



## Northern Ireland Affairs Committee

### Oral evidence: [Northern Ireland and the EU Referendum](#), HC 760

Wednesday 10 February 2016, 9.30 am

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Members present: Mr Laurence Robertson (Chair); Tom Blenkinsop; Oliver Colvile; Lady Hermon; Kate Hoey; Danny Kinahan; Jack Lopresti; Dr Alasdair McDonnell; Nigel Mills; Ian Paisley; Gavin Robinson

Questions 63 – 164

#### Examination of Witnesses

Witnesses: **Tom Arnold**, Director General, Institute of International and European Affairs, and **John McGrane**, Director General, British Irish Chamber of Commerce, gave evidence.

**Q63 Chair:** Good morning, gentlemen. Thank you very much for joining us. As you know, we are looking at the implications for Northern Ireland of a possible Brexit. We are delighted that you are able to come and give evidence to us. Can I invite you very briefly to introduce yourselves and tell us what your background is and where you are coming from on this issue?

**Tom Arnold:** My name is Tom Arnold. I am the director general of the Institute of International and European Affairs. I have had a long career. At this stage, I have worked in the European Commission and the Irish Department of Agriculture, and then with the aid agency Concern, but obviously we are here today to talk about this issue.

**John McGrane:** My name is John McGrane. I am the director general of the British Irish Chamber of Commerce and a member of the Institute of International and European Affairs. My chamber of commerce represents the interests of businesses with interests in the two islands. They account for employment of over a million people. Our role on their behalf is to call out the importance of trade between and from the two islands and the 400,000-plus jobs that that sustains, and hopefully manage the addressing of any issues that might undermine that trade and that employment. We are very glad to be here. Thank you.

**Q64 Kate Hoey:** I have a very quick question. Can I just check who funds both your organisations, please?



**Tom Arnold:** The institute is an independent think-tank. It is funded by members, essentially, and that is largely the corporate sector.

**Q65 Kate Hoey:** No European Union or Commission money goes anywhere near it.

**Tom Arnold:** No.

**John McGrane:** The British Irish Chamber of Commerce is an entirely private sector operation funded by its member subscriptions.

**Kate Hoey:** Lovely. Thank you very much.

**Q66 Chair:** Thank you very much. We will get on to the detailed questions in a minute, but perhaps you could just give us your broad take on the whole issue of the referendum and what could happen if the UK leaves the EU.

**John McGrane:** The British Irish Chamber of Commerce, as I mentioned, represents business interests. Those interests are very diverse. They represent many different viewpoints from different local perspectives. Our members are large and small, and across the length and breadth of the two islands. Many of them are international and many of them are local. We do not proclaim to say that there is just one view, and we certainly do not proclaim to tell people how to think in this space, but we certainly give a platform for the grown-up discussion that is very important in informing the debate. That is why I am very privileged to be here today, as part of your process of informing the debate.

Our members have different viewpoints. Many of them have serious views about the underachievement of the potential of the European Union as a global trading enabler. Many of them are very concerned about the fact that the European Union needs to move faster to be the international competitive enabler that it can be. Many of them are concerned about the prospect that the United Kingdom might decide to leave, it being the sole right of the UK people to so decide. Nothing will stop happening, in the sense that business will go on, of course, and we will elaborate on that today, but the terms in which it goes on might be less advantageous and make higher costs arise for business. Higher costs are usually equitable with smaller amounts of investment and a smaller number of future jobs over the long-term.

What they all agree upon is that nobody believes the European Union would be stronger without the presence of the people and the businesses of the United Kingdom at the heart of that process. That guides our thought process as we participate in the debate and enable the debate to hopefully bring about the best outcome for all.

**Tom Arnold:** The Institute of International and European Affairs has had a long-standing interest in the relationship between the UK and the EU, and what knock-on consequences that has for Irish politics and economics. Over the 25 years of existence, we have done three books on this. The most recent is this one, *Britain and Europe: The Endgame—An Irish Perspective*, which we published last March. In this, we attempt to look at the very many dimensions of that relationship with the EU and the options that Britain has vis-à-vis the EU: to remain fully in or, at the other extreme, to leave the Union. In this book, we



spell out as best we can the trade, political and other consequences of taking those different options.

**Q67 Dr McDonnell:** You are both very welcome. Quite simply, the first question I would like to ask you is whether EU membership has benefited trade and relationships between the north and south of Ireland?

**John McGrane:** Certainly. The undoubted answer is yes, on the basis that, if we did not have the freedoms we have today, freedoms that many of us are possibly in danger of taking for granted because we have enjoyed them for over 40 years, namely, the freedom to freely travel and the freedom to move goods, services and capital across the borders of the European Union, there would be fewer of those things happening by virtue of the lack of freedoms or the curtailed or conditioned freedoms that would arise.

In Dundalk today, there are many people from the Newry and Mourne area who come to work every day, and vice versa, across the border. Over 30,000 people each day, for instance, commute across the 300-mile border, on the Dundalk to Newry crossing or the Londonderry/Derry to Letterkenny crossing. They travel freely. They enjoy all the benefits of that freedom to travel. Traders trade freely. Nobody stops them to check their van. Nobody asks a truck driver for customs documents. Nobody levies any penalties, premiums or anything else. Since that has happened, the two jurisdictions have enjoyed significant trade and employment activity as a result.

Indeed, one might point to the fact that, in things like construction, the food industry and other important employers on both sides of the so-called border—it is almost forgotten now—this led over the years from a situation where the Republic of Ireland economy was in growth to one where the Northern Ireland economy benefited from that as well, simply because more people from Northern Ireland were doing more business, building things or because of those other matters that flow from the adjacent economy. They were trading with the next country as easily as if it was with the next county in those regards.

It follows that, if the Republic of Ireland economy goes into a slide, as it did, that also has adverse effects for the adjacent economy and adjacent employment. There are particular concerns around the fact that the Republic of Ireland would lose out in the event of a Brexit. The Economic and Social Research Institute recently published a very important analysis, predicting that, for the Republic of Ireland, the total amount of trade could be at risk to the extent of 20% and living incomes could reduce by 4.5%. That is an extreme analysis, but if that were to happen there would be knock-on effects for the people we can do business with.

There is no doubt about it: open borders, open freedoms and the freedom of rights under European Union shared membership have been very good for the conduct of business and employment, and we worry that the opposite could also apply.

**Tom Arnold:** In terms of the question as to whether there has been benefit, one of the areas is agriculture. It has certainly benefited the Republic and Northern Ireland farming. The great attraction of European Union membership for the Republic of Ireland was the access to markets for agricultural products, which it did not have before that. You then add in the other dimension of direct support. Currently, under the EU Common



Agricultural Policy, direct support to farming represents a very high percentage of net farm income, both in the Republic of Ireland and in Northern Ireland.

There is a study available on the implications of a Brexit for agriculture in the Republic. The conclusion in that study, done by Professor Alan Matthews, is that Brexit would be “unambiguously negative” for Irish producers and consumers, and for the wider agri-food sector as a whole. That is economist speak for between bad and very bad. The institute has started an analysis of what the implications might be for Northern Ireland agriculture, and the conclusions are broadly similar as for the Republic. It is striking that no detailed authoritative study has yet been done on this question. Given the importance of agriculture in the Northern Ireland economy and the consequences we believe it has, we believe that such a study is urgently needed now, to inform political and public debate in Northern Ireland in advance of a referendum.

**Q68 Dr McDonnell:** On that point, you have both, in your different ways, anticipated my second question. You are suggesting that there has not been much analysis into what the implications of a British exit would be. Is there any potential for a study? Is there any potential for somebody scoping forward? Have you any plans, in other words?

**Tom Arnold:** Specifically on agriculture, a number of studies are now becoming available about the implications of a Brexit for the UK as a whole, but there is no such study available for Northern Ireland. Even from cursory analysis of the numbers, we see that the loss in direct support, if it is not provided by the EU, would have to be taken over by the British Exchequer. The loss in that Exchequer support to the agricultural sector in Northern Ireland is close enough to £300 million at the moment. If you add in the trade effects that would come from less favourable trade access arrangements in a post-Brexit arrangement, the amount of money that the British Treasury would have to put in to make up for what the EU is currently paying would be well in excess of £300 million. That is with very elementary analysis. A much more detailed analysis should be done to get the wider, more detailed implications.

**Q69 Dr McDonnell:** Do you have any information on the food industry that attaches to the agricultural industry?

**Tom Arnold:** That £300 million is just about the farming sector. The Northern Ireland food sector is happily growing at the moment, as evidenced by this excellent TV programme on a Saturday evening talking about Northern Ireland food. There is a lot of further potential for value added. Europe represents 60% of the exports of Northern Ireland agriculture and food. If trade access to Europe diminishes, there will be knock-on implications for farming income and for the food sector.

**John McGrane:** Can I add two points to that line? This is the Northern Ireland Year of Food and Drink, which is a fantastic programme to celebrate and promote the industry from the north. The Northern Ireland Food and Drink Association has recently sounded its own alarm on this, recognising that the industry accounts for £4.5 billion of trade for the benefit of Northern Ireland and sustains over 100,000 jobs. They are very alarmed about the prospect that anything might undermine that.

There is one other factual reference, jumping ahead hypothetically. The situation today is known. We know what we know. The question here is that, for business and employers, the investment decisions they make for future jobs, in the Province and beyond, depend on what the alternatives may be. Clearly, nobody knows the alternatives at this time. It is a hypothetical area but there is some guidance.

The Norway model, which is sometimes offered as a solution, is one in which it has a trade agreement with Europe and pays the cost of membership of that trade agreement, as we well know, without the right to set the rules. One of the rules is that food and fish exports from Norway to Europe are penalised by a levy. The levy, for instance, on Norwegian smoked salmon sales into the European Union is a 12% duty payable. We have happily forgotten about duties since we arrived at the current status quo, but there were duties before. It is a 12% imposition. Indeed, Norway retaliated, one might say, by imposing a 300% levy on imports of French cheese into Norway, so that is the kind of scenario that can happen when you begin to move away from the status quo that we know about.

**Q70 Chair:** There is the ease of crossing the border, to which you have referred, Mr McGrane, and there is the cost of agriculture, which presumably could be covered by the savings the UK would have from not paying money into the EU in the first place. You both seem to be assuming that a trade agreement could not be made that would be beneficial to both Ireland and the UK. Have you any basis for asserting that, though?

**John McGrane:** Yes. All parts of the European Union today trade, for instance, with the USA. There is a trade faculty, and nobody says trade would stop. Clearly, it would not. Indeed, in a Dundalk to Newry context, trade would continue regardless. Of course it will, in a practical way. The questions are about the terms on which trade might continue. Will those terms ultimately impose higher costs on the conduct of business: levies, penalties, technical arrangements, different trading standards or outright quotas and things like that? Anything that increases the cost will reduce investment and reduce jobs.

The second matter is that it is not in the gift of any one European state to give a trade agreement. For instance, in the case of the Republic of Ireland, everybody would want there to be a trading freedom or the next best thing between the two parts of the island. Everybody would want that. It is not in the gift of the Republic of Ireland, as an ongoing member of the European Union, to give that free trade agreement. That can be given only by the European Union as a whole, so that necessitates the participation and endorsement of many others, much as the Republic of Ireland might want to go it alone in that regard. It is not in their gift; that is the first thing.

The second thing is that it probably would be authorised, on conditions. Again, we are into the realm of the unknown, but it seems unlikely that the European Union would enable a special deal for the Republic of Ireland with Northern Ireland and the rest of the UK that was at odds with the permissions enabled by the rest of the European Union, in that case with a partner that had chosen to move on. We do not know what we do not know, but that sets the scene.



