schemes, time-consuming rules and labour.

In the short term the alternative sea routes to the continent may not have sufficient capacity to cope with massive shifts in volumes from the UK land bridge, and the longer transport time makes it unsuitable for time sensitive cargo.

**Employment Rates**

There is a high number of employments in exposed sectors such as the agri-food sector which is about 80%-100% indigenous firms. Ireland is particularly dependent on the UK in the beef and dairy sectors. These Irish businesses will suffer the most with a WTO Brexit outcome.

With sectors being hit hard in Ireland like the agri-food sector, pharma-chemicals sector and air transport the risk of unemployment levels dropping is worrying.

Unemployment will negatively impact Irish wages for all groups of workers. In a WTO scenario it is predicted there will be an 8.7% drop in wages by the end of a 10-year period (below a no-Brexit baseline) for low skilled workers and a 6.5% drop for high skilled workers. (Copenhagen Economics Report for Ireland)

A key area of concern is the number of UK residents working in Ireland and the number of Irish working in the UK. With a hard Brexit, EU or Irish citizens will not have the right to work in the UK. It is estimated that around 300,000 Irish are currently working in the UK

In a WTO scenario, there is a chance that the Irish living and working in the UK could be deported. With no free movement of people, Irish living in the UK will have to apply for working visas. Those that have lived in the UK for more than six years are entitled to apply for citizenship but those who are not have a chance of losing their working rights. This could cause an increase of unemployment.

“The UK is an extension of the Irish labour market…many people don’t think of it as emigration.” (Fergal O’Brien, Director of Policy, Ibec)

But with a hard Brexit Irish citizen are at risk of losing their right to live, work and avail of health care services in the UK. This can bring an influx of unemployed Irish citizens from the UK to Ireland.
Exchange Rates

The most immediate impact of Brexit is in the form of exchange rates. Uncertainty can play havoc on economies, depreciation of exchange rates and volatility. Currently, this uncertainty has caused a depreciation of the sterling which is affecting Irish businesses that rely on exports to the UK as they become more expensive.

With so much uncertainty in the currency market at present, it will get quite stressful for firms planning large Euro/Sterling exchange deals in the coming months.

Ireland is in a period of volatility which depending on the firm’s timescale and budget they will have to plan very carefully or face high risks.

Bank of America analysists are predicting a hard Brexit scenario to depreciate the Sterling against the Euro to 0.9565.

Currency exchange rates directly impact the price of traded goods which affects the producer and consumer prices. Because of the fall in sterling, inflation in Ireland remains lower than other Euro Area countries as the falling cost of British exports means Irish consumer goods prices have been particularly low which is increasing the purchasing power of Irish consumers. Consumer prices in Ireland are 1.2% lower than a no-Brexit baseline. A fall of just 1% in the Sterling can cause Irish prices to decrease over the course of a year. (Central Bank of Ireland, 2018)

2.4.2 Conclusion of Brexit

Lower tax revenue due to a fall in Irish companies’ profits could result in a government deficit and debt by the end of the ten-year period. This will need to be addressed in government budgets and taken back in areas such as higher taxes and deductions in social welfare payments.

These likely consequences could see Ireland heading for a crash over the next ten years in the event of a hard Brexit taking place in Spring 2019.

The “hard” or “no-deal” Brexit scenario is the one that will have the biggest negative impact on the Irish Domestic Economy, yet it is the scenario that is looking the most likely. With the hard Brexit scenario, Ireland is most likely to be divided by a hard boarder meaning customs and check points monitoring the movement of goods and movement of people between the republic ad Northern Ireland. This will cause the UK and EU to impose tariffs on each other’s goods where they are not bound by existing plurilateral agreements. The introduction of a
boarder inspection adds customs costs which poses great complications for the Ireland/Northern Ireland boarder and workers that travel to Ireland or NI to work. This a unique position for Ireland and there is no guarantee that boarder control and procedures will operate smoothly immediately after Brexit. Businesses need a contingency plan to mitigate against the risk of delay when goods enter or leave the country.

Businesses most affected will be businesses in Supply Chain, Finance, HR, Sales and Marketing and Procurement. These businesses need to make it a key priority to develop a business-wide Brexit readiness program that fully assesses the impact of a “hard” Brexit and the complexities it brings in terms of the above factors – risk of higher exchange rates, risk of higher unemployment rates and the trade barriers such as tariffs.

Lee Graham, founder of clothing company Brandmark.ie tells in an interview for this study that a hard Brexit will result in a 25% reduction in his business. “A hard Brexit will take 25% of my market as I look after Northern Ireland brands.” Graham highlights that a soft Brexit will “hurt” but at least better arrangements can be made. (Interview with Lee Graham, 2018)

To manifest a smooth transition, the Irish government have deployed a €300m Brexit Scheme for businesses which is open for all businesses. 40% of this will be in low-interest rates loans for the agri-food sector – the sector predicted to be hit the most. (Heather Humphries, Minister for Business, Enterprise and Innovation)
2.5 Donald Trump’s Potential Impact on the Irish Economy

2.5.1 Introduction

Donald Trump, elected President of the United States on November 8\textsuperscript{th}, 2016, is a business man and runs America just like a business. Davis McWilliams, one of Ireland’s leading economic commentators, highlights that the ideology of Trump’s politburo of plutocrats is very obviously transparent and can be summed up by the expression - “The business of America is Business.” (David McWilliams, 2017)

Trump has brought a competitive new corporate tax plan to the US to encourage more investment in the US.

Donald Trump says, “for too long the US has incentivised US companies to move significant parts of their operations offshore to countries such as Ireland” (Donald Trump, 2017)

The corporate tax rate in the US has dropped from 35% to 20%. Ireland is still 7.5% lower, but another sanction is to be imposed on US multinationals trading abroad – taxing offshore income.

Is this strategy a threat to Ireland? “Trump is a threat to our capital base because he wants to reduce US corporate taxes to coax American capital back home” (David McWilliams, 2017)

If the 700 US multinationals currently operating in Ireland, redirect back to the US, where does that leave the Irish economy? 80% of our total exports now come from US multi-nationals. (David McWilliams, 2017) our exports would drop a tremendous amount.
Table 2. Multinationals Total Tax in Ireland

<table>
<thead>
<tr>
<th></th>
<th>2013 ($m)</th>
<th>2014 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>110404.00</td>
<td>12787.00</td>
</tr>
<tr>
<td>Net Income</td>
<td>106789.00</td>
<td>108971.00</td>
</tr>
<tr>
<td>Taxes Expected (12.5% rate)</td>
<td>13800.50</td>
<td>14098.38</td>
</tr>
<tr>
<td>Foreign income taxes</td>
<td>3615.00</td>
<td>3816.00</td>
</tr>
<tr>
<td>Difference</td>
<td>10185.50</td>
<td>10282.38</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>3.27%</td>
<td>3.37%</td>
</tr>
</tbody>
</table>

Source: US Bureau of Economic Analysis

American multinationals in 2014 made up $113 billion (€96 billion) profit in Ireland. With a corporation tax rate of 12.5% that equvalates to €12 billion a year in tax paid to Ireland. That is a significant loss if we lose US multinationals to Donald Trumps cunning tax plan.

