

European Affairs Committee hearing

Tony Connelly, Wednesday February 8 2023

The 50th anniversary of Ireland's membership of the EU comes at a critical time for the union with fundamental challenges posed by the war in Ukraine, the energy crisis, enlargement and the legacy of the Covid-19 pandemic.

Not only are deeply held assumptions about Europe's security, budget, debt rules and centre of gravity being shaken on an almost monthly basis, the European Union has been more or less in crisis (or upheaval) mode since the financial crash of 2008.

The EU has been shaken by the Greek debt and currency crisis, waves of terror attacks, mass migration from Africa and the Middle East, Brexit (and a related populism in some of the founding member states) and then the pandemic. The union was barely emerging from that traumatic event that Russian tanks rolled into Ukraine.

In short there has not been a settled period of calm for 15 years.

During these upheavals, EU unity has been severely tested, not least by Brexit and the pandemic. However, the omnicrises appear to have strengthened the EU's coherence and sense of purpose, especially when it comes to the Ukraine war, which capitals rightly see as an existential threat to the multilateral, rules based order, of which the European Union is a pre-eminent part.

Divisions and faultlines do exist: depending on the issue, there are shifting and competing blocs along several axes: North-South, debtor-creditor, Russia hawks vs Russia doves, NATO members vs neutral, east-west, coastal vs non-coastal, migration facing and non-migration facing, energy-dependent and energy-self sufficient and so on.

The EU's unique, if slow and sometimes bruising system of policy making does tend to deliver clear outcomes in the end, mostly through consensus rather than via polarising votes at Council level, but it will require vigilance on Ireland's part to navigate the various blocs and policy choices through the rest of the decade.

Ireland has been a net contributor to the EU budget since 2013 and contributions have increased significantly. In 2019, the net contribution was €0.5 billion (€1.9 billion received and paying in €2.4 billion). Of the €1.9 billion received 85pc goes to the agricultural sector and rural development

projects (there are also direct payments to research funding). Overall Ireland received €1.5 billion for sustainable growth/natural resources; €430 million for smart and inclusive growth, and €24 million for security and citizenship.

Thanks to the impact of Brexit, and Ireland's strong economic performance, the state will remain a net contributor for the foreseeable future.

In response to the Covid-19 pandemic, the EU strengthened its 2021-2027 budget so that, combined with the NextGenerationEU recovery instrument, it will amount to €1.8 trillion. This is designed to mitigate the impact of the pandemic but also to refit the European economy to make it more resilient and able to take on the digitalisation and climate change challenges.

Ireland will receive an estimated €1 billion from the Recovery and Resilience Facility (RRF) fund as well as €89 million from the REACT-EU fund (essentially a top up to regional and social funds, and €77 million from the Just Transition Fund (designed to help member states meet climate change targets).

When the UK was a member, Ireland had the luxury of sheltering behind the well-researched and well-argued UK positions on taxation and the single market. With Britain departed, Ireland has had to seek out new alliances, for example by joining the New Hanseatic League alongside the Netherlands, Denmark, Estonia, Lithuania, Latvia, Finland and Sweden.

This has been called the "bad weather club", but more seriously is a grouping of countries emphasising balanced budgets and caution in EU spending. Economic and Monetary Union (EMU) should be strengthened without transferring new powers to Brussels so as to keep citizens on board during times of crisis.

At the same time Ireland pivoted towards the Franco-Mediterranean camp when it came to unleashing borrowing and spending in the wake of the pandemic in 2020.

Ireland is now the only member state with an embassy in every other EU capital, which represents a significant financial commitment and reflects the importance of building alliances with both large and small member states (Ireland relied heavily on Angela Merkel's influence during the Brexit negotiations, and has forged an impressive link with the new SPD-Green-FDP coalition). France is now the closest member state geographically.

The Brexit negotiations represented a graphic and nail-biting challenge which tested Ireland's diplomatic skills to the limit. It's important to remember that the EU's support for Ireland's interests in avoiding a hard border were not

guaranteed at the outset; it is also the case that the solidarity shown to Ireland was a vivid example of the burgeoning EU unity, which many had feared would not hold, given the divergence economic interests vis-a-vis the UK.

That solidarity appears to have held as we enter the endgame (or perhaps latest phase) of the Northern Ireland question. Ireland's challenge will be to recognise that once EU UK relations settle into normalcy it will have to fight its corner without the sympathy associated with the emotional trauma of Brexit.

Those future battles will be fought on unsettling geopolitical issues (security, defence, migration). These are trenches that Ireland, due to history and geography, has never fully fought in.