**Q71 Chair:** Why would the relationship between the UK and the whole of the European Union be a problem, though? I understand the point about Ireland not having a special case, but generally why would there be a problem? The imports my farmers are most worried about do not come from France or Germany; they come from New Zealand—the lamb. They can export to the EU fairly easily, it seems. Why would we not be able to?

**John McGrane:** You are right, Chair. I have no doubt that the future would, in either scenario, create the framework within which trade is done. It seems less likely that it would be done on as efficient terms, i.e. utter freedom of movement of capital, goods, services and people, as today. Therefore, any new conditionality will add cost and reduce investment.

**Tom Arnold:** Within the food sector, we have at the moment, with supply chains, essentially seamless movement of goods between the two countries. It is just not possible to say how that would be negatively affected. It almost certainly would be negatively affected. Take practical things like the milk trade, for example. There is very significant transport of Northern Ireland milk into the Republic. In the best of all possible worlds, it would not be affected, but that is not at all guaranteed. It is not going to be as easy as many people assume: that, if you had a British exit, suddenly or even in the short term you would arrive at full new trading arrangements of equivalent benefit to the current ones. That is not likely to happen.

**Q72 Danny Kinahan:** Thank you very much for coming here today. You have just touched on something that bothers me. Last week, the answer we got was that it might take 10 years, if we were left to balance out all the trade deals, to get back to normality. Would you expand on whether you feel it is that sort of length and distance? Within that, what effect will it have on economies that are only just coming out of recession or just working?

**Tom Arnold:** It is very hard to know. The very big question is what the new arrangement would be. Would it be encapsulated in a free trade agreement or arrangement between the UK and the EU, broadly equivalent to what is there at the moment, or would there be some restrictions on that? For example, as John said, in the relationship with Norway, one area that is not included in that positive free trade arrangement is aspects of agriculture. That would be of particular concern.

To the broader question of how long it would take, it is very hard to know. Article 50 of the treaty, which provides for an exit of a country, talks about a two-year timeframe, during which things would have to be negotiated, but the full extent would be longer than that. The other issue, which is a political one, is, in the event of a Brexit, the political climate in which those negotiations are going to take place. They may not be entirely positive, and that could have a knock-on effect for the final outcome of the negotiations.

**John McGrane:** I will expand on that. The minimum time period is two years. Even in that time period, in the event that the people of the United Kingdom choose to leave, the Government would be negotiating to leave, but the vote on the terms of leaving would be by those who remain at the end of the negotiating period. There would not be a further referendum to agree or not agree the terms of exit.

The second thing to remember concerns the timeframe overall for business and employment, and we bring our perspective to this. I was in these fine premises a few weeks ago with a representative, the group managing director, of a major life sciences company, which happens to be German-owned but employs thousands of people on the two islands here. He had a very interesting insight on this.

He said, “As a firm, we spend €3.5 billion every year on research and development. It is a risky enough business as it is to understand which parts of that €3.5 billion might come to fruition or might not bear fruit. It could be seven, eight, nine or 10 years before we see the fruits of that. We might win; we might not win. We take that risk as a part of our business. We have enough risk in that without adding political and geographic risk on top of it. If we need to do that in a marketplace and a community that is uncertain as to its terms of trade and engagement with the rest of the communities we work with, we have to think carefully about whether we can do that or should make that investment.”

That investment, in these terms, is university research funding across these islands, engagement of further investment in plant and employment, etc. They would say, “Look, we need to take a 10-year view. We may not know the answer in five, six or seven years as to what happens with this environment. We might do that research somewhere else.” That is a very practical translation of the effects of uncertainty into business investment and employment decisions.

**Q73 Danny Kinahan:** All the way through this debate, we seem to be missing details. We know more of the details of what is certain, i.e. where we are at the moment. Is anyone looking at or what things do you think we could be looking at for how we could do things better if we were out? That is not just Northern Ireland. Can we do more trade with China, with South America? Are there a whole lot of angles sitting out there that we should be looking at as well?

**John McGrane:** As we have alluded to, trade will go on. The issues are on what terms and at what relative price to the alternative certainties of today and the efficiencies of today. For instance, today, the island of Ireland trades with the USA but not in everything and not in a uniform way. We do not trade in food comprehensively across there in the way we trade in food comprehensively with the EU. We do not trade in motor vehicles. We have different standards of safety, instrumentation and engineering, whereas we do not have that issue within the EU. We have different standards.

On the flipside, to be thoroughly fair and balanced on this, a life sciences business, a drug manufacturer or a healthcare business in the USA might have a change to the formulation of an important drug. It only needs one certification for that change. In Europe, it needs 29 certifications. That is a deeply inefficient process. It adds cost, reduces investment, reduces employment and reduces health. To my point earlier on, we do not say it is perfect; we say we need to get on with fixing the imperfections.

**Tom Arnold:** It is worth noting that there is no voice from outside the European Union that is advocating, in their own interest, that Britain would leave. The only two significant political voices I am aware of who are in favour of this are President Putin and Donald Trump.



**Kate Hoey:** With the greatest respect, that is slightly exaggerated. You are talking about the leaders of countries. You are not talking about the people of the countries.

**Tom Arnold:** I am trying to make the general point that, in the interests of a globalised, efficient world, there are no significant voices advocating that Britain should leave. In fact, there are many saying they would prefer it if Britain remained a fully committed member of the European Union.

**Q74 Kate Hoey:** Your point is what?

**Tom Arnold:** In terms of looking to a post-Brexit vision of establishing new trading relationships with different parts of the world and being better off overall because of it, that is not necessarily as likely or as easy as is possibly made out.

**Q75 Ian Paisley:** Good morning, gentlemen. I am always very cautious about criticising someone who is one of the most important and influential men in the world and someone who might end up being the other most important and influential man in the world, so I will not comment on what you have said about Mr Putin and Mr Trump. It might turn out that their opinions, whether you agree or disagree with them, happen to be very important.

A few years ago, the Irish economy, the Irish state, was at the point of economic collapse. While it received very significant assistance from the European Union and, indeed, went through, and is still going through, its austerity programme as a result of that, it also received a very generous multi-billion pound interest-free loan from the United Kingdom Government, which sat on the books of the Irish state for a couple of years and assisted it greatly. That was nothing whatsoever to do with European membership. That was to do with mutual good neighbourliness and important trading relations that are already in place. There is absolutely nothing to suggest that, whether the United Kingdom was inside or outside of the European Union, that mutually good relationship would be altered or damaged in any way. In fact, if we are prepared to give billions of pounds to a neighbourly state when we are in a club, why would we not continue to give money if we were outside a club?

**John McGrane:** Thank you for that. I would make a couple of observations. You are absolutely right. I know the day and the place where I stood with William Hague when he launched the British Irish Chamber of Commerce in Dublin on 5 May 2011. I was asked by a radio interviewer about the relationship between Britain and Ireland in a commercial sense, and I immediately acknowledged the point that Britain had indeed, as I said, put its hand in its pocket, pretty well unasked, and given a very substantial amount of funding to Ireland's situation at that time. You are absolutely right to call that out, and you are absolutely right to suggest that nothing should necessarily interfere with or fundamentally alter the relationship that has been built up. From the perspective of trade, which is the only perspective that I speak to here, that is not an issue.

The issue is that external forces might bear on either or both of us as trading partners, which could effectively interrupt the free flow of business that we have achieved by our joint membership today. That is the simple reality. We do not want anything to do that, because it will reduce investment and reduce employment decisions for the future.





**Q76 Ian Paisley:** I want to deal first of all with this issue of the border. No one on any side of the argument so far, in my view, has accepted or suggested that there will be any change to the current border arrangements. Do you agree with that?

**Tom Arnold:** It is not a given.

**Q77 Ian Paisley:** No, I did not say it was a given. I said that no one to date has suggested that there should be or could be any change to the border.

**Tom Arnold:** It is possible.

**Q78 Ian Paisley:** No, you are taking it ahead. Listen to the question carefully. No one on either side of the argument has suggested that there should be a change to the border and the border arrangements. Would you agree with that?

**Tom Arnold:** It depends on what the arrangements will be post-Brexit.

**Q79 Ian Paisley:** No one is suggesting that. For example, Europe is not suggesting it. People who wish to get out of Europe are not suggesting it. There appears to be a mutual starting point that the border and the free movement on the Irish border should remain unchanged.

**Tom Arnold:** It depends on what post-Brexit arrangements will be made.

**Q80 Ian Paisley:** The outcome depends on something else, but the starting point is that people agree there should be no change to the border arrangements.

**Tom Arnold:** That is not a given.

**Q81 Ian Paisley:** Who is arguing that there should be a change?

**Tom Arnold:** It depends on what the post-Brexit arrangements will be. The European Union and Britain—

**Q82 Ian Paisley:** Tom, you are an intelligent man. I am not asking you what the outcome of a negotiation would be. I am asking you about the starting point of where we are at the present time, because you are right; there are no givens in any situation, but no one at this point of the debate, on any side of the argument, is contemplating or even suggesting that there should be changes in any way to the border. Do you agree?

**Tom Arnold:** No.

**Q83 Ian Paisley:** You do not agree. Who is suggesting that there should be changes?

**Tom Arnold:** I am saying that, in Britain being exited from the European Union, there have to be new trading arrangements between the European Union and Britain and, in some cases, that may involve some level of border controls. I cannot predict that.

**Q84 Ian Paisley:** Tom, we have to be very careful. I could be as argumentative and as troublemaking as the next guy. I might have a history in that regard. We have to be very careful that what we say does not inflame a situation that is mutually beneficial, benefits our border, our border towns and our border people, on both sides of the border. I could say things that would inflame that situation. “Let us have gun turrets back on the border. Let us have soldiers.” It is absolute cloud cuckoo land. It is not happening.

**Tom Arnold:** Nobody would want to do that.

**Ian Paisley:** It is just that you said earlier that negotiating any new arrangement will not be as easy as people assume. Do you not agree that, in fact, it is not going to be as hard as you imply?

**Tom Arnold:** It is impossible to know that, but it is certain that there would have to be revised trading arrangements in a post-Brexit situation, and the degree to which there should be no change in the border or some change in the border would have to be established. That is all I can say.

**John McGrane:** Just to add to that strand, we can all see that there is a distinction between, on the one hand, the notion of a border as a physical construct—even an inspector on a road, let alone a turret, as you rightly allude to—and the matter of whether there will be new contractual arrangements between parties. Let me give you an example. There are 34 border crossings in the old-fashioned notion of a border, i.e. 34 points of exit from one country to another country, in the Dundalk to Newry police area alone. That is basically the Mourne area. There are many hundreds more across the Province and the connection. There is absolutely no question that somebody is going to construct a border, as they did across 33 of those 34 in the past.

What is at issue is whether anything will interrupt the free flow. That does not mean somebody stops you and says you cannot come, but it might mean new contractual arrangements to do with things like whether you can send that truck and its contents into the next country without anybody being concerned with what it contains, whether it is priced at the price that was agreed and whether the duty has been paid. These are things that we do not even have to think about today. In the manner of suggesting a border, that is the kind of border: it is like a trade border, much less than somebody stopping you.

Understand that there at least two levels of potential future environment. There is the Norway-type arrangement, where there is still a measure of free trade, with the exception of food and agriculture. In that case, there is free movement but there are costs and penalties on certain categories. Then there is the further degree, where free trade is not negotiated, in which case you have passport controls. As a concept, how that is applied, nobody knows.