2.5.2 The United States Corporate Tax Plan 2017

Ireland, a small island of just 4.2 million in population, 6,650 kilometres from the US that homes US President Donald Trump, must not underestimate the implications Trumps tax plan can have on its emerald Isle.

In the proposal for the tax plan for the US, Trump addresses at a speech in Springfield, Missouri last August (2017) that there was gaping trade surpluses with Ireland stating “we have massive trade deficits…. some countries have an unbelievable low tax rate…. they are taking us to the cleaners…”. Then, the US corporate tax rate was a whopping 35%.” We have no choice, we must lower our taxes…. the United States is now behind France, Germany, Canada and Ireland”.

Recognising Ireland, and the other countries mentioned are doing better than the US, Trump struck back, like any business man would do, with an even more competitive strategy to gain competitive advantage.

Trump goes on to say “they made their taxes lower, and far lower in many cases than ours, and jobs left the country”
Every country’s tax plan is an important factor for the overall growth of its country and its citizens. It not only has a large effect on the workers’ take-home pay, but it plays a large roll in their opportunity.

The tax plan in the US not only lowers corporate tax rate but lowers tax at nearly all levels of income.

Trump’s initial proposal was 15% to match China’s which is one of the lowest in the world (China has in fact two corporation tax rates, one is 15% for key businesses and one is 20% for all other businesses) but 20% is still a good effort as it is still below the average of the industrialized world which is about 20.5% - this should increase tax revenues over the medium term.

The UK similarly reduced their corporate tax rate in 2009 from 28% slowly down over the years to today’s rate of 20%. The UK believes that supporting businesses growth through lower corporation tax rates leads to more money for public services.

Previously, US companies were first taxed on its profits, then dividends were paid to its shareholders or owners and then they were taxed on their dividends at long term capital gains of 20%. This is double taxation.

The US tax plan focuses on the maximum tax bracket for LLC’s and s-corporations. They have passed through income which means you don’t pay business taxed rates as the profits of the business are passed through onto the personal tax return of the owners and they just pay them at personal income tax rate. This avoids double taxation.

This is an incentive to people that want to increase their business income.

Trump’s plan behind this is to encourage more people to run their own businesses and encourage the growth of small businesses in the US. Trump knows he must create a more favourable environment to help keep companies doing business in the US and reduce the volume of emigrants and businesses seeking to move abroad to avail of lower interest rates.

The old tax system also taxed multinationals on their income earned overseas when they bring their profits back to the US. The new tax plan will not tax foreign profit, encouraging business owners to bring their profit back to the US and re-invest it in the US rather than leaving their earned money overseas.
This tax plan Trump has implemented is based on what’s called ‘Supply-side theory’ this is an economic theory that demonstrates that increased production will drive economic growth, labour and entrepreneurship and the theory relies heavily on tax cuts and de-regulation.

This is a reasonably strong tax plan that will help America’s domestic economy grow and attract back the businesses that fled to Europe to avail of the lower corporation tax rates in a more business friendly climate.

If Ireland loses FDI to Trumps plan to get businesses and manufacturers back to the US to strengthen the economy Ireland could be looking at a massive increase in unemployment that will in-turn lead to higher rates of immigration, which will reduce the money flowing through the economy and weaken the economy dramatically.

This will have a huge effect on small businesses in Ireland, further weakening the domestic economy as people will have less exposable income to spend.

The vote for Brexit, and the election of Donald Trump as president of the United States are two recent landmark occurrences that leave a sense of uncertainty in the air in Ireland.

Attracting foreign direct investment from the US post the implementation of Trump’s tax plan to redirect FDI back from Europe to the US will prove difficult for Ireland.

US companies in Ireland may become less attracted to Ireland if Ireland keep pushing companies like Apple to pay taxes they managed to avoid by using loopholes for many years. Ireland is being forced to clamp down on US companies causing them to seek offshore accounts to avoid millions in taxes.

2.5.3 Conclusion of Donald Trump

It’s not just about the low corporate tax Ireland offers, it’s about talent, providing a stable business climate, where it’s are situated geographically, and how accommodating Ireland is to foreign businesses.

"It would effectively take our tax plank out of the offering for US multinationals. But I still believe there are many other planks in the offering and the fact that companies need to have a global footprint. It’s not going to be the end of the world. So, I would say look, it will cause uncertainty, it will cause companies to revise their entire global strategy, but do I believe this is the end for Ireland as a home for US foreign direct investment? No, I don’t”. (Fergal O’Rourke, 2017)
O’Rourke warns that other countries should be more at risk. Ireland has the lowest corporate tax rate so therefore should be the most attractive.

The UK are now in a position where they need to drop their rate. At 20% they are no more appealing than the US and with Brexit ahead of them, Britain should be looking for strategies to keep FDI in the UK.

PwC warns that although the US corporate tax rate is well above Ireland’s (7.5% higher) US firms will be taxed on their property assets at the rate of 12.5%. “This is set to affect Irish firms selling goods and services into the US. Irish Pcls who have substantial operations in the US will be affected,” (Joe Tynan, 2018)

2.6 Foreign Direct Investment

2.6.1 Introduction

Ireland’s booming economy serves as a hot market for some of the biggest tech companies, pharmaceutical companies and financial institutions. By offering a low corporate tax rate of just 12.5%, Ireland is an attractive global investment location for foreign MNE’s which makes Ireland one of the most competitive economies in the world (number 24 in the 2017-2018 Global Competitive Rankings).

When the IDA (Industrial Development Authority) was founded in 1949, they firstly decided that export-led industrialisation was key to the success for the Irish Economy. Today, foreign Direct Investment in Ireland accounts for 80% of exports in Ireland or €122.5bn while indigenous companies account for just €17.5bn in exports. (Central Statistics Office, 2017)

The IDA seem quite positive about the Brexit outcome for Ireland. The IDA developed a Brexit Strategy in 2017 which they claim has involved a significant number of clients including Masons Bank of America, Barclays, Citigroup, Citadel, Bank of China and S&P Global to name but a few. All have apparently declared Ireland their new business grounds post-Brexit.

More significant investments secured in 2017 post-Brexit announcement include Microsoft which plans to employ 800 people in its Dublin based offices. Indeed.com, which plans to hire 500 employees over a two-year period in Dublin and National Plan which announced it will add 250 jobs in the county of Dundalk. These are just a few of the deals that were made in 2017 with the IDA. (IDA Ireland Annual Report & Accounts, 2017)
Employment Rates

This rush of foreign MNE’s into our Emerald Isle can serve to positively shape and transform Ireland’s economy. We currently host for over 1,030 foreign businesses today employing 210,443 employees. This accounts for 10% of the Irish workforce (IDA Ireland Annual Report & Accounts, 2018). These figures represent Ireland’s competitiveness with business globally.

In 2017, there was a total of 237 investments approved creating 19,000 jobs according to the IDA’s statistics indicators.

The IDA has already achieved its 5-year target stats in under three years in the total net increase of jobs. (IDA annual report). But the global political circumstances change due to Brexit and US tax policies impacting the international investment climate are presenting some threats to Ireland. Although Brexit looks like it will redirect FDI from the UK to Ireland as already 136 foreign multinationals currently operating in the UK have applied via the IDA and CBI to operate in Ireland, how prepared is Ireland to take this on?

Ireland holds some unattractive attributes that may affect Ireland’s competitiveness and could affect the country’s ability to foster FDI.

