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IRELAND'S CIRCLES OF CONNECTION - THE EU, THE UK, AND THE U.S.

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**PARTICIPANTS:**

**Introduction and moderator:**

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**Remarks:**

PASCHAL DONOHOE  
Minister for Finance & Public Expenditure and Reform  
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## P R O C E E D I N G S

MR. WRIGHT: Good morning. My name is Tom Wright. I direct the Center for the United States and Europe here at the Brookings Institution. I am delighted to welcome you all to this very special event which is part of our ongoing partnership with the Robert Bosch Stiftung, what we call the Brookings Bosch Transatlantic Initiative or BBTI. BBTI seeks to foster increased dialog and in-depth research to produce new ideas to sustain and adapt a trans-Atlantic relationship in this very challenging era.

Events like this would not be possible without the partnership Brookings has with the Bosch Foundation and we are grateful to our partners who understand and respect our independence and for their continuous support. Our event this morning could not be more timely, given the dramatic events overnight. We did think that it would be timely because of the October 31st deadline, but it is even more timely than that.

We now have a Brexit deal. The border between Northern Ireland the Republic of Ireland emerged as the single toughest issue in these negotiations. We are all still digesting, I think, the contents of the agreement and on Saturday the House of Commons will vote on it. We are delighted to be joined by Ireland's Minister for Finance and my friend, Paschal Donohoe, who has come back to Brookings for, I think, the third time, so we're very grateful to him for that.

Paschal has served as the Finance Minister in Ireland for the past two years and was Minister for Public Expenditure and Reform before that. He is a rare breed of politicians, somebody who has a very challenging portfolio and is also an intellectual force in some of the most pressing issues in the global economy today including populism, inequality, and the future of globalization.

He regularly authors fascinating reviews of works of economic theory for *The Irish Times*, which I recommend to everyone, and we are very grateful he found time to speak with us today amid his official duties at the IMF World Bank Annual Meetings and in his meetings with administration officials. He also produced a budget last week, so he's a very busy man. Paschal will speak for 15 to 20 minutes after which time we'll have a moderated conversation and then we'll throw it open to the audience for questions.

This event is being webcast and we also encourage you to tweet about it using the #BBT

-- oh, it's the #USEurope. Sorry, #USEurope. And I would also like to recognize the presence of the Irish Ambassador to the United States, Dan Mulhall, who's been a great friend of Brookings. I look forward to our conversation, and I would like to call the Minister to the stage. Thank you.

MINISTER DONOHOE: (inaudible) Thomas. (Applause) Well, good morning, Ladies and Gentlemen, Ambassador Tom, distinguished guests. It's a great pleasure to be here in Brookings again. It is the third opportunity I've had to participate in an event here, and every time I leave here I've always learned so much from all of the experts and guests that are here about America's place in the world and also about many of the pressing issues that we are jointly grappling with and responding back to.

And indeed, when I was last here as a guest of Tom's, and I just want to recognize if I may briefly, the extraordinary work that he is doing on behalf of Brookings in helping us better understand many of the foreign policy and economic policy challenges that we have, and his latest book has a pride of place in my office and I've borrowed many of his finest thoughts as my own (laughter) in other locations across Europe and the world, but I won't do that here as he's in the audience. (laughter)

So when I was here last with you, I was speaking at what was then a really crucial phase of the Brexit process, and I think as I speak to you here this morning, we can truly say that we have reached another crucial moment, filing the agreement that has been reached this morning in Brussels on a revised withdrawal agreement and political declaration on the future relationship between the European Union and the United Kingdom.

This agreement has been reached following intensive negotiations over such a long time period between the EU and the United Kingdom and this phase of conclusion followed the meeting last week between the Taoiseach and the British Prime Minister. It's a hugely welcomed development and I hope sets us all on the path to an orderly withdrawal of the United Kingdom from the European Union. And as we meet here today, and as we speak, the European Council is now meeting to consider this agreement.

So for all of those reasons, I'm doubly glad to be here with you today to talk about how Ireland is responding back to the many challenges and issues that Brexit will bring. In a speech shortly after the Second World War, Winston Churchill spoke of three majestic circles or spheres of influence that

defined Britain's foreign policy. When I consider my own country's place in the world, I think, instead, of circles of connection, and three in particular, with Europe, the UK and the United States have helped shape modern Ireland.