**Q85 Ian Paisley:** Turning to the issues of agriculture and of scale and scalability, maybe you could put it in some sort of sense for us. How much subsidy does the Republic of Ireland currently get from the EU for its farming?

*Tom Arnold:* If you want to take it as a percentage, the EU support—

**Ian Paisley:** Just cash will do. In cash terms, is it €3 million a day?

*Tom Arnold:* It is certainly very substantial.

**Ian Paisley:** Is it €9 million a day? I cannot honestly remember. It is quite substantial.

*Tom Arnold:* It is very substantial. I do not have the exact figure, but, in terms of the percentage of farm income that it represents, in the case of the Republic of Ireland it is about 55%.

**Q86 Ian Paisley:** By how many times, comparatively, does that outstrip Northern Ireland in subsidy? How much bigger would that be than the Northern Ireland subsidy, pro rata—two, three, four times as large?

*Tom Arnold:* In cash terms?

**Ian Paisley:** Yes.

*Tom Arnold:* I do not know the answer to that.

**Q87 Ian Paisley:** You must know. We get £300 million a year. You get what—€9 million a day, maybe more? Some people have said it is as much as €12 million a day.

*Tom Arnold:* The overall figure for Ireland is certainly well in excess of €1 billion going to the agricultural sector.

**Q88 Ian Paisley:** But you do accept that it is considerably more pro rata than what Northern Ireland gets.

*Tom Arnold:* Pro rata, no. Northern Ireland farming has a higher percentage of subsidy from the European Union than the Republic does by a considerable distance.

**Q89 Ian Paisley:** It is considerably more money in cash terms, then, that the Republic of Ireland—

*Tom Arnold:* You cannot just take it in cash. You would take it as a percentage of the value—

**Q90 Ian Paisley:** Well, the farmers take it in cash every year when they get their single farm payment. That is how they survive.



**Tom Arnold:** That is precisely my point.

**Q91 Ian Paisley:** That pays for their farms. I am talking about the Republic of Ireland now.

**John McGrane:** It is greater in cash terms, but significantly less pro rata.

**Q92 Ian Paisley:** This is the reason I am asking: is your fear about the Republic of Ireland's farm set-up that, if the United Kingdom removes itself from Europe, there will be less cash within the EU generated to go round and, therefore, Ireland could be disadvantaged because it will have to go back to Germany, to France, to Italy and say, "We have lost this British portion of the money. Can you now make up the difference?" Are you concerned that Republic of Ireland farms will get less out of the EU than you are currently getting? Is that not the big concern for Irish farmers?

**Tom Arnold:** It is not, no.

**Q93 Ian Paisley:** You think Germany is going to make up that difference.

**Tom Arnold:** The history of Common Agricultural Policy reform over the past 40 years is that it does not change too radically terribly quickly. There is going to be another reform in 2019-2020. The type of agricultural policy you will have is probably going to continue to move towards more support for environmental goods and a greening of the policy, but, in overall terms of a very supportive arrangement for farming, it is not going to radically change, whereas, if there was a Brexit and Britain was beginning to redefine its own farm policy—

**Q94 Ian Paisley:** Let us not worry about what Britain would do right at the minute, because you are experts in the Republic of Ireland's farm situation. Would farmers in the Republic of Ireland go back to Germany, France and Italy and say, "You now have to make up the difference of money here." Would you be arguing for that? Would you be saying to your European partners, "Britain has pulled out. We have lost tens of billions of pounds here. Can you make up the difference?"

**Tom Arnold:** The Common Agricultural Policy, as you know, is a community-funded, European Union-funded arrangement.

**Ian Paisley:** I know that.

**Tom Arnold:** I do not think even a British exit will radically change the budget for European agricultural policy.

**Q95 Ian Paisley:** Even though the Republic of Ireland is a net receiver and we are a net contributor?

**Tom Arnold:** Yes.

**Q96 Ian Paisley:** You do not think that there would be a gap in funding.

*Tom Arnold:* No.

**Q97 Ian Paisley:** The gap is going to be made up made up Germany, Italy and France. You will have to go and argue for that, are you not? Is this not really that you are concerned that Irish farmers will be disadvantaged because of something Britain does? Really, you are quite happy. You are on the gravy train here. You are doing very well out of it. You are getting millions a day for your Irish farms, while British farmers are getting less. Frankly, if Britain pulls out, this means it is awkward for you, and you have to go back to Germany and France and say, “Give us more money.” They are going to look much less favourably towards Ireland than towards Eastern Bloc countries that are in the EU and may be in a needier situation. Is that not the fact?

*Tom Arnold:* My basic point is that I do not think British exit will make a radical difference to funding of the Common Agricultural Policy.

**Q98 Ian Paisley:** If that is the case, exit is not going to harm British farming in Northern Ireland either. Earlier, you were saying that there was this great unknown that, if we exit, Northern Ireland farmers could be done untold damage. You are really agreeing with what Graham Gudgin told us last week: basically, if Britain pulled out of the EU, there would be plenty of British money around to replace any EU structural funds or CAP.

*Tom Arnold:* That is indeed a very important question, which the Committee will have to examine. All I have said is that the implications of changing from an EU-supported agriculture to a British Exchequer-supported agriculture will have a direct cost, as far as I can estimate, in excess of £300 million every year.

**Q99 Ian Paisley:** Yes, but we save £10 billion, so £300 million out of £10 billion is pretty good.

*Tom Arnold:* That remains the question. There would be a whole rejigging of public finances in a post-Brexit situation, particularly for Northern Ireland, and I am sure the Committee, when it got round to it, would have to assess all the different demands on that block grant. I am not sufficiently familiar with it to know where they would be. But included in those demands will be another bill for agriculture that is not there at the moment.

*John McGrane:* Thinking in the broader trade context, of course Irish farmers have benefited and continue to benefit very well from EU membership, and will continue to benefit from continuing EU membership. They have a legitimate concern, I would add, in that Irish food benefits greatly from having the United Kingdom as its largest export customer, but so too is Ireland the largest customer of Britain and the United Kingdom’s food and beverage exports. We are connected at the economic hip as far as that is concerned.



**Q100 Ian Paisley:** It would be mutually beneficial. It goes back to my first point that the relationship will be about our mutual needs here, and not really about whether one of us is in or out of a club,

*John McGrane:* The answer is, yes, this is about mutual interest. Of course it is, and it should be, because Governments create environments and those environments are conducive or not conducive to firms creating investment and jobs. The set-up for that today is in a very positive state. Our argument is that we must be very careful that we know what the alternatives might be.

Coming back to the agricultural situation, I would observe that the Republic of Ireland food, drink, beverage and agri-business industry is not exclusively about small farmers. They are very important, but their output goes all the way up to firms like Kerry, the world's largest ingredients maker, which is a global business out of Ireland; Glanbia, the world's second largest mozzarella cheese maker, out of Ireland; and Aryzta, the world's third largest baker, out of Ireland. When we think about food and agri business, we think everything from farm to fork, from Dublin to Dundee, from all over the world. It is that that has benefitted from our mutual interest thus far, and we really do not want anything to take from that at all. The reality is the Republic farmer gets more cash, but in the north today—

**Kate Hoey:** Sorry, by the north, do you mean Northern Ireland?

*John McGrane:* You are quite right. In Northern Ireland today, the proportion of farm incomes funded by the EU is much higher than the proportion of farm incomes funded in the Republic of Ireland.

**Q101 Chair:** We are here to talk about Northern Ireland rather than the Republic as such. Was it not the case, though, that the original rebate, which Margaret Thatcher achieved in the early 1980s, was achieved because British farmers were getting far less subsidy than a lot of the other European farmers? That is the case, is it not? That was the basis for the rebate.

*John McGrane:* Yes. Today's context is that farming in Northern Ireland relies more on EU funding than the rest of the UK farming community does, and more than the Republic of Ireland farming community does, just to take the straight question.

**Q102 Chair:** So it would be a policy decision for future Governments whether that continued or not.

*John McGrane:* Absolutely.

**Q103 Ian Paisley:** The subtle difference, the important difference, is who pays. The issue is that it relies on the EU subsidy, which is written on a cheque by this place, goes through Europe and is sent back to us, whereas, the Republic of Ireland does not send in that money to get back. That is the subtle difference.

**Chair:** We will have to move on—Sylvia.



**Lady Hermon:** Perhaps the witnesses would like to respond to Mr Paisley's last point.

**Q104 Ian Paisley:** Regarding the money that we are spending on our farmers administered by Europe.

**John McGrane:** I respect that completely.

**Q105 Ian Paisley:** That is such a distinction: that we can spend our own money better.

**John McGrane:** I would probably see it in a slightly different context.

**Ian Paisley:** I am sure you would.

**John McGrane:** There is an aggregating position in that observation, which says that all of that money is relatable to all of the net payment into Europe by the United Kingdom, and relatable back. There are probably a number of different interests who would say that they wanted to share in the rebating of the £10 billion, or whatever that number is, in terms of net contribution, but I respect the observation that people are entitled to say, "Do we want that arrangement to continue?" I represent businesses that operate across the length and breadth of the two islands and they say, "We know what the story is today. We do not know what the alternative story is until that is brought forward."

**Q106 Lady Hermon:** Judging by the evidence that you have given so far, there is a sense of—and correct me if I am wrong—genuine concern in the Republic of Ireland about the United Kingdom leaving the EU in a referendum vote. Is that because the Republic of Ireland's economy and farmers, etc, would suffer, or is it that, in fact, you believe the European Union—I think you made the point earlier—is stronger with the UK in it than out of it? Would you address that point?

**John McGrane:** I might say a couple of things on that. First, out of respect, we are not looking to articulate a Republic of Ireland opinion here. My organisation represents businesses across the two islands and we would have great respect that this forum is to consider matters pertinent to Northern Ireland. In that regard, the observations on this point would be that Northern Ireland has an exposure to the outcomes for the Republic of Ireland, as an economy, as a trading partner and as an adjacent fellow member of the Union. My point earlier on in our contributions was that, when the Republic of Ireland does well, Northern Ireland tends to do well in the modern economy because they are so interlinked and with free flows, and the opposite may apply. If a Brexit led to a diminution in the economy of the Republic of Ireland as a by-product of Brexit, that would have a knock-on effect logically—no more than logically—on the Northern Ireland economy. That is an observation.

Secondly, this is not really about us from the outside saying things about Northern Ireland. David Gavaghan, when he took up office recently as president of the CBI, the Confederation of British Industry, in Northern Ireland, took the opportunity to say, "No one knows what leaving the EU will look like. The challenge is to set out what will happen if the UK leaves the EU." The CBI is among a number of Northern Ireland representative organisations—the Northern Ireland Chamber of Commerce and Industry,



the Northern Ireland Food and Drink Association, which I mentioned earlier on, and others—that are alarmed that people might go to a place that is not knowable from a place that we know very well. With the good work that has been done on creating a future that includes things like attractive incentives to foreign direct investors based on reducing the tax rate, all of that opportunity lies ahead in certainty, and the alternatives are uncertain. Those are calls from within Northern Ireland in that regard.

**Tom Arnold:** I do not speak on behalf of the Irish Government either, but, in terms of the view in Ireland, certainly there is concern that a British exit would lead to negative economic effects within the Republic. In addition to that, there is a very strong feeling that Europe is stronger and a better place with Britain.

**Kate Hoey:** Do you mean the EU?

**Tom Arnold:** Of course, you are quite right. The EU is a better institution with a strong British voice articulating many of the things it has traditionally done: the emphasis on competitiveness, the emphasis on freer trading arrangements. Also, the weight that Britain brings in its role in the world adds to the EU's standing, weight and role in the world.

