



Northern Ireland Affairs Committee

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

Wednesday 23 March 2016

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Written evidence from witnesses:

- [Northern Ireland Office](#)

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

Questions 770-859

Witness: Ben Wallace MP, Parliamentary Under-Secretary of State, Northern Ireland Office, gave evidence.

Q770 Chair: Minister, thank you very much for joining us. Before I ask you to perhaps make a brief opening statement, I am going to repeat what I said at the beginning of yesterday's session on Libya. I just want to repeat the Committee's deepest sympathies to the family and friends of those from Londonderry who tragically died a few days ago in that awful accident, and repeat the Committee's sympathies and shock at the events in Brussels. The Committee was in Brussels just last week. It is a terrible, terrible incident, and again I just want to put on the record our deep sympathies for all those involved and those connected.

Minister, thank you very much for joining us. As you know, we are looking into the implications for Northern Ireland of a possible Brexit. You are very welcome. Would you like to make a brief opening statement?

Mr Wallace: Thank you, Chairman, and thank you, Committee, for inviting me. We have submitted a written submission. I will let you cut to the questions, but first of all I am very grateful that my Government have given the people the opportunity to at least have a say in where they stand on Europe. It is about time that we reconfirmed our relationship with the European Union, and this Government have delivered on that manifesto pledge.

I and the Government are of the view that remaining in a reformed European Union does make us better off, safer and stronger. We are going to work over the next few months to persuade the British public that that is the course we should follow. Our membership is good not only for the United Kingdom as a whole, but for Northern Ireland. I will be



happy to answer questions on that and, as the junior Northern Ireland Minister, I will certainly be making the case across Northern Ireland over the next few months.

Q771 Chair: Thank you very much. Perhaps we could just start with that phrase you have used, as have many Ministers: a reformed EU. The Prime Minister went to Brussels to negotiate the UK's relationship with the EU. Does what he brought back represent a reformed European Union in the wider sense?

Mr Wallace: The first major reform—I was witness to it back in about 2013 or 2014, when the Germans originally resisted our requests—was in the area of ever closer union. That statement is within the treaties, and the United Kingdom had a commitment by implication of being part of those treaties. To me that reform is very welcome. Where Europe is starting to move at two different speeds, it is important that the United Kingdom exercises its right not to follow the ever closer union model, so that reform is one of the key successes that the Prime Minister brought back from the negotiations.

Q772 Chair: Ever closer union could be said to be just a slogan—a philosophy maybe. However, do regulations, directives and European Court judgments, which take place each and every day, not in effect bring about ever closer union?

Mr Wallace: When I have visited the Commission over the years, as a Member of the Scottish Parliament or as a Member of Parliament here, either on—as it was then—Scottish issues or constituency issues, the ethos of the Commission has been very important. If the ethos of the Commission takes a view that ever closer union is something that all member states are part of, it inevitably shapes how they define and create policy. We are changing that ethos by getting that statement, and that means in future we will be able to use that as a very good basis to either challenge decisions or, indeed, seek a different path. That is important. Ethos is important—the narrative of any organisation. Downing Street will have a narrative, as will political parties.

Therefore, that is a very significant change in direction. We know there are other people in member states, in the European Commission and in the European countries who have a different view of where they want to go in Europe. Specifically, one of the biggest characteristics of that is membership of the eurozone. We are not a member of the eurozone. I would never support membership of the euro and was actively against it way back in the early 2000s. We have that choice, and we have that flexibility that we are not in it, and therefore we can follow a path that is not ever closer union while remaining a member of the European Union. But we are letting the EU's eurozone members go on a different path, should they so wish. That is not something that only I agree with; I was looking at the Vote Leave campaign material this morning, and they seem to agree with that as well.

Q773 Chair: Okay. I have a follow-up question and then I will open it up to others. The written statement you put out said, “The Government is clear that leaving the EU will threaten the economic and national security of all parts of the United Kingdom, including Northern Ireland”. We touched on this when we interviewed Assistant Chief Constable Will Kerr along with George Hamilton. We more than touched on it; we looked at it in great



detail. Will Kerr said that there is the influence of eastern European organised gangs. He then went on to say the borders generally tend to be less and less relevant now when you know organised crime gangs can operate largely with impunity basically across the world. That is a rather worrying situation, and it is difficult to see how the EU protects us in that sense, is it not?

Mr Wallace: Our membership of the EU and Europol allows us to remedy it when events happen. I have personally exercised recalling of licences of some particularly nasty individuals, and they will be brought back to the United Kingdom jurisdiction to Northern Ireland to stand trial via a European arrest warrant. That has come in since 2004. I should think that everyone in this room can remember the long days of wrangling with Republic of Ireland courts to get people back into our jurisdiction, very often with unsatisfactory outcomes.

It allow us not only to bring people back to face the force of justice in Northern Ireland, but to get rid of some of those unsavoury characters that you, Mr Chairman, were referring to. For example, between 2010 and 2014 we have sent 153 individuals back to countries to face charges there for their involvement in either crime or terrorism.

I could give you an example of a Spanish terrorist connected to ETA. He was arrested in June 2010 under four European arrest warrants issued by Spain for 58 terrorist offences. I do not think anyone would want that individual in their country. We managed to arrest him and send him back, and he is now serving 51 years' imprisonment for terrorist offences. I think that is a successful use of the European arrest warrant and data sharing, which allowed us to home in on that individual, get him out of our jurisdiction and get him before a court. It works both ways and it does make us safer.

Q774 Chair: The Assistant Chief Constable, though, was referring to the possible problems—or at least I will refer to the possible problems—caused by the ease of movement. We certainly do not know what happened yet in Brussels, but we have had attacks in Paris and Dublin, which the Assistant Chief Constable referred to. Is it not the case that the largely free movement of people from countries that perhaps do not share our values is causing difficulties?

Mr Wallace: It is not something that has caused any more difficulties than it has in the past. Maybe some of the characters have changed, but, off the top of my head, the third biggest population of foreign nationals in UK prisons are citizens of the Irish Republic. Should we leave the EU, will we be closing our border to members of the Irish Republic coming to work in the UK, as they have done since 1924? Are we going to say that they can no longer come in? If we are trying to solve the problem of unsavoury people coming to the UK under free movement, there are an awful lot of borders that we are going to have to shut down.

Q775 Chair: It is not just the UK though; it is throughout—Brussels, Paris. We do not know exactly what is happening.

Mr Wallace: In this environment it would be incredibly wrong to speculate on the tragic events of yesterday. From my own experience in counter-terrorism, when I was doing that



job—working for politicians as opposed to being the politician—it is very clear you have to look at patterns and at what happens. If you look at the people who tragically caused the deaths on 7/7 in the United Kingdom, they were British passport holders. They were third or fourth-generation British citizens. Terrorists do not always need to import people if they already have them at home. We should recognise that it is not as straightforward as, “If we just ban freedom of movement, the whole world would be a safer place.” That would be incorrect.

Chair: Okay. Thank you very much.

Q776 Lady Hermon: Thank you, Minister, for coming at this early hour to give evidence. I do appreciate it. I am very curious about a report that was published yesterday in the *Belfast Telegraph* by a Mr John Mulgrew. The headline is, “Brexit would hit Northern Ireland harder than rest of UK says economic report”. Apparently this is a report from Oxford Economics that was commissioned by, I think, DETI. Presumably you have had an opportunity to read it.

Mr Wallace: I looked at it this morning because it seemed to appear at the last minute. I managed to get a copy this morning.

Q777 Lady Hermon: You are luckier than most of us. Would you like to comment on it? Would you just tell us a little bit about Oxford Economics perhaps? It is independent of DETI, presumably.

Mr Wallace: I did not commission the report, and nor did the Northern Ireland Office; it was DETI and the Minister—a DUP Minister, if I am not mistaken. It would be interesting to know whether he stands by the report as commissioned. The Oxford Economics report took nine models of different types of free trade agreements—a whole variety of models, and not just the ones we hear about, like Norway and Switzerland—and looked at how they would impact on Northern Ireland trade and exports.

The report found, from what I have read this morning, that Northern Ireland is particularly vulnerable to leaving the European Union, more so than the rest of the United Kingdom, under all nine models that it applied. That was because it is the only part of the United Kingdom with a land border with the Republic of Ireland, but also because of the exporting sectors that are so important to the Northern Ireland economy. Construction is one of the big exporting sectors of the Northern Ireland economy, as is manufacturing.

There are an amazing array of models. At the very least, it is an interesting read to see what types of free trade agreements there are around the world. It said Northern Ireland is particularly vulnerable to it and would see a contraction of its trade by 2030 that would result in job losses and a reduction in business. That is their report. They are the best people to answer for it, or indeed the Ministry that commissioned it. But I thought it was interesting reading and I would recommend that Committee members read it. It shows that, as the Government believe, Northern Ireland would not fare well by leaving the EU.

Q778 Lady Hermon: That is very interesting, because it contradicts evidence that we had at the very first session. I think it was Dr Graham Gudgin who gave us evidence. Is that not



right? Who was it then, Gavin? No, no—I think we received evidence that our future economic status in Northern Ireland would be very uncertain in the event of a Brexit, but this report, commissioned by DETI, does clearly indicate—I am reading here in the *Belfast Telegraph*—that “the UK economy as a whole is predicted to shrink in the event of Brexit, while Northern Ireland will retract at a stronger rate”. Of all the models that were used in this particular report, the whole of the UK would suffer but Northern Ireland would suffer worst of all. Is that the thrust of this?