These circles connect us with, for example, the main markets for our exports. They connect us with three of the major world currencies, the euro, dollar, and sterling, and they of course connect us with three centers of liberal democracy. And in recent decades, these overlapping and reinforcing circles have been the basis for the transformation of Ireland, for economic prosperity and well-being for our place in the world, and for peace on our island, and by transforming the context in which we addressed our age-old national question which was that of understanding and defining our relationship with Northern Ireland and the United Kingdom. Those three circles of connection helped that question be recessed (phonetic).

And in the words of Nobel Prize Winner, John Hume, he said the European Union is the best example in history of the world of conflict resolution, and that's played out on my island. For Ireland, therefore, Britain's decision to leave the European Union poses particular challenges which go to the heart of relations on our island between the two islands and how this affects our engagement as a member of the European Union and our place in a world that is changing in front of our eyes.

And that is why it's so important that progress has been achieved today in reaching an agreement between the EU and UK negotiation teams on a revised withdrawal agreement and political declaration. Both sets of negotiators have worked so long and hard to achieve this outcome with all forms of compromise and modification, and Ireland has worked closely with the EU negotiation team as well as with the UK throughout this process.

The package is now subject to endorsement by the European Council which as I said is meeting now and tomorrow in Brussels. It also needs to be ratified by the European Parliament and of course by the British Parliament. So there is still some way to go until we have absolute certainty that there will be an orderly UK withdrawal and certainty yet to be achieved regarding how this will happen. But the Irish Government is firmly of the view that this opportunity should be grasped, and a deal concluded that will insure an orderly withdrawal.

Our objectives for this stage of the Brexit process have been clear and have been very

consistent since the very beginning. Recognizing the unique situation on the island of Ireland, the revised draft protocol on Ireland and Northern Ireland provides vital safeguards that the Good Friday Agreement will be protected in all its parts including avoiding the hard border, protecting North/South cooperation and protecting the oil island economy.

It also protects the integrity of the EU's single market and customs union on Ireland's place in them. The agreement provides a legally operable solution providing certainty that at the end of the transition period the benefits of the peace process and the oil island economy can continue to be secured and enjoyed. And I believe these arrangements will work well for the people and for the economy of Northern Ireland.

The revised agreement will insure enhanced democratic support for the specific arrangements for Northern Ireland and enable all the people of Northern Ireland through their democratic institutions established under and through the Good Friday Agreement to decide the long-term direction of the economy of Northern Ireland. Any agreement of course will work better if there is a meaningful role for the institutions in Northern Ireland and matters don't affect them, and crucially the revised draft protocol continues to make absolutely clear that nothing in this agreement will prejudice the constitutional status of Northern Ireland and the principle of consent as set out in the Good Friday Agreement.

The finalized agreement secures a transition period which is hugely important in providing certainty to citizens and businesses, and there is also agreement on the rights of EU and UK citizens as well as on the financial settlement. All of this is very welcome. Gratification of the agreement, endorsement of the declaration will provide much needed certainty, and looking forward, it also provides a good basis for constructive negotiations on the future relationship between the EU and the UK.

Much, therefore, now depends on political developments in the United Kingdom, and I hope that the House of Commons will give this agreement serious consideration and that there will be a positive vote. In the meantime, of course, we continue to work to prepare for the UK's access. Even with the best possible agreement, it is still the case that the UK is leaving the EU and this will bring change.

It's important that Ireland is ready for that change for our citizens and for our businesses, and we are continuing with our preparations for all scenarios, and I want to say a word about what we are doing, but I want to very clear that one thing will not change. The United Kingdom will remain our nearest

neighbor; it will remain a key economic partner, and it remains the co-guarantor of the Good Friday Agreement.

So with so many ties between us, I look forward to continuing to see this vital relationship deepen. But Ladies and Gentlemen, the Irish Government has always been clear that Brexit will continue to pose a significant challenge for our economy whatever form it takes. But we do phase into this prospect from a position of strength. After a long and difficult journey, balance was restored to our public finances. Our economic growth is broadly based. We are more resilient than we have been in the past.

But of course a No-Deal Brexit, which we now hope to avoid, would mean a slower pace of growth in Ireland, however that scenario would be of a very different scale to the multiple challenges our economy faced during the Great Recession. So our government last week outlined our budgetary framework for dealing with the many challenges that we may have to deal with in a period of uncertainty and my central objective in that budget was to provide the necessary resources to meet the impact of Brexit while keeping our public finances on the paths they have been on since 2011.