**Q107 Lady Hermon:** In light of your responses, I am very interested to know whether there has been any engagement to date between either of your organisations, given your expertise, and the Northern Ireland political parties. Have they sought your views? Have they asked for meetings? Has there been any engagement with any of the political parties in Northern Ireland?

**Tom Arnold:** We have tried to maintain contacts with all of the parties in Northern Ireland. We are very keen to stimulate that debate. I was asked to speak the week before last at a Sinn Fein meeting in Belfast and I so did, there purely, again, as a representative of my organisation.

**Q108 Lady Hermon:** Was that a panel discussion?

**Tom Arnold:** It was a panel discussion on trying to tease out the implications of a Brexit for Northern Ireland. There was quite a wide range of people there, both on the panel and in the audience.

**Q109 Lady Hermon:** You said earlier, Tom, that, in fact, there was no authoritative detailed study done on the impact on agriculture in Northern Ireland, and you felt that was quite a glaring omission.

**Tom Arnold:** Yes, that is my understanding.

**Q110 Lady Hermon:** Because of the book that has been published by your organisation, have you encouraged the Department of Agriculture in Northern Ireland to do at least some research?

**Tom Arnold:** It is not for me to do that. I am just saying that it is a notable absence in the public space that, for an issue as important as this, there is no such study available for





Northern Ireland. There are studies emerging in Britain. Even in the last week, the Yorkshire Agricultural Society has published a study on the implications of a Brexit for the UK as a whole. My point is that this is a matter of such genuine importance for Northern Ireland that a similar and really detailed authoritative study, preferably with the engagement of all the key stakeholders, should be done and should be done urgently.

**Q111 Lady Hermon:** Given the speculation, and it is still speculation, that the preferred option in the mind of the Prime Minister for the EU referendum may be as early as June—23 June is the date that has been speculated about—would that give sufficient time for the study to be done on the implications for agriculture and business, not just in Northern Ireland, although specifically in Northern Ireland in terms of the inquiry we are doing, but throughout the UK?

*Tom Arnold:* If, say, the Northern Ireland Department of Agriculture, with whatever help it needs from whomever it can most usefully get, can make this a priority, there is no reason why a sufficiently good study could not be done within a month, in my view.

**Q112 Lady Hermon:** Let us hope that the Department of Agriculture in Northern Ireland are watching this evidence session.

*John McGrane:* It is an extremely practical point. Time is somewhat of the essence. I am looking at the recent comment from Michael Bell. He is the executive director of the Northern Ireland Food and Drink Association, and he has a huge representative interest in this. As organisations, we work with like-minded organisations. We can get things done quite quickly, and we are open and available to sitting around a table with whomsoever, as progressively as we can, to tease out the issues. A number of really practical questions have been raised in the forum here today, and we would be happy to be part of any initiative that takes that away and says, “Can we get the answers to those in more detail?”

**Q113 Oliver Colvile:** Thank you very much indeed, gentlemen, for coming. I am very grateful for the evidence you have been giving this morning. Do you think that the Northern Ireland economy would benefit from being outside the single market?

*John McGrane:* We know the facts today by which it does benefit. We do not have any facts to show that it would benefit by being out. That is not to say it will not, but we have no facts to support that. There is no doubt it will continue to do business. There is no doubt it will continue to leverage its own natural competencies. Many of those competencies are enhanced today by virtue of its European Union membership, not least by virtue of its common European Union membership with the Republic of Ireland.

I will give you an example from the tourism domain. We have a single agency, Tourism Ireland, a product of the peace process, which has the mission to sell tourism of the island of Ireland to the rest of the world, and it does so very, very well. It enables people of common interest across two jurisdictions to have the same conversation and to attract people from all over the world, which it does really well, to places as interesting and diverse as the Guinness Hop Store in Dublin, which takes in 1.4 million tourists every

year, and the Titanic centre in Belfast, which takes in over half a million people every year.

It does not mean that that would stop if Northern Ireland was not part of the European Union, but it would surely make it more complicated, for reasons that we cannot know yet, without the very simple permissions and freedoms of free movement of people, free movement of goods and services, including tourism services, etc. In summary, we know the facts of how it benefits today. We do not know the facts of how it might be in a in any other different environment.

**Tom Arnold:** This matter is dealt with in our book, in fact.

**Oliver Colvile:** I will look forward to reading a copy of your book.

**Tom Arnold:** There is a chapter on the impact on Northern Ireland. This was written assuming that there would be not necessarily a Brexit, but some greater level of detachment between the UK and the EU. It starts with the background that the Northern Ireland economy has some very substantial existing challenges, in terms of its structure, in terms of the degree to which it depends on public sector funding. We do not see any circumstance whereby a British exit would benefit that; rather, it would make the challenge more difficult.

**Q114 Oliver Colvile:** You may be able to help me here. Where do Northern Ireland and Southern Ireland get their energy from? Where do they get their energy from?

**John McGrane:** In excess of 92% of the Republic of Ireland's energy comes from or through the United Kingdom. That is the first point. The island of Ireland has a very important need to ensure continuity, stability and security of supply into the long term, not just for boiling the kettle, but for attracting foreign direct investment, which increasingly wants to know that where they might place their next investment has not just a politically and environmentally stable future and employment, but the security of the raw materials of their industry, including things like water and electricity. Going forward, the importance of a north-south connection and a shared space of energy, in an environment where Northern Ireland will have a dependency to access greater security of supply in a seven to 10-year view as old carbon intensive production facilities need to be phased out, will only increase as time goes on.

A Brexit certainly does not stop that prospect. It will be helpful that the environment of shared endeavour that exists under the European Union today is at least maintained. Again, if we go back, we know the facts of how that works today. We do not and cannot at this time know the facts of any changed environment, in which there could be significant changes to energy strategy, policy and security of supply, and employment downstream from that. For instance, if part of the terms of a separation, were there to be a separation, made it more likely that the United Kingdom's energy strategy and energy framework was more separated from the rest of the European Union, that would be problematic, I would suggest, for both sides of the border, so-called. This makes it all the more important that we think forward about the facts of any changed environment and plan accordingly.

**Q115 Oliver Colvile:** One of the great difficulties we are likely to face is that, frankly, the United Kingdom is not able to provide its own energy supply and will have to import it from—

**Ian Paisley:** Russia.

**Oliver Colvile:** —other parts of the world. Therefore, the issue is that, if there is Brexit, if the British come out of it, potentially we will find ourselves having to spend more money on trying to import it. My friend here, Ian Paisley, has been making the point that we will be somewhat reliant upon Russia for energy. That has to come through the continent in order to get here, so that could, frankly, have a significant impact. If 92% of Ireland's energy comes through the United Kingdom, that is potentially going to have a significant impact, is it not?

**John McGrane:** Yes, it is. I took the example of the life sciences company that has a 10-year investment and planning horizon. That would be triggered before anybody worked out how, for instance, the UK would leave. People would be on notice that the UK had served notice to leave, but that it would take some number of years for that to be formulated. Energy players and the energy sector, for the community they serve, would have to make contingency arrangements from the get go. That opens up the question of direct connection to mainland Europe, so-called, and the provision of alternative security of supply, because people have to take care of their forward environments rather than wait around for uncertain outcomes.

**Q116 Oliver Colvile:** The final question is this: my understanding is that, traditionally, the construction industry here in the United Kingdom has been very dependent upon Irish labour. That may be changing a bit now, because we have a lot of Eastern Europeans coming into it. Do you think that Brexit would have an impact upon that? Would it mean we would lose Irish construction people?

**John McGrane:** Again, we would hope that that would not come about. The privilege, and it is a privilege, of the relationship between Ireland and the UK today is such that, for instance, Irish people will be empowered to vote, for instance, in the forthcoming referendum. That is a mark of that special relationship, and we would hope that it can continue.

I would point out that, at this stage, in some of those firms, the relationship with the construction worker has probably moved to the management executive and is now under a joint framework between the UK and Ireland, co-marketing the construction sector of the two islands into Abu Dhabi, Dubai and other places. I will give you an example. The major British construction and civil firm Carillion has a relationship with the Irish engineering and construction firm Sammon Engineering in a joint venture fostered by the collaboration of the two Governments and their officials. Those firms now work as one to jointly bid for international contracts to build sports stadia in South America, the Middle East and elsewhere. That is what has been achieved. We do not really want any new uncertainty to get in the way of more of that.



**Q117 Kate Hoey:** Mr McGrane, I have a question to you. Could we have very brief answers, please? Clearly, we have not heard any evidence that says that businesses on both sides of the border would not want to continue working. From your perspective as the person in charge of the British Irish Chamber of Commerce, the reality is, is it not, whether there is Brexit or not, that businesses on both sides of the border would want to continue to trade? With goodwill from the British and Irish Governments, there should be nothing to stop that from happening.

**John McGrane:** Yes to the first half; no to the second, with respect. They want to continue to trade. The question is whether, given Ireland's continuing membership of the EU and the right of the UK people to leave, if they make that decision, we will end up with extraneous rules being put upon the conduct of business. Regardless of the goodwill, the imposed conditions would reduce trade.

**Q118 Kate Hoey:** Are you saying that the Irish Government would not be able to stand up for their own country in the EU, in those negotiations?

**John McGrane:** The Irish Government will sit at the table where the collective decision of the EU will be made.

**Kate Hoey:** The Irish Government would be happy to go along with something the rest of the EU decided, if the UK was to go for Brexit.

**John McGrane:** I confidently predict that the Irish Government will do their absolute utmost to bring about an environment where there is a minimum of interruption to trade, backed by the goodwill that you rightly call out.

**Kate Hoey:** Exactly.

**John McGrane:** My observation is that it may not be in their gift so to agree.

**Q119 Kate Hoey:** That would mean the Irish Government would have to look at their relationship with the European Union as well.

**John McGrane:** That is right.

**Q120 Kate Hoey:** We have heard a lot and I have actually read the book. If you were sitting there, Mr McGrane, and we had never joined the European Union, looking at it today, is joining something you would be recommending to your people, either in Northern Ireland or the Republic of Ireland?

**John McGrane:** Yes, we would recommend that. Why? Because it gives and has given access to one of the largest open and free trading markets in the world. It is far from perfect, but let me give you an example: we would not have Ryanair or EasyJet today if it were not for the creation of the EU and our membership of it. The EU deregulated the airline industry and enabled consumers, citizens and businesses to have access to much cheaper flights than was the historical position before. There are many more of such examples, so, yes, we would. We would argue that, coming into that club, we would want to be at the top table, helping to design how it can be the best in the world.



**Chair:** Time-wise, we will have to finish now. Thank you very much indeed, gentlemen.

### Examination of Witness

Witness: **Dan Mulhall**, Ambassador of Ireland, gave evidence.

**Q121 Chair:** Ambassador, thank you very much for joining us. You are pretty well known to everybody on the Committee. I do not need to ask you to introduce yourself, but perhaps you could open the debate and the discussion by telling us your take on this.

**Dan Mulhall:** Thank you, Chairman, and thank you, Members of the Committee, for inviting me to be here this morning, as Ambassador of Ireland, to contribute to your deliberations ahead of a fundamentally important decision on the UK's EU membership. I will just make a brief statement and then I will be happy to answer your questions for the remainder of the time.

