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Keynote address by the Taoiseach, Irish Times Brexit Summit, 7 November 2016, Westin Hotel, Dublin

CHECK AGAINST DELIVERY

Ladies and Gentlemen, I thank the Irish Times for the invitation to be here today to talk to you about Brexit and its significant implications for this country.

Brexit Context

I am sure that you all agree that Brexit presents major challenges for Ireland, given the potential implications for Northern Ireland and North-South relations, our strong economic ties with Britain, and our common positions on so many issues at EU level.

It is arguably the greatest economic and social challenge for this island in fifty years.

Since Prime Minister May confirmed her timeline of March 2017 to trigger Article 50, we have been intensifying our preparations on all fronts.

It remains to be seen whether the ruling of the High Court in London last week will impact on her timing, but for our part we have no option but to proceed apace with our preparations.

Of one thing we can be sure - the UK is now on a course that will fundamentally change its relationship with the European Union. That raises very particular issues for this country.

In a few short months since the UK referendum, we have had to respond swiftly in order to ready ourselves to deliver a Brexit strategy that safeguards Ireland's interests.

We have restructured Government Departments, including my own, and allocated additional resources in a number of areas.

We delivered a Budget that took particular account of the challenges and risks from Brexit.

I established a new Cabinet Committee on Brexit which I chair, to deliver a comprehensive, whole-of-Government response to Brexit.

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One of our first tasks has been to ensure that all of our EU partners understand the nature and scale of our unique circumstances and priorities. These are:

- Northern Ireland, the peace process and the future of the border;
- the Common Travel Area;
- our vital economic and trading relations with the UK, and
- the future direction of the European Union.

I have emphasised these in all my contacts with my EU counterparts, and in particular in recent meetings with Chancellor Merkel, President Hollande, Prime Minister May, the President of the European Council, Donald Tusk, Commission President Juncker and Michel Barnier, head of the EU Commission's BrexitTaskforce.

We will be working closely with the EU institutions and our fellow Member States in the months ahead.

Substantial work has been undertaken across Government to identify the key strategic, policy and operational risks and opportunities.

This work is now being intensified across all Government Departments and agencies, at political and official level.

The primary objective remains to protect and advance this country's interests by achieving the best possible outcome from Brexit negotiations.

Dialogue

Last Wednesday, I hosted the first element of our All-Island Civic Dialogue on Brexit at the Royal Hospital Kilmainham, Dublin. With 300 representatives from North and South we had an important discussion on how best to meet the challenges of Brexit.

This is just one element of a whole-of-government assessment of the challenges and impacts of Brexit. This work will continue over coming weeks, including deeper analysis on a thematic and sectoralbasis. That analysis will help to set the agenda for a range of policy responses necessary to cope with the challenges and opportunities of the Brexit process and the changed EU framework which will follow it.

Northern Ireland

My Government fully appreciates the deep concern arising for many in Northern Ireland at the prospect of being outside of the EU project that has delivered so much for political stability, peace, reconciliation and economic prosperity.

We will seek to ensure that the future negotiations give priority attention to the Northern Ireland dimension, including issues relating to the border and EU funding.

It is vital that the benefits of the peace process are safeguarded and built upon for future generations, in

whatever arrangements are negotiated.

Last Thursday – the day after our All Island Civic Dialogue event - I was in Belfast and met with Northern political leaders to discuss our shared challenges and the need for comprehensive preparations. I stressed the importance of a shared view of priorities, on a North-South as well as an East-West basis, in the context of forthcoming negotiations at EU level.

The next Plenary meeting of the North South Ministerial Council, on 18 November in Armagh, will be hugely significant. We will have completed our Brexit audit of North/South programmes and will consider how we can best protect the peace process and North-South interests in the upcoming negotiations.

Economy

Brexit has become so dominant that sometimes we need to remind ourselves that there is a world beyond Brexit. A world of other, challenges, concerns, priorities. And there are important questions that we need to be asking ourselves.

