



Select Committee on the European Union

Corrected oral evidence: Brexit: UK-Irish Relations

Tuesday 18 October 2016

3.45 pm

Watch the meeting

Members present: Lord Boswell of Aynho (The Chairman); Baroness Armstrong of Hill Top; Baroness Browning; Lord Selkirk of Douglas; Lord Whitty

Evidence Session No. 11

Heard in Public

Questions 112 - 119

Witnesses

I: Richard Pym, Chairman, Allied Irish Banks, and Bryan Barry, Acting General Secretary, Irish Farmers' Association.

Examination of witnesses

Richard Pym and Bryan Barry.

Q112 The Chairman: Good afternoon, gentlemen. We are very grateful to you, Richard Pym and Bryan Barry, for coming in. This will be our concluding session in Dublin. We have heard a lot of valuable evidence expressing interest in and concern for the implications of Brexit, not just for the UK but for Northern Ireland, and, more generally, for the Irish Republic, the future of this island and, indirectly, stability in the European Union and the issues involved. It is quite appropriate to end with what are clearly two very substantial sectors: the financial sector, which is characterised by some of the problems that you have had to live with and which are still being wrestled with in the Irish context, and farming and its related outcome. I ought to declare an indirect interest, which may attract Bryan's attention. I am probably one of the relatively few people who have served as a civil servant and been active in the National Farmers' Union in the United Kingdom as a county chairman. So, we have a degree of form together. We would probably all be quite happy to get out of here and get into a tweed suit if the chance arose.

It would be useful to explore both the importance of your sectors and, through you, generically, some of the problems that this economy and the all-Ireland economy are facing as a result of the decision by the British electorate. Richard or Bryan, I do not know whether there is anything you would like to say by way of introduction.

Richard Pym: Perhaps I may contextualise where Allied Irish Banks sits in the system. We are one of the two large banks in Ireland. We also have a bank in Northern Ireland and Great Britain. In Northern Ireland we are also a note issuer. I should say that it is the other large bank, not ourselves, which currently occupies your Lordships' previous home in Dublin.

The Chairman: I did know that. I should say we have no plans.

Bryan Barry: By way of introductory remarks, thank you for this invitation to present the issues for the agrifood sector. They are very significant. We believe we are the most exposed sector. With 40% of our exports destined for the UK market, it is clear that we will be hugely impacted by the outcome of the decision earlier this year to leave the EU. Not only is Ireland the only member state to share a land border with the UK, but we are hugely integrated into the UK in the areas of trade, culture, language, free movement of people and family ties. I would point in the first place to the very short-term issue that has already impacted on our sector, which is the sudden and sustained depreciation of sterling. That is already hitting farmers in their pockets in terms of price back to producers, for example very directly in the beef trade but also in other sectors.

The longer-term issues basically revolve around the trading relationship. Any move away from the EU single market will result effectively in increased trading costs and barriers in some form. Our position would be to minimise those as far as possible if they cannot be avoided. We would be saying that it is extremely important for the Irish agrifood sector that as free as possible market access to the UK is maintained, with the minimisation of any barriers to trade. Beyond that, the other major issue—and there are many issues of complexity—is the free movement of people.

The Chairman: Is that important for seasonal agricultural labour here, less so than probably the UK?

Bryan Barry: Not for seasonal labour. It is important in the border area where people living and working on different sides regularly travel across it or possibly are farming on both sides. That happens. It is also important as between Ireland and Britain, because, effectively we have had free travel for more than 100 years, since independence and beyond.

The Chairman: I wonder whether I can borrow an experience from my time with the National Farmers' Union some 30 years ago. We went to see a senior police officer in my county about a problem we had. He listened with great politeness, reflected for a few seconds and let us sweat on it, and then said, "That is very interesting. Can you tell me what you are going to do about it?" He let us sweat for a little longer and said, "Because when you tell me what you can do about it, I will tell you what I can do to help you". It was not a flippant remark and I have always remembered it. In the spirit of that, it would be helpful, looking at these two sectors, if, severally, you could tell us the kinds of reaction that you can anticipate from your membership, either individually or collectively through your organisations. Going on from that, what kinds of representation are you making through your Government and through other channels available to you?