At the outset, I will stress something that has been stated repeatedly on this subject by the Irish Government. We absolutely respect the fact that the decision is ultimately a matter for the electorate of Britain and Northern Ireland to determine. Our role in this is to assess the consequences for Ireland and, in particular, for our ties with Britain and for the north-south relations in Ireland. In the spirit of respect and friendship, we also believe that Ireland has a unique perspective and, indeed, a unique interest in this issue.

There are three reasons for this: first, as a neighbour and a fellow EU member state for 40 years, with which we share a land border; secondly, as partners in transforming British-Irish relations in a positive way in recent years; and, thirdly, with the British Government as facilitators and co-guarantors of successive agreements aimed at securing peace in Northern Ireland and building sustainable prosperity and reconciliation. In line with the terms of reference of your inquiry, I will focus these short opening remarks on what I see as four key, forward-looking concerns regarding Northern Ireland and north-south relations.

The first concern is a broad one that is not readily quantifiable, as the others may be. It is the fact that EU membership by both Ireland and the UK has provided a shared, valuable and reassuring context for the people of Northern Ireland, whether they consider themselves Irish, British or both. Indeed, close co-operation between our two states as partners in the European Union is explicitly referenced in both the British-Irish Agreement of 1998 and the Anglo-Irish Agreement of 1985.

Our second concern can indeed be quantified: the economic concern. Of course, we have a huge interest in the prosperity of Northern Ireland, as Northern Ireland has in the prosperity of Ireland, because we are neighbours and we interact, and need to interact, to our mutual benefit. It is estimated that Northern Ireland will receive €3 billion in EU funding between 2014 and 2020. It also benefits from the advantages of being part of a single market of 500 million people. It seems to us that it would be very risky to put in jeopardy the advantages of EU membership and to forgo such substantial funding, without any guarantee that it would be supplied instead from another source.

These supports include funding for SMEs, research, the green economy and education, not to mention agriculture. All of these sectors have a cross-border dimension and potential for the future. EU membership also brings with it the valuable cross-border programmes. The PEACE programme and the INTERREG programme, the 2014-2020 programmes that were negotiated during the last Irish Presidency of the EU, were both jointly announced by Irish and Northern Irish Ministers in recent weeks. They represent €550 million in all, on both sides of the border, for building crucial infrastructure and supporting peace and reconciliation.

Thirdly, linked to the economic point, there is a trade and inward investment dimension. We have a single shared cross-border agency under the Good Friday/Belfast Agreement, which promotes north-south trade, already amounting to €3 billion a year but with much greater potential for the future, assuming no new obstacles are put in place.

Fourthly, we are obviously concerned about the future of the border. Our open border is the biggest symbol of all, perhaps, of the normalising and development of the full potential of north-south relations. The fact is that no one can be 100% certain about what the impact on the border will be if the UK decides to leave the EU. That is something that would form part of the terms of a UK exit, something we will have to negotiate with all EU member states.

Overall, I am confident that the EU will change for the better, based on the current EU reform negotiations undertaken by the British Prime Minister with the other member states. The case I would put to you today, in conclusion, is that ongoing EU membership means that the EU will continue to, first, directly support us all in our work of consolidating peace and advancing reconciliation; secondly, directly support infrastructure, education and research, including on a cross-border basis; and, thirdly, directly support farmers and food producers in both parts of Ireland and provide certain access to the huge EU market for goods and services.

Our overall assessment is that the issues you are considering are very serious for Ireland, for our relations with the UK and for Northern Ireland, perhaps more so than anywhere else in the UK, on account of the presence there of the only land border with another EU member state. Prime Minister Cameron has generously acknowledged the support he has received from the Taoiseach within the deliberations of the European Council on this vital issue for Europe, for the United Kingdom and for Ireland. It is that same spirit of friendship and solidarity that informs the Irish Government's approach to the specific question of the impact of a possible Brexit on British-Irish relations, on north-south links in Ireland and on Northern Ireland.

We value the positive strides that have been made in recent decades in relations between our two countries and between Northern and Southern Ireland. We want this mutually beneficial process to continue and, in our view, the best way to achieve this is through continued partnership between our two countries within the European Union. Thank you very much for listening to my opening remarks. I am happy now to take your questions.

**Q122 Chair:** Thank you very much. Could I start with a couple of questions? Do you agree with Mr McGrane—I think you sat in and listened to all his evidence—that the EU does need

to change? I do not know whether you agree with that, but, if you do, in what way do you think it needs to change?

**Dan Mulhall:** I hate to say it, but I have 35 years' experience of dealing with EU affairs. I joined the Irish Foreign Service in 1978. My first job in those days was in the European Union division. I was dealing with transport and environment issues. I have to say that, in those days, the European Union was going through a period of what was called "eurosclerosis", where the institutions had been developed but nothing very much was happening.

The union has changed dramatically since that time, mainly through the Single European Act, the Maastricht Treaty and the development of the single market, which has been of huge benefit to both our countries and which Britain played a major role in bringing about. I have to say that, in recent times, nobody could argue that the Union has not been faced with major challenges in relation to the eurozone, which has consumed a lot of the Union's attentions and energies over the past 10 years now, almost, and, indeed, more recently, as a result of the migration crisis.

I would say that the Union needs to continue to develop its capacity to deal with the challenges of the future. Clearly, one of the key challenges is to ensure that the Union contributes to the continued prosperity and stability of the members of the European Union. I would say there are challenges in the economic area where, clearly, the global economic situation has changed dramatically. The Union needs to respond to that, but we need to respond, in my view, together, as a Union. We can be more effective as a Union than we can be as individual member states in coping with these issues.

**Q123 Chair:** What structural changes, though, bring that about?

**Dan Mulhall:** The competitiveness, openness and better regulation agenda that the British Government have pursued successfully and are pursuing in their current reform negotiations will, I believe, provide a positive dividend for the European Union. We have always been of the view that the European Union needs to further develop the single market, in particular in the area of services. We have always been of the view that the European Union needs to exploit the potential of the digital single market. We have always been of the view that we need to be more open as a trading bloc. We need to develop free trade arrangements with other parts of the world.

It was under our Presidency that the TTIP negotiations were launched. During our Presidency, we also placed great emphasis on the single market in services and the digital economy. Why is it that all of the major corporations in the "born on the internet" sector are founded and based in the United States? Why has no European company emerged in that space? It shows that we need to do a lot more together to try to exploit the full potential of the European single market.

But we need Britain at the table for that. One of the reasons why we want Britain to stay is because we appreciate the positive role that Britain plays within the European Union as a contributor to the evolution of the Union in a direction that we see as beneficial to the Union, but also to Ireland and to British-Irish relations.

**Q124 Chair:** Can I just turn, now, to British-Irish relations? I knew the Taoiseach long before he was Taoiseach. I greatly respect him and he has done a marvellous job in Ireland. However, when he says the peace process and the ongoing devolution settlement in Northern Ireland could be under threat, I find that even a rather offensive remark. For example, this Committee has been to Belfast and Northern Ireland very many times. I have been personally very, many times. As you know, I co-chair the British-Irish Parliamentary Assembly. None of that is inspired by our membership of the European Union. Would you like to clarify his remarks?

**Dan Mulhall:** The Taoiseach was talking about the economic relationship, the development of north-south relations in Ireland, which have obviously benefited from our membership of the European Union. He was not saying that there was a direct threat to the peace process as a result or a consequence of a British exit from the European Union. He was talking about the fact that British-Irish relations within the European Union, and improved north-south relations, also facilitated by EU membership, were part of the overall fabric of the process in which both countries are successfully engaged and have been engaged now for more than 20 years.

He was saying that, if you change the status of the United Kingdom within the European Union, you therefore change the status of Northern Ireland. If you remove the UK and Northern Ireland from the European Union, it does make a difference. Let me just tell you my own experience from 35 years' of working in this area.

**Chair:** Briefly, if you could.

**Dan Mulhall:** When we first started, I would say that most Irish diplomats and officials had very little to do with their British counterparts. Over the last 35 years, that has been transformed. Today in Brussels there are probably 25 meetings at different levels taking place. At each one of those meetings, there will be tic-tacking, comparing of notes before the meeting by British and Irish officials. Afterwards, the two delegations will probably have a quiet, informal word, because we have so much in common and because we see things in very similar terms on the European agenda.

**Q125 Chair:** That is all very well, but, at the end of the day, the peace process will depend on Arlene Foster talking to Martin McGuinness. How can you state that, in the event of Brexit, it would only be people with mischievous intentions that would bring the peace process to an end?

**Dan Mulhall:** The consequences of Brexit would be as follows. Having been members of the same Union for the last 43 years, we would no longer be in the same Union. Now, nobody can predict precisely what the economic consequences of that would be, but you have to assume that it is not possible to imagine a situation where a country could cease to be a member of a Union and have absolutely all of the advantages of membership of that Union without any of the obligations of membership. That would be an illogical situation.

**Q126 Chair:** That is not remotely close to my question. I asked about the peace process. Arlene Foster can still speak to Martin McGuinness, whether we are in or out.





**Dan Mulhall:** Of course. But the peace process has many elements to it, and one of those is positive British-Irish relations, which have been developed within the European Union. One of those is the cross-border co-operation that happens under the INTERREG programme and the PEACE programme. These are all elements. Of course, the key to the peace process is the relationship between the two Governments in London and Dublin, the parties in Northern Ireland who are involved in the Assembly and the Executive, and also, of course, the North South Ministerial Council.

**Q127 Chair:** Some would say it is the American involvement as well.

**Dan Mulhall:** Yes, but I can tell you that European involvement has also been an important factor.

**Q128 Ian Paisley:** Ambassador, first of all, can I take this opportunity to publically thank you for the very good and positive work you do in terms of building relationships between the Republic of Ireland and the Court of St James's here? Many of us around this table know privately the efforts and the contact you make, and it would be remiss of me today, when I have a public opportunity to thank you, not to say thank you. I want to just put that on record, because we do have a very good relationship with you.

I also want to commend what you do at the Cenotaph now on behalf of the Irish Government, laying a wreath for all those Irish soldiers who paid the ultimate price for king and country. That is very important. You will know that many times I have raised with you the prospect of your country having even better relationships with the Commonwealth. I would look forward to that happening as well. Who knows what will happen in the years ahead in that regard?

You made some very interesting comments today, very measured comments in comparison to the ones our Chairman reflected on, about the spirit of respect and friendship. Do you agree that, no matter what side of the debate we are on here, it could be counterproductive for the Republic of Ireland Government and for Ministers in the Government there to try to influence in any way the voting intentions of people in the United Kingdom on this issue?

**Dan Mulhall:** Every time I have spoken on this topic—I have spoken quite a few times now—I have always made the same point. Our Minister, Mr Flanagan, has made the same point and the Taoiseach has made the same point. This is a matter for the British electorate, for the electorate of the United Kingdom. However, as a member of the European Union, as Britain's closest friend and nearest neighbour, with so many things in common, naturally we have a view about what we hope the outcome of this process here will be. We are not involved in it; we do not have a say in it, but we do have views on the subject. It would be remiss of us not to make those views known, but, as you say, it needs to be done sensitively and properly, with due respect for the rights and responsibilities of the British electorate.

**Q129 Ian Paisley:** In terms of the other point our Chairman has touched on about scaremongering and trying to avoid that issue, do you agree with me that the anniversaries we are going through, and the careful handling of those anniversaries, could potentially do more



damage to the peace process and the relationships than this debate on the European Union? We seem to be focusing more and more on our trading relationships.

**Dan Mulhall:** Personally, I am 100% determined, as are the Government, to ensure the anniversaries are inclusive and respectful. The anniversaries started in 2013 and will continue until 2022, I suppose, with the centenary of the arrival of independence and the Irish Free State. We have been absolutely at pains to do everything possible to make those inclusive, respectful and pursue them in a sensitive manner.