What sort of a country do we want to be?

What choices do we as a people need to make to bring it about?

How can we ensure that our economy is resilient and robust enough to allow us to plan for and to deliver the future we want for our country and our people?

For as long as the fundamental economic security of the State was at risk, it was necessary to maintain our sharpest focus on the immediate future.

In the middle of a storm, battening down the hatches and keeping the ship afloat had to be the first priority.

But now we need to turn our minds to address some of the fundamental questions about our future to make sure that we chart the right course ahead.

National Risk Assessment

Last month, the Government published our third annual National Risk Assessment. It highlights the strategic risks – many of them economic – which Ireland faces in the years ahead.

I would like to see greater public and political engagement with those strategic risks. I believe that it can help frame a more mature debate about the choices we face as a country.

For example, demographic trends pose real risks to the sustainability of our pensions and healthcare systems. While difficult to achieve, I would like to see greater public and political engagement on these challenges. We need to build greater consensus on the policy changes and investments needed now – if we are to avoid reduce the risk of further crisis in the future.

Economic Strength

This Government came into office with a promise to combine our talents to build a strong economy and to deliver a fair society.

We promised that, in doing so, we would strike that balance between addressing urgent priorities – such as housing – and engaging in long-term planning and thinking so that lasting solutions with broad-based support could be implemented.

And in making that commitment, we were conscious that maintaining a long view, identifying where we want

to be as a country and ensuring that we have the right policies in place to get us there - and sticking to them over time - has traditionally not been a strong suit in this country.

We have too often been driven by the here-and-now, and insufficiently attentive to the challenges that lie further down the road.

I am committed to a different approach, one that does not prioritise the tactical short-term advantage over the long-term strategic gain.

What does it mean in practice?

Managing Public Finances

Firstly, there can be no escaping one simple truth – if we are to secure economic stability into the future there can be no departure from the responsible management of the public finances.

Not ever.

We cannot go back to the boom-and-bust, the when-I-have-it-I-spend-it recklessness that brought the country to the brink.

And, to those who argue for a so-called loosening of the purse-strings, they should remember that loose spending eventually has to be reined in, and when that has to happen in an unplanned way, it bears hardest on those who rely most on public services and supports.

It isn't sound economics, and it isn't socially just.

There will always be competing and compelling cases made for additional spending, whether on public services or on pay.

Our job as a responsible Government is to review and consider them as part of a wider picture. Not to concede them without question, nor to reject them without a fair hearing, but to maintain a strategic approach to the management of the economy that strikes a careful balance between what might be desirable and what is possible, including over time. In doing so, the emphasis must remain on expenditure that is fair, and that helps to invest in our future development and growth.

I know that this is an approach the Irish people support.

I know it because, at a time of immense economic difficulty for households up and down the country, more than 60% voted in favour of the EU Fiscal Treaty in the referendum in 2012.

In plain terms, this put in place a legal framework obliging Governments to maintain or achieve a balanced budget and to maintain a sustainable level of debt.

Within this framework, growth in Government spending must be kept at or below the rate of growth in the economy.

Any spending beyond that has to be financed by additional revenue measures.

I supported those rules – and the people voted for them - because they make sense.

We have made them part of our national law, and we are obliged to operate within them.

That will not change.

And let us remember that it is an approach that has served us well - the economy is growing strongly and sustainably.

While Brexit, and other global factors, do pose a risk to our forecasts, we are still well placed to meet our Stability and Growth Pact target structural deficit of minus 0.5% in 2018.

But we need a vision that goes beyond responsible management of the public finances.

The International Economy

The international environment remains an uncertain and fragile one.

The decision of the United Kingdom to leave the EU has sent ripples across the world, including in financial markets. Tomorrow, the people of the United States will go to the polls after one of the most fractious and divisive contests in living memory. Growth in many emerging markets has slowed and, in many places, populism, including in its most nasty manifestations, is on the rise.

Against this backdrop, expectations of economic growth at global level remain subdued.