One major barrier facing Ireland today is difficulty in accessing talent. Finding individuals with the relevant experience and skills to fill key roles remains an area of opportunity. 38% of businesses in Ireland are finding it difficult to source experienced employees and adequately skilled graduates which restricts the ability of businesses to capitalize on growth opportunities which affects their competitive advantage, specifically in emerging markets. (IDA)

Where there is a lack of skilled workers, workers determine wage prices. Employees can essentially pick and choose what company they want to work for and push for higher salaries which puts pressure a huge amount of pressure on small-to-medium sized businesses in Ireland.

“We have entered a new economic cycle, and from our own findings, the problems facing businesses now are much more in line with what they faced ten years ago, pre-crash. The demand for labour, particularly in technical fields, is so high that candidates can essentially pick and choose who they work for and push for higher salaries. This in stark contrast to just four years ago where for many it was a matter of taking what was offered. Employers need to adapt to this changing landscape.” (Hays Ireland Managing Director, Richard Eardley, 2017)
Amir Afsar, Franchisee of McDonald’s Ireland spoke in an interview for the purpose of this research “it is becoming increasingly difficult to hire low skilled workers. The Restaurant Association of Ireland (RAI) is pushing the government to allow non-EU immigrants to access Irish working visas. Last year just 600 non-EU visas were issued but the talent of these individuals was huge. The government needs to realize that that small businesses make a difference to the economy; a coffee shop may just employ three people a in a year but there are thousands of small businesses like that in Ireland that make up significant numbers. Too much emphasis is put n FDI and not enough on small Irish businesses yet FDI only employs 10% of the Irish workforce”.

The limitations of skilled and unskilled workers are making Ireland an unattractive investment hub. Attracting foreign direct investment from the US post the implementation of Trump’s tax plan to redirect FDI back from Europe to the US will prove difficult for Ireland if Ireland doesn’t tackle these issues.

Other limitations include the current housing crisis Ireland, and in particularly Dublin, faces today. Dublin ranks third in the EU as most expensive European city to live in after London and Amsterdam (NCC, National Competitive Council). Housing affordability is a key factor in competitiveness for FDI.

Trade

Ireland is currently highly integrated with the UK in terms of FDI. The stock of UK-owned firms in Ireland corresponded to nearly €40 billion in 2015 alone. That is 5 % of to the total of FDI in Ireland. Irish FDI abroad was €815 billion in 2015. 11 % of that was the UK (CSO Ireland, 2015)

As Ireland and the UK have fairly correlated economies, Ireland will ultimately be affected by the reduction of growth the UK is predicted to see post-Brexit. Although Ireland is projected to see an increase in FDI, it may not be as large as economists suggest. Divestment from the UK could prove relatively costly for well entrenched companies where a move to Ireland could accrue further loses which will incentivise companies to stay in the UK regardless of Brexit.

In 2015 Irish multinationals abroad had turnover of €168bn. The US and UK affiliates accounted for almost 61% of all turnover. Apart from the US and UK, there were significant
numbers of people engaged in Irish-owned foreign affiliates across the world. Examples include Mexico with nearly 21,000 employees and China with over 27,000 employees. Irish owned enterprises in Germany generated turnover of around €6 billion. (CSO Ireland 2015).

Many other countries such as the Netherland and France also generated a significant amount of turnover in 2015; each country reported turnover of around €4 billion. Most Turnover for Irish affiliates abroad came from the services sector at 74%. 26.1% of Irish FDI operates in the UK (CSO Ireland 2015).

2.6.2 The Role Enterprise Ireland Plays in Protecting Irelands Domestic Economy

Enterprise Ireland is encouraging businesses to prepare themselves accordingly for Brexit. EI are currently offering “Advisory Clinics” to help support businesses.

“Attending the Brexit Advisory Clinic was invaluable to our company as it gave us an opportunity to listen to, discuss and evaluate our company’s specific ‘Brexit’ challenges with financial and logistics experts within SME’s sector. The meetings provided us with confidence that the commercial and financial decisions that we have taken to date are both timely and appropriate in response to our company’s exposure to Brexit. More importantly however, the meetings specifically identified a customs compliance challenge, that we previously were unaware of, that will arise post Brexit.” (Cathal Doherty CFO, Nomadic Dairy, 2018)

There are three specific operational areas to which EI are encouraging business owners to focus on – Financial and Currency Management, Strategic Sourcing and Customs, Transport and Logistics.

“Enterprise Ireland is committed to supporting its clients in preparing for the risks and opportunities that Brexit poses. Despite the uncertainty, Irish companies can and should be taking immediate action to mitigate the potential risks and position themselves to take advantage of the opportunities.”
There is also a “Be Prepared” grant which offers a support fee to develop an action plan against Brexit in term of operational competitiveness and enhancement of strategic financial capabilities. (Enterprise Ireland, 2018)

On the “prepare for Brexit” website (www.prepareforbrexit.ie) business owners can find various supports including grants and various types of funding. Taking advantage of any government support and funding in such uncertain times is vital for business to be prepared for the eventuality.
3.0 Chapter 3 – Methodologies

3.1 Introduction

This study poses important questions around how domestic economies are prepared for external shocks. To answer these questions this paper encapsulates broad and extensive research of the Irish economies past, current and potential future trends. How this research plays out in real Irish businesses is important for this study. For this reason, a qualitative approach has been utilised to support this paper.

The methodologies employed in this paper consist of the analysis of current economic trends and results in Ireland and in the EU as a whole and using that as a baseline to project the effects of Brexit over a ten-year period.

This paper takes The Economic & Social Review’s ‘Policy Paper’ – “Modelling the Medium-Long-term Potential Impact of Brexit on Ireland (Bergin, Garcia-Rodriguez, Mongerath & Smith, 2017) results of Brexit’s impact on Ireland over the medium-to-long term using the Core Structural Model of the Irish Economy (COSMO) and uses these results to monitor the effects of three exogenous scenarios; the impact of a EEA Brexit outcome, the impact of a WTO Brexit outcome and the impact Donald Trump’s tax reform plan will have on Ireland’s domestic under three factors; exchange rates, employment rates and trade.

For the purpose of this paper I have interviewed various Irish business owners to get insight into their main concerns of Ireland’s current risks in terms of external shocks and how they feel these shocks will impact their businesses directly. By doing this I can get an understanding on how uncertainty may have already affected their businesses and what are the biggest factors that threaten their businesses and what information, support and funding has been made available to them.

3.2 The Methodology Approach

This study utilises a qualitative approach, using data to reflect the dynamic nature and complexity of this study topic.

The interview process was engaged by the use of a semi-structured interview with open questions posed to each interviewee. Interviews were audiotaped then later formally transcribed and emailed to the interviewees for confirmation and authorization.
All interviewees were given the same questions to analyse trends with ease. Transcripts were analysed using thematic analysis, a qualitative approach method used for “identifying, analysing and reporting patterns (themes) within data” (Braun & Clarke, 2006).

The approach, being most largely in the form of interviews, has enhanced the quality of the study greatly. Gesne & Peshkin (1992) describes the qualitative approach as the act of making sense out of social interaction.