For example, three weeks ago at the Embassy, I had the professor of Irish studies at New York University, my old professor at University College Cork, Joe Lee, giving a talk on the Easter Rising and the implications of that for Ireland. Last night I had Edward Madigan, a former historian of the Commonwealth War Graves Commission, giving a talk and taking part in a debate about the Irish role in the First World War. I will continue this. I have an event in a month's time on the role of Irish women during 1916, a neglected issue in the past. I am also doing an event to mark the centenary of the Battle of the Somme in the middle of the year. I will mark the death of Tom Kettle, a former MP in this House, who died on the western front and who was an Irish Nationalist MP. He was a fervent nationalist, but he died on the western front during the Battle of the Somme.

We are doing everything in our power. I am satisfied that the centenaries are generating curiosity rather than confrontation. That is what we must all be focused on. We must make sure that is the spirit in which these commemorations will continue. I am proud of the fact that I was the first Irish Ambassador to lay a wreath on the Cenotaph.

**Ian Paisley:** I know you are.

**Dan Mulhall:** But that does not take away from my pride in being the Ambassador of an independent Ireland that emerges from that turbulent period. The more we know about the period, the more we know about its complexity and its nuances, the better it is for both of us and for everyone on these islands.

**Q130 Ian Paisley:** As a historian, I always agree that we should learn our history and not forget it. Finally, in the event of a British exit from Europe, I would like you to envision, just for a moment, what the key issues will be in the new UK and Irish relationship.

**Dan Mulhall:** The key issue will be trade, because, after all, the flow of trade back and forth across the Irish Sea is significant, not just in regional terms; it is significant in global terms. It was €65 billion last year, if I am correct. That is an enormous quantity of trade. That trade maintains 200,000 jobs in Ireland and 200,000 jobs in the UK. Many of those jobs will be in Northern Ireland. It will be a key concern for us to preserve the advantages of our existing economic partnership with the United Kingdom, which has thrived and prospered within the European Union and which, outside the Union, would be the subject of question marks, I would say.

I am not an alarmist. I do not go around talking about catastrophes. I look at things and I try to weigh up the consequences. I see risks on the trading front, and that would be the primary concern we would have, I believe.



**Ian Paisley:** Ambassador, thank you very much. I hope you do not think I am doing you a discourtesy, but I have to go down and get a ticket for the PMQs. I will be back.

**Q131 Kate Hoey:** Thank you very much, Ambassador, for coming. You talked about all being part of the same club, and the previous witnesses did as well. The Republic of Ireland is in the euro and Northern Ireland is not. Of course, when that was happening, all sorts of doom and gloom were being presented: “This is going to do this and that.” It has worked very well. Whatever happens, really, do you not think that the goodwill of the Irish Government and the goodwill of the British Government—and, particularly, the goodwill of the business communities and the people on both sides of the border—will make sure that, actually, nothing very much will change?

**Dan Mulhall:** Absolutely. If Britain were to leave the European Union, under Article 50 there would be this two-year period during which the terms of withdrawal would have to be agreed and a new relationship would have to be put together. Just as Ireland, in this current negotiation process with Britain and its European partners, which will hopefully come to a conclusion next week in Brussels, has been among the more supportive of the member states regarding Britain’s negotiating wishes, you can take it that, in a post-Brexit situation, Ireland would seek to be influential in finding a new relationship that would pose as little disruption as possible to British-Irish trade and to north-south ties in particular.

As was said earlier on, the way these things work is that the Commission is given a mandate by the Council. The Commission goes away and puts together a negotiating package. It then negotiates with the exiting member state and brings the agreement back to the Council of Ministers for decision. That decision is taken by qualified majority. The qualified majority requires 55% of member states, which is 15 now, and 65% of the population. We are one member state and we have roughly 1% of the population of the European Union.

As always, we will seek to punch above our weight in those negotiations, but we will not determine their outcome, I am afraid. That will be determined by the qualified majority of the member states, all of whom have very interests, preoccupations and relationships with the UK. We are probably the country that has the closest relationship with the UK of all the member states; therefore, we would have a unique view of these things. That view will not be shared by every other member state around the table to the same extent we share it.

**Q132 Kate Hoey:** Do you really think that Germany will want to stop trading with us and selling us their cars? Will the chief executives of their big companies not immediately, the day after Brexit, be in there, arguing with the Chancellor to start sorting it out?

**Dan Mulhall:** I was Ambassador to Germany for four years, so I know Germany reasonably well. It is a fundamental national interest of Germany to preserve and develop the European Union. Germany, of course, has many things in common with the UK, including important trading links. But the relationship will not be between the UK and Germany or the UK and Ireland. It will be between the UK and the European Union of 27 member states.



There are various options available for the new relationship. The best option is British membership of the European Economic Area, but, as you probably know, that would entail free movement of labour and Britain making a contribution to the EU budget, as Norway does. It would also mean that Britain would be obliged to follow all the rules of the single market without having any influence over those rules, because it would not have a seat around the table. I wonder whether that could possibly be a good basis for a relationship between the UK and the European Union.

**Kate Hoey:** We do not have time to deal with that.

**Dan Mulhall:** It is a bigger issue. I would not want to get into it too much.

**Q133 Kate Hoey:** I would disagree with you on that. Are you concerned that, in the case of the United Kingdom leaving the EU, once it was seen how a genuinely independent country could work and trade, there might be a move in the Republic of Ireland to think that they might not be best served by being in this club any more either?

**Dan Mulhall:** Nobody can foresee the future, but at the moment and in the future that I can envisage, probably in my lifetime, I do not see Ireland's attitude to EU membership changing in any significant way. It may evolve, but I do not think it will change fundamentally. There is no question in my mind of Ireland wanting to leave the European Union. After all, we have benefited so much from EU membership. I will give you one figure. In 1973, our GDP per capita was 65% of the EU average; now, even after the crisis, it is about 105%. That is the key thing.

**Q134 Kate Hoey:** You were still very glad of the British support and money we gave you a few years back. However, I have one final, very quick question. Could you just give a commitment to this Committee that the Irish Government will not be spending money on propaganda leaflets to the Irish community in this country extolling the virtues of voting to stay in?

**Dan Mulhall:** I have no knowledge of any such intention, and I certainly would not be in favour of it. I am sure there may be organisations that will want to leaflet the Irish community, but I do not believe that would be the Irish Government or the Irish Embassy, certainly. Our role is to monitor this debate, follow its implications for Ireland, express our opinion on British-Irish relations and north-south issues, but it is certainly not to be involved in any kind of campaigning.

**Q135 Lady Hermon:** I am delighted to see you here, Ambassador. It is very good of you to come and give us evidence. It has been very interesting and very helpful indeed. If you go back to the Belfast Agreement and the negotiation of the Good Friday Agreement, are there institutions set up by that particular international agreement that you fear would be affected negatively if the UK were, in a referendum, to vote to come out of the European Union?

**Dan Mulhall:** You mean the north-south institutions.

**Lady Hermon:** Yes, any of the institutions created by it.

**Dan Mulhall:** If I look at them, of course some of them are in areas where there is no EU competence. There is no EU competence in tourism, for example, other than exchange of information, which is pretty modest. Food safety promotion, again, is largely a matter for national Governments. But the trade and business development body would have challenges.

**Lady Hermon:** Did you say the “trade and business welcome body”?

**Dan Mulhall:** “Trade and business development body”, I said. I am sorry, I hope I did not say “welcome”. That is more on the tourist side. What is called InterTradeIreland would be affected by any changes in the trading framework for our two countries.

**Q136 Lady Hermon:** In summary, there would not be a massive impact.

**Dan Mulhall:** That one would be affected. Obviously, the Special EU Programmes Body would not have any further role, because there would be no special European programmes if Britain was no longer a member of the European Union. As regards the language body, there is obviously no EU competence there either, to any great extent, and likewise for the Foyle, Carlingford and Irish Lights Commission. I would say the main impact would be on the Special EU Programmes Body, which would clearly be affected in a major way. InterTradeIreland would also have to adjust to a new situation.

**Q137 Lady Hermon:** Can we come back to the border between Northern Ireland and the Republic of Ireland? In your honest view—I do not expect you to give anything other than your honest view; you are representing the Irish Government—how do you expect that border to be policed or manned? What changes would you expect, if the UK were to leave the EU?

**Dan Mulhall:** Again, that is an area where it all depends on the future relationship between the UK and the European Union. I would say, as the Minister and the Taoiseach have made clear, nobody in Ireland would want to see any negative change in the arrangements that currently prevail on the border between us, which is an open border. That is to the benefit of both countries and populations, and also our economies.

There are two things that could happen. First, if the trading relationship was to be changed in a significant way, there could be a need for some kind of customs controls, which would clearly be a negative development from the point of view of the populations on both sides of the border and our two economies.

Secondly, I monitor the debate on Brexit very carefully and I often hear people say, “We want to control our borders.” I wonder what that would mean for the border in Ireland. Again, as I say, the desire and determination of the Irish Government will always be to preserve all the benefits of existing regimes in the future. My only point is that Brexit does introduce at least an element of uncertainty. The fact is that the border would become an external border of the European Union. What does that mean? It depends on future circumstances. It depends on what the future wishes in the UK would be. It also depends, of course, on the future evolution of the European Union.

We would be looking to minimise any disruptions that might arise, but the question mark would be there about the change in status of Northern Ireland, no longer being a member of the European Union, in which we have been together, successfully, for the last 43 years. That is the issue. It is the uncertainty. Of course, as you know, uncertainty is not good for business, for investment, for people who have to plan for the future. I am sure a lot of companies in Ireland, Northern Ireland and Britain are looking at the potential consequences for them of a Brexit and trying to figure out what it would entail for them, given all the uncertainties that arise.

**Q138 Lady Hermon:** Given the uncertainty we have and the speculation around an EU referendum, do you have evidence in the Republic of Ireland that there are businesses that have not invested in Northern Ireland because of the uncertainty?

**Dan Mulhall:** I cannot point to any evidence. Probably, most businesses in Ireland are still hoping or maybe assuming that this will not come to pass and that, in the end, the current negotiations—by the way, I think quite a significant package of measures has been put forward and I hope it will be agreed next week—will somehow result in the worst-case scenario not having to be confronted.

**Q139 Lady Hermon:** Excellent. You could not see my notes, but the next question was in relation to the very lengthy statement the Prime Minister made to the House of Commons last Wednesday about the state of his negotiations. You have hinted at the view you have taken, and the Irish Government have been very supportive of the renegotiation. What did you make of his statement? The newspapers the following day were not exactly favourable about his negotiation. How did the Irish Government and how did you respond?

**Dan Mulhall:** It is not for me to comment on statements made by any public figure here in Britain, on any side of the political divide. What I would say is that this whole process reminds me of our own experience after the first Lisbon Treaty referendum, when we needed to get a response from the EU member states to the concerns of the Irish people that had emerged during that first referendum campaign.

We went away and, initially, we were met with the view that this was not something that could be accommodated. Eventually, as is typical and universally the case with the European Union, if a country has a problem, there is generally a willingness to find a solution to that problem. From the evidence I have of the December European Council and the Tusk letter, it seems to me that the EU has again shown that, when it is confronted with a potential crisis, it finds ways of arriving at solutions that, at the beginning of the process, would have looked to be impossible to achieve.