As a small, open trading economy, that adds up to a particularly challenging set of circumstances.

For us, sustainable economic growth is dependent on continued success in international markets – finding markets for our exports and attracting investment to the country.

At a time of global change, therefore, we have to be especially vigilant to maintain our competitiveness, and we have to work to increase resilience of Irish enterprise.

The Goal of Competitiveness

In looking to the future, we can draw confidence from the fact that we are building on a record of achievement.

Our competitiveness as a country continues to improve. We placed 7th globally in the IMD World Competitiveness Yearbook for 2016 - an improvement of 9 places over last year – our highest placing since 2001.

But we have to do more.

We aim to secure a top-three ranking of the most competitive small countries in the world; and we want to realise productivity growth across the economy to levels ranking among the top five EU countries.

In our Enterprise 2025 Strategy we have set out how we intend to make progress towards those goals.

Maintaining a strong focus on cost competitiveness - whether for finance, energy, property, insurance or wages – must remain a priority.

More than ever, we must focus on structural reforms which improve productivity across the economy: reducing unnecessary administrative burdens and increasing the efficiency and effectiveness of public services.

We must also target capital expenditure on productivity-enhancing investments – and this is the objective of the Capital Investment Review early next year.

Ultimately, increasing productivity, in both private and public sectors, is the only sustainable basis for the improved living standards to which the Irish people rightly aspire.

We have to make sure that when decisions are taken on job-creating investments around the world, Ireland remains at the very top of people's lists.

That means keeping our offer to investors fresh and relevant.

We have made it clear that our 12.5% rate of corporation tax will remain a central plank of what we have to offer.

We have been active supporters of and participants in the OECD's efforts to drive tax reform across the developed world.

The review of the Irish corporate tax code which has been launched in Budget 2017, and which will be undertaken by independent expert Seamus Coffey, will include consideration of how Ireland can best deliver tax certainty for business and maintain the competitiveness of our corporation tax offering.

But we have always been clear that our offer is much wider and deeper than an attractive tax rate.

This is especially relevant as the global trend on corporation tax, including among some of our competitors, seems to be moving closer to our model of a lower-rate, broad-base approach.

If there is greater international convergence on how the profits of corporations should be taxed, the competition on other fronts can be expected to tighten.

Diversification – ensuring the right mix between foreign and domestic enterprise, between and across sectors and activities, whether manufacturing or services – is essential if we are to reach our economic potential and if we are to build greater resilience into our economy.

The availability of talent, especially in new and emerging areas of enterprise, will become an increasingly prominent factor in the minds of investors.

The so-called ‘war for talent’ is already a reality and, as a country, we need to be sure that we are developing, nurturing and attracting world class talent. We need to be at the forefront in offering the skills, creativity and adaptability needed in tomorrow’s workplace.

Again, we are looking ahead from an established position of strength.

The most forward-looking and innovative companies have already chosen to locate in Ireland - amongst them some of the biggest pharma, med-tech and online household names in the world. They have come here knowing that they can find and attract the calibre of people they need.

But we cannot rest on laurels.

Our education system has to be fit for 21st century purpose, providing our young people with a solid foundation on which to develop their future skills, their career prospects, their entrepreneurial talents.

Our universities and institutes of technology need to be at the cutting edge in producing highly qualified and job-ready graduates and post-graduates, especially in the STEM fields, but also in the more advanced financial and legal sectors.

We need to have the right offer to attract internationally mobile researchers and practitioners.

This includes ensuring that high marginal tax rates do not act as a brake on employment and on attracting the people we need to Ireland, including returning emigrants. That is why, despite tight fiscal circumstances, the Government is continuing the process of reducing the burden in Budget 2017.

We have also taken steps to support enterprise, narrowing the tax differential between the self-employed and those in the PAYE system; committing ourselves to the introduction of an SME-focussed share-based incentive scheme; providing a lower 10% level of capital gains tax for entrepreneurs on disposals of qualifying assets up to €1million.