This year, we've eliminated our budgetary deficit. We are projecting to a surplus of 0.2 percent of national income. In the event that the UK leaves the EU with the agreement that we are discussing today, we will continue to build on this surplus. But should this not happen, we've outlined in our budgets how we will intervene in a sustained and meaningful way to support jobs and to support our economy. But, of course, the central ingredient for Ireland in responding back to this change is our membership of the European Union, our membership of the eurozone, our membership of the single markets.

This has been absolutely central to our success as a small open trading and competitive economy and represents the core element of our economic strategy. The best response to Brexit is for Ireland to be ever-more open to the opportunities of the single markets. And while the early post-Brexit period of course will be challenging, Ireland will retain the openness to trade, to investment, to ideas, to people, to talent that represents our greatest strength.

We'll continue to explore new markets for our businesses and promote our international profile through the global Ireland strategy that aims to double our global footprint, and we've already made substantial preparations. But we also have another crucial advantage. We do not face these challenges alone. We do as a member of the

European Union, as a family of European member states with all of the inherent strengths that these relationships bring.

My third and final point is perhaps an obvious one, but it is one that is worth making today. It is thus the world will not stand still while we in Europe resolve the challenges posed by Brexit. We are living in a period of global change with corresponding global challenges such as climate change, such as the change in global trade, and the effect on economies and societies with new challenge, for example, those posed by migration. But as a small open economy, Ireland is a perfect, I believe, example of many of the different dimensions of the new forms of interconnectedness.

For example, our exports of goods and services accounted for some 122 percent of a Gross Domestic Product in 2018. The health of the world economy and especially that of our main trading partners is critical to our economic performance and we've looked to recognize that dependency by deepening the resilience of our national finances. And these are the three circles of connection that I mentioned at the start of this address. Right across Europe, right across the western world, across America, politicians like me are grappling with these challenges, the challenges of keeping economies competitive and attractive to investment at home and from abroad while also insuring that all citizens can benefit from this openness and that no one feel left behind.

This is evidently not an easy challenge. Perhaps it is the challenge of our times. And for Ireland, this requires us to continue to make the case for international cooperation for strong institutions and for problem solving on a level ahead of the nation state. This commitment lies behind our decision to stand for election to the UN Security Council. It requires us to look at the global economy in ways that emphasize mutual gain and it requires us in Ireland to take difficult decisions on issues such as climate change and a range of other pressing political and economic issues.

Taxation is an example of this and an issue that will arise and has always arisen in meetings that I will be attending here today and across the coming days. So let me say a few words about the approach that Ireland is taking. The issues and changes currently being discussed at the OECD are potentially really significant, but the OECD is the forum within which they should be discussed and agreement be reached. They're difficult discussions for small open economies like Ireland, but they are discussions that must take place, and I believe that Ireland's interests lies first and foremost in this

work being successful and insuring the continuation of a stable and consensus-based international tax framework in the future.

I believe that unilateral measures whether on a national or regional level can only add to our problems and make agreement more difficult to reach. We need to build a consensus on a global level that keeps pace with technological change and works for all. Eventual global agreement of the work at OECD level would provide certainty. It could create stability for the international tax landscape into the medium term to the benefit of both companies and countries and a wider global economy. And this I think is an excellent example of the kind of challenge that requires continued connection on a global level and a solution that can best be implemented in different economies at the same pace and in the same way.

So in conclusion, a broader challenge that we're all now facing is a shift in the very nature of globalization, the kind of debate about the balance between openness and free trade to the role of borders and how economies should organize themselves. These pose as particular challenges for a small country like Ireland embedded in the global economy about how we can think and respond back to this changing reality, and I like to think of this as our new national question. And from the point of view of Ireland, rather than retreating from the global economy, we must retain an outward-looking international outlook.

We've built our success on openness to trade, to people, and ideas and we will continue to do so. We need economic openness to go hand-in-hand with political and social openness that we have in our society. We must remain open to innovation, to people, ideas. We need to continue to listen to our citizens about the challenges they're facing and provide a wider range of opportunities and economic security for them while crucially protecting our most vulnerable.

The old order of globalization including the role of liberal democracies is clearly facing new challenges and new debates, and Brexit may be as an example of those kind of debates. But this does not mean that a globalized interdependent and interconnected era is at an end, but it is clear that it's changing.