3.3 The Relevance of a Qualitative Approach

The qualitative approach is relevant to this study in a number of ways, particularly regarding the insight it gives to how indigenous businesses in Ireland are preparing themselves for any external shocks in terms of Brexit strategies, applying for funding and seeking relevant information. For example, McDonald’s Europe are currently creating a Brexit strategy for the entire EU according to Amir Afsar, Franchisee of McDonald’s Ireland and Chairman of McDonald’s Europe. (See Appendix C interviews)

In exploring the potential areas of the qualitative approach to this research, interviews became the most useful approach to enhance the understanding of the research question posed. Getting insights into the Irish domestic economies individual businesses concerns, strategic views and preparations on external shocks to the economy such as Brexit.

A qualitative approach also focuses on observation and a deep understanding as well as acknowledgement of the presence and complexity of values and ethics, enabling the researcher to critically analyse the outcome of this study via specific explanations.

“The distinctive contribution qualitative research can make is by utilising theoretical resources in the deep analysis of publicly saved data” (Silverman, 2000).

3.4 Methodology Approach and Rationale for Research Design

This research takes into consideration the following aims:

i. To analyse the potential effects a hard or WTO Brexit will have on the Irish domestic economy.

ii. To analyse the potential effects a soft or EEA Brexit will have on the Irish domestic economy.

iii. To explore possible impact Donald Trump’s tax plan may of on US companies in Ireland and how the potential loss of FDI can directly affect Irish indigenous businesses
iv. To identify the impact FDI from the UK to Ireland will have on the Irish economy.
v. To explore the barriers Ireland faces accommodating a high influx of FDI in terms of housing and skilled workers.

3.5 Selection of the Sample

Each interviewee was given an explanation to the study and the same questions were presented to each interviewee to identify similar or dissimilar fears, worry’s and concerns about their individual businesses facing uncertainty.

Some of the businesses owners face potential tariffs on their imported goods, some face price inflation on goods and some face barriers to trading internationally.

The category of people chosen are the most exposed and vulnerable group to external shocks in the small Irish economy.

The interviews took place in the professionals’ work settings to gain greater insight to their business environment.

3.6 The Interviews

The interview questions (Appendices C) were chosen specifically to get an understanding of how Irish businesses will be affected individually. The questions were carefully structured and emailed to each interviewee before the interview to help the interviewee prepare for the interview.

The interview attempts to assess how these professionals viewed the problems in light of their own personal views and guiding principles.

Each interviewee was audio taped with the interviewee’s consent. The taping of the interviews was considered to be an appropriate research approach. As Silverman (2000) points out, the analysis of tapes and transcripts is intrinsic to the use of discourse analysis of data. Tapes and transcripts have several additional advantages. Firstly, they provide a public record available to the scientific community of what has taken place in the interview. Secondly, tapes and transcripts offer the researcher the opportunity to go back to these records if they need to refresh their data helping the researcher to avoid drawing a premature conclusion from the data. (Silverman, 2000)
3.7 Data Analysis & Examination

The data analysis in this study reflect the complex nature of this research. There is evidence of in-depth analysis of the responses of businesses owners throughout the study.

The method of analysis finds the views of business owners in an uncertain economy emergent and relevant to this study. “Filled with multiple, often conflicting meanings and interpretations …. the interpretivist researcher attempts to capture the core of the meanings.” (Glesne & Peshkin, 1992)

The six interviews were analysed as follows:

i. A summary of each interview was made directly after the interview to record all observations made and to begin the process of identifying relevant themes around each businesses uncertainties and concerns.

ii. A broad examination was conducted once all interviews were completed and transcribed.

iii. The transcripts were used as references throughout the research process

3.8 Methodology Limitations

In any study, there are limitations to the data and methodology. There have been a few limitations to the data collection for this study.

One of the research aims of this study is to monitor the effects of external shocks to the Irish domestic economy yet not all shocks have materialized leaving business owners in the unknown and unable to answer some of my questions. This lack of knowledge left some gaps in my research such as the loss of earnings an indigenous business will face in the event of each of the Brexit scenarios unfolding.

Another concern this study faces is the chosen methodology approach lacking flexibility. Once this methodology approach had been chosen, it had to be seen through and it limited the ability to apply a more quantified result.
Chapter 4 – Findings

4.1 Introduction

This chapter will present, analyse and discuss the empirical results of this study within the context of the research topic: The Transmission of External Shocks to the Irish Domestic Economy: A Study of the Relevant Risks Facing Irish Businesses Today.

This chapter will complete an in-depth analysis of how the results of each external shock can directly impact Irish indigenous businesses.

Each scenario will be analysed in detail and the relationship between each of the variables will be examined, applied and critiqued.

There are several steps to the organisation of the data in this study. Firstly, the analysis of the data obtained by various business owners in Ireland was used to enhance the knowledge of the researcher in the topic of current economic uncertainties.

Secondly, the data served to formulate a hypothesis from the research gathered from the interviews.

This chapter will be arranged as follows. Firstly, this study examines the external shocks on Irish firms focusing on key variables such as exchange rates, employment rates and trade within the context outlined above to satisfy the aims of the research topic.

Secondly, this research will transmit the external shocks to one particular sector in the Irish economy to critically analyse and examine potential figures and impacts on this sector.

Lastly, this research will examine the concerns of the businesses interviewed for the purpose of this study.

By the conclusion of this chapter, the research topic will be addressed in its entirety. The projected outcome on specific Irish sectors and specific businesses can indicate the possible and perhaps similar results across all sectors and businesses in Ireland.

The extent of influence of the chosen external macroeconomic factors will also be thoroughly examined as this study attempts to address the perceived gaps in current literature related to this topic in a robust study of external shocks on a domestic economy in the context of Ireland.
4.2 Presentation of the Findings

4.2.1 External Shocks Affecting Indigenous Firms – Brexit

As we covered earlier in this research, a WTO scenario and EEA scenario will have an impact on Ireland's economy but in different measures.

A WTO scenario could see GDP 7% lower with full regularity divergence compared to a no Brexit scenario at the end of a ten-year period. This translated into annual growth rate from 2015-2030 (See Figure 7) means Irish GDP growth rate would be just 1.7% compared to 2.0% in an EEA scenario and 2.2% in a no Brexit scenario.

Figure 3 – Development of Ireland’s GDP with and without Brexit

![Graph showing GDP projections with and without Brexit](chart.png)

*Source: Copenhagen Economics based on CGE simulations with J. Francois and OECD/IIASA/PIK GDP forecasts*

Here we can see how the different scenarios will impact GDP, imports and exports in the Irish economy.
4.2.2 Specific Sector Analysis

Covering individual sectors and firms gives a better indication to how impactable external shocks are on the Irish domestic economy. At sector level, Ireland’s exports are dominated by the pharma-chemicals sector, which is responsible for over half of Ireland’s exports. The top three export products are in this sector. The pharma-chemicals sector accounts for €5 billion in exports annually. (Copenhagen Economics, 2015)

Figure 4: Ireland’s goods trade per sector with UK and the World

<table>
<thead>
<tr>
<th>Irish goods exports</th>
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<tbody>
<tr>
<td>% of total goods exports, 2015</td>
</tr>
<tr>
<td>Processed food</td>
</tr>
<tr>
<td>Primary production</td>
</tr>
<tr>
<td>Beef</td>
</tr>
<tr>
<td>Dairy</td>
</tr>
<tr>
<td>Pharma and chemicals</td>
</tr>
<tr>
<td>Electric machinery</td>
</tr>
<tr>
<td>Other manufacturing</td>
</tr>
<tr>
<td>Other machinery</td>
</tr>
<tr>
<td>Metals</td>
</tr>
<tr>
<td>Wood, paper...</td>
</tr>
<tr>
<td>Other transport...</td>
</tr>
<tr>
<td>Motor vehicles</td>
</tr>
<tr>
<td>Energy products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Irish goods imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total goods imports, 2015</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>RoW</td>
</tr>
</tbody>
</table>

Source: Copenhagen Economics based on GTAD data (2015)

The Irish Farmers’ Association president Joe Healy spoke at a Seanad committee meeting in 2017 about how the potential impacts of Brexit on the farming industry and particularly the beef sector was looking “frightening”. Ireland exports 50% of its beef to the UK. While a third of all dairy produced in Ireland goes to the UK.

