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References and further Reading:

Vega, A., Hynes, S. and O'Toole, E. (2015). [Ireland's Ocean Economy](#), Reference Year 2012, SEMRU Report Series

Norton, D. and Hynes, S. (2016). Assessment of the effects of Brexit on Irish and EU fisheries in the NE Atlantic. SEMRU Research Note [16-RN-SEMURU-01](#)

Donnellan and Hanrahan (2016). Brexit: Possible Implications for the Irish Agri-Food Sector Agricultural Economics Society of Ireland Seminar, Department of Agriculture, Food and the Marine, Celbridge, Kildare. April 13th.

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Uncharted waters: What would Brexit mean for the Irish ocean economy?

There will be a referendum held on EU membership in the UK on the 23rd of June. If the UK votes to leave the EU (Brexit), the resulting changed relationship between the UK and the EU could have potentially far-reaching consequences for Ireland's ocean economy. If the UK votes to exit, the UK then has two years in which to negotiate a withdrawal agreement, although this period could be extended by the unanimous agreement of the European Council. The terms of the withdrawal agreement are still very unclear and therefore speculating on the impact on the Irish ocean economy is difficult. Of the factors that might impact, the UK's future trading relationship with the remaining EU members, and in particular Ireland, is the most important. While the broad contours of the risks and opportunities are foreseeable, in the event of an actual exit there will be need for detailed research to underpin an adequate strategic response for the sector.

Research Findings

One of the most wide ranging impacts already from the Brexit debate on Irish ocean economy industries is the fluctuations in the pound against the euro. If the UK vote is to leave, the pound is expected to continue to fall against the euro. As sterling weakens, imports become less expensive and our exports more expensive which will have (and is already having) a negative impact on our trade balance and competitiveness across all sectors. This fluctuation in exchange rates is particularly problematic for the marine tourism sector in Ireland. The turnover generated by marine-based tourism and leisure in 2012 was estimated to be €644 million (Vega. et al. 2015) while Fáilte Ireland estimates that marine tourism accounts for 10% of the overall value of the tourism sector in Ireland. Also, according to Fáilte Ireland statistics, British visitors accounted for 42% of the 7 million overseas visitors to Ireland in 2014. Given the high number of substitutes available as potential tourism destinations for British tourists, the demand for the tourism product here can be expected to be highly elastic. This implies continued erosion of value to the British visitor for a destination that might already be considered to be relatively expensive and could have a very negative impact on the marine tourism sector.

The impact on shipping activity in Ireland could also be significant. Estimates from the literature suggest that a Brexit could reduce bilateral trade flows between Ireland and the UK by 20% or more (ESRI, 2016). The 20% estimate is an average figure and the impact would differ significantly across sectors, but given that the largest Irish ocean economy sector, shipping and maritime transport, is responsible for 92% of the total trade volume, a reduction in trade by 20% would have a serious impact on this industry. This concern is magnified by the fact that the UK represents 13% of total exports in goods trade from Ireland and 30% in imports (CSO statistics for 2014). Ireland's trade dependency on the UK also goes beyond the bilateral movement of goods. Ireland has been historically dependent on the use of the British road network (UK land bridge) for exporting and importing goods to and from mainland Europe. While the level of traffic through the UK land bridge is known to be significant, robust data does not exist on the proportion of goods that use the UK as a land bridge to Europe. Brexit could result in changes in the freedom and cost of this movement. Also, even though a Brexit would not impede the right of British shipping companies to carry goods to or from Irish ports, the degree of access would depend on the type



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of exit scenario with considerable disruption likely in shipping services while the UK and the EU trade agreements are being negotiated. There could, however, be opportunities for the maritime industry here from Brexit. Given uncertainties around traffic and other administration costs, global shippers that had previously used British ports as their main terminal in the EU from where there would be further short sea distribution of cargo across the EU might be encouraged to look to Irish ports as their alternative main EU terminal.

Another potential impact of Brexit would be an increase in our vulnerability in energy supply. With no offshore oil reserves of our own we import 100% of this critical energy source. It is worth noting that Ireland's biggest import of UK goods is in mineral fuels, oils and distillation products, which amount to approximately €4 billion. Also oil accounts for approximately 50% of primary energy consumption in Ireland. At present EU rules would result in a fair distribution of reserves across all member states in the event of another oil crisis as was seen in the 1970s. However, Britain is a major source of the available EU oil and post-Brexit they would no longer be obliged to share that resource with the rest of the EU in the event of another oil crisis. The Corrib gas field would ensure our gas supply in the short term in the event of a crisis, but without a significant find of oil in Irish waters Brexit could leave us in a more vulnerable situation in relation to oil supply.

The impact that Brexit might have on Irish fishing will also depend on a range of factors but particularly on the arrangements agreed between the EU and Britain following exit in terms of fishing rights in EU waters. Based on an analysis of the EU Scientific, Technical and Economic Committee for Fisheries (STECF) 2014 landings data, in a worst case scenario where the UK excludes all non-UK vessels from their EEZ, Ireland would lose out on €87 million worth of landings (93,320 tonnes) from UK waters. Furthermore, even if the UK were in turn excluded from the rest of the EU waters, their quota could be redistributed across the remaining EU fleet. In 2013 Ireland had a 5% share in total landings across the EU fleet; if that proportion was maintained in terms of redistribution of the 114,997 tonnes of fish landed by the British fleet outside its own waters post-exclusion, it would mean an approximate 5,750 tonnes increase for Ireland, which is only a fraction of the loss to the Irish fleet from exclusion from UK waters (Norton and Hynes, 2016).

It is also worth pointing to other research being conducted by Teagasc (Donnellan and Hanrahan, 2016) that estimates the impact of Brexit on the food sector. Even in the smallest impact scenario they estimate an annual 1.4% loss in Irish food exports. This would have an adverse impact on prices right across Irish fisheries, aquaculture and seafood processing. The authors note that there is likely to be a higher degree of risk associated with Brexit for those Irish food businesses with a substantial dependence on the UK market. This is an important consideration for the Irish seafood market where the UK is our second biggest export destination after France.

Further Research

Should the UK ultimately choose to leave the EU there will be a much greater need for a detailed sectoral analysis of the implications for the Irish ocean economy based on more accurate post-Brexit marine and trade policy assumptions.