Distilling that, what is the one thing—if you like your USP—that you need to go for sector by sector that will achieve the majority of what you want? There is no doubt in our mind after the evidence that there are severe difficulties across sectors, two appropriately represented here, but we would like to get a pattern of how, other than saying you wish it had not happened—some people would say that—you react to it and bring the official world into that attention and frame of mind, and find solutions. Do you want to go first, Richard?

Richard Pym: AIB is 35% to 40% of the banking system, so we bank every industry in the country and are therefore a proxy for the economy.

The Chairman: For the record, that would be slightly higher than, for example, Lloyds in the UK, would it not?

Richard Pym: It is a lot higher. There are two banks that dominate the system. We are smaller in the North. We have a smaller market share.

Nevertheless, we are a full-line bank in Northern Ireland. The comments I make will be about the economy.

To answer your question by way of my economic perspective, I start by echoing Barry's comments about the immediate effects being that of sterling devaluation and the uncertainty that deters investment. The immediate problem within the economy is that exporters are stuck and any large-scale investment in anything looking at UK trade will be on hold, and there is a similar effect in the UK at the moment.

When the new trading arrangements take over, the effects will vary by industry. There seems to be a great deal of complacency, if I may use that rather aggressive term, about World Trade Organization terms being just okay and everyone can live with it. I think that is a pretty grotesque simplification. I am no expert in this context, but if you go to the WTO website it is very hard to see what the tariffs are. They are very technical descriptions, but I know there are some agricultural tariffs. One quoted earlier was 60%, but I think some lamb products are over 70%. The effects on German exports to the UK look less significant than those of Ireland, because Ireland would be weighted towards agriculture. A lot of British politicians seem to be talking about German cars being a great negotiating weapon, whereas Volkswagen will suffer tariffs of about 10%. That is less than the recent currency depreciation, so they can take that in their stride. Therefore, Ireland looks like one of the countries that could be worst hit by WTO terms. If that happened, it would be an absolute catastrophe for both countries.

UK exports to Ireland will reduce. I think Ireland is the fifth largest market for UK goods, and Ireland will seek to diversify its sourcing for its manufacturers as imports come in to be remanufactured. We talked about complex supply chains earlier. That will be diversified away from the UK, so the UK will suffer as a result of that reduced trade.

Seventeen per cent of Irish exports now go to the UK. It was 50% on accession in 1973, so Ireland has already reduced and diversified quite significantly, and one would expect that to increase after Britain leaves the European Union.

Having started with that perhaps negative perspective, Ireland enters this process with a very strong economy. Ireland took the austerity medicine and the Irish Government's finances are in very good order, with very low deficits, and, if I may be so bold, they are much better than the United Kingdom's.

The Chairman: With some resumption of growth as well.

Richard Pym: Even after Brexit, the forecast for next year is GDP growth of over 3%, so Ireland moves into this difficult period in a very strong position. This is not just bluff and bluster; it is genuine. While the national debt might be high because of refinancing of the banking system, I think that for all but one year in the past 20 Ireland has had a primary surplus. This has been a very well-managed country, and I would

be relatively optimistic about Ireland in the long term. I do not find many of my friends here sharing that view because they are suffering from short-term difficulties, but long term I would be very optimistic about Ireland because the global businesses that have looked to base themselves in the UK will now see Ireland as a very comfortable base to be in. European market access will be restricted in the UK. The British Prime Minister made some particularly nasty comments about global citizens. I was in New York when she made those remarks. I can tell you there were not many New Yorkers who were thinking of moving to Britain at that point. This is a very attractive and welcoming English-speaking platform that is absolutely anchored in the EU.