Mr Wallace: Yes. Trade is very important to the United Kingdom wherever you are. I am a Lancashire MP. We need exports and access to markets. We need as few barriers to accessing those markets as possible. Often when people cite the EU as the barrier to trade, as I again read on the Vote Leave site, they have to ask themselves why Germany, a member of the EU, is probably the world’s best exporter, and one of the world’s largest manufacturers. They manage to do it and they are in the EU.

There are examples across Europe where we can show that member states have solved their problems but still manage to remain members of the EU. Why would you put more barriers in the way of your manufacturing base in this highly competitive world? By leaving the EU, you will put more barriers in the way of your export potential, not fewer.

Q779 Lady Hermon: Thank you. On a completely different topic, evidence was given to the Committee by a Queen’s University professor specialising in EU Law, Professor Dagmar Schiek. One of the comments that she made was that, in the event of Brexit, since the UK’s only land border is between Northern Ireland and the Republic of Ireland, border controls of whatever nature would have to be introduced because the Republic of Ireland border with Northern Ireland would become an external border of the EU. Could you, in your capacity as Minister with responsibility for security, say something about what you would expect to happen along the border with the Republic of Ireland in the event of the UK leaving the EU?

Mr Wallace: We can say for a fact that you would then be stepping outside the customs union. That is what you would do. You would be stepping out of the EU customs union. Therefore, that customs union would demand of its members, not of us—to be fair, not of us; it would be demanded of its members—certain safeguards on its borders. If you were to go to eastern Europe today, you would see that the edge of the customs union at the moment is not a particularly good place to do business. There are thousands of refugees and migrants on that border, and certainly it is not the intention of all those measures on the border to prevent trade, but nevertheless it does.

If we all remember the times of the Troubles, no one had border checks across the border of the south and the north for the sake of trade; it was mainly about security. But the impact of that, whereby drivers would wait for an hour and a half while someone like me searched their trucks, was an impediment to trade. It is just another example of barriers that we do not need to put in place. It will not return to the world of watchtowers and barriers, and we would be wrong to suggest that. Nevertheless, it would no doubt require paperwork or visas for some people. There is just a whole range of issues that would make it a little bit harder for business to do its business.

Lady Hermon: Thank you very much.



Q780 Chair: On the trade issue, though, a short while ago, when we were helping Ireland by lending them money, the Prime Minister said—I will paraphrase—that we export more to Ireland’s 4.5 million people than we do to the BRIC countries, covering a third of the world’s population. Why is that the case? Why have we not been able to expand trade beyond the EU more than that? That is a ridiculous situation. It may have changed slightly since then.

Mr Wallace: I do not think it is a ridiculous situation, but the question is not about the EU; it is about why Germany has managed to do it and we have not. Why are countries such as France probably busy investing in Iran or in the middle east at the moment? Why can they do it and we cannot? That is not a question for the EU; it is more a question for our industrial manufacturing policy and our export policy, and do we invest? I am guessing I will get questions about farmers. Why does Ireland have a higher milk price than the United Kingdom? Is it because of the EU? No, it is because Ireland has been very successful in developing overseas export markets for its milk outside the EU, whereas we have not. However, farmers in Ireland will complain that their beef prices are lower than those of UK beef farmers.

Q781 Chair: You tell me why that is the question.

Mr Wallace: It is down to domestic policies.

Q782 Chair: David Cameron has been Prime Minister for six years. Why is that still the case?

Mr Wallace: He has already increased trade to the BRIC countries. He inherited a pretty low base. He has increased trade in his time as Prime Minister, and the travel is all in that direction. William Hague did a spectacular job of reinvigorating our embassies around the world to be trade orientated. The UK, as part of the EU, is invigorated and trying really to lead the process of the EU-US trade treaty.

He has been growing it, but the reason across Europe it has not grown as fast as we would like is because protectionism is alive and well outside the EU. I worked for an aerospace company—I was the overseas director before I went into politics—and I had to open markets and go to the United States to try to sell our products. Protectionism is alive and well. If you ask people in a whole range of sectors what it is like to enter China and what it is like to sell into the United States if you are competing like for like, they will tell you that it is very hard. We have taken for granted the operating environment we have been in. It is not perfect in the EU, and there is still more to do in opening up the service sector. Like for like, I can tell you—I have first-hand knowledge of it—that bizarre rules appear in Congress that prevent us trading.

Q783 Chair: Do you therefore admit that the greater opportunities for trade and exports lie beyond the EU? They must do.

Mr Wallace: I would say further rather than greater. The best way to start learning to export is with your neighbours. If you are a Northern Ireland company and you learn not



to be frightened of exporting to the Republic of Ireland, the next step is the world. The next step is France and Germany.

Also, let us not forget the other issue, which is often forgotten. I worked in aerospace—high tech, very expensive pieces of UK advanced manufacturing technology. We have to find customers who can afford to buy our goods around the world. It is easier said than done saying, “Everyone in China just wants to buy our handmade suits or our amazing whisky that we export.” How many people in China can actually afford an £80 bottle of whisky? Matching our output with our potential customers is very important.

Q784 Ian Paisley: Ben, it is important that we thank your Government for allowing the people of the United Kingdom to have a say in this after decades of denial. It is important to put that on the record. Cutting to the chase, you asked the question “why?” The comparison between Germany and the United Kingdom just does not add up. Compared with Germany’s heavy manufacturing, our products are very different, so there are different regulations in terms of how you export.

Where we do heavy exports—take the bus industry, which I know a wee bit about—we have found it very easy to export those heavy products to Kowloon, to China, to Asia, and to the USA. It is exceedingly difficult, with the exception of the Republic of Ireland, to get them into any country in the European Union, apparently because of the regulations on exports to our friends. Looking at one of the things that we do want to export, could you predict when agri-foods from Northern Ireland will be able to be sent to China successfully?

Mr Wallace: My understanding of exporting agricultural products to China is that one of the areas that does well is powdered milk. Ireland have been very successful in that. I do not see why Northern Ireland dairy farmers and the Northern Ireland Executive, with the support of the UK Government, cannot learn from how the Irish have done that.

The other area is where they are suppliers. Pet food is an example. Something I did not know is that the UK is one of the biggest manufacturers of pet food in the world. It is incredibly successful exporting its pet food into the EU. When it gets to China, suddenly a whole load of health regulations appear that make it very difficult. That is not going to be solved by Northern Ireland on its own. It is not going to be solved by the UK on its own.

Q785 Ian Paisley: Really?

Mr Wallace: It is much more likely to be solved by a trading bloc of equal scale and might.

Q786 Ian Paisley: Your Government have been negotiating to try to get our pork products—our biggest market—into China every year since there has been a Conservative Government, since 2010. Trying to get a trade agreement on pork products actually goes back about 12 years now. Because we are part of the EU, we are successively failing that. Yet Chile, New Zealand and Switzerland all have individual trade agreements with China on their own for their own food produce. We cannot get our food into the biggest market in the world and Europe is not helping us. Why?

Mr Wallace: We are not the only pork producers in the EU. I should think that if I was sitting in front of a Danish committee—

Ian Paisley: They cannot get it in either.

Mr Wallace: They cannot either.

Q787 Ian Paisley: Why?

Mr Wallace: Are we more likely to get into China collectively as the EU or as individuals?

Ian Paisley: Twelve years says no.

Mr Wallace: I was part of the negotiating team for the UK-US defence tech trade treaty, which was a single UK to US treaty, and having been through those hoops it is my view that size matters. It is my view that, if we are going to have a hope of getting into China, it is better done with a twin-track approach, where the EU has the might to achieve a long-lasting agreement and the UK helps shape that because of its relevant interests.

Q788 Ian Paisley: The point I am trying to make is that it is just so uncertain. This EU thing is just so uncertain. It cannot deliver certainty about trade for us to the new markets that we need to get into. A point was highlighted last week by the Ulster Farmers' Union when we asked them about the meeting they had with the Prime Minister when he came to Northern Ireland. Wesley Aston said to us—and I am quoting directly from it—“We specifically asked that question: were we to remain within the European Union, what guarantees do we have that we will continue to have funding [for our farms]?” He said—and I continue to quote him, “His answer was that he will not be the Prime Minister by the end of the negotiations and, equally, he could not commit for a further Government”. The fact is that this EU project has so much uncertainty associated with it that there are no guarantees for our trading relationships and there are no guarantees for a specific sector like agri-foods.

Chair: Can we turn that into a question.

Ian Paisley: Do you agree?

Mr Wallace: I think that going out and trying to negotiate a range of individual free trade agreements around the world on a case-by-case basis with some very large, powerful economies is a far less certain option than staying within the EU. We have been in the EU since 1974-75. The reality is that we at the very least have access to 500 million consumers who are more likely to be able to afford our products than many of the others around the world.

Secondly, I was with the Prime Minister when that question was asked and answered. What I can say to the farmers of the United Kingdom is that the common agricultural policy's various guises over the years last a lot longer and are more stable as support for our farmers than UK Governments, which change every four or five years and could be



subject to the whim of the Treasury or the whim of the Minister of the day on a regular basis. It might be democracy, but the question is about stability, and the answer here, I would say, is that the CAP has provided a longer stability for our farmers than who knows what. As I say to my father-in-law, who is a farmer, “What do you think Margaret Beckett would have done with the single farm payment if she had been in charge of it? I can tell you it would not have lasted very long in your hands.”