For politicians like myself, we need to make the case for a more resilient form of globalization that recognizes the concerns of citizen while making a case for openness, and I believe Ireland is equipped to adopt to these challenges and to make this case, and I hope we'll be able to do so



on the basis of an orderly UK withdrawal from the EU keeping with the agreement that has just been reached. And Ireland will continue to build on our circles of connection with the European Union, the United Kingdom, and the United States. If we succeed in doing this, and I believe we can, we can continue to find and continue to create our role in this new world. Thank you. (Applause)

MR. WRIGHT: Great. Minister, thank you for those fascinating remarks which are both timely but reflective as well, I think, in the moment we're in, and what I'd like to do is start out, because I think there are so many questions not just here but around the world, about the deal with just a few maybe short questions about what happened overnight, and then maybe we can take the lens out a little bit and look at the meaning of the deal and also the circles of connection that you mentioned and some of the major questions in the global economy, and we'll try to do that in enough time to allow some time for the audience as well. But I --

MINISTER DONOHOE: I know because short questions are always the most challenging ones, (laughter) so I can't guarantee a short answer, Tom --

MR. WRIGHT: Okay, well, we'll --

MINISTER DONOHOE: -- but I'll do my best.

MR. WRIGHT: -- see where we go on a bunt (laughter). My first question is just if you could sort of explain to people what the difference is between the Northern Ireland only backstop as it existed and what was agreed in this deal. In plain language, what -- how is this different to maybe if the Prime Minister had just accepted the backstop in Northern Ireland?

MINISTER DONOHOE: I think the key area of political difference will be the role for the communities in Northern Ireland in looking at what kind of economic relationship they will want in the future, and I think if the debate develops across the coming days, this is an area of significant change. On so many different occasions, the Taoiseach, the Tánaiste, and myself made very, very clear, that we saw the backstop as it was then as a form of an insurance policy, as the insurance policy, that it was not an aniconic for trying to insure that any community isn't against -- is in any arrangement against her will, and the agreement that has now been explained today, and I hope will be accepted later on today, is an example of how the communities in Northern Ireland will then play a role in what kind of economic relationship they will want.

Of course it makes it even more important, Tom, that the institutions in Northern Ireland that originate from the Good Friday Agreement that they've brought back to life and they're able to play this role.

MR. WRIGHT: Thank you. On the second sort of question on the details as to what happens in the event that the deal is rejected in Parliament, and I know it may be sort of, you know, difficult to go into hypotheticals, but there was a briefing apparently from London earlier today to sort of suggest that the EU might have ruled out an extension. Can you tell us anything about that, and is your sort of interpretation of it that this will be dealt with, you know, if and when that happens and that there's no sort of assurances or agreement that's been given sort of to game-out some of those contingencies?

MINISTER DONOHOE: So you have to go back to the sequencing of such an extension where there were to be solved, and you'll understand it, so I'm sure, even better than I will from your analysis of these matters. But this is first and foremost, the decision for the British Government and the Prime Minister to make as to whether they want an extension or not, and that's a decision that we very much leave to them, and then it would then be up to the European Council to then form a view in relation to it.

What I think all of our energies and all our focus for now has to be on explaining this text and explaining the agreement and trying to create an environment in which this can be understood by all and hopefully then ratified so that the kind of hypothetical issues that you're referring to don't need to be addressed.

I mean, this legal text has only just surfaced and been made available today, and I can imagine there are many inside the House of Commons, many stakeholders in the UK not to mention across the European Union that will need to understand the detail of this first before they look to get a view on it, and from our point of view and the point of view of Ireland, we'd rather be in a situation where after that understanding has happened, the agreement could be ratified.

MR. WRIGHT: And one sort of final technical question since we're here in Washington, there's been a lot of discussion about this US/UK free trade agreement.

MINISTER DONOHOE: Sure.

MR. WRIGHT: And Ireland has sort of made it clear that it would oppose an agreement

that jeopardized the Good Friday Agreement, and that has sort of imposed a hard border in Ireland, so if there was a No-Deal exit and that it would not be in the interest of the US as a supporter of the Good Friday Agreement to agree to a deal that would consolidate that hard border, is your sort of interpretation that if this deal is ratified and a US/UK FTA takes place in the context of that, that that addresses that objection, that the Good Friday Agreement is sort of safe and so the Prime Minister can get his free trade deal if they agree to this deal?

MINISTER DONOHOE: So I had the opportunity to speak to the Speaker of the House, Nancy Pelosi, last night and update her on where we are, and before I had the opportunity to, before I arrived here, I was met Mick Mulvaney, the Chief of Staff to President Trump in the White House, and I was able to give him an update on where we are. I explained the agreement to him and explained the importance of the agreement to Mr. Mulvaney and therefore President Trump's administration in delivering the priorities that Ireland and Europe have had, and it was a very valuable opportunity to be able to update them directly of where we stand.