Healy also highlights that the ESRI (Economic and Social Research Ireland) has estimated WTO tariffs to “virtually wipe out Agri-food trade to the UK”. The loss on dairy alone would be €2 billion. (Joe Healy, 2017)
Director of Food and Drink Ireland (FDI) Paul Kelly states the agri-food sector exports €4.1 billion of food and drink to the UK. (Elaine Edwards, 2017)

The Agriculture and Food Sector is heavily reliant on the UK market. Around 40% of the Agri-food sector exports to the UK and figures are considerably higher for sub sectors like cheese which is 60% and beef which is around 50%.

**Figure 5. Exposure to UK market by Sectors. Note: grey represents UK share of total exports and light blue represents UK share of total imports (to Ireland)**

This figure highlights the complexity of Brexit on the Irish economy and Irish businesses. Irish businesses need to capture these complexities in their businesses strategy for Brexit. Brexit will affect Ireland and its economy for the next 20-30 years. But there will be a significant difference between an EEA outcome and a WTO outcome, so businesses must be prepared for both.

The WTO scenario would entirely stifle EU-UK trade and can be devastating for Irish food exports to the UK. High import tariffs would increase prices and incomes for most UK farm enterprises but both the UK and EU should be keen to avoid the WTO outcome because of its costly impact on trade flows. (Michael Wallace, 2018)

Preparing your businesses for Brexit is key to the success of the Irish domestic economy post Brexit. There are several support funds available to businesses. A €25 million funding initiative
for the diversification and product innovation for the Agri-food sector was delivered by Bord Bia and Enterprise Ireland.

**Trade**

Our trade with the UK will ultimately be affected as from Figure 6 we can see Ireland is the closest economy to Britain in terms of imports and exports combined. Slovenia is the furthest economy to Britain in trade terms and will be the least impacted country in the EU by Brexit.

**Figure 6: Intensity of Trade with the UK**

These figures will be affected considerably. The EEA scenario of a drop in GDP of 2.8% is looking at a drop in exports of 3.3% and a drop in imports of 3.5% at the end of a ten-year period.

The more extreme WTO scenario with a drop in GDP of 7% is looking at a future hit of 7.7% to the export industry and 8.2% on imports at the end of a 10-year period.

Table 3 highlights predictions made by economists in all Brexit scenarios.
Table 3: Estimated Impact of the two Different Brexit Scenarios on the Irish Economy

<table>
<thead>
<tr>
<th></th>
<th>EEA Scenario</th>
<th>WTO Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Impact</td>
<td>-2.8%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Exports</td>
<td>-3.3%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Imports</td>
<td>-3.5%</td>
<td>-8.2%</td>
</tr>
</tbody>
</table>

*Source: Copenhagen Economics, 2017*

Table 4 highlights the impact of tariffs on EU-UK trade in both Brexit scenarios. Tariffs on Agri-food products in an EEA scenario are predicted to be low but in an WTO scenario it is predicted to be at the highest.

Tariffs on manufactured goods will not be affected in an EEA scenario but will be at maximum level in a WTO scenario.

In both scenarios the UK is looking at customs procedures. No matter what deal the EU and UK strike there will be a change in custom procedures. Norway’s custom procedures.

Regulatory divergence and costs will be at the lower scale in an EEA scenario and the highest in a WTO scenario.

Service barriers will be low in an EEA scenario at the higher end in a WTO scenario.

Table 4: Tariffs with an EEA & WTO Scenario Outcome

<table>
<thead>
<tr>
<th></th>
<th>EEA</th>
<th>WTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariffs on agri-food products</td>
<td>Low</td>
<td>Highest</td>
</tr>
<tr>
<td>Tariffs on manufactured goods</td>
<td>None</td>
<td>Highest</td>
</tr>
<tr>
<td>Customs Procedures</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Regulatory divergence and costs</td>
<td>Lowest</td>
<td>Highest</td>
</tr>
<tr>
<td>Service barriers</td>
<td>Lowest</td>
<td>Highest</td>
</tr>
</tbody>
</table>

*Source: Copenhagen Economics, 2017*

From Figure 9 we can see what industries have the highest exports and therefore will be affected the most.
90% of exports are made up of the top 8 sectors highlighted in figure 9 including the pharma-sector and processed foods.

Figure 7 – Ireland’s key goods export sectors to the UK

Source: Copenhagen Economics based on GTAP 10 data

Ireland’s exports in services to the UK is very concentrated with just five sectors making up 82% the biggest exports being the Air Transport sector and Finance.
Figure 8 – Ireland’s key services export sectors to the UK

Source: Copenhagen Economics based on GTAP 10 data

Figure 9 shows the goods sector imported from the UK. Energy is the key import sector from the UK with 21% of total imported goods. Four sectors make up 55% of the total goods imported from the UK.
Figure 9 Key goods import sector from the UK

Source: Copenhagen Economics based on GTAP 10 data

Figure 10 shows the top four service sectors Ireland imports from the UK make up 84% of the total imports for services to Ireland. Business and ICT services being the largest at 42%.
4.2.3 External Shocks Affecting Indigenous Firms – Donald Trump & FDI

US firms in Ireland directly employ over 155,000 employees across 700 US firms in Ireland, and indirectly support a further 100,000 jobs in the Irish economy.

Around 74% of Irish employed by FDI in Ireland is by US firms.

Losing FDI to Donald Trump’s tax reform plan will increase Ireland’s unemployment rate causing and increase in social welfare claims and a decrease of spending in the economy. A low unemployment rate is directly linked to emigration rates which will contribute to a loss of money circulating the economy.

“And again like Brexit, it’s an outcome that many economists and experts have issued dire warnings about, hammering home the message that a Trump presidency will likely have a negative effect on the global economy.” (TheJournal.ie)

US corporations are the largest source of new income for Ireland. Collectively, US investment in Ireland amounts to $387bn, forming a critical part of Ireland’s internationally traded goods and services such as information and communications technology, biotechnology,
pharmaceuticals, medical technologies, and financial services. (American Chamber of Commerce Ireland)

Losing FDI will result in a loss of significant businesses incentivising the younger Irish workforce to stay in Ireland instead of emigrating. Businesses such as Dropbox, Intel, PayPal, Bank of America, Facebook, Google, Pfizer to name but a few. These jobs are linked to younger generations in Ireland and across the globe.

Although total employment is rising as it accumulates year by year, job loses is also on the rise (See table 5) with FDI in Ireland.