Q789 Ian Paisley: No one should really seriously make an argument that CAP equals stability. CAP has been an incredible changing process since 1973 to the present day, and if you take the other component of it, the fisheries policy, it has been ruinous.

Let us move from farming to the issue of the border, because I want to have a couple of minutes with you. I welcome what you have said in your answer to Lady Hermon—that we are not going back to watchtowers and all the rest of it—because there has been a lot of scaremongering in that regard and it is good that you have been absolutely clear on that. It is absolutely right that the Republic of Ireland requires good trading relationships with us as its nearest neighbour. Getting to understand the relationship, could you tell us how many United Kingdom nationals live in Northern Ireland and work in the Republic of Ireland, and how many Republic of Ireland nationals live in the Republic of Ireland and work in Ulster?

Mr Wallace: I do not have that figure.

Ian Paisley: Could you get us those figures?

Mr Wallace: Yes, I can get you those figures, if we have them.

Q790 Ian Paisley: That would give us a handle on some things. Also, while you are doing that, could you get us figures on how many non-UK EU nationals live in Northern Ireland and how many non-UK EU nationals work in Northern Ireland? I know you will understand the difference. For tax reasons, it would be interesting to get a handle on the quantum of people really affected by the border.

Finally then, because I do not think you have those specifics for us, you are in the Remain campaign, so you have an agenda as well as being in the Government.

Mr Wallace: Yes.

Ian Paisley: I just feel that it has a real danger of overstating the flowery nature and the mum-and-apple-pie mood of the European Union. I read in the paper that we got this morning from you—I was quite surprised, Ben, that you put your name to this—that the EU has been successful and has been really driven to help solve the Iran crisis, the Russia problem, the Syria problem, Ebola in Africa and the climate change issue, all areas where frankly the EU has been impotent. Even in our own localised history, the EU failed the United Kingdom in the Falklands and could not get an agreed statement on that. The EU failed Northern Ireland specifically when we wanted to get weapons for the Royal Ulster Constabulary. The flowery language in this suggests the EU has been the saviour of all.

Chair: Question, please.



Ian Paisley: Do you not think you are overstating the case a bit?

Mr Wallace: On Iran, for example, I happened to chair the all-party group here for eight years, and Iranian sanctions only bit on Iran when both the whole of the EU and the US put in place a sanctions regime that prevented them evading it. I would certainly say that in that example the collective EU action on sanctions basically said to Iranians, “You might be quite happy at being able to evade US sanctions by using some safe harbours in the EU, but you cannot do that anymore.” When the US and the EU spoke together on sanctions, funnily enough China then started to do the same thing. On that level, I would say that was a success of the EU. The EU is not successful every time.

Funnily enough, one of the things about foreign policy in the EU is that it nearly always has to be totally agreed entirely together, because any one country can veto it. For those people who want to leave the EU, a large part of the debate is about sovereignty. You cannot have it both ways. When the EU comes to sanctions, it needs completely unanimous decision making in order to make the decision on whether it should go ahead. Unanimous decision making represents the ultimate sovereignty of the UK, because it means it can veto every single thing that the EU does, should it wish to do so. Sometimes the EU does not solve its problems for the right reasons. Member states veto something: “We are not going to allow you to do that. We have a different approach to Iraq”—or Syria or whatever else.

Q791 Ian Paisley: Has not the forum where that has really proved much stronger been not the EU at all, but NATO?

Mr Wallace: That is another unanimous decision-making body. We can be vetoed by Belgium because the North Atlantic Treaty Organization requires unanimous motions. It is a unanimous decision-making body, so any one of those members can veto any of its actions. It is exactly the same thing—no different at all.

Q792 Ian Paisley: It has been a little more focused on these areas and come to agreements much more quickly than the EU.

Mr Wallace: NATO has come to its agreements because we have pooled sovereignty with NATO. Under article 5, probably the greatest expression of sovereignty is to go to war—to commit men and women to die for your country. By signing the NATO treaty, under article 5 we are obliged to go to the defence of other nations. We do not have a veto on that; we have pooled that sovereignty. The only way we will get that sovereignty back is to leave NATO.

Ian Paisley: There is no question of that.

Q793 Gavin Robinson: Good morning. Minister, you said that the people of Northern Ireland have taken for granted the operating environment of the European Union. If that is the case, why are Northern Ireland exports to the mainland EU countries one twelfth of our total exports?



Mr Wallace: That is not the figure I have. I have 60% of Northern Ireland's exports going to the EU.

Gavin Robinson: That is not true.

Mr Wallace: 60%—£3.6 billion of value—goes to the EU.

Q794 Gavin Robinson: Two thirds go to the UK. One third goes to the rest of the world. One sixth is to the Republic Ireland, and the rest of that is to the EU. The figure has decreased in the last two years, but it is £1.5 billion to the remaining EU member states in mainland EU. Why do you think it is so small if that operating environment is taken for granted?

Mr Wallace: I would probably dispute your figures. It is a significant, large amount that is exported to the Republic of Ireland and elsewhere in the EU. I was visiting Thales, the Anglo-French company. Is it in your constituency?

Gavin Robinson: It is indeed.

Mr Wallace: A huge amount of its components, its workforce and its skills are exported into the rest of the European Union. The figure I have is obviously different. I am happy to provide it to you. The other part of it is two-fifths of all foreign direct investment into Northern Ireland is from Europe as well. It is important to recognise that people are investing in Northern Ireland for a range of issues: the high skills base, the quality of life on offer, but also the access to the market of 500 million consumers able to buy their goods or buy their services. That is the other part of it.

Q795 Gavin Robinson: Minister, £3.8 billion manufacturing sales in Northern Ireland; £8.23 billion to the rest of the United Kingdom; £3.1 billion to the rest of the world; yet £1.4 billion to the Republic of Ireland and £1.5 billion to the EU remaining countries. I am asking why, if the operating environment has been taken for granted, the proportion of our exports is so small. Those are DETI figures, not mine.

Mr Wallace: I just refer you to the DETI/Oxford Economics report, which came out last night. My figures are different. My view is that if we are seeing a decrease in exports from Northern Ireland to anywhere, that is of concern. The Oxford Economics report showed that Northern Ireland is very dependent—more so than the rest of the United Kingdom—on foreign direct investment. That is the model it has. Therefore, we have to make sure that what is being invested in Northern Ireland enables us to improve our export figures as well.

Q796 Gavin Robinson: Minister, this gets us to the point where it is unhelpful—and this Committee is about gaining evidence—to overinflate an argument. When the export figures are so small, you should not overinflate it to suggest the consequences are so great. Similarly, this Committee has taken evidence that suggests the 8% GDP downturn that Northern Ireland could expect is actually a cumulative guesstimate accepted by the



economics academic who gave those figures. Is there a danger, in your view, of overinflating the consequences of either decision in this debate? Is it best to proceed on an evidence base?

Mr Wallace: The first part of that statement was about overinflating the estimated downturn or shrinkage. It is clear from this report—published since you heard that evidence—that Oxford Economics agrees that there will be a downturn. It talks about variations in the impact of UK exit from the EU by sector. On average, the two most vulnerable sectors are construction, down 4.9%, and manufacturing, down 4.1%. It says that there would be a reduction in output as a result of leaving the EU as well.

We can debate the figures about scale. Why should we want any downturn in our exports from Northern Ireland at all, whether 2%, 1%, 8% or whatever? I do not want shrinkage at all, and I still believe that most of the challenges that member states face about improving their export performances in the EU are down to the Governments of the day. The proliferation of socialist Governments across continental Europe may be a reason why their economies are not performing very well, rather than their membership of the EU.

Q797 Gavin Robinson: How able are we to control that environment?

Mr Wallace: We will not be able to control it whether we are inside or outside Europe. If we leave Europe, Europe will be designed by France and Germany to exclude us. I do not want a huge economic power on our doorstep that is designed without our interests in it.

Q798 Gavin Robinson: The last two years we have had a downturn in trade exports to the EU. That is a matter of fact. That is from the DETI figures. What you are talking about—the governance in Europe—is not something we can control. Do you accept that?

Mr Wallace: No. I am saying that if I was to accept your figures—that we had a downturn in exports—there are three places to go for that before you say, “It is all down to being a member of the EU.” I suspect that it might be a mismatch of skills. It could be a mismatch of foreign direct investment. It could be policies followed by either HM Government or the Stormont Government, or indeed negative effects from outside. There are lots of reasons why people take a downturn on exports—if that fact is the case.

Q799 Gavin Robinson: When you go back to the very start of this, it is maybe overinflated to suggest that we are taking the operating environment for granted if the benefits are not as strong as has been suggested.

Mr Wallace: No. People go on holiday and they come back and tell you, “I had to wait ages at the yellow line to get into America.” We forget how other countries operate. We forget that you have to have permits and visas, and very often you have to have controlled environments. In my background of aerospace, there are comical tales of how the UK citizens at BAE, one of the largest investors in joint American projects, are sent out of the room because they do not have the necessary clearances in the United States to discuss the technology that they invented but the United States has IP control over. We have forgotten what barriers to trade are like.

Coming back to Mr Paisley's point about getting into China, there are frustrating barriers out there in the world, and in many areas we have forgotten. If I want to go and sell something tomorrow morning in Germany, so long as I can speak German or they can speak English it is pretty straightforward. You try selling something into California.