This package that has been put forward by President Tusk, of course, has not been agreed and has to be negotiated. There will be a few late-night sessions, I am quite sure, between now and the final agreement. But it seems to me to be another example of how the European Union has a capacity, with its 28 member states, which is difficult, by the way, to find consensus and solutions when a country—in our case, Ireland 10 years ago; in your case, the UK today—goes to the EU and says, “Look, we have a problem and we need a solution.” I am confident and optimistic that a solution will be found that will enable the Government to go into the referendum with a new set of proposals for the British public.



**Q140 Lady Hermon:** That is very interesting. Can I ask for clarification on one particular point? Ambassador, you will be well aware that one of the major concerns for people within the UK is the free movement of workers from one member state into another. In the event of the UK coming out of the EU, what will the procedures be? What on earth will happen when people from Europe come into the Republic of Ireland, through Dublin, Shannon or wherever, and then wish to make their way into the UK? How would that be managed at the border?

**Dan Mulhall:** Of course, that would depend on what arrangement is made post-Brexit. For example, if there was, as we would hope—well, we hope you do not leave, first of all—an European Economic Area-type solution for Britain post-Brexit, then that would mean there would be free movement for EU citizens within the European Economic Area.

**Lady Hermon:** That would not be a solution, then.

**Dan Mulhall:** It would not arise. If people from outside Europe come into Ireland, first of all, in many cases they need a visa, although Chinese and Indian visitors to Ireland and the UK can now have a single visa for both countries, which is a very positive development in our relations. People from outside the European Union would be subject to controls, and we are always very conscious of the importance of co-operating closely with British authorities in order to ensure the integrity of the Common Travel Area.

The fact that we have a joint visa arrangement between Britain and Ireland for Indian and Chinese visitors is an illustration of how much confidence we have in each other. The British authorities are prepared to accept a visa issued by the Irish Embassy in Beijing or New Delhi, giving those visitors access to the UK; likewise, if a person gets a visa from the British Embassy in New Delhi or Beijing, we accept them as people who are entitled to come in to Ireland. That is the nature of the relationship we have at the moment. We would be looking to continue the advantages, but, as I keep saying, those advantageous, in our view, are best guaranteed by continued membership, together, of the European Union.

**Q141 Lady Hermon:** Finally, following on from that, how would you describe the relationship between the Home Office here and the Home Secretary Theresa May's counterparts in the Irish Republic? At the moment, we are dealing with the very serious threat of young British people leaving Britain, going through Turkey, or however, to Syria, becoming radicalised and then wishing to come back to do harm and evil in this country. Is there a close relationship at the present time between the Home Secretary and her counterpart in the Republic of Ireland in dealing with this threat of radicalised young people coming into the Republic of Ireland, through Northern Ireland and into the rest of the UK? How is that going to be managed? How is it managed at the moment? How would that change if we were to leave the EU?

**Dan Mulhall:** Under the agreement that was signed between the Taoiseach and the Prime Minister in 2012, there is a very extensive programme of co-operation across the board, in all areas. There is an annual meeting of Permanent Secretaries of ministries here.

**Lady Hermon:** An annual meeting?



**Dan Mulhall:** Yes, an annual formal meeting. There is a plenary and then there are individual meetings between the Permanent Secretaries, which means they have built up a very good rapport. There is constant contact between our two Administrations on issues across the board, including issues in the justice and home affairs area.

**Q142 Lady Hermon:** Does the Home Secretary, Theresa May, regularly speak to her counterpart?

**Dan Mulhall:** The Home Secretary and the Minister for Justice in Ireland attend Justice and Home Affairs Council meetings together and have informal meetings. I cannot tell you how many times they speak, but I can tell you that there is very close co-operation between our two authorities in the field of justice and security. There is quite a lot of use of the European Arrest Warrant, as you know, for cases involving our two countries. Across the board, the relationship is very good, including in the justice and home affairs area.

**Q143 Chair:** You made the point about Chinese and Indian common visas, which is something this Committee pressed for in one of its earlier reports. It is probably only possible given that both countries are outside Schengen. The fact that we are both outside Schengen demonstrates that certain arrangements can be made within the European Union. In the event of Brexit, it is possible for a special relationship to exist with regards to travel between the UK and Ireland, is it not? We have sort of already demonstrated that it is possible.

**Dan Mulhall:** Of course, as I said, across the board we will be trying to ensure that we do not disrupt the very good relations that exist between our two countries at the moment, including in the field of free movement, which is obviously something that predates our EU membership. Yes, at the moment, Britain is not in Schengen; we are not in Schengen. Britain is not in the eurozone; we are in the eurozone. Both countries have opt-outs from the JHA and both of us opt-in in areas where we see fit.

In fact, there are already special arrangements that apply to Britain and, indeed, to Ireland. Hopefully those special arrangements can continue, but, for us, we would feel considerable comfort in having our nearest neighbour and closest friend around the table with us, trying to ensure that the EU evolves in a way that suits the interests of countries like ours, which have a very similar set of values and traditions.

**Q144 Danny Kinahan:** Ambassador, can I echo what Ian Paisley said and thank you for all the work you have done? I would also extend that a little to the great relationship that has been built up between the Garda and the PSNI. May that get better, whatever happens in the future. Thank you very much indeed.

With all your experience in Europe, what is your opinion of the backlash that is mentioned every now and again: that the French and the Germans might make things harder for us? Will things be made that much more difficult, if we leave, by people being fed up with us because we make it more difficult?



**Dan Mulhall:** I find it very difficult to speak for the French and the Germans. I have been posted in Germany, so I know Germany reasonably well, but they would not appreciate me speaking on their behalf. I have never been posted in France, but I do speak French and I have a great affection for the country. Obviously, the French and the Germans have a major role in the European Union, and they would have an even bigger role if Britain were to leave the EU. That would be one of the consequences. At the moment, we have three very big countries, with Italy as a fourth. To lose one of those countries would be a significant loss to the European Union.

I do not think it would be a case of anyone ganging up on Britain or deciding to take it out on Britain. It would be much more a case of the dynamics. It is very difficult to predict what the dynamics would be like after an EU exit by Britain, because this has never happened before. We really are in completely uncharted territory here. The only previous example, as you know, of anyone leaving the EU was when Greenland left, which was a somewhat different situation; dramatically different, I would say. This would be entirely new territory for the European Union. It would certainly create a real sense of unhappiness and discomfort for many countries in the European Union, not just Ireland. It is impossible to predict how that might play out and what the collective attitude of the EU to the UK would be in those circumstances.

I come back to my original point, which is that it is hard for me to envisage a situation in which the UK could leave the European Union and nothing would change.

**Kate Hoey:** That is quite relieving.

**Dan Mulhall:** That does not seem to me to be a logical or rational situation. In other words, I do not see how you can have all the advantages of the single market and full access to it without taking on the obligations of membership. Otherwise, it would undermine the whole basis of EU integration. That is something the Germans and the French certainly regard as a fundamental national interest, as we do.

**Q145 Danny Kinahan:** So it will upset the balances that we all know. You mentioned that you have very good relationships in Europe with the British, tic-tacking and talking it through at every event. Is that same tic-tacking going on, given that we might leave? Are people looking at what we do so that, the moment we leave, they have plans? Do the Irish Government or do you have plans? Are you looking at how you will work your way forward or are you waiting to see more detail?

**Dan Mulhall:** We take this whole issue very seriously indeed. It is something the Government in Dublin have given enormous attention to over the past couple of years. Since I came back from Germany and moved to London, I have noticed that this has become one of the key issues in Irish public life. Of course, when I mentioned Irish and British diplomatic officials talking to each other and comparing notes, that is a cultural thing to some extent. They may have a shared interest in rugby, they may support similar football teams, or they may like the same books or music. There is a certain natural affinity between the British and the Irish, which fuels that good relationship at the official level. Of course, we work very hard on our relations with all our partners, particularly with the larger member states.



This would not be the time to try to look beyond the horizon, because there are so many uncertainties beyond the horizon. We will certainly be very active, when the time comes, in looking after our particular interests. If it gets to the stage—we hope it will not—that Article 50 is triggered, we will have to be very vigilant in looking after the particular Irish interest and trying to work out contingencies. The fundamental point is that we are staying in the European Union, come what may.

**Danny Kinahan:** Thank you. I do not think it is wrong that the Taoiseach made his opinions known now, but I hope we would get a guarantee that, during purdah, no opinions will be given. That is right, but at the moment it is right for us to listen to everyone.

**Q146 Dr McDonnell:** Thank you, Ambassador, for your very comprehensive presentation. Indeed, there is not much left to tease out; you have covered everything.

One point I would like to go back to, which you have touched on a couple of times already, is this question of leaving and taking all the advantages without any of the responsibilities or liabilities. There is a sense that—I am looking particularly at Northern Ireland here—Britain could leave, cancel their contribution and somehow or other that contribution could be redistributed, agriculturally or whatever. Could you speculate at all as to what might happen in the two years that are scheduled? I personally think it might take eight or 10 years before all the rules would be disentangled and replaced by separate regulations on a bilateral basis. There is speculation that we could have a Norwegian or a Swiss type of solution, but surely those solutions were designed for countries that were going to be half in rather than fully out.

**Dan Mulhall:** Of course, under Article 50 of the treaties, the period for negotiating the arrangement can be prolonged by agreement between the two parties. You are probably right to suggest that the complexity of the whole situation and the fact that it has never happened before—it would be an unprecedented situation—would tend to extend the period during which this kind of negotiation would continue.

If it came to it, the negotiation between the UK and the European Union under Article 50 would be a negotiation on both sides. It would not be a one-way thing. Both sides would have to engage in fairly intensive negotiations. Initially, of course, the UK would have to decide itself on what kind of relationship it was looking for with the European Union. Would it be a Norwegian model? Would it be a Swiss model? Would it be a Turkish model? Would it be the model of some country outside of Europe with just a free-trade agreement? These are choices that are available to the UK, and it is really not for us to judge or comment on that. That would be a matter for decision here in this country.

We would be on the other side of the table, then. We would be one of the countries in the European Union negotiating with the UK. We do not want to see that come about, because we feel we have a very good set-up here now between Britain and Ireland. It has never been better than it is today. We do not want to see anything cut across that, however uncertain the scenarios might be. It seems to us that there is a risk there—a risk to trade and a risk to other aspects of our unique relationship with the UK—that we would not want to see taken on.

**Q147 Oliver Colvile:** I have two very quick points. First of all, Your Excellency, thank you very much indeed for coming to see us. Thank you for your contributions this morning.

Obviously, the issue of the Somme is a very big one as far as Ireland is concerned. May I encourage you as well, though, to identify some Irishmen who may have fought in the Battle of Jutland, which of course was a naval battle? It is incredibly important. Indeed, in Northern Ireland, in Belfast, they have HMS Caroline, the last ship that fought in Jutland, which is alive. It may be interesting to see what happens.

You talked about how you very much welcome some of the conditions the British Prime Minister has got out of the European Union. In particular, what things did you think were good? Do the Irish have an idea of saying, “We quite fancy a bit of that too, thank you very much indeed”?

**Dan Mulhall:** Of course, the competitiveness basket will benefit everyone in the European Union. That was one of the things we were most positive about from the very beginning, because that reflects, in fact, a shared British-Irish agenda.

One thing I forgot to mention was that, apart from the working groups that exist, there are also likeminded groups of countries that meet informally in Brussels to try to develop particular policy areas. Britain and Ireland are part of a number of those likeminded groups on the single market, on services, on the digital economy and on climate change. This agenda around competitiveness, openness, economic efficiency and smart regulation is one we have shared with Britain for some years. Therefore, we are very positive about the fact that that agenda has now been taken forward. It looks as though it will be accepted, endorsed and embraced by all the member states, which will benefit the Union as a whole, and, therefore, Britain and Ireland as well.