Table 5: Foreign Direct Employment in Ireland

<table>
<thead>
<tr>
<th>Category</th>
<th>Results 2017</th>
<th>Results 2016</th>
<th>Results 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>210,443</td>
<td>199,877</td>
<td>187,056</td>
</tr>
<tr>
<td>Job Gains</td>
<td>19,851</td>
<td>18,627</td>
<td>18,983</td>
</tr>
<tr>
<td>Job Losses</td>
<td>(9,167)</td>
<td>(6,785)</td>
<td>(7,150)</td>
</tr>
<tr>
<td>Net Gain</td>
<td>10,684</td>
<td>11,842</td>
<td>11,833</td>
</tr>
</tbody>
</table>

Source: Tradingeconomics.com | Central Statistics Office Ireland

The total number of employed persons in Ireland today is 2,006,641 according to the Central Statistics Office Ireland. This means 10.48% of Ireland’s workforce is employed by FDI.

The unemployment rate, currently at 6.1% (CSO Ireland, January 2018), would increase to over 15% if we lost US multinationals. This is the rate Ireland was at in the midst of the financial crisis (2010).

These figures are concerning for Irish businesses. Irish businesses need money circulating in the economy to make sales. They need workers to employ to trade. And they need US firms in Ireland to sustain the economy.

More of a focus should be put on non-tax factors such as economic stability, regulatory regimes, market access and operating costs to retain and attract US FDI companies.

“Managing partner of Deloitte Ireland Brendan Jennings has already said that in the wake of the US election result, Ireland should look for “a more flexible application of EU fiscal rules which currently limit capital investment in infrastructure”. (TheJournal.ie)
4.3 Discussion of the Findings

The insights and opinions of some small-medium sized Irish business owners have highlighted the main concerns of the examined external shocks in this paper and the results are as follows:

The sample included different types of Business owners including:

1. Franchisee of an international fast food restaurant chain operating in Dublin. Imports goods from the UK
2. Franchisee of an Irish supermarket chain operating in Dublin. Imports goods from EU
3. Female Entrepreneur in furniture design operating from Ireland and distributing internationally
4. Male Entrepreneur in the Irish tourism industry operating across Ireland
5. Small business owner operating in Dublin, imports goods from EU.
6. Small business owners operating in Ireland selling Irish produce only.

Eddie Kane, Franchisee of Supervalu Ireland comments “a “soft Brexit” will have zero effect on the food industry”, but highlights “a potential 20% increase on tariffs for non-EU foodstuffs for certain products manufactured in the UK in the event of a “hard Brexit”. (Interview with Eddie Kane, 2018)

Eddie Kane comments that the MRPI (Musgraves Retail Partners Ireland) are implemented a Brexit strategy at present that focuses on (i) alternative suppliers (ii) alternative produce and (iii) a new price strategy. “MRPI are currently developing a hard/soft Brexit strategy for the business. I am told that at the current position in negotiations between the Europe and the UK. It is too difficult to call what will actually happen to war games the potential outcomes.” (Interview with Eddie Kane, 2018)

Amir Afsar, Franchisee of McDonald’s Ireland comments “in the event of a hard Brexit, McDonald’s faces a huge increase in food cost, and will have no choice but to increase its prices to balance that out”.

Amir Afsar also comments “Donald Trump is a huge threat to the Irish economy, if he manages to redirect FDI back to the US, that in hand with Brexit could play havoc on the economy. His plan is so robust, it could materialize very easily and very quickly and the Irish government are just not prepared for that, they have no strategy to prepare Irelands domestic economy, Leo
Varadkar is too busy increases wages that has no benefit to businesses as they must pay taxes on the increase, of little benefit to the employee as they get taxed more but of great benefit to the government as they get a higher return in taxes. We need a domestic economy strategy and it should be based on Irish businesses and the tourism industry.” (Interview with Amir Afsar, 2018)

Richard Adams, Founder of Clubs4Hire comments “if the outcome is a “hard Brexit” the economy will start moving backwards, as will my business. I work in the tourism industry and a decline in the economy means an increase in prices that redirects golfers to cheaper countries that offer the same service such as Portugal”.

Lee Graham, Owner of Brandmark.ie comments “Yes, I think Brexit will affect no country in the EU worse than it hits Ireland (With the exception of the UK). A hard Brexit will take away 25% of my market as I look after NI for my brands. A soft Brexit is still going to hurt but hopefully we can get arrangements in place to keep products flowing.”

Lee also Comments “I believe that investment in support for SME’s is key for developing a sustainable economy, and hope that key investment in this area could change our economic model from a largely import based model to one where Ireland is a net exporter.”

From these comments by Indigenous business owners, the biggest fear is a “hard Brexit”. A hard Brexit will ultimately affect trade. Exchange rates affect business and employment rates affect the economy.

4.4 Conclusion of Empirical Results

Given the results presented in this paper and the analysis thereof a conclusion can be drawn that this study has achieved the aims of its analysis of the potential outcomes of external shocks transmitted to the Irish domestic economy to measure the impact of key variables on individual sectors and businesses in an attempt to quantify the severity of external shocks in the Irish macroenvironment.

The UK’s exit from the European Union will have profound effects on the Irish domestic economy. The potential changes to border control and tariffs, flow of people, and foreign direct investment could create a decline in the Irish economy. The extent of the decline remains
The severity of the impacts will rely on the trade negotiations and a solution for Northern Ireland.

Until a Brexit scenario is determined, businesses should use Enterprise Ireland for support, advice and funding to help them build a strategy to protect their business and employees from whatever the outcome may be.

Knowing Ireland’s vulnerability to external shocks, the government and businesses should aim to protect Ireland from current and future shocks to promote a consistent, stable economy for its people and businesses. This can be achieved through an effective domestic economy Strategy.

Professor Eoin O’Leary of UCC suggests we should be looking at future policies in accordance with the ‘National Policy Framework’ of Ireland. He states in his most recent book - Irish Economic Development: High-Performing EU State or Serial Under-achiever? (2015) “By exploring how both indigenous and foreign-owned business drive national growth and investigating how policy can help, the forum will make a key contribution to Ireland 2040: The National Planning Framework”. He also highlights that there is a Government Issue with policy maker’s not doing enough for the Irish economy. And that without the influx of foreign multinationals the Irish economy would not be thriving as it is today.

O’Leary supports the importance of building an ingenious economy “I don’t think we’ve been good at developing long-term strategy. We’ve lurched from one crisis to the next and we’ve got lucky a number of times in that foreign direct investment companies were in the country and they have saved our bacon more than once in a crisis. If you look at it comparatively, other countries haven’t had the luxury of foreign companies, so they’ve had to develop an indigenous strategy. For example, Finland had little choice but develop on the back of local industry. It did so with Nokia and developed clusters around that as well.” (Eoin O Leary, 2015)

A combination of support initiatives for start-ups, ongoing support for indigenous firms and fostering FDI is key to the development of an effective domestic strategy for Ireland to protect Ireland from Brexit, Donald Trump and any other external shocks in the present or future.
“As lessons from history suggest that small countries are more at risk of capital flight, perhaps looking closer to home might be a safer, albeit slower, option? The best option would be a combination of fostering FDI and supporting domestic enterprises.” (Eoin O Leary, 2015).