Q800 Gavin Robinson: I want to just pick up on a separate issue with you, if you do not mind, Minister. The Deputy First Minister of Northern Ireland has suggested that if Northern Ireland were to vote to remain and the UK as a whole chose to leave, that would spark a border poll. Can you helpfully outline that there is no way in which the Deputy First Minister can call for a border poll? That is a matter that rests with the Secretary of State, and only if there is likely to be agreement.

Mr Wallace: I agree with that. The final authority on that does not lie with the Deputy First Minister. I would perhaps say one thing about this, and I am afraid that it is aimed, in particular, at Unionist Members in this room. I started my political life as a Scottish Conservative and Unionist. I served my first four years in politics in the Scottish Parliament. There are certainly parts of the United Kingdom that should, in my view, were the United Kingdom to seek to leave the EU, vote differently for their history. For example, Scotland has historically always found comfort in neighbours other than England, because of its history. The SNP has done a particularly good job at demolishing the brand that is Westminster. They wanted to join the euro; they would rather have Frankfurt controlling their currency than the Bank of England. It is my belief that, should the United Kingdom vote to leave and Scotland votes to remain, there is a very real threat that the UK would break up. Certainly Scotland would leave the rest of the United Kingdom.

Q801 Gavin Robinson: Is it your belief that if all four constituent parts of the United Kingdom voted to remain, the Scottish nationalists and Irish nationalists would give up their desire for independence?

Mr Wallace: No, I do not think they would. The difference is that we are talking about one scenario that could. I do not think they would give up, but they would be even weaker in terms of achieving their goal.

Q802 Gavin Robinson: Nicola Sturgeon has already indicated at their spring conference three weeks ago that she will push for independence come what may.

Mr Wallace: She can push all she likes, but if the population do not agree with her she will not get it. However, if the population were to agree with her, they would get it. I would venture that if the United Kingdom were to seek to leave, Scotland would seek to remain because of its long history with continental Europe and this view that Westminster is irrelevant to many of their people's lives. It would embolden her case that she would not seek to exploit and could very well get her way. As a Unionist, I do not want to risk that. I love the United Kingdom. I want it to remain the United Kingdom, including Northern Ireland. Therefore, one of the major factors that weighed in my mind about why we should remain in the European Union is that I want the United Kingdom to stay together.



Gavin Robinson: Thank you for that, and I am sure we can debate that on another occasion.

Q803 Chair: Before I bring Oliver in, on that point, Minister, when we were in Brussels last week it was made very clear to us that if Scotland left the United Kingdom, it would leave the EU. It would be rather a strange decision to take to do that if they are professing that they want to be in the EU. We were told that it would take a long time for their application to be processed. There are no certainties about that, but that was very clearly the impression given to us. That would be a perverse decision for them to take.

Mr Wallace: I have used that argument and I believe that argument: that the narrative the SNP tell the people of Scotland—that it would all be very easy and they could simply join the EU next Tuesday—would be not true. There is everything from the treaty of Vienna to a whole range of scenarios. There is the Spanish vested interest in not allowing that to happen. These are facts.

However, if we look at the referendum result, there are an awful lot of people in Scotland who did not believe my argument or many other people's arguments, and we have to deal with the reality of what some of the people of Scotland are seeking to achieve, rather than the nuanced debate about legal treaties and membership of the EU. Would you have to wait seven years? Would you get it automatically? There are all those issues. Would Spain veto or not veto? Those are all arguments I have cut my political teeth on and I totally believe in. The SNP certainly do not accept our view that the Scots would not be able just to join the EU the following day. They would say, "That is not true. It can happen." They cannot produce any examples.

Q804 Chair: They also depended on the oil price, so I do not know how much we should take their view on these issues. The very clear message from the EU is that they would not be members and it would take them some years to become members, if indeed they ever became members. The point I am making, regardless of what the SNP say, is that that seems to be the reality of the situation. Surely we have to base judgments on the reality rather than what one nationalist party says.

Mr Wallace: The reality is that the SNP has grown from a fringe party to the major party in Scotland, and its vote share going in that direction shows no sign of abating. That is a reality. It even broke a PR system in Scotland designed for no one party to rule. All the academics said that could never happen. The reality is that Scotland has had a referendum that they said would never happen, and in the end it was closer than people had predicated. Luckily it was not close enough, but the reality is that the thirst for nationalism has not gone away. Remember the phrase from the Labour party that devolution would kill the SNP stone dead. It is the most amazing resurrection I have ever seen.

Chair: I refer you to my maiden speech, in which I said the opposite.

Mr Wallace: Exactly. My point is that I am a Unionist. I want to safeguard the United Kingdom. I do not want to put that at risk. I believe the risk increases if we leave.



Q805 Oliver Colvile: Minister, thank you very much for coming to see us. Could you just explain what the implications would be for security, both for the United Kingdom and in Northern Ireland, should we end up leaving the European Union?

Mr Wallace: There are two parts to it. One is the basic mechanisms that we currently have—the simple tools in our toolbox—such as the European arrest warrant, membership of Europol and the data-sharing ability that people feel has a safeguard; they can do it because we are in the EU. Those tools would disappear. Some could be replaced, and some no doubt could be renegotiated, but of the pretty much total co-operation we currently have on counter-terrorism—it is not on everything, but it is on counter-terrorism and elements of organised crime—certainly in the short to medium term we would lose some of those tools from the toolbox.

On the greater issue of having a common cause to defeat terrorism, I do not think anyone in Europe would not help us to defeat terrorism, but I know from my personal experience that, when you sit in rooms on a day-to-day basis, it is not at the politicians' level that you forge trusting relationships that can be transferred from this room into another room. You might be in here talking about a European arrest warrant and then you meet your counterparts and you have a day-to-day working relationship with the French intelligence services and the Germans. That is how you create what I would say is genuinely a special relationship.

What I see with the Garda Síochána is that it is not the very top, formal structures that make them work together; the lack of barriers in their communication, their working groups and just their relationships is what really strengthens the trust that is required to deal with terrorism and share intelligence. I remember when no one trusted each other on either side of the border in Northern Ireland. I was there on some of those occasions and I can tell you—there was no European arrest warrant and so on—that it was a lot harder. Everyone agreed to help but it was just not the same relationship.

One is about the tools we would lose. Some we could replace. Some of it is about just being able to sit together on a Tuesday in the European Union and on Wednesday sitting together with half or two thirds of them around the NATO table. That is how you create a proper, strong relationship to deal with those issues. They would be weakened if we left the EU.

Q806 Oliver Colvile: You are saying really that the chemistry of trust would end up being compromised in all of this.

Mr Wallace: Yes.

Q807 Oliver Colvile: Do you think the European arrest warrant has been a great success for Northern Ireland in trying to bring people to trial?

Mr Wallace: I do not exercise the European arrest warrant—that is a matter for the PSNI—but I do exercise the decision to recall people on licence who have breached their licence, and if they happen to be in the Republic of Ireland or living in Spain or France or



Germany, once I have exercised that the usual course is to bring them back on a European arrest warrant via the PSNI.

Q808 Oliver Colvile: You are no doubt aware that I have been launching a little campaign to have Rita O'Hare brought back to this country. This is a woman who skipped bail, went to southern Ireland and then ended up being Sinn Féin's representative in the United States of America. I have been calling upon the PSNI—the chief constable—to use it, but I am told that he cannot do so, or he does not think there is enough evidence to do it. If there was enough evidence to have her arrested and put on trial in the 1970s, what has changed, apart from potentially some witnesses dying or something like that? Frankly, I do not understand why that has happened. Do you think you might be willing to have a chat with the chief constable, find out what the reasons are and then come back and tell us?

Mr Wallace: First of all, the other day when I was signing a revocation of licence or bringing someone back from licence, and it said in my brief, "This individual will be brought back under a European arrest warrant", your name sprung into my head.

Oliver Colvile: Good.

Mr Wallace: I thought about how easy what I was doing was, and I wondered about my colleague and his case. However, the line between a politician and the operational freedoms of our police force should be strong and separate. I cannot interfere with the operational decisions of the chief constable. I know you have made a very good case to the chief constable. The man who can answer that is the chief constable. He came to see you, I think.

Oliver Colvile: I do not think he has been to see us here.

Chair: We do see him regularly.

Mr Wallace: I think you saw them when you were in Northern Ireland the other week. I am afraid I am passing the buck, but he is the individual to answer that question. The fact is that he does use it for other cases. The PSNI uses it. We have sent away 153 and we have brought back 25. That is quite a good net sending away, frankly.

Q809 Oliver Colvile: I am very concerned, if I am honest with you, that there might have been some kind of political discussion from Whitehall or Westminster to them saying, "This is too difficult an issue. This is going to have real difficulties as far as the peace process and things like that are concerned."

Mr Wallace: I have never had that discussion.

Oliver Colvile: I am delighted to hear it.

Mr Wallace: A bit of paper has never been put in front of me with that. Nothing like that has happened. I saw the correspondence when you wrote to the NIO and I saw the reply, which was, "I'm afraid it is a matter for the chief constable." There is nothing in there that said, "Minister, we did not do that because..."—and this Minister would not be keen to do that.



Oliver Colville: Would you encourage the chief constable to come to see us to talk about this again?

Chair: We have to move on from that point.