And from our point of view, it has been a longstanding objective for the United Kingdom and the European Union in the post-Brexit environment to look at a new trade agreement between the UK and the US. Were that agreement to be delivered and were that agreement to be delivered in the context of the ratification of this agreement, we believe the ratification of this agreement delivers the priorities that Ireland and Europe has and maybe this therefore will provide the catalyst, then, or provide an environment in which the future relationship between the UK and the US can then be discussed and negotiated.

But, of course, I'd have to emphasize that's a matter for the British Government and a matter for President Trump's administration, but from our point of view, if this agreement is ratified, the issues in relation to the Good Friday Agreement in guaranteeing that we don't have a hard border on the island of Ireland, those matters are then dealt with by the ratification of this agreement.

MR. WRIGHT: I'm sure that would be very welcome news in London. So if we maybe take the lens out a little bit and just move on to sort of looking at the meaning of the deal, I was sort of taken in your remarks how you described these circles of connection and refer back as well to Winston

Churchill, Brexit and also some of the trade wars that we're seeing, the other movements in the global economy and in international politics seem to be about sort of disconnecting from previous connections, you know, that countries and voters have sort of felt that they are overly connected in some way.

And I was just wondering, how do you sort of make sense of that; what do you -- you refer to it a bit in your remarks about the need to keep openness but address some of these concerns. Are we sort of seeing a global attempt at disconnection and what do you think Brexit represents in that context and how can politicians sort of respond in a way that keeps the good parts of those connections while addressing some of the legitimate concerns, maybe?

MINISTER DONOHOE: So when I'm continually -- what I continually reflect on is the disconnection that you have referred there, Tom, of course has been heightened across a period of relatively strong macroeconomic growth. So if you look at many of the indicators regarding how the national economies and the global economy has performed, many of the decisions that are taken to reflect citizens not feeling they are part of the economies within which they live in have actually happened when the economies have been performing quite strongly.

And if I go back to what many of the causes of this could be, and there are two that I believe bear continued reflection on. The first one is where income level stands, not only versus where they are against the historical average of incomes within our economies, but also incomes as a share of national income and the changes that we are seeing there. I think that's the first issue that politicians like me need to address better, and then the second issue that we need to address is as we have made the case for openness, the benefits of openness or the consequences of openness have not been as tangible as they need to be and have coincided with too many citizens feeling that inequality within their own democracies have been heightened.

So I look at how we need to respond back to this. What we are looking to do here in Ireland and the case that I look to make is to say that openness works, that openness can work, particularly if you're a small country, by allowing you to pool your efforts with other countries making the case for that, being more attentive, though, to how the consequences of that openness needs to be turned into benefits and not losses.

And from our point of view in Ireland, the things that we've worked hard to make better progress on have been investment in public capital and infrastructure

and explaining how our participation in the global economy allows us to do that, has been looking at new forms of connection, so we've recently made a very big decision that has been contested at home in relation to the National Broadband Plan in insuring that people actually feel connected into a changing economy.

And then finally, levels of income within our economy and looking at what we can do and what policy measures we can put in place to insure that peoples' income better reflect and allows them to feel they're benefiting from changes that are happening within our economy. And I'm not saying for a moment that we have the answers to any of these questions because of course we're all thinking about them, but we're trying to come up with them and we need to reflect on these questions better than we've done in the past because clearly our inability to do so has been the cause of political change and political discontent.

MR. WRIGHT: You mentioned there, you know, Ireland's an open economy and also a small country and small countries, you know, there are many more countries obviously now than there have been before, if one looks back after World War II, there was a very small number of countries; now it's very large. And a lot of that was in a relatively benign environment particularly after the Cold War and now we see the major powers flexing their muscles. We see trade wars.

Many people have mentioned that Ireland's membership of the EU sort of turned Ireland paradoxically into a large country in the Brexit negotiations in that it wasn't a bilateral agreement. It was a negotiation between the UK and the EU '27. Could you reflect a little bit on just how membership of the EU changed sort of Irish diplomacy in this most recent episode and what do you think the implications are more broadly for the future of the European Union; have you heard from smaller countries in the rest of the EU and the Baltics and Eastern Europe, and have -- I've heard from some of them saying they've actually taken a lot of lessons from this case about the guarantees that they would have as part of --

MINISTER DONOHOE: Sure.

MR. WRIGHT: -- a broader sort of European entity?