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Appendix A

Interviewee Profiles

I interviewed various types of business owners in Ireland to get an insight into the concerns their individual businesses face.

i. Amir Afsar - Small Business Owner: McDonald’s Ireland (Hospitality Industry)
ii. Richard Adams – Entrepreneur and Founder of Clubs4Hire (Tourism Industry)
iii. Eddie Kane – Small Business Owner: SuperValu Ireland (Supermarket Industry)
iv. Lee Graham – Small Business Owner & Entrepreneur (Retail Industry)
v. Orla Reynolds – Entrepreneur & Designer (Manufacturing Industry)

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**Appendix C - The Interviews**

**Interview 1 – Lee Graham of Brandmark.ie**

**Small Business Owners in Ireland: Questionnaire**

MSc in International Business
With challenges ahead of us such as Brexit and US presidents Donald Trumps’ new Tax Plan to bring US companies back to the US, I believe now is a very important time for our government to act in the best interests of our domestic economy. Supplying sufficient support to help stimulate and grow the Irish domestic economy should help reduce the impact Brexit, or Trump may have on Ireland.

Questions:

1. **Do you think that if the Irish Government developed and implemented an effective Domestic Economy Strategy focusing on the development and expansion of small-medium sized businesses in Ireland, ongoing support for Irish entrepreneurs and a larger focus on the Irish tourism industry that our economy would be in a much better position and we could therefore avoid any future crashes by keeping a consistent economy instead of one that fluctuates from high to low?**

   Yes, I do believe that investment in support for SME’s is key for developing a sustainable economy, and hope that key investment in this area could change our economic model from a largely import based model to one where Ireland is a net exporter.

2. **Do you think Donald Trump’s new tax plan will have a negative effect on the Irish economy?**

   Yes, I do, but I am hopeful he will be gone before it is implementable.

3. **Do you think our domestic economy is strong enough at present to survive the flight of Foreign Direct Investment?**

   No, but I also think it is highly unlikely that there will be an exodus en masse.

4. **Enterprise Ireland prides itself on being responsible for the support and funding for Irish start-ups. Have you used Enterprise Ireland before? What are your views?**
No, I have used the Local Enterprise board though and they were fantastic but as I am an agent essentially selling non-Irish products to the Irish, they would have no love for me.

5. Some entrepreneurs have found the funding application process daunting and drawn out. Is this your experience?

No, from the other Irish start-ups I have spoken with, they have told me they found it quite straightforward. But this is just conjecture.

6. Do Enterprise Ireland offer ongoing support for businesses once they have given initial funding? How useful is this support to you as a business owner?

LEO gave me 6 sessions with a business tutor and they were extremely helpful to me.

7. Do you think Brexit will have a negative impact on the Irish Economy? To what extent? (a dramatic example of a hard Brexit and a more realistic example of a soft Brexit)

Yes, I think Brexit will affect no country in the EU worse than it hits Ireland (With the exception of the UK)

Hard Brexit will take away 25% of my market as I look after NI for my brands.

Soft Brexit is still going to hurt but hopefully we can get arrangements in place to keep products flowing.

Interview 2 – Eddie Kane of SuperValu Ireland

Small Business Owners in Ireland: Questionnaire

MSc in International Business
With challenges ahead of us such as Brexit and US President Donald Trumps’ new Tax Plan to bring US companies back to the US, I believe now is a very important time for our government to act in the best interests of our domestic economy. Supplying sufficient support to help stimulate and grow the Irish domestic economy should help reduce the impact Brexit, or Trump may have on Ireland.

Questions:

1. **Do you think that if the Irish Government developed and implemented an effective Domestic Economy Strategy focusing on the development and expansion of small-medium sized businesses in Ireland, ongoing support for Irish entrepreneurs and a larger focus on the Irish tourism industry that our economy would be in a much better position and we could therefore avoid any future crashes by keeping a consistent economy instead of one that fluctuates from high to low?**

   *No - I think the strategy has been too focused on FDI and not enough supports have been put in place to develop indigenous businesses*

2. **Do you think Donald Trump’s new tax plan will have a negative effect on the Irish economy?**

   *It is too early to answer that at this point, American multinational still need a physical presence in Europe. After Brexit we are the only English-speaking nation left in Europe, so we should see the benefit of that in terms of where they decide to locate their European operations. So, my call is that it won’t adversely affect Ireland in the long term*

3. **Do you think our domestic economy is strong enough at present to survive the flight of Foreign Direct Investment?**

   The answer to that depends on the scale of the flight. If the majority of FDI was turned off tomorrow the answer is No – If FDI is scaled back over a period of time well then the Answer is yes.

4. **Enterprise Ireland prides itself on being responsible for the support and funding for Irish start-ups. Have you used Enterprise Ireland before? What are your views?**

   *I haven’t used enterprise Ireland in the past*
5. Some entrepreneurs have found the funding application process daunting and drawn out. Is this your experience?

NA

6. Do Enterprise Ireland offer ongoing support for businesses once they have given initial funding? How useful is this support to you as a business owner?

NA

7. Do you think Brexit will have a negative impact on the Irish Economy? To what extent? (a dramatic example of a hard Brexit and an example of a soft Brexit)

My view at present is that nobody knows the answer to that question - if a hard Brexit does occur I don’t see the level of pain for the Irish Economy as is currently predicted. The reason for this is I believe Europe will step in with actual economic aid for Ireland in the event of a hard Brexit.

An example of a hard Brexit is that we will have to pay 20% more (current tariff on non-EU foodstuffs for certain products manufactured in the UK.

A soft Brexit essentially means business as usual for the food industry.

8. How will these Brexit scenarios affect your Business? Do you have a Brexit strategy?

MRPI are currently developing a hard/soft Brexit strategy for the business. I am told that at the current position in negotiations between the Europe and the UK it is too difficult to call what will actually happen to war games the potential outcomes.

Interview 3 – Amir Afsar of McDonald’s Ireland

Small Business Owners in Ireland: Questionnaire

MSc in International Business

With challenges ahead of us such as Brexit and US President Donald Trumps’ new Tax Plan to bring US companies back to the US, I believe now is a very important time for our
government to act in the best interests of our domestic economy. Supplying sufficient support to help stimulate and grow the Irish domestic economy should help reduce the impact Brexit, or Trump may have on Ireland.

Questions:

1. Do you think that if the Irish Government developed and implemented an effective Domestic Economy Strategy focusing on the development and expansion of small-medium sized businesses in Ireland, ongoing support for Irish entrepreneurs and a larger focus on the Irish tourism industry that our economy would be in a much better position and we could therefore avoid any future crashes by keeping a consistent economy instead of one that fluctuates from high to low?

It is becoming increasingly difficult to hire low skilled workers. The Restaurant Association of Ireland (RAI) is pushing the government to allow non-EU immigrants to access Irish working visas. Last year just 600 non-EU visas were issued but the talent of these individuals was huge. The government needs to realize that that small businesses make a difference to the economy; a coffee shop may just employ three people a in a year but there are thousands of small businesses like that in Ireland that make up significant numbers. Too much emphasis is put n FDI and not enough on small Irish businesses yet FDI only employs 10% of the Irish workforce.