Q810 Dr McDonnell: Thank you very much, Minister, for being here and for the very strong flow of information. A couple of the things that I want to talk about have just been picked up. I was going to discuss the Scotland situation, but I do not think there is any need to go into that further. On the security front, should Britain leave the European Union? I know we are guessing at all these things—we are speculating—but would it be possible to sustain the current robust relationship across the border with Northern Ireland and with the Garda? I am interested in this because this Committee made its major contribution to visiting Dublin, working with the Commissioner of the Garda and all the rest. That has been a tremendous improvement because, quite frankly, the Provisional IRA succeeded 30 or 40 years ago by playing one off against the other because of the differences.

Mr Wallace: In the short and medium term, that relationship would stay the same. I do not believe there would be a downgrading of our relationship with the Garda Síochána if we left the EU in the short to medium term, and I say that because our relationship with the Republic of Ireland runs very deep and very long. The idea that suddenly they are all going to be strangers is not going to happen, but people retire; we would be at fewer joint meetings of Europol; we would not be in those situations to develop the new relationships in the same way; and we would have fewer tools that we jointly agree on using.

In one sense, at an emotional level, we have got to a very good place compared with the past, and there is good will on both sides to continue in that direction whether we are in the EU or not, and that is important. However, there is a range of areas where that would just weaken as relationships got older and newer people came in. We would inevitably not be in every meeting in the EU when it comes to crime and organised crime and terrorism, because we would not be in it. That fabric that intertwines us would be slightly weakened.

Q811 Dr McDonnell: There are a couple of things I want to double-back on, if I may. On the specifics when we talked about the Northern Ireland exports—two thirds to the rest of the UK, one third to the rest of the world, and the 6% or whatever—are you not really saying that Northern Ireland is not very good at exporting? Is that not the bottom line?

Mr Wallace: No. I was accepting that, if Mr Robinson's figures were correct, which I dispute at the moment, there was a decline in exporting. I was suggesting there is a range of organisations and Governments that we should ask questions of regarding why they have declined before we just blame it on general membership of the EU. The 7.2% growth in the Republic of Ireland would demonstrate that its economy has apparently grown despite being a member of the EU. Maybe it is decisions that we have made that have not matched Northern Ireland's needs. That is if that is the case.

It is still something we should always examine anyhow, whether we are going up or down. We should constantly strive to improve our offering in Northern Ireland for exports. We should strive not to be too dependent on one product or another. We should strive to diversify our economy so that it is not too Belfast-based and so that it spreads. We should

do all those things. We should seek every day to remove barriers to trade internally, externally, internationally.

Q812 Dr McDonnell: I get frustrated with regard to the dairy industry, because as you rightly said the milk price in Northern Ireland is lower, but that is largely because we have concentrated on liquid milk a lot of the time, rather than processed milk or dairy produce. Whether we are in the EU or out of it, how do we get that engine running to move towards more processing rather than dependency on raw liquid milk?

Mr Wallace: You are going to get my views on farming. I am married to a farmer's daughter. I will probably be lynched when I get home. Agriculture as a whole is a very broad brush. There are family farms, medium farms and large-scale farms. There is dairy and pork. If you are a pork farmer, you have been used to something called the pig cycle for decades. You have been used to the fact that pigs become very attractive in price and everyone buys into them. Because pigs have litters of about eight piglets, suddenly the price collapses because there is an over-supply. It goes up and down like a yo-yo. They all say, "Dairy farmers do not know they are born. We have lived with this for 30 years." Dairy farmers will say, "We have to invest a large amount into our dairies. It costs a huge capital outlay when the processors are not passing on the milk."

The difficulty for the dairy farmers is the range of type of farmer involved in dairy—this is my view, and it is the same in my constituency—is so vast that it ranges up to some mega farms that are now developing that produce milk in massive volume. My nephew milks on a farm that has a 1,000 head of cattle, I think. The cattle do not even go outside. Compare that with a dairy farm in my constituency of 90 or 120, run by the father and son. You are getting a growth in milk production. If my memory serves me right—I stand to be corrected—two years ago as the price of million started to go down again, because we had a spike, milk production increased by 9%. If you do that with falling prices, what will happen to the price? It will carry on falling, and who is going to take the hit? The small and medium families, like the family I went to meet with the Prime Minister.

The challenges to farming are nearly all about world commodity prices and how we cope with that. In the past liquid milk was more resilient because it was fresh—you could not just import fresh milk suddenly. Now it has become much more of a commodity, like some others, and that is a very difficult place for family farms to be in, with large cattle outlay required, not knowing their future. That is something we all need to look at. The EU, the UK, Northern Ireland and DETI should look at where we can give the support to the people who need it most.

Q813 Dr McDonnell: On the whole question of trade—and we talked earlier about Scotland re-joining next Tuesday or whatever—every argument has two sides to it, and every argument is a two-edged sword. The argument regularly put forward by those who wish to exit is that we can withdraw and next Tuesday we can cherry-pick everything that is out there and have all the trade agreements in place that will last us. That is not true. It does not work. I know we are talking to you primarily about Northern Ireland, but in the broader brush how do you see the thing rolling out? If Britain votes to leave, where are we? There is a two-year window to arrange the exit, but all the information I have suggests that it could take eight or



10 years to negotiate all these individual agreements with nations across the world. Have you any comment on that?

Mr Wallace: There has been a lot of debate about positive and negative issues. The best answer is that that is not for me to answer. It is for those who want to leave to answer how they see it and for people to test their answer. It is not for me to speculate. I know what remaining in the EU looks like because we are in the EU. I know what a reformed EU is going to look like because of what we have brought back in the agreement. I am afraid that the best answer I can give you is that it is for them to explain and it is for you, perhaps, to scrutinise their answer.

Q814 Dr McDonnell: Just mentioning reform, do you see the reform as set in concrete at this stage or do you see it continuing to evolve?

Mr Wallace: It will continue to evolve. Britain and the United Kingdom will still be, I hope, asking the tough questions—a bit of the awkward member of the family. It is not the case that, if we vote to remain, we are all suddenly going to join the euro or join a federal Europe. That is just a complete myth. We will still use the treaties and the relationships and the voting and everything else that we use in the construct of the EU to try to fight for the United Kingdom's interests within the EU, even if that means it upsets our neighbours the French and our friends the Italians; we will still do that. Reform has not gone away. That is the direction and, as we can see in Europe, Britain and the United Kingdom lead public opinion that is matched in Europe. There are a lot of people in Europe who agree with the direction that the United Kingdom wants to go in.

Q815 Dr McDonnell: One very quick question: do you think it would help if the UK were to populate the Commission and the various upper staffing opportunities that there are in Brussels? My understanding is that the UK has less than a third of its pro rata staff there because basically there is no great urgency to take up the positions.

Mr Wallace: This goes right back to my time on the Scottish Parliament's European Committee. We could still improve and learn a trick from how the French and the Germans shape the narrative in the EU so that, by the time they get to decisions and policy, they have already shaped that decision. The more members of the United Kingdom and Northern Ireland civil services and local government who can go and work in the European Union, the better we will be at doing European politics and policy.

Q816 Danny Kinahan: Thank you very much for coming here today. When I am knocking on doors at the moment and talking to people, what they want is accuracy, so the facts and the figures. How do you see us being able to ensure that, remain or exit, someone is given a fair view of what is right? I have a CBI document here that says that in the optimistic scenario GDP will be 3% lower, 550,000 jobs will be lost and 2,100 GDP per household will be lost. Then there is a worse one. How do we get the right information in a way whereby flowery language, as one of us mentioned, or scaremongering does not frighten everyone off?

Mr Wallace: The difficulty is that both sides will cut statistics their way. When you are talking about exports, some people talk about value, and some people talk about volume.

What are we talking about? Are we talking about volume of exports or value of exports? Depending on how you do the statistics, you can make a strong case based on a true statistic, knowing that 99.9% of people are probably ignorant of the fundamental difference of what volume and value mean in exports. I probably do not. I would have to go and look it up.

That is why the European Union debate needs more than just the statistics. It needs the narrative to go alongside it that says we can argue about whether 2014 or 2015 shows an increase or decrease in exports or whether those exports are in the construction sector, but what do we get in return for our membership of the club called the European Union, and in general what do we get? What do we get in our cultural experience? What do we get in our position in the world? What do we get to achieve? The other answer, I am afraid, for people who knock on the doors, is: “You are not going to believe me if I come out with statistic A. If I am wearing a ‘Remain’ badge, you will say, ‘You would say that.’ If I am saying ‘Leave’, you will say, ‘You would say that.’”

The role of the media is important. I brought along *The Daily Telegraph* analysis of how much we net contribute to the EU. *The Daily Telegraph* is often not a great fan of the concept of the EU. If a Eurosceptic newspaper is telling me that the net contribution is £6.1 billion, I will believe that. I read the Vote Leave thing this morning that said the eurozone countries should be left to get on and the UK should not block the eurozone countries from greater integration. If they say that and I say that, that is probably the right thing.

At the end of the day, it is important that both sides make a positive narrative explaining their views. For all the allegations, the Government’s “better off, stronger, safer” is a positive statement. You might not agree with it, but it is a positive statement about why they want to remain in the European Union. It is a referendum. My vote is as important as everybody else’s. There is no difference. We are just the same. The public will need to go out and take advantage of the BBC, the *Telegraph*, *The Times*, *The Belfast Telegraph*, the *News Letter*—everywhere—and absorb it.

Q817 Danny Kinahan: Just to follow on from that, when we met at an APG, one of the CBI members there had been rung by the Leave campaign and told not to make a political comment on it. Do you agree with me that it would be better if everyone, wherever they come from, was able to make their statements freely? No one should be stopped from commenting.