**Q148 Oliver Colvile:** Are there any further issues that you feel you would like to end up getting out of the European Union as well?

**Dan Mulhall:** First of all, yes, in the area of welfare fraud and so on, we are very supportive of what Britain is looking for. That will also be of interest and benefit to Ireland.

**Q149 Oliver Colvile:** Would you want to have that too, for you?

**Dan Mulhall:** As I understand it, agreement on the welfare fraud provisions is still being worked out, but it will apply across the board, to everyone. It is interesting that the percentage of Ireland’s population that was born outside the state is about 14%, roughly the same as it is in the UK. Yet there has not been the same focus on resistance to migration or free movement. The second-biggest population group in Ireland now are Poles. There are something like 150,000 Polish migrants in Ireland. If we put that in terms of the British population, that would be over 2 million, which is considerably more than the actual figure for the UK at the moment.

We have taken a fairly positive attitude towards free movement of labour. We see the benefits of it; we see that it has helped in some ways. But we recognise that other countries can have challenges they need to deal with. That is why, in particular on the question of welfare fraud, we were keen to be supportive of the UK in that area.

As to the other areas, we are not looking for anything in relation to “ever closer union”. That is not an issue or a problem for us, but we are happy to have the UK negotiate

something with the other member states that will meet its needs in that area. Then there is the issue about the role of national Parliaments. That will be a matter of interest to us. Let us see how that negotiation turns out; let us see how it develops.

Overall, as the Taoiseach has said, we are very supportive of Prime Minister Cameron's agenda. It is not unconditional support; we have our own views and interests as well. But the view in Dublin is that the negotiations are moving in the right direction and we are hopeful, though you cannot be complacent about this, that there will be a result at next week's European Council. It would be good for everyone, including Ireland, to have these matters dealt with, so we can focus on some of the other challenges on the European agenda, such as migration, where we have opted in to the Commission's first two proposals on the relocation and resettlement of migrants. Clearly, we see a need for the Union to deal with that particular issue as well. That is an important issue on the agenda in the coming months.

**Q150 Oliver Colvile:** Finally, I would just point out that, if Britain were to leave the EU, Ireland would be the only country to have a land mass between itself and another European country. It would mean Ireland had no land border with Europe.

**Dan Mulhall:** Cyprus does not have one either, and nor does Malta. Obviously, geography is something that plays a huge role. That is another reason why the idea of not having our nearest geographical neighbour, a country with which we have a unique relationship, in the European Union would be a discomfort for us. That should not take away from the fact that we have made a strategic, national decision, approved by the Irish people in a series of referendum results, that our future lies within the European Union. We hope that future within the Union will be shared by our nearest neighbours and closest friends as our partners in the years ahead, as they have been for the past 43 years.

**Q151 Gavin Robinson:** Thank you very much, Ambassador, for staying so long and continuing to give evidence. Can I express my sympathy for the on-street difficulties there have been in Dublin over the course of the weekend, Friday and Monday? Ambassador, you accepted that this is a sovereign decision for the people of the United Kingdom. That is right, is it not?

**Dan Mulhall:** Yes.

**Q152 Gavin Robinson:** As part of the Good Friday Agreement, you accepted the principle of self-determination. In fact, the Irish Government decided not to engage in discussions around the Scottish referendum. Why has the policy changed?

**Dan Mulhall:** I am glad you asked me that question, because I forgot this. I should have mentioned that earlier, really. In the case of the Scottish referendum, the Irish Government took the view that we should abstain from all comment. It was not that we were indifferent or we felt it would not have implications for us, but we felt it was an issue that did not concern us directly. We were not a member of the union that Scotland was thinking of leaving.

**Gavin Robinson:** It would have had an impact on you in your relationships with the United Kingdom and the European Union.

**Dan Mulhall:** Absolutely. I fully accept it would have had consequences for us, but we decided that it was not appropriate for us to make any statement. Throughout that campaign, I do not think there was a single lapse in that direction. We managed to maintain a dignified silence. I was occasionally pressed on this matter when I was in Scotland doing events during that period, but I scrupulously avoided any comment, as did our Taoiseach and our Government Ministers.

**Q153 Gavin Robinson:** On this occasion, then, is there some strategic self-interest or selfishness in relation to the UK, Ireland and the European Union?

**Dan Mulhall:** Strategic selfishness?

**Gavin Robinson:** Self-interest or selfishness.

**Dan Mulhall:** The fact is that we are a member of the European Union. The UK is seeking to negotiate a new arrangement within the European Union, with its fellow member states. That gives us, by definition, a direct interest and involvement in that matter. That is completely different from the Scottish situation, where we had role in the negotiations, or we would have had no role in the subsequent negotiations.

**Q154 Gavin Robinson:** It would have permanently changed the relationship of your friend and partner, the United Kingdom, and its relationship with the European Union.

**Dan Mulhall:** It would have changed the UK, obviously, and it would have had implications for us. The key difference is that, in this case of the European Union, we are a member of the Union. We have vital interests at stake, which are much different from those that would have been at stake in relation to Scotland, where the interest was indirect. We would have been affected by Scotland indirectly, because of the changes that Scottish independence would have made to the UK. Of course, it would have also raised the issue of Scottish membership of the European Union, which would have involved us. But those were indirect impacts. In this case, it is a direct impact, because we have been partners in that Union for the past 43 years.

**Q155 Gavin Robinson:** Can I pick up, then, on some of the trade comments you have made, particularly from Northern Ireland's perspective, because that is the remit of this Committee? Earlier, you gave a figure of €65 billion for trade across the Irish Sea last year. That was your phrase. I assume you do not mean with the United Kingdom, but with the entire European Union.

**Dan Mulhall:** It does include Northern Ireland, yes.

**Gavin Robinson:** But the €65 billion of trade is with the entire European Union.

**Dan Mulhall:** No, it is the UK. It is British-Irish trade.



**Q156 Gavin Robinson:** Do you mind saying where you got those figures from?

*Dan Mulhall:* They are from the Central Statistics Office.

**Q157 Gavin Robinson:** They indicate that it is actually half that, about €28 billion last year.

*Dan Mulhall:* No, I am sorry. I am talking about two-way trade. The two-way trade is about €65 billion.

**Q158 Gavin Robinson:** It is €16 billion and €11 billion for import and export.

*Dan Mulhall:* That is only for merchandise. It does not include services.

**Q159 Gavin Robinson:** I have them right here and I am reading out their figures. It is about half of what you have indicated.

*Dan Mulhall:* No, it is not. There is a confusion there, and the confusion is that you are not including services exports and services imports.

**Q160 Gavin Robinson:** Ambassador, I am looking at the import and export figures, broken down by country by the Central Statistics Office.

*Dan Mulhall:* Of Ireland?

**Gavin Robinson:** Of Ireland.

*Dan Mulhall:* It does not include services. Services exports are greater than merchandise exports. This is another reason, by the way, why we should be worried about the effect of Brexit. The interference with trade and the barriers to trade, insofar as they arise, are more likely to arise in the services sector than they are in the field of merchandise exports, which are much more fully regulated by international trade regimes. Services are now more important to the Irish economy. We export more in services than we do in goods. You are talking about the export of manufactured goods, whereas I am talking about the figure that includes goods and services.

**Q161 Gavin Robinson:** It is something that the Committee will have to pick up on, maybe in written form; these figures are worth probing. In the import and export of goods, the Irish Republic trades more with China, which is outside the European Union, than with Northern Ireland. It imports and exports more with Japan than Northern Ireland. It exports three times as much to Switzerland, which is outside of the European Union, than Northern Ireland. It exports more to Mexico than Northern Ireland. You would accept that it is perfectly feasible to have suitable trade deals outside of the European Union as a sovereign country.

*Dan Mulhall:* Northern Ireland is not a sovereign country, of course.

**Gavin Robinson:** For the purposes of this Committee, we have disaggregated figures for Northern Ireland. But there is nothing frustrating the Republic of Ireland, as a sovereign country, from having useful, beneficial and greater trade deals outside of the European Union, in many instances, than within. That is the point.



**Dan Mulhall:** 65% of our exports go to the European Union, including the UK.

**Q162 Gavin Robinson:** This is when you incorporate services. Actually, there are double to non-EU countries, compared to EU countries, when we are talking about goods.

**Dan Mulhall:** The figure I use is that 45% of our exports, roughly, go to the eurozone countries. About 15% to 20% go to the US; a little less, maybe 15%, to the UK; and then 20% to the rest of the world.

**Q163 Gavin Robinson:** This is why it is important to probe these figures a little and maybe get into a discussion.

**Dan Mulhall:** I am happy to supply you with the full figures here. The figure we use is more than €1 billion a week in trade back and forth across the Irish Sea. That is imports and exports, goods and services. That figure is actually more like €62 billion to €63 billion, as the figures have increased in the last couple of years, because our exports have really done very well in recent years as our economy has recovered strongly. By the way, can I remind you also that 37% of Northern Ireland's exports go to Ireland? We are a much bigger and more important market for you than you are for us.

**Gavin Robinson:** I accept that entirely.

**Dan Mulhall:** That is something that we should be trying to change, because the trade between Northern and Southern Ireland is less intensive than it should be between two neighbouring jurisdictions on an island. There is great potential for that trade and investment to grow in the future.

Let me tell you that I rejoice whenever I see an announcement of jobs being created in Northern Ireland. I do that for two reasons. First, it is a neighbouring jurisdiction and I think, "It is great that they are getting these jobs." I also rejoice because I know that some of the people who get those jobs in Northern Ireland will come south for a rugby international or all-Ireland final and they might spend a weekend in Dublin; or they might go to Donegal, Monaghan, Roscommon or wherever for a weekend break. It generates revenue and prosperity in my part of Ireland, and it is also good for the Ireland economy.

I also rejoice when I see the British economy doing well, because I know that we do well when the British economy does well. Likewise, I believe that people in Northern Ireland see that, if the Irish economy grows by 7%, as it did last year, it will mean there will be more sales made by northern companies into our market. That is a good thing for you and a good thing for us as well. We want to see prosperity all over Ireland, because we know that everyone benefits from that prosperity. Of course, that is part of the dividend of the peace process.

**Q164 Gavin Robinson:** Finally, I am going to give you the opportunity to finish on a positive for us all. If the UK decides to proceed with Brexit, following the referendum, will we have a helpful friend and ally in the Irish Republic, within the European Union, to ensure good trade deals, links and relationships?



## HOUSE OF COMMONS

**Dan Mulhall:** There will definitely be a positive attitude by the Irish Government. We will try to mitigate, as far as possible, any negative impacts from a British exit from the European Union. The key thing is that this will be a decision take by qualified majority of all the member states of the European Union. It will require 13 other member states to agree, and those member states have very different attitudes towards the world, towards their neighbours and towards Britain. Not everyone in the European Union has the same intensive, positive and friendly relationship we have with the UK.

Therefore, much as I would like to be able to claim that we could write this exit deal or the new arrangement for the UK with the European Union, I am afraid the reality is that it will be written by the collective wisdom of the member states. We will be part of it; we will seek to be as influential as we can to get the best possible outcome; but there is no guarantee.

**Gavin Robinson:** You will bat our corner for us.

**Dan Mulhall:** We will be answering Ireland's call, yes.

**Chair:** We will have to close the meeting now, but, Ambassador, thank you very much indeed.

**Dan Mulhall:** You are very welcome.