MINISTER DONOHOE: So first thing, I think your analysis is very prescient that many of us plugged in to economic complicit integration retrospectively at a time of great moderation, and our Paul

Krugman, who, you know, has many things to say about Ireland at different times (laughter) of course was also -- has made the case very well for the great moderation there across the 1990s and into the early part of this century that economic circumstances were very benign, and across that period lots of countries plugged in to deeper forms of integration, particularly within Europe.

And as you went on to say, if that global economic context and political context begins to change, what does it mean for that integration? And from my point of view, I want to make the case for that integration and make the case for the benefits it offers, particularly if you're a small country. And the approach that we've used to diplomatically, I guess, in many ways flows from how we will review our identify. I'm a very Irish citizen, but I also feel I have a very strong European identity, and for me neither of those things are in conflict with each other; they enrich each other.

And when I walk into the very many different council chambers that I've walked into in the European Union now for many years, I sit as a small country, but also as a small country that has a voice with many other larger countries, and I sit between lots of different countries in which we all have the opportunity to have our voice heard. What does this mean for diplomacy? I think it is an example of (inaudible) pool in sovereignty on making a decision to share influence in some areas can work to the benefit of many, but I don't believe it is a lesson that just applies to smaller countries.

And, for example, if I would talk to my colleague, Olaf Scholz, he's the German Finance Minister, if I would talk to Bruno Le Maire, my colleague from France, if I would talk to Mario Sentino, who's the president of the Eurogroup, all of whom have responsibility for economies that are multiples the size of the Irish economy, they will always say that if they look at the issues that are most important to them, even if it's a big country or a big economy, they feel they can only make progress in that through cooperation with others, and that's the European idea.

That is what Europe is all about. Europe is about cooperation on an intimate level, and it's a peace process. It's a political project first, and then it's turned into an economic construct as well, and I think it is one that politicians like me have to make the case for in a new tone to show its benefit, and that's what I've looked to do over the years.

MR. WRIGHT: Looking at another sort of large entity here in the US, I mean it was sort of remarkable that over the last five months, you know, Ireland emerged as a very sort of strong force on

top of the hill particularly on the free trade talks and there's been a lot of, you know, discussion about whether Irish America is still a force in the United States, and I was wondering if you could reflect on that a little bit, and just were you surprised to see, you know, the strength of support on Capitol Hill for Irish concerns about the Good Friday Agreement or, you know, can you talk us through some of that; was that spontaneous or was that something that Dublin and the embassy here worked hard on?

MINISTER DONOHOE: I think much of it was spontaneous because much of it reflected the intrinsic lengths that many American politicians feel to their Irish identity. So much of it was very much spontaneous, authentic. We have a -- many of you, I'm sure, will know our Ambassador Dan Mulhall, will know his team; we are very fortunate to have diplomats of their caliber here in America representing Ireland. And what they have looked to do is to make the case for Ireland for the Good Friday Agreement here in America, but in so doing, they were dealing with inter (inaudible) and politicians here on Capitol Hill that already appreciated their benefits and already appreciated the role of Ireland and how we have been changed through the Good Friday Agreement.

So I think the strength of feeling and the interest that you have seen did first and foremost flow from the personal journeys of many American politicians here, but we are, of course, very fortunate to have Dan and his team representing us at the same time.

MR. WRIGHT: Thank you. So one final question before we go to the audience, and given that we're here in the IMF World Bank Meetings, I thought we should talk a little bit about that for a moment, and I was reading a review that you wrote of Timothy Geithner, Ben Bernanke, and Paulson's book recently in which you sort of reflected on that, you know, 10 years after the financial crisis and that their book was called *Firefighting*, about fighting the crisis and you wrote at the time: You know, globally we might struggle with the next economic crisis. Governments are indebted, interest rates are already very low, some crisis time measures have now been taken off the statute book.

You went on to say that the three authors who of course led the response to the last crisis did not pay enough attention to the human dimension, to put it to the agency and to the balance between market and states, and I was wondering if you could talk a little bit about what you think the global lessons of the crisis are and how do you think the world both would and should respond differently if one were to occur in the next few years?

MINISTER DONOHOE: Okay, I should say my comments there about the human context of the Great Depression was more about the book rather than its authors because while I've never met them, I have read other things they've written. I've heard them in interviews, and it's clear to me that at the time they did appreciate the weight of responsibility that was on their shoulders and what it meant to them.

But I think the broader point that I was attempting to make in the article is we need to continue to remind us, ourselves, and particularly those of us who were in the Finance Minister community and in the central banking community that we are responsible for economies that are inside democracies, and that in order to maintain consent for economies and for market economies, we need to maintain the political consent for them, and if that political consent frays or changes, it have profound consequences, and I think we always have to be aware of this, and I always am as an elected politician.