Ireland has a brilliant way of attracting foreign direct investment and Allied Irish Banks is delighted to be part of it. We have a team in New York that supports the Irish consulate there, and we get American firms into Ireland. We make it very easy for people in terms of opening accounts, trade finance and working capital. Some of them normally have difficulty opening bank accounts because they may be contract workers; they may not be European Union citizens. We get round all the money-laundering problems and have a very good system to provide them with an open bank account ready to function.

The Chairman: Presumably, correspondent banks in the US will refer business on to you.

Richard Pym: It is not so much the banks. These are corporations that will be attracted to the Irish consulate, or the Irish consulate will be sourcing it through trade bodies, and then we will work as a team. The Government, regions, universities, banks and everyone else work together in a way the UK would not understand. It is very close and is absolutely focused on getting a factory up and working. It is a superb system. The point I am making is that those companies that would have traded in the UK will be happy here.

The situation in Northern Ireland is very different. The economy starts with being oriented to the public sector and is dependent on transfer payments from the UK. Of course, the future of that will be determined by the ability of the UK Parliament to continue or, as we heard in the previous session, increase that funding. It is also a very large sum of money.

Foreign direct investment will initially be disincentivised, but there will be the attractions of low labour costs that result from a low-valued currency, and of course the UK will be able to compete outside EU state aid rules, but whether that will create a sustainable economy is questionable. You could anticipate increased migration of the economically active in the North to higher-paid jobs in the South, because people born in the North of Ireland have an entitlement to a passport of the Republic of Ireland. Therefore, economic migration would be easy, and remitting a higher-valued euro salary to a lower-valued sterling area would be good for families in the North, but not good for the tax take.

The Chairman: That would be the first time it has happened. Did that happen at all?

Richard Pym: Traditionally, the UK per capita GDP has been higher expressed in a common currency, but that is now beginning to change round and jobs in the South will be extremely attractive to the economically active. If you look at the structural impacts of it, that could be quite an issue.

The Chairman: That is really helpful. Bryan, would you like to come in?

Bryan Barry: Probably the first sector to feel the immediate impact of the decision was the livestock sector here, which is a very big one; it is the biggest sector by involvement of the number of farmers. There are 80,000 to 100,000 farmers in one form or another producing cattle. They saw an immediate impact in the two or three weeks after the referendum result on the 24th of 30 cents per kilo. Between then and now, cattle prices have come back from about €4.15 to €3.65. The significance of it is that it brings them below the cost of production.

The Chairman: The margin has gone.

Bryan Barry: The margin has gone and the time for peak disposal. They were always going to run into some trouble in the autumn because that is the peak disposal period, but the immediate effect of sterling made the situation worse. We would have raised this issue very much with the Government. We are involved in a stakeholders' group in the Department of Agriculture here. We meet with them regularly. We would have presented this and other issues in our lobbying in advance of the Budget, which was last week. There is some recognition of the issues, but there is nothing you can do directly about the exchange rate. Clearly, there is a structural change here. I think the rhetoric at the Tory party conference about the announcement of the triggering of Article 50 contributed to a significant further drop in sterling. It has probably steadied in the past couple of days. The level is about 89.25p today. As we would see it, that may be some rebalancing of the argument in terms of mentioning budget contributions and what we might be prepared to do.

From our point of view, by far the biggest issue is where we end up in the trading relationship. Our first position is that we would want you to be in the single market or to have good access to it. From the rhetoric, it appears at present that, if free movement of labour will not be allowed, Europe will not be prepared to grant access to, or full participation in, the single market. Maybe there will be some level of access but not full participation in the single market. Where do we go from that? That throws up huge implications for us, because the trade flows are very big. Forty per cent of our sector's exports are destined for the UK market.

The Chairman: To interpose for a moment, even in the short-term trade the issue is currency as you describe.

Bryan Barry: Currency is a massive issue.

The Chairman: There are other markets within the European Union to which you now have access. I appreciate you cannot necessarily move it all overnight, but is there some suggestion that you could find other markets at least to compensate for a shrinking in the size of the British market, or the relative competitiveness of it?