2. Do you think Donald Trump’s new tax plan will have a negative effect on the Irish economy?

Donald Trump is a huge threat to the Irish economy, if he manages to redirect FDI back to the US, that in hand with Brexit could play havoc on the economy. His plan is so robust, it could materialize very easily and very quickly and the Irish government are just not prepared for that, they have no strategy to prepare Ireland’s domestic economy, Leo Varadkar is too busy increases wages that has no benefit to businesses as they must pay taxes on the increase, of little benefit to the employee as they get taxed more but of great benefit to the government as they get a higher return in taxes. We need a domestic economy strategy and it should be based on Irish businesses and the tourism industry.
3. Do you think our domestic economy is strong enough at present to survive the flight of Foreign Direct Investment?

4. Enterprise Ireland prides itself on being responsible for the support and funding for Irish start-ups. Have you used Enterprise Ireland before? What are your views?

Being a Franchisee, we do not go through Enterprise Ireland although as you have reminded me there are good Brexit seminars to which I will definitely apply to attend to become more knowledgeable on the subject

5. Some entrepreneurs have found the funding application process daunting and drawn out. Is this your experience?

N/A

6. Do Enterprise Ireland offer ongoing support for businesses once they have given initial funding? How useful is this support to you as a business owner?

N/A

7. Do you think Brexit will have a negative impact on the Irish Economy? To what extent? (a dramatic example of a hard Brexit and an example of a soft Brexit)

Yes, a soft Brexit will not be too bad on the food industry but still poses the potential risk of higher tariffs and a problem with exchange rates as Britain leaves the EU we fear the Sterling will depreciate more causing problems with exporting (importing will be a gain).

A Hard Brexit will require all Irish businesses and beyond to implement a Hard Brexit strategy as this will play havoc on the Irish Economy and in particular Northern Ireland.

8. How will these Brexit scenarios affect your Business? Do you have a Brexit strategy?
In the event of a hard Brexit, McDonald’s faces a huge increase in food cost, and will have no choice but to increase its prices to balance that out.

**Interview 4 – Richard Adams of Clubs4Hire Ireland**

**Small Business Owners in Ireland: Questionnaire**

MSc in International Business

With challenges ahead of us such as Brexit and US President Donald Trumps’ new Tax Plan to bring US companies back to the US, I believe now is a very important time for our government to act in the best interests of our domestic economy. Supplying sufficient support
to help stimulate and grow the Irish domestic economy should help reduce the impact Brexit, or Trump may have on Ireland.

Questions:

1. Do you think that if the Irish Government developed and implemented an effective Domestic Economy Strategy focusing on the development and expansion of small-medium sized businesses in Ireland, ongoing support for Irish entrepreneurs and a larger focus on the Irish tourism industry that our economy would be in a much better position and we could therefore avoid any future crashes by keeping a consistent economy instead of one that fluctuates from high to low?

2. Do you think Donald Trump’s new tax plan will have a negative effect on the Irish economy?

Yes, it will redirect FDI back to the US if all goes to plan leaving Ireland in a state of crisis. Prices will increase to deal with the crisis including prices of hotels which will directly affect tourism and thus, my business. I provide premium golf clubs to tourists and if they see Ireland is in a state of crisis and prices are inflating they can easily go somewhere more appealing like Scotland or Portugal.

3. Do you think our domestic economy is strong enough at present to survive the flight of Foreign Direct Investment?

It would be if the Government didn’t rely so heavily on FDI.

4. Enterprise Ireland prides itself on being responsible for the support and funding for Irish start-ups. Have you used Enterprise Ireland before? What are your views?

I have never used them before, but I am thinking of availing of some of the support initiatives to internationalize my company as part of my Brexit strategy.
5. Some entrepreneurs have found the funding application process daunting and drawn out. Is this your experience?

I’ve heard it is, but I hope it is not.

6. Do Enterprise Ireland offer ongoing support for businesses once they have given initial funding? How useful is this support to you as a business owner?

N/A

7. Do you think Brexit will have a negative impact on the Irish Economy? To what extent? (a dramatic example of a hard Brexit and an example of a soft Brexit)

Definitely, I am already preparing my business for both. It’s so unpredictable at the moment, some businesses are very casual about it and I feel the government is being too casual about it but the losses in terms of percentages in forecasts are looking frightening.

8. How will these Brexit scenarios affect your Business? Do you have a Brexit strategy?

It will affect the tourism industry, I don’t know to what extent yet until we find out a Brexit outcome, but I am already looking to expand my business outside Ireland to continue to grow my business. I don’t think it will be possible to grow within Ireland over the next 10-20 years

Interview 5 – Orla Reynolds of Reynolds Studios Ireland

Small Business Owners in Ireland: Questionnaire

MSc in International Business
With challenges ahead of us such as Brexit and US President Donald Trumps’ new Tax Plan to bring US companies back to the US, I believe now is a very important time for our government to act in the best interests of our domestic economy. Supplying sufficient support to help stimulate and grow the Irish domestic economy should help reduce the impact Brexit, or Trump may have on Ireland.

Questions:

1. **Do you think that if the Irish Government developed and implemented an effective Domestic Economy Strategy focusing on the development and expansion of small-medium sized businesses in Ireland, ongoing support for Irish entrepreneurs and a larger focus on the Irish tourism industry that our economy would be in a much better position and we could therefore avoid any future crashes by keeping a consistent economy instead of one that fluctuates from high to low?**

   *I think definitely yes. I find it quite difficult being a female entrepreneur in Ireland. The whole start-up process would have been a lot easier and more supportive had the government provided more support and growth initiatives.*

2. **Do you think Donald Trump’s new tax plan will have a negative effect on the Irish economy?**

   *I think it will definitely redirect some FDI, but it may cost more for FDI to move and the tax rate is still a lot lower in Ireland, so I guess it’s hard to tell in these early stages but definitely something to prepare for.*

3. **Do you think our domestic economy is strong enough at present to survive the flight of Foreign Direct Investment?**

   *No not at all sure FDI is what got us out of the recent crisis. We would still be in that state if it weren’t for FDI.*
4. Enterprise Ireland prides itself on being responsible for the support and funding for Irish start-ups. Have you used Enterprise Ireland before? What are your views.

I used EI to start up my businesses which initially was a great success. I had orders placed from Germany to the US thanks to their great start-up initiatives.

5. Some entrepreneurs have found the funding application process daunting and drawn out. Is this your experience?

Yes, well it definitely wasn’t an overnight thing. I remember a lot of applications and chasing for documents and explanations of my business and my product, but I got there in the end.

6. Do Enterprise Ireland offer ongoing support for businesses once they have given initial funding? How useful is this support to you as a business owner?

They didn’t with me. They ended their grant, and support after one year causing my business to fall. They dropped the funding without letting me know and one day I just woke up and my business was gone. You really have to chase them for the ongoing support to stabilize your business.

7. Do you think Brexit will have a negative impact on the Irish Economy? To what extent? (a dramatic example of a hard Brexit and an example of a soft Brexit)

Yes, a soft Brexit as you explained is looking like the option for Ireland and its indigenous businesses.
A hard Brexit is looking scary and I really hope the necessary negotiations are made to avoid this outcome.

Especially for the sake of Northern Ireland

8. How will these Brexit scenarios affect your Business? Do you have a Brexit strategy?

Thank you for your participation in this interview. All information is for the sole purpose of this research document.