To then go on to your comment, then, regarding the next global challenge that we can face -- may face, I think the only thing I can be reasonably certain of is that it's very likely to be different the last one we faced. The (inaudible) that is the nature of policymaking, and one of the things that book really fantastically illustrated is that when you're responding back to these challenges, you're always doing it with incomplete information and intense time pressure, and you're trying to make policy with those constraints there.

I think if I look at the architecture now, and what more we need to do, I believe the monitoring policy architecture is significantly deeper advanced than sometimes we give it credit for, and the ability of central banks and institutions like the ESM and SSM, the European Stability Mechanism and the European Stability Mechanism -- sorry -- the Single Supervisory Mechanism and the European Stability Mechanism.

They are institutions with capacity that was not there in our last challenge. But I think particularly within the eurozone, we need to continue with our work to look at how the fiscal foundations of the eurozone can be strengthened, so that as we do respond back to the next challenge, that is more complete than it was in the last challenge, and that's complex work that I think we're making incremental progress there at the moment which is the only way that progress can be made outside of a crisis.

MR. WRIGHT: Do you think it's significant that they are now at the head of the ECB as



someone who was previously a politician as well who has, you know, the -- Christine Lagarde?

MINISTER DONOHOE: I'm not sure that her political background is important for understanding her role as tenure or what her role as tenure has had of (inaudible) Central Bank will be, but I think the fact that Christine as is was the case and is the case for Mario, our communications of the highest order and both of them lived through a crisis unfolding that they're both committed to trying to avoid again is incredibly important, incredibly important, and I look forward to working with Christine Lagarde now in her new role as head of the ECB.

MR. WRIGHT: Great. Well, thank you, so let's take a few questions. Please, keep it short, and just introduce yourself briefly, so I have here in the front row, Doug Rediker, or second row. And wait for the microphone.

MR. REDIKER: Thank you, Mr. Minister. Doug Rediker of Brookings. I'm curious in the context of the UK potential agreement, whether you see there's a real risk that the UK's future trajectory is one of a deregulatory environment where they seek to basically lower the bar so as to remain competitive both with Ireland and the EU more broadly, and what those risks might look like both in terms of competition, but specifically in terms of the financial markets where obviously there's a systemic risk and also the UK, the city of London plays an integral global role?

MR. WRIGHT: Sure. Thank you. And this gentlemen here in the middle?

UNIDENTIFIED SPEAKER: You were quoting Winston Churchill earlier and I thought you might have also quoted the phrase, "The United States of Europe," which he coined with strong approval, I might say. So what I really wanted to say is, it might be presumptuous of me to claim to speak up on behalf of millions of British people, but I think I do when I say that we're appalled by the Brexit idea itself, and particularly appalled by the cavalier and almost contemptuous attitude that the current British Government has shown toward its obligations under the Good Friday Agreement, and we're appalled by the idea that Brexit will cause damage to the Irish economy, and might even result in the resumption of terrorists (inaudible). And I think we're entering a new era of risk and it's an -- and a deep embarrassment for a lot of British people.

MR. WRIGHT: Okay. That's more of a comment than a question, but you've one more, but that's fine, more (inaudible). So, yes, the lady over here on the side. Yes.

MS. CARSON: Hi, my name is Ann Carson. I'm a retiree from the state department. I was wondering how Ireland -- if Brexit happens, if this hard Brexit happens, the Northern Irish Parliamentarians don't go along with the deal, how exactly is that going to look in a place like Blacklion which is right on the border. It happens to be one of the ancestral towns of my many Irish ancestors.

Right now, the tourist office is the former guard station, and in that guard station there -- well, in and around that guard station, there were people killed in 1970. It's in the seventies. So exactly what's going to happen on November 1st if there is Boris Johnson's hard Brexit in terms of the Irish border, the Northern Irish border?

MR. WRIGHT: Okay. So, yeah --

MINISTER DONOHOE: Okay. Well, so I'll begin with -- I'll look to answer all of those. So if could begin with Ann's question first because I as somebody who traversed the border and goes up and down it for personal and political reasons on so many occasions, it's important just to illustrate maybe to the broader audience what Ann's point is really all about which is currently if you were to cross between Ireland and Northern Ireland, the only way you will know if you've crossed the border is your mobile phone will change operator, and you'll hear a ping as you for a second drop out of the Irish connected operator and then move into the border in the UK markets, and then shortly after, you see the road signs change.