Bryan Barry: We can continue to diversify our markets.

The Chairman: That is not just in the EU, is it?

Bryan Barry: It is not just in the EU, but our tastes in food and so on are much more akin to UK consumer preferences. The things we produce are closer to the same things you produce, and we do a lot of them. The kinds of cuts of beef, breeding and so on that we go for are a lot closer to British consumer preferences. That is why 50% of our beef exports go to the UK. Another good reason 50% go to the UK is that that is the highest-paying market. Sterling has changed this, but we have to see where all that settles. Prices on the continent are more like €3.70 or €3.80, so, even if we could diversify at ease into the continental market, we would be doing so at what would be a lower price until very recently with the impact of sterling. This applies not just to beef but to dairy products. Sixty per cent of our cheese, over €350 million-worth of our pigmeat exports and about 90% of our mushrooms go to the UK.

The Chairman: We have been hearing about mushrooms.

Bryan Barry: It is a heavily export-dependent sector, and nearly all of it goes to the UK. They have been exposed. Some of those growers had contracts fixed at the end of last year at exchange rates of 72p, 73p or 74p, so they could not take the pressure and have gone under. I understand there is some renegotiation of those contracts, but these operators are on very tight margins and need to get full price recovery for the exchange rate loss effectively from retailers.

Q113 **The Chairman:** I have other questions and would like colleagues to come in, particularly on some of the nuts and bolts of trading and border issues. You represent farmers within the Republic, and there is the Ulster Farmers Union up there. How do you liaise with them? I suspect that some of the pressures, at a slightly different time, may be the same. I think it would be pretty well accepted that there was quite a high incidence of farmers in the North, indeed in GB as well, who voted to leave, for whatever reason, possibly against their economic interests. How is all that playing out now?

Bryan Barry: We would have thought it was against the economic interests of farmers in the UK but more particularly for farmers in Northern Ireland. When the IFA—the Irish Farmers' Association—is lobbying in Brussels, in the current situation involving 28 member states, often it is pushing for things that will suit farmers in Northern Ireland that the UK Government, the Westminster Government, are probably not going to lobby or look for. That is simply the way it is. We do have a

close relationship with the UFU and other farming unions such as the NFU.

The Chairman: They have representation in Brussels as well, do they not?

Bryan Barry: They do, and we are on good terms with them. Maybe some of their members had a knee-jerk reaction to difficult times with low milk prices and wanted to give a kick to the establishment. We know from the history of this country and referendums how they work, and the result is not necessarily the answer to the question that is asked. They may have felt, "We can get rid of a lot of regulation". Personally, I do not believe they will be able to get rid of a lot of regulation; we will see. I think a motivating factor was a feeling they could free themselves from some of the bureaucracy associated with Europe, as they would have seen it, but I would be very surprised if much of the regulation and heavy bureaucratisation of agriculture would be relieved in any new scenario. I am not convinced it will be.

Q114 **The Chairman:** I ought to make it clear that we have three former Agriculture Ministers from that department. I refer to my colleagues Baroness Browning and Lord Whitty, so you may get a bit of this, although I am in no sense seeking to confine this conversation to agriculture. You talk about the burden of regulation. I would take it as self-evident but would like you to confirm that there is a very strong case for and interest in a continuing single regime within the island in relation to animal health and welfare and food safety issues? We heard something about tourism earlier, but is it the same sort of perspective in this area?

Bryan Barry: Absolutely. We start from where we are and we do not want to depart far from it, if at all. We want to have things as close to the current position as possible. In terms of animal health issues, disease control and all these things, there is very good co-operation. We want that to continue under whatever regime there is, rather than some divergence in approach to standards. It is easier to do that within a single market where the standards are common, but North-South trade flows will be upset. Produce is going for final processing; 350,000 lambs per year go from the North to the South; probably 500,000 pigs go from the South to the North; and about 600 million litres of milk go from the North to the South to be processed there. It is about 10% of our milk processing. Probably a third of northern milk production comes into the South. These trade flows are very important and any disruption to them would be difficult. It could make some of the trades uneconomic.

