Irish Independent

IRISH exporters association

Irish firms taking a punt by not preparing for hard Brexit are doing so at their peril

Protesters make their way along Piccadilly during of a pro-EU People's March For Europe in London

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British Prime Minister Theresa May greeted this week's Brexit vote victory in the House of Commons as 'historic'. The truth is somewhat different. It was widely expected to be passed anyway and the real fight of securing amendments to the Bill hasn't even begun.

It was like declaring a victory at the weigh-in of a boxing match because you had actually made the weight.

Yet, it acts as a reminder that for all of the talk in Ireland now about a soft Brexit or a lengthy transition period after 2019, the Brexiteers haven't gone away.

The real problem for Irish businesspeople up and down this country is that they are now being asked to become experts on the machinations of domestic politics in Britain.

They are making serious business decisions or putting off decisions based on their view or read of how Brexit will play out.

This is not a wise course of action and it just exacerbates the risks that Brexit itself poses to their businesses.

How do you get the attention of a small Irish exporter, with a strong UK customer base, who is pretty sure in his/her own mind that Brexit either won't happen for years, or will be so soft that the UK stays in the Customs Union or the single European market?

It isn't easy to get that person's attention and tell them they have to make decisions today to prepare for a much tougher scenario.

One way of getting their attention is if the value of sterling keeps falling. When sterling fell against the euro last summer after the referendum vote, many Irish businesspeople were shocked and then worried.

A lot of them began to make currency hedges and think about what it all might mean. Then the currency stabilised at around 85p or 86p. Theresa May lost her parliamentary majority in the UK general election and there has been a lot more rhetoric about a softer Brexit.

Liberal Democrat politician Vince Cable has said he still doesn't believe there will be a real Brexit. Tony Blair is on the pitch making the case for a second referendum.

Jeremy Corbyn has softened the British Labour Party's Brexit stance. Chancellor of the Exchequer and 'Remainer' Philip Hammond has become more influential at the British Cabinet and there is now wider Tory agreement on the need for a business-as-usual transition period after 2019.

All of these factors are planting seeds of doubt in the minds of indigenous Irish exporters that Brexit will impact them much at all.

The question is whether that is a reasonable gamble to take with your business and the working lives of those who work for you.

The recent further decline in the value of sterling, where it hit 93p in recent weeks, focused the minds a little bit more.

A survey from the Irish Exporters Association found that one-third of its members had no currency hedging for the next 12 months. They will take a lot of pain when sterling falls further.

Enterprise Ireland launched its International Markets Week last week and it was all about helping Irish companies to find new markets, especially in the eurozone.

The message was clear - it isn't easy. It takes time but it can be done. Enterprise Ireland CEO Julie Sinnamon reported on a survey that found 67pc of client firms currently not exporting to the eurozone intend doing so in the next 12 months.

This was very encouraging for several reasons. Irish firms have never exported enough to the eurozone and have been too dependent on Britain in many key sectors. The more they spread their business across different markets, the more insulated they will be from Brexit.

Perhaps the way to look at the uncertainty is to view it as a chance to build a better business by looking at costs - where you buy things, where are you customers, how you organise your business etc.

There is, in theory, a chance to build better Irish exporting businesses. I say in theory because that will not be the reality for everyone. Some companies are feeling enormous financial pain from the current value of sterling. It will hit profits first. Then it will cost jobs and then in time it may cost entire businesses.

The profit pinch caused by the fall in sterling will put many firms on an emergency footing. When managers are in that frame of mind, it is very difficult to think about the five-year slog of getting on a plane to Paris or Berlin and starting to build new markets from scratch.

Some companies will do it and the even bigger attendance at the Enterprise Ireland International Markets Week this year shows that.

The problem will be for the many exporting firms that weren't at the Enterprise Ireland event last week because they feel they are fire-fighting already, or they simply have their head in the sand about Brexit.

The challenges in some sectors are becoming apparent. So much so that even Finance Minister Paschal Donohoe has said he plans to do something for exporting firms in next month's budget.

Laudable as it is to identify the pain for some companies, Mr Donohoe's options are very limited. He cannot come up with a major compensation or subsidy scheme without getting it cleared in Brussels.

Even if he could, he doesn't have the money in the budget to do anything significant. He can, and no doubt will, be imaginative about some kind of supports for exporters to the UK, but any initiative will be heavily caveated to control its final cost. The money simply isn't there.

Meanwhile, Britain's love/hate relationship with the European Union continues to play out. There are many people who now believe the UK will end up remaining in the Single Market or within the Customs Union at the end of this process.

And even if it doesn't, there will be a good three-year transition period of no change.

But take the divorce metaphor so often used to talk about Brexit. Imagine both parties in a divorce spend two years discussing every aspect and acrimonious detail of their difficult break-up.

After all of the recriminations, reluctant compromises and bravado have played out and been agreed, they then agree to live together for a further three years as if nothing had happened.

It could happen but should Irish business place a bet on the outcome of any break-up?

This week, the CEO of Dover Port, Tim Waggott, revealed research which found that without a new freight transit deal, there could be 17-mile lorry tailbacks on either side of the port.

One fifth of Britain's trade goes through that port and the vast majority of Dover's business is with the EU. Mr Waggott believes if a new transit deal is not done, processing times for trucks would double from two minutes to four minutes. Around 10,000 trucks per day go through Dover.

It is a glimpse of the implications that may arise for Dublin Port and for the British fantasy of a seamless frictionless border on the island of Ireland.

If the UK stays in the Single Market and the Customs Union, none of these things will be a problem. But it would be foolish to risk your firm's livelihood on that outcome by not preparing, especially when you may come out with a better business anyway.