Challenge of Brexit to Enterprise

While the ultimate implications of Brexit are unclear, we must acknowledge that it represents a particular risk to some enterprise sectors. In many cases, these sectors are also particularly labour intensive, have lower profit margins, and have a strong regional footprint.

In the short-term, this is a further reason to focus relentlessly on competitiveness and avoid any measures which would increase their vulnerability due to Brexit.

In the medium-term, it reinforces the need for a step-change in the ambition and performances of Irish enterprise.

We are committed to working with them to realise a transformation so that we can embed a culture of innovation and entrepreneurship.

We want to see more Irish enterprises investing in Research and Development; more collaboration between foreign and Irish owned enterprises; and between enterprises, Universities and Institutes of Technology.

We want to see greater diversification of export markets, reducing dependency on individual countries. The Government will publish a new Trade Strategy early in 2017 to throw its full weight behind helping Irish companies do this.

Brexit Opportunities

There are also many new opportunities for Ireland in the rapidly-changing global economy, some of them flowing from Brexit.

The Government recognises the need to re-focus on sectors where we can provide a unique offering, getting public and private sectors to work together effectively.

The IFSC is one great example of this approach – and we have ambitious growth targets under the IFS 2020 Strategy. The Health Innovation Hub is another, more recent, example.

We need to identify, and then exploit, these sectoral opportunities for Ireland in the years ahead. New technologies like Artificial Intelligence and Robotics will transform many business sectors. Renewable Energy is already doing so. How can Ireland carve out a niche for itself in these and other sectors?

The Action Plan for Jobs has been highly successful over the last five years in focusing all arms of the State on the jobs crisis. Now that unemployment has fallen well below 8%, we will re-focus the Action Plan process on these more medium-term challenges for Irish enterprise.

European Union

The questions we have to ask about our future do not apply solely at home. The future of Europe, perhaps more than ever before, is something that we need to devote time and thought to. Brexit simply reinforces that need.

In my view, this is not the time for some grand new chapter of EU integration, or some European Union “moonshot”.

But that is not to say that political courage is not needed on the European stage. On the contrary, that is exactly what is required.

Political courage to face down the sceptics.

Political courage to accept that, more than anything else, the EU needs to demonstrate that it can take sensible positions, implement important decisions, and deliver concrete results for its citizens.

And political courage to stand for, and defend, the success and achievements of the European Union in its various forms over the past 60 years.

The EU doesn't have to define the next great challenges, but it needs to demonstrate that it can respond effectively to them.

The EU has proven itself to be a champion of peace, both on the continent after decades of war, and

closer to home through its political and financial support of our own Peace Process on this island.

We have to ensure that the EU also remains a force for sound economic and trading policies at home and further afield. The Single Market is arguably one of the EU's greatest projects but still requires work to complete it in several key areas. And we have to maintain an outward facing EU as a champion for open global trade and high regulatory standards.

Other global challenges, such as climate change and the environment, migration and countering terrorism require joined up, sensible and effective action at EU level.

Showing that it can, and does, deliver for its Member States and our citizens should be the number one priority for the next phase of the European Union project.

Conclusion

To conclude, ladies and gentlemen, I hope I have given some sense of the challenges facing Ireland in the period ahead.

The UK's future relationship with the EU is crucial – but the economic policies required are correct in their own right: prudent fiscal management, a focus on competitiveness and productivity, targeted capital investment, diversifying our enterprise base, identifying and taking advantage of sectoral opportunities, and taking account of the strategic risks facing the country.

This approach can allow us generate the resources to sustain the living standards and level of public services that we all aspire to, and avoid the repeated "bust-to-boom" cycle which has plagued Ireland in recent decades.

When Prime Minister May triggers Article 50 I intend to ensure that we will be ready to commence negotiations in a manner that safeguards our priorities and deals effectively with both the challenges and opportunities presented by Brexit.

Thank you for giving me the opportunity to speak with you today.

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