Baroness Browning: It seems to me that, if the UK does not have exactly the same rules, regulations and terms as the South and so the North is different from the South, under EU law Ireland will not be allowed even to engage in such a process.

Bryan Barry: Yes.

Baroness Browning: That will bring to a halt what is beneficial in the

transactions you have just described, both between the North and the South and east-west trade. We understood from a previous hearing that cheese goes to the mainland of Great Britain and comes back.

The Chairman: For packaging.

Baroness Browning: That simply will not be allowed.

Bryan Barry: That might not be possible, or under some scenarios there might be a tariff going into Britain and a tariff coming back here, so it would not make any sense.

Baroness Browning: There is also the slaughterhouse situation. I visited cutting plants close to the border where animals were slaughtered in one place and cut in another.

Bryan Barry: Yes.

Baroness Browning: You say you want to see things remain as close as possible. Clearly, Britain has voted to leave. I asked a previous group about the customs union and what they would regard as the next priority below that. They said that mainly it was regulation. Is regulation right up there in terms of the single market?

Bryan Barry: It is for us, because the way we see it is that the point of departure from the point of view of the UK is going to be that you inherit all the existing regulations. As part of your exit negotiations, we would like a framework in place for a free trade agreement to come in straightaway covering our sector—it can go as wide as you like, but for agriculture and food it would be extremely important for us—so that it effectively continues the relationship as closely as possible. It needs to be a dynamic free trade agreement whereby there would be some continuing mutual acceptance of standards so that they match and do not become eroded.

The Chairman: Obsolete.

Bryan Barry: Yes, because then free trade would break down.

Baroness Browning: But, surely, the bottom line is that Great Britain and Northern Ireland at that point would have to agree to mirror EU regulation but not necessarily have the same inspection and checking with a default position if those regulations are not kept to—or would they? If you fell foul of new EU laws after that departure point—

Bryan Barry: That is why it would need to be a dynamic arrangement—

Baroness Browning: Kept up to date.

Bryan Barry: —so that there is still some mutual recognition of standards, and, even if standards are moving somewhere, they move together.

The Chairman: The word is “equivalence”.

Bryan Barry: An equivalence, yes, which I acknowledge is very difficult to achieve, but that would be our objective.

Baroness Browning: That would be your optimum—

Bryan Barry: That would be our objective, yes.

Q115 **The Chairman:** Can I bring in Richard and ask him two questions from the point of view of the bank? One is agriculture-related and one is not. I take it as self-evident—I am not looking for trouble, as it were, or any exceptional position—that, as you look across the scene you must lend to thousands of Irish farmers, both here and in the North, and so in terms of the success and stability of your own bank and collectively the Irish banking system it is extremely important that this is working well. That is not a threat; it is just to try to get a perspective on it. The second question is perhaps looking forward. You will be aware there is a lively discussion about passporting and whether this is attainable under the new arrangement, and whether jobs in the financial services sector are likely to be lost from London. What is your perspective on that in terms of Dublin as an alternative centre, which is English-speaking and very much up to date with technology and high skills? If you are going to lose on the one, are you going to make it up on the other, to put it in simple terms?

Richard Pym: Going back to agriculture and picking up a point raised before about non-tariff barriers and regulations, if I can call it that, the problem in the future will be that, if another EU country erects non-tariff barriers to UK agricultural products by some subtle changes of regulation that rigs it against British exporters, Irish regulations will have to mirror EU regulations. If this were a matter just between Ireland and the United Kingdom, the relationships are such that that would be very easy to resolve. If it involved the other 26 countries, that would become extremely difficult, and Ireland would have to comply with the rules of the 27. That is the problem going forward. At the minute you have equivalence, but straight after March 2019, or whenever it might be, it starts diverging and becoming extremely difficult.