Not too long ago, that was a border that had Christensen's security presences on it, and I can't -- I can think of few better symbols of the kind of change that has happened than the building you just referred to. On the first of November, this is why it's so important to find a way of trying to insure that the agreement that has been reached between the UK and the EU is ratified because if that agreement is ratified, the answer to your question is that there will be no change. It will stay as it is.

And that is a political goal of the highest importance to both the British and the Irish government. And so in a No-Deal setting, clearly there will be change. My awareness of what that change looks like is the reason we've all worked so hard to try to get to a point that we have an agreement that the UK, the EU, and Ireland all want to support, and that's why it's a really important date today.

In terms of the comment from our colleague, there, about Brexit and what it means for the

United Kingdom and what it will mean for the Irish economy, to refer particularly to your point about the Good Friday Agreement, again this is why this text is so important because this text if ratified by the House of Commons I believe will protect the Good Friday Agreement and will protect us from the very kinds of practical issues that Tom just touched on a moment ago, and practical is short-termed for issues that will be exceptionally serious.

And I must say from the engagement that I have had with the current chancellor with his predecessor, Philip Hammond -- I'm actually meeting the chancellor today -- I strongly believe that they understand and want to protect all that we have secured in Northern Ireland and the island of Ireland, and I believe their desire to do that is every bit as authentic as my own.

In terms of the first question, in terms of what divergence could look like, of course this is a matter that will be teased out and explored in the next phase of Brexit as we move on to what the future trading relationship is going to be, but as you will be aware what Prime Minister Johnson refer to in the letter to President Tusk that he issued earlier to his tenure as Prime Minister, part of that text referred to the backstop.

The other part of that text looked at what the trading relationship, UK to EU, could be that would not be based on a commoner dynamic rule book. And this is the issue now that remains to be worked through, a huge issue, between the EU and the UK. From our point of view, clearly United Kingdom deforms a different view of what competitiveness looks like will pose a new set of challenges for the Irish economy, but I go back to the principles I looked to touch on in my address there a few moments ago for what a response would be. It would be doubling down in our membership of the single markets.

It would be looking at new forms of investment within our economy to further improve our productivity and it would be guided by the instinct that competitiveness is not the same as marching (phonetic), that we will look at new ways of generating competitiveness through that period of change. I must say from a financial services point of view, again from dealing with this matter with the treasury of the United Kingdom and from the chancellor, they are well aware and understand every bit as much as I do that the regulation of a financial sector and insuring that it is resilient and well regulated not only is the right thing to do from the point of view of macro potential security and stability, it's also part, then, of how you grow that sector, and part of the infrastructure of what competitiveness looks like for financial

services. And, of course, this is something that out across the common period, we'll all be getting deeply involved in.

MR. WRIGHT: Minister, thank you so much. I think we've covered a lot of ground, and we -- answers were very succinct and to the point and so I think we did very well in that regard. So thank you so much for making time for us today.

MINISTER DONOHOE: Not at all, and could I just particularly to you, Thomas, and all the staff here in the Brookings Institute and all the work that you do, I just want to emphasize the appreciation that I have for the contribution that you make to many of these debates and particularly the work that you're doing here about how we can sustain those who are in low to middle income in democracies and the way we need to think about issues in relation to education, in relation to housing, and some of those issues is a really valuable project, and I just did my budget a week ago.

It feels like a year ago already, but (laughter) I can still feel the effects of it. The first budget speech that I gave in Ireland, I said the center has to hold. The last budge speech, I said I don't think that's good enough anymore. I said the center has to change, and that the status quo isn't attractive when you see so much else changing in economies and so much else changing in peoples' lives as consumers, and I need to speak to them as citizens, and we need the thinking that comes out of institutions like Brookings to help us figure out those new answers. And I think you play a really important part in it, and I think you're critical in it, Thomas, and thank you for that, and I'd like to thank you for all that you do.

MR. WRIGHT: And thank you for your leadership on these (applause) questions, too. So I have one final request is that everyone stays in their seats for a moment as so we can insure the Minister gets to his next appointment down at the IMF.

MINISTER DONOHOE: I don't think they look like a particularly threatening audience to me here now.

MR. WRIGHT: Oh, just wait. Just wait.

MINISTER DONOHOE: I think I'd be willing to take my chances.

MR. WRIGHT: Just wait.

MINISTER DONOHOE: Yeah.

MR. WRIGHT: But, no, thank you very much for coming. Thank you all for joined us -- who joined us on the Webcast, and with that, we're adjourned.

MINISTER DONOHOE: Great. Thank you.

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