Mr Wallace: It is called the regulated period, isn’t it? Once they designate the camps in a referendum campaign, the third parties cannot campaign as the third parties. I am comfortable with the idea that you have a Leave and a Remain and it is just that. In the lead-up we are seeing all these reports from a range of individuals, and that is perfectly right. No doubt during the campaign people will refer to the CBI saying this and the head of JCB saying that. That is what will happen, but in the actual campaigning activity it is probably right that we do not.

Q818 Danny Kinahan: Sovereignty and migration are what most people ask about on the doorsteps. Sovereignty: “We are fed up with being told what to do.” Migration: “Look at the

mass of people who are going to come in through the borders.” Would you comment on both of those?

Mr Wallace: We are not in the Schengen agreement. We have opted out of the Schengen agreement. It is clear to everyone that the European Union has a real challenge in how it is going to deal with the Syrian crisis. What seems to be lost in a large part of this is that many of these people coming from Eritrea, Syria and Iraq are coming to seek asylum. They are coming to seek refuge here. They are not coming on an EU work permit. They are coming to seek asylum. We have a multitude of UN obligations that means, in or out of the EU, if those people get to our borders we have to give them asylum.

I will list them, because it is important and it ties into the sovereignty debate. There is the 1951 Geneva convention relating to the status of refugees and the 1967 protocol. The 1948 universal declaration of human rights recognises the right to seek asylum from persecution in other countries. The 1984 Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment prevents us deporting people to a country where torture or degrading punishment takes place. The 1989 UN Convention on the Rights of the Child requires that all children, including the children of asylum seekers and refugees, must be given refuge should they get here. That is a UN obligation. We would still have to let those people into our country and give them refuge if they make it to our borders. I am not sure whether it is if they make it to our embassies. I do not know that, but certainly if they make it to our borders.

The question here is about getting to our borders or not. To not take all those massed people we see at the borders would mean we would have to break our Geneva convention obligations. We are lucky that we are an island and they do not get to us; they get to Macedonia and everywhere else first. What if they do get to us? We have to do that. We are lucky that we are an island, but nevertheless we have given away our sovereignty on that issue by signing those conventions. Are we to leave the UN? If we want 100% sovereignty in this place, we have to leave all our international treaties. We have to do away with article 5 of NATO, because we cannot possibly do that because it is automatic; we have pooled that sovereignty. We would have to leave the UN on those conventions, otherwise we would not be able to say no to who we want. It is far more complex than simply saying that the EU is the cause of all the immigration problems.

Q819 Danny Kinahan: My last question is on a different matter. Would you go into detail on TTIP? TTIP, we hear from some people, is going to damage us, particularly from the health side. On the other angle, we are told it is going to bring in £10 billion to the EU.

Mr Wallace: My experience of trade and trade barriers is that it suits large corporations. The people who are against TTIP in my view have it back to front. Boeing and Airbus love hard markets to penetrate, because these corporations are big enough to have compliance specialists and banks of lawyers to make sure that only they can enter that marketplace. Their competitors, if they are small or medium, do not have a chance.

TTIP, contrary to some of the completely hysterical allegations about it, is about removing barriers to markets. It is not about dumbing down safety standards. It is not about allowing tobacco companies to force Governments to do things. It is about removing barriers so that, if you are a widget manufacturer in Ballymena and you want to export to



the United States, some of the tariffs that currently exist do not exist anymore, some of the unnecessary regulation does not exist anymore and you can trade more freely. The people who will quietly rejoice about the end of TTIP would be those multinational corporations that the anti-trade lobby seem to dislike so much, because they could carry on setting the rules in the big countries and excluding the medium and small companies. TTIP will be good for Northern Ireland.

Chair: Thank you. Before I bring Kate in, there is a minute's silence at 11.00 to remember those who were killed in Brussels. The Division bells will ring. If we are still running, we will stop to have that minute's silence.

Q820 Kate Hoey: Thank you, Minister, for being here. I will not go into TTIP, but I must say that I totally disagree with your analysis of it. It would be quite useful to get just very short answers to a few things so that we can get rid of some of the scaremongering. Do you think it is scaremongering to suggest that the peace process would be put at risk if the United Kingdom voted to leave the European Union?

Mr Wallace: I do not know who has made those claims in that phrase. I just do not think it would be put at risk if we left the EU.

Q821 Kate Hoey: Thank you. You mentioned Europol and the arrest warrant. Do you agree that there would be nothing to stop us still being part of Europol?

Mr Wallace: I can refer you to the quote from the British director of Europol, who basically said it was not straightforward. Let me just read it out. Certainly we would lose the European arrest warrant and that would be a backward step. The director of Europol stated that, if the UK is no longer a member of the EU, it would not have the same access to the well-regulated, well-developed capability and therefore it would make it harder for the UK to fight terrorism and crime. We would not get exactly the same membership of Europol, I am guessing. This is I guess—we could have an affiliate membership or something.

Q822 Kate Hoey: Do you not agree that we could in fact remain part of the European arrest warrant if we chose to?

Mr Wallace: I am not aware that we could. I could try to get some clarity for the Committee on that.

Q823 Kate Hoey: Yes. David Anderson QC, the independent reviewer of terrorism legislation, said, "We could still have tools like the European arrest warrant and sharing of databases".

Mr Wallace: I do not know. If you look at the safe harbour legislation that the EU had—the relationship in sharing data with the United States and the rest of the EU—there are so many disagreements within the EU member states on safe harbour and its practise, and a very clear delineation between the EU members states and other countries when it comes

to data. I would say that, should we leave the EU, we would have a downgraded relationship of data sharing, simply by the way they have currently structured much of their legislation to protect data. That would be the case.

The other thing on the European arrest warrant is that it would require, however, the agreement of all the other member states for us to continue. We would be entirely in their hands as to whether we could remain in it, if it is the case that we could ask to remain.

Q824 Kate Hoey: Do you agree with the former head of counter-terrorism, Richard Walton, when he said recently, “Europol is largely irrelevant to day-to-day operations within the counter-terrorism sphere. Success in countering terrorism does not depend on any of us being members of a particular club. It is simply achieved through international collaboration”.

Mr Wallace: I fundamentally disagree with that. One of Britain’s strengths since the war has been membership of a club called the Five Eyes—a very important part of our intelligence capability. If the former director of counter-terrorism says that, I would venture he is wrong. I say that in the strongest terms, from my own experience.

Q825 Kate Hoey: Do you agree that, if we were to leave the EU, everyday co-operation between the Police Service of Northern Ireland and the police in the Republic of Ireland would continue as normal?

Mr Wallace: It would continue as normal in the short term. For the examples I gave, relationships are incredibly important in security and intelligence work because they build trust. There would be a detrimental effect on that relationship in the long term simply because we would not forge the strength of relationships we currently can.

Q826 Kate Hoey: You mentioned Scotland. You seem to feel quite strongly that the issue of Scotland was relevant to Northern Ireland. Do you accept the Edinburgh University study that found that, by 55% to 45%, the Scottish public think the referendum should be decided by the UK population as a whole and that the Scottish public should not have a veto?

Mr Wallace: That is not the same line of questioning about whether it would lead to the break-up of the United Kingdom. I believe that when we decide something as the United Kingdom, we decide something as the United Kingdom. I am a Unionist. That is what I believe, and that is what all the parties in Northern Ireland have signed up to under the Belfast agreement. Being a Unionist, you win some, you lose some. That is what we all do, I am afraid. We do not always get the political parties we want from our voters. The reality is that I agree with that—the United Kingdom will make the decision—and that is why this Government have resisted this idea of component part veto on it.

On that issue of how the referendum should be conducted and how the result should be decided, I totally agree with that report or the poll. Will the implications of different decisions have an effect on the strength of the glue that sticks the United Kingdom together? It will have an effect. It will not have an effect on Northern Ireland but it will have an effect on Scotland, and a United Kingdom without Scotland will be a much

weaker United Kingdom. That is why I went into politics; I did not want Scotland and the United Kingdom to break up.

Q827 Kate Hoey: You accept that there are substantial numbers—in fact the percentage keeps going up—of Scottish people who wish to leave the EU. It is not a big majority now for the people who wish to stay.

Mr Wallace: No, I do not disagree with that, but a substantial number of people want Scotland to leave the United Kingdom. If those people believe that you can leave the United Kingdom and leave the EU, the United Kingdom will be the worse for it. I used to represent North East Scotland. There are probably quite a lot of Eurosceptic SNP voters up there, although the SNP will not admit it. Remember their order of priorities. The SNP's order is the break-up of the United Kingdom and the independence of Scotland. That is their number one priority. They will sort out the EU thing afterwards.

Q828 Kate Hoey: That is very much what my colleague Gavin said: if everyone votes to stay in, will that stop the move towards independence? It will not.

Mr Wallace: I hope everyone votes to stay in. You could convert, and I hope you all stay in, and we could pop the SNP's ambitions in a single moment.

Q829 Kate Hoey: You think that will stop the move towards independence by the Scottish National party?

Mr Wallace: It will not stop their desire, but the public opinion may be more tempered by saying, "I feel Scottish. I feel part of the European Union. I do not feel the need to break away. I do not feel a massive difference between me and the people south of the border."

Q830 Kate Hoey: If the United Kingdom votes to leave, would you be quite happy staying in your position as number two in Northern Ireland?

Mr Wallace: I serve at the will of the Prime Minister. If we leave, there will be another day. There will be a Friday morning if we vote to leave.

Q831 Kate Hoey: You will still fight for Northern Ireland?

Mr Wallace: I will still fight for Northern Ireland and the United Kingdom.

Q832 Nigel Mills: In terms of the submission that you or your Department sent us yesterday, is this a standard Government thing that you added the Northern Ireland section to, or is this wholly written by the Northern Ireland Office?

Mr Wallace: It is a preparation for you in advance of your questioning. You will notice it refers to Northern Ireland. It is a standard thing you probably get, as in when Ministers come you will often get a pre-briefed reply.



Q833 Nigel Mills: I was just wondering how standard it was and how tailored it was.

Mr Wallace: I looked at it, if that is what you mean, and I changed some of it.

Q834 Nigel Mills: We received this yesterday. I am not sure the quote in here from the guy from Europol on “Newsnight” about terrorism was a great thing to have sent out yesterday. While we are on Europol, have you looked at how they do their partnership arrangements with other countries? Their own website trumpets that they partner with the US, Canada, Australia. Sorry, I thought you had this among your documents.

Mr Wallace: No, I do have it—it is in my numerous dozens of things. Rather than just flipping through them, I wanted to listen to your question.

Q835 Nigel Mills: The Europol website sets out very clearly that they work closely with law enforcement agencies in the 27 EU member states—I do not know if that means they have assumed that we are going already or if they have forgotten that Croatia joined—and with other non-EU partner states, such as Australia, Canada, the US and Norway. It looks like they are already pretty closely working with all the sensible people that we would think they would. It seems unlikely they would not want to be pretty close partners with us in that situation.

Mr Wallace: I do not think they would just shut the door, but the members of Europol decide how it is governed, created, where its priorities are, what its themes are and where it seeks to tackle problems. While we may happily work with them, we would not be in the same place to help drive their agendas.

For example, because of the recent terrorist attacks in Paris and in Brussels and going right back to the Mumbai attack in India, there are real concerns about criminals getting hold of firearms. In a country like the United Kingdom, where we do not have routinely armed police—I know you do in Northern Ireland, but not in England—we do a huge amount to try to prevent weapons coming into this country, because the leakage from crime to terrorists is often how it occurs. It is really important that we are there driving the measures that people like Europol address and where they can find solutions to that. We are more vulnerable in some sense than others because we do not have paramilitary police as some other countries do.

Q836 Nigel Mills: Are you aware which other international agencies have employees based with Europol? That would be quite instructive. To read a few from the list, there is the US Bureau of Alcohol, Tobacco, Firearms and Explosives, which might address the previous point. There is US Customs and Border Protection. I will just read a few of the American ones: the US Drug Enforcement Agency, the US Diplomatic Security Service, the FBI and the Food and Drug Administration. If they are willing to have that number of US organisations having employees based at Europol, I am not sure it suggests they would not be willing to have any UK people.



Mr Wallace: The FBI has someone based with the FSB in Moscow. All law enforcement agencies and intelligence agencies have liaison officers and embedded personnel. That is what they do. That is why, as I said earlier, is so very important that you can trust people in your own buildings and in your own departments to share. It would be ridiculous if Europol did not take advantage of working with US law enforcement agencies, and indeed the intelligence-gathering capabilities of Norway, the United States, Canada and Australia inside or outside any organisation. Those FBI officers or drug enforcement officers do not have any role in deciding the priorities of Europol. They do not have any role in deciding the governance and the structure of Europol. They do not have any say in the rules. They are just attached.

Chair: It is 11 o'clock. We could perhaps rise for one minute.

The Committee observed a minute's silence.

Q837 Nigel Mills: Just switching to the section on the border with Ireland and paragraph 26 and the questions about the common travel area, I think you alluded to some threat as to whether that could continue if we left the EU, even though it existed a long time before the EU existed or either country joined. Presumably the UK Government still have confidence in how the Irish Government police their borders.

Mr Wallace: Yes it does, but no country relies on the neighbour to do its policing for it.

Q838 Nigel Mills: Two years ago we signed a joint visa scheme that allowed the Irish to issue visas to Indians and Chinese tourists, and they would then get free right to come to the UK under that visa. It looks like we are happy for them to vet people coming from those sorts of countries. It seems unlikely that we would cease to be happy for them to vet EU citizens.

Mr Wallace: I do not think I used the word "happy". Do we leave it to the Irish tax authorities entirely to police the border with the Republic, or do we ask HMRC to do it on a daily basis? We ask HMRC. That does not mean to say that we are unhappy with the efforts of the Irish. It is our border as well as theirs, and therefore we have a role in securing it in our priorities.

Q839 Nigel Mills: I am just trying to explore whether the UK would decide that, once we have left the EU, we did not want a common travel area, which is what you hinted might be at risk. It would be basically saying we would like to be able to check everyone who comes across the border to check if they are EU nationals, because they are allowed into Ireland and we would not necessarily want them to come into the UK, but we are happy to let Ireland choose which Indians and Chinese can have a visa and therefore gain access.

Mr Wallace: The point is that it is not about what we would be happy to do; it is what the European Union would require of the Republic of Ireland. It would not be in our gift, because we would be out. Having jumped out of the European Union, we would not be part of the rule-making process anymore. We would be out. The EU will say, "Where are the borders of the European Union?" The borders of the European Union would be Northern Ireland, on that land border, and the Black Sea, Romania, Macedonia and all

round there, and they would put in place rules for those borders. It would be nothing to do with us. We would not have a say on that. We could resist it, probably. The Republic of Ireland, being part of the EU, would be obliged to enforce those rules.

The European Union might say, “Northern Ireland is on the same island of Ireland, so we will not worry about that, but we will require borders between mainland Britain and Northern Ireland, because that is the 68 million or 69 million people.” That has happened before. That happened right up until about 1948.

Q840 Nigel Mills: That was not the EU choosing to require a member state to implement a border between parts of itself. That seems a little unlikely.

Mr Wallace: You must concede that we have stepped outside of the EU, so the rules for how the EU deals with its external borders will be a matter for the Republic of Ireland. It will be nothing to do with us.

Nigel Mills: I assume we will have a bit of a role in how the country of Ireland deals with its border with the UK.

Mr Wallace: A bit. We could send them a memo.

Q841 Nigel Mills: You could not say that they will unilaterally decide that. It is not the case where the EU has external borders with Switzerland or Norway, which has a land border in Scandinavia. It is not like there are eight-foot-high fences and armed guards, is it?

Mr Wallace: No, but Norway takes a significant number of the regulations required of it in order to have that free movement. It also takes free movement of people.

Q842 Nigel Mills: Norway voluntarily chooses to do certain things, but that is not the question we are asking. You made a slightly interesting remark about farmers: that it might be bad if we left, because at some point the Government might change and the Government might choose to do something different. It is quite fundamental to democracy that Governments can choose to make policy. That is something that we quite value about democracy: that Governments can change and do different things. It just seemed unlikely that we would cite that as a downside.

Mr Wallace: The question is whether it is in the farmers’ interests to remain or to leave. Have farmers’ interests been served by the common agricultural policy? There have been lots of problems with the common agricultural policy. Let us not pretend it has been a good policy in many areas. It has been good in some but not in others. If you are asking me right now to say to farmers in my constituency and farmers in Northern Ireland “Leaving the common agricultural policy will make you better off”, I cannot guarantee they will get the same subsidy that they get currently in direct payments.

Direct payments have been modulated by 20%, I think. It used to be 100% direct payments and then it got modulated to 20% by the EU. Direct payments are something that many people would quite welcome and Treasuries will always dislike: a farmer gets

the money direct from Europe, effectively. No Treasury can get their hands on it. They cannot lobby it away and suddenly it becomes a new scheme. The question that was put to me was about farmers' futures and whether they are better off being a member of the EU. My view is yes, because I see every day in the Department, and in all Departments, how Treasuries work. It is their job, but at the moment our farmers get direct payments. There are plenty of people in our party and in other parties who would view farmers' subsidies as not being something that they want to contain.

Nigel Mills: You made some remark that maybe a Labour Government would not—

Mr Wallace: I was answering whether I thought they were better off. It was not a democracy answer. It was the answer to a previous question, and my view is that we are better off remaining in the EU.

Q843 Nigel Mills: You made some remark that a Labour Secretary of State for Environment, Food and Rural Affairs might have cut farm subsidies. Do you have any evidence that, before we joined the EU, Labour Governments ever abolished farm subsidies or cut them? The data does not suggest that, does it?

Mr Wallace: Until the end of this current common agricultural policy—2020-21 budget—I can guarantee that farmers in Northern Ireland will be getting direct payments. They will get direct payments from the EU at the levels agreed. You cannot guarantee they will get direct payments until 2021 if we vote to leave tomorrow, can you?

Q844 Nigel Mills: Are you suggesting that a Conservative-led Government would make a slash to their level of support?

Mr Wallace: You cannot guarantee it, can you? You cannot guarantee it.

Q845 Nigel Mills: I can be pretty certain that I would not vote for any situation where the Conservative Government gave farmers less support than they get now. I presume you would not vote for that either.

Mr Wallace: No, my wife would divorce me. My point is that you cannot guarantee it, but I can guarantee that farmers will remain with the same level of support until 2021.

Nigel Mills: No one can guarantee anything past the end of a Parliament, not even the Prime Minister.

Q846 Chair: We have asked a number of witnesses what the EU will look like in 10 years, and they have not been able to answer it, understandably—because they cannot answer it. One witness gave very powerful evidence. He said the status quo is not an option. People are not voting for the status quo. They are voting to come out, which means big changes, but, if we stay in, the EU is dynamic; it is changing every day and moving in different directions. Is that not a fair point?



Mr Wallace: We can say that, if the EU needs to change significantly, it will need a new treaty. If it needs a new treaty, we have the double-lock referendum.

Q847 Chair: To change farm subsidies?

Mr Wallace: You are right. I cannot guarantee that past 2021, but that is what I said. I can guarantee it until 2021.

Q848 Chair: 2021 is not far off, is it?

Mr Wallace: You and I will be a bit older, Chairman. The point is this: what does the EU look like in 10 years' time? If no one can agree, it will be exactly like it is now, because it is a treaty-based organisation. The treaties will not unpick themselves. We will stay in the status quo.

Q849 Nigel Mills: Whatever we think our net contribution to the EU is—£10 billion, £6 billion or whatever else you were quoting—if we left and the Chancellor said, “I have all this extra money. Are there any priorities in Northern Ireland that we could spend their share of that on?” what would your answer be? There are obviously various things that Northern Ireland would like some extra money for.

Chair: If I can just jump in again, surely the relevant figure is the gross amount we pay in, not the net amount.

Mr Wallace: Let me give you an example. The figure that is often quoted—I think it is £17.9 billion—is pre-rebate. The rebate is taken off before we send the money. For a start, on the difference between £17.9 billion and £12.6 billion or whatever it is, it is where the money is at the end of the day. To me the bit about gross and net is this: if we want to talk about gross, that is fine, but then, in my view, those who want to leave need to explain to the farmers and everyone else that the reason we are talking gross is that we have taken away the common agricultural policy, put it all in a new pot and how much do you think you should get? If you are talking gross, you are not accepting the status quo that we pay £4.4 billion to farmers and other institutions. Do you know what I mean? I am happy to discuss both.

Q850 Nigel Mills: Sorry, I was asking clearly on the net what your priorities for spending would be if there was a bit more money provided to the Northern Ireland Assembly or to spend directly on Northern Ireland. Do you think it should go on extra funding for hospitals or schools or policing in Northern Ireland?

Mr Wallace: The Vote Leave campaign website said it should be spent on science and the NHS, so the poor old farmers are suffering straightaway.

Q851 Nigel Mills: No, because they were spending the net, not the gross. They were pretty clear that farmers would keep everything they currently have.



Mr Wallace: I am not going to sit and make a manifesto off the top of my head about how a Northern Ireland Government would spend its money should it get a little more. I will tell you what it would be spending it on. It would probably be spending quite a lot on having to get involved in negotiating new trade treaties. If the economic implications turn out to be true, it would probably have to be spending an awful lot of money on unemployment benefit.

Q852 Nigel Mills: I think you spent a lot of time very successfully last year trying to negotiate a Stormont House agreement with parties wanting extra money. I presume there were submissions in the spending review for how much budget the NIO needed, and how much Northern Ireland needed and all of those. That does mean you have some idea what the priorities would be if there was a bit of extra money.

Mr Wallace: It is not for me to give the priorities. People in Northern Ireland have a Northern Ireland Executive. It is for them to decide the priorities. You and I are Conservatives. We would have entirely different priorities from the Member for Foyle and the DUP and the UUP. We would all have different priorities. Mr Colvile is an MP for Plymouth, so I am guessing that one of his priorities will probably be to spend some of that money on Navy ships.

Oliver Colvile: Royal Marines.

Mr Wallace: Yes, Royal Marines. There you are, you see—spot on. I am a Lancashire MP. I would like some of that money to buy the Typhoon Eurofighter and keep many of my colleagues and constituents in jobs.

Q853 Nigel Mills: Yes, we would all enjoy spending this money, but you are a Minister in the Northern Ireland Office. You must think that there have been issues where the parties have struggled to find agreement because of a lack of money and they have asked for extra money to get them over those hurdles. You must have some thoughts as to what some extra money could have done to ease that process.

Mr Wallace: I am afraid you cannot draw me on what I think should be the priority of the Northern Ireland Executive, because it is not for me to decide. I am sure the Northern Ireland members of this Committee who are represented in the Executive will have a better idea than I could ever have about how they would like to spend their money.

Q854 Lady Hermon: I have just a few points that have been triggered by your evidence today. Do you think it was wise of the Chancellor to reflect his views on the UK remaining in the EU so strongly in last week's Budget statement?

Mr Wallace: The Chancellor is our Minister for the economy, in a sense. He is a very powerful figure in the economic case. He is perfectly right to say that he is setting a Budget, which depends on tax receipts and income and all those issues, and therefore we should reflect that, without a good economy, we are not really able to achieve anything that we really want to achieve in this competitive world and within the EU. He believes, as the Government believe and as I believe, that being a member of the EU is one of the



planks that helps us have stability, which is so very important for business in order to grow and be successful. We need growth, and he was doing the right thing by making the case for the European Union.

Q855 Lady Hermon: It was wise.

Mr Wallace: Yes. I know people get upset by it.

Lady Hermon: Yes, your colleagues.

Mr Wallace: It does not matter who it is.

Lady Hermon: Many of your colleagues were upset.

Mr Wallace: Probably many of the colleagues who want to leave the European Union were upset.

Q856 Lady Hermon: That is probably very true. In your evidence you said, “Reform has not gone away.” Where do you expect the priority to lie? Presuming and assuming that in fact the people of the UK vote to remain in the EU, where is the Prime Minister going to target next for reform within the EU?

Mr Wallace: I am expecting the Foreign Secretary to jump out that door and bash me round the head if I start setting the UK—

Lady Hermon: No, no—you are in the Government.

Mr Wallace: What I think would be good for Northern Ireland, as a Northern Ireland Minister, would be to continue to push for removal of any barriers to services, because we export services as well as hard products to the rest of the EU. We want to continue to remove those barriers. We have huge offices in Belfast full of lawyers—I saw some of them yesterday—providing services around Europe already. I would like to see more and more push towards concluding the EU-US trade treaty, which would be good for Northern Ireland. It would be good for Northern Ireland to increase efforts to make sure we capitalise on Invest NI, who do a really good job.

Lady Hermon: They do.

Mr Wallace: I have seen a few of those organisations in my time in Scotland, England and the regions, and they are probably the best I have come across. We need to help support them and help them achieve their aims. I met some American investors only the other day. We could do more to make sure that everyone knows Northern Ireland is open for business. I am pleased that we had the fresh start agreement, and it is great when I hear on a daily basis that this or that has gone through Stormont. That is where people are starting to make that move.

The priorities will be what they are at the moment. At the moment the EU is struggling and trying to sort out its immigration and the mass wave of refugee problems hitting its borders. The whole of Europe has to sort that out. We also have to recognise that the



Prime Minister's successful reforms have moved us away from ever closer union. No doubt people in the eurozone will try to seek to go in one direction, or one speed, and we have lots of opportunities to explore our freedoms in a different way with those countries that are not in the euro or wanting to integrate further.

Q857 Lady Hermon: Is that a two-speed Europe?

Mr Wallace: I think everyone accepts there is a two-speed Europe.

Q858 Lady Hermon: Finally, could I just take you back to the very interesting evidence that you gave us about the UK's obligations under various UN conventions? You cited a long list and said that those obligations on the UK would remain in dealing with those who are seeking asylum. You mentioned Eritreans, Syrians and other nationalities. How do you square that with the European Council at the weekend, which did a deal with Turkey, which is one in, one out? How has the UK observed its obligations under those UN conventions that you listed?

Mr Wallace: That is a matter for the lawyers. It is a fresh agreement. I understand fully what the EU is trying to achieve: stemming the demand and the flow that drives people across that narrow sea to Greece. However, if it is viewed as being in breach of our UN obligations, that will be sorted out in a court.

It is a very good example of the concerns but also the realities around sovereignty. Many in the Leave campaign will say, "We lose our sovereignty. That is why we want to leave the EU." One of the main planks, with some valid cause, of wanting to leave the EU is because of sovereignty. But we should not pretend that this place is 100% sovereign, because of our treaty obligations elsewhere. If you want a truly, wholly 100% sovereign Parliament, the nature of a treaty is you effectively are giving away sovereignty.

When you sign up to be a member of NATO, you are obliged under article 5 to do those things. When you sign up to these UN conventions, you are obliged to follow them. We cannot break those conventions. That is a loss of sovereignty. All of them are temporary and we can all choose to leave the UN and NATO. This Parliament is 100% sovereign in the sense that we can repeal our treaty obligation first and then we can do what we like. However, our courts will say, "As long as you are a signatory to that treaty, that is the obligation. If you want to not be obliged by treaty A, B, C or D, leave the treaty and then we will not hold you to that treaty."

What you cannot do is have Parliaments around the world signing up to a treaty on the one hand and then, when it suits them, deciding that it does not matter. The UN obligations are a treaty obligation. We do not have to agree with them. We can leave. We can vote tomorrow morning. It is the same with NATO. That is another example of sovereignty. Those obligations are not currently resided in this House because we are obliged.

Q859 Lady Hermon: But the UK remains a sovereign country. That is the message.



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Mr Wallace: The UK remains a totally sovereign country. It is why we are having a referendum, and we will be able to decide whether we effectively leave the treaty of the European Union or not. That is an expression of our sovereignty.

Chair: It has been an extremely useful meeting. Minister, thank you very much indeed for being with us so long. It has been very useful. Thank you very much.