The Chairman: To clarify it, that can be dressed up, if I may put it like that, as a phytosanitary rule or something that is not necessarily objectively justified in order to frustrate British exports. That is what you are arguing.

Richard Pym: These are non-tariff barriers, which I am sure will be more important at the end of the day than tariffs.

The Chairman: I have the point.

Richard Pym: Our lending to the Irish agricultural sector is huge. We have a very strong economic system. I have worked in Ireland for only two years and am not an expert in agriculture, but I see something very resilient. It is based on family farms and on low cost of production, so in the dairy sector you do not have the big agricultural factories of the UK; the rise and fall of milk production depends on how the grass is growing, so it has the ability to sustain survival at low milk prices. You also have a

system where you have all the family involved and where in a small farm, say a standard husband and wife unit, both have other part-time jobs. They do the milking in the morning and both go off to work, one in Tesco and one somewhere else, and come back to do the evening milking. Farming is a bit of a hobby as well, but it is deep in the culture. Please tell me if I am talking rubbish at any point here, but it strikes me that this is a very strong economic system. That is why we are very comfortable to lend to some of these families because they have been our customers for 100 years. We have known granddad, dad and all the rest of it. It is a fantastic system.

When it comes to Dublin as a financial centre, it is a good one but the infrastructure is not strong. There is a housing shortage in the Dublin area, and when people come for financial services jobs they tend to want somewhere nice to live as well. Since the general election the Government have a big programme—it is of particular urgency here—of housing construction, because since 2007 housing construction has dramatically lagged demand and it has not recovered like other sectors.

The Chairman: There is a lag to overcome.

Richard Pym: Dublin has remained a low-rise city; there are very few high blocks, so one would imagine that in any development of Dublin as a major financial centre—it could never be as big as Frankfurt or Paris—there would have to be quite a lot of infrastructure in the centre to sustain family housing, perhaps apartment blocks and some houses. As to the school system here, there was an article in this morning's *Irish Times* about the international baccalaureate being introduced in one of the Dublin schools. Obviously, bankers moving from London would want the international baccalaureate.

In my discussions in New York and Washington last week everyone was telling me that they had offers from Paris of pop-up international schools. They were being offered exemption from French labour laws. I do not think anyone gave that too much credibility. Similar offers from Frankfurt were believed to a greater extent. It takes only a small diversion of jobs from London to Dublin to have a big economic impact. The total working population of Ireland is 2 million, so 20,000 or 30,000 highly paid financial services jobs coming from London is extremely valuable to the economy.

The Chairman: What proportion of uplift would that be? What is the existing employment position, give or take? Do not worry if you do not know the numbers.

Richard Pym: I do not know. We employ 10,000 people. If you take Citigroup in Dublin, it now has about 4,000 people. It would probably be the biggest of the American banks. As I talk to other American banks, they are all thinking of either starting or expanding their existing Dublin operations. There was an important policy statement from the Central Bank of Ireland a couple of weeks ago that anyone who wanted to set up in Dublin had to have a substantial operation here. The central bank will

not tolerate a system of British brass plates in the city where the operations are in London but the brass plate is in Dublin. Anyone wanting to have an Irish financial licence of some sort will have to bring material employment to the city.

The Chairman: To interpose, is there a read-across to the issues about international tax avoidance—Apple, if you like, for shorthand, and so forth—in that there is a wish to capture the activity rather than creating some kind of offshoring activity in finance?

Richard Pym: Typically, the jobs in Ireland have traditionally been more operations and back office. There have been some dealers here. Frankly, the decision-makers perhaps prefer the greater number of Michelin-starred restaurants in London, but once those decision-makers can be persuaded that this is a lovely city in which to live and bring up a family perhaps they will come here and the restaurants will follow.

Baroness Armstrong of Hill Top: I know one or two decent ones, anyway.

Q116 **Lord Whitty:** I want to raise one point on agricultural trade that Bryan has not really touched on but has been raised with us before. It seems to me that currency movements are episodic and could have happened without Brexit. More or less equivalence of regulation is going to be necessary for any trade, but it is not in the interests of the British Government to impose substantial tariffs against agricultural produce coming into the country. The pro-Brexit press last week contained headlines about Brexit bringing us cheap food, but is not the real threat to Irish agriculture not that we have high tariffs against Irish and other EU produce but that we have low tariffs in relation to Brazil, Canada and the rest of the world, which operate at much lower prices and at different levels of regulation? Is that not the biggest threat to the Irish special relationship in terms of agricultural supply to the UK?

Bryan Barry: That is a massive threat. We would regard that as a serious threat. The Irish Farmers' Association would have been strongly opposed to liberalised trade agreements with, say, the Mercosur countries of South America. There have been strong reasons for that. We believe, with regard to the equivalence of standards, that they are not really equivalent. We think that what they can produce is not produced according to standards that we would regard as strictly equivalent to ours. They have made progress, but they have had serious problems in the past, from foot and mouth disease to no control on internal borders within South America, no proper identification of animals and so on. We were heavily involved in a campaign in the mid-2000s—the noughties—to make sure there were proper and equivalent controls put on South American beef exports.

That is a substantial issue and it depends on what approach the UK Government would take post-Brexit. Would they want to go for the old-style cheap food policy, and in what form? If you want to do a deal with Mercosur, do you want something on the other side of that deal? For

example, they will give free access to agricultural products at zero tariffs or significant tariff-rate quotas. I am talking now about Mercosur, but in turn you want access to their markets for something else. Therefore, is it an old-style Mercosur deal or a unilateral reduction of tariffs where you could reduce tariffs across the board and have access for more New Zealand butter and lamb, maybe some beef from Australia, or whatever? Those are all very important to us. We want as far as possible a continuation of the current arrangements. It would not be in our interests for the UK to pursue a cheap food policy.

Lord Whitty: The point I make is that one of the philosophies of the Brexitists, a contradictory one, is exactly global liberalisation. If that stream of post-Brexit policy is adopted, it is very serious for EU agriculture as a whole, but particularly Irish agriculture.

Bryan Barry: It is.

The Chairman: I think it is fair to say that greater liberalisation of trade plus deregulation of the conditions of trade is really a coincidence of issues.

Bryan Barry: Yes.

Q117 **Lord Selkirk of Douglas:** Thank you very much indeed for having given extremely interesting guidance. It is not absolutely clear what options are about to be agreed and how far we have got down that track. You have made it quite clear what the minimum requirement should be for Irish and non-Irish agriculture, but is there anything else you need to say to us about minimum requirements to meet what was acceptable?

Bryan Barry: I am not sure I understand what you mean by "minimum requirements". We would want the minimum change from the current situation. What suits us most is to stick as far as we can with the existing model of trade. Issues would need to be resolved. Where the UK is outside the single market, depending on the nature of access to it, there are existing concessions that we would trace back to UK entry or involvement. New Zealand lamb would be an obvious one, and New Zealand butter to some extent. As for New Zealand lamb, existing imports into the EU run at about 220,000 tonnes per annum. About half of that goes to the UK; the other half goes to the continent, so there would need to be an apportionment of that. Those kinds of arrangements would need to happen. There is the new trade agreement with Canada, which is a similar thing. I think 50,000 tonnes of beef is under a tariff-rate quota there. That would need to be apportioned because that relates to an EU28 situation. Those kinds of things need to be addressed.

The Chairman: They will not be easy to negotiate.

Bryan Barry: No.

Q118 **Baroness Browning:** On the question of cheap food and the appeal to the public about such a policy, the situation in the UK and probably here as well is that people rely very much on supermarkets to police standards

and the way they source food and products and rely on the brand, but there is a huge market out there in the catering industry, particularly in fast foods, that does not necessarily give protection in a free market, for want of a better expression—for example, in relation to anything with a feather on it that has come from the Far East. The majority of Northern Ireland farmers was the one group that voted to leave rather than remain because of the regulations. That has been confirmed in our earlier hearings. It is a protection for their markets. The regulations are perhaps irritating, but it would give them that security.

Bryan Barry: But it would be a protection; I absolutely agree. There is no doubt that retailers are more open to public pressure. We would welcome the Groceries Code Adjudicator that you have in place in Britain in moving towards a fairer relationship between suppliers and retailers. I suppose there is regulation behind the entire food service area, but the spotlight is not on it to a great extent. Traceability, origin of product and all that are only rarely disclosed. I think it is disclosed for beef because of European regulations; otherwise, it is not disclosed at all.

Baroness Browning: The public want to know, and it is not just people buying at the top of the market. I notice that at home now Lidl has changed its advertising. It markets itself as a low-price supermarket, but its advertising now is running completely on where it sources its products, so it cuts across the price range.

Bryan Barry: That is very true. When Lidl and Aldi first came in, you could not recognise any of the products they were bringing in, but now both are flag carriers for Irish produce. If three weeks ago you had been at the ploughing championships, which is a huge farming show run over three days with 280,000 people attending it, the biggest stands there are Lidl's and Aldi's.

The Chairman: I have been.

Bryan Barry: They are showcasing all their Irish produce. This is the way they have approached it, and it has been seriously successful here because each has about 12% of the retail trade.

Q119 **Baroness Armstrong of Hill Top:** I have two very quick questions to Richard. First, what are the other sectors that you as a bank are involved in that you feel are vulnerable? Secondly, you now know the UK and Ireland very well and the relationship between them. What are the things that you would be urging us to say to the British Government they should be concentrating on in the negotiations?

Richard Pym: That is very hard. None of us would want to start from here.

Baroness Armstrong of Hill Top: Absolutely. We should not be where we are, but we are.

Richard Pym: It is a tragedy that at the time these two nations are as close as they have ever been in their history this has happened. I think

the nicest way to put it is that it will put a spanner in the works. I cannot answer what would be the one thing because I think it is much more complex than that. As to the timescale of two years and five months to have all new arrangements, unless your Lordships are willing to work three shifts, I do not see the legislation being completed in the time. What you have to go through is extraordinary.

If I may address the first point, we have talked about trade and tariffs, but there are some other big issues. I went through *Hansard* to read David Davis's presentation last week. One of the many issues was the EU open skies initiative. Extraordinarily, he described this as an area where the UK had a very strong negotiating hand. The idea that EU open skies would in some way be a negotiating hand with trade was something else. The idea that British airspace might be denied to Irish airlines is extraordinary. I am not saying he said that, but if that starts going it will be extremely unpleasant.

The Dublin-London air route is the second busiest international air route in the world. Hong Kong-Taipei is bigger, but other than that Dublin-London is the second air route in the world. It is of huge significance to the Irish Republic and our connections with the rest of the world. I would urge your Lordships to consider that extremely carefully. There are lots of other issues like that, because the United Kingdom and Ireland are wired together. Take for example electricity contingency. We have power sharing across the border. If the UK exerts its sovereignty to the extent that it withdraws from power sharing in the European Union, being subject to those European regulations, Ireland will have to invest in a connector, presumably to France, at huge cost to either Ireland or the European Union in some way.

You ask what I would ask for. It would be that the line for sovereignty is not drawn in an absolutely binary black or white way and that the United Kingdom has to have sovereignty on everything, because one of the signs of adult relationships is an acceptance of interdependence. It is adolescents who crave independence; it is mature people who accept interdependence.

The Chairman: We will reflect on that. All this has been extraordinarily helpful. By way of a shopping list of things that we have not explored on this visit—I realise that to some extent they are in competition with you—one matter is fisheries. I know that is also important to the Irish Republic. I just flag that up because I am sure Richard will be lending to that sector as well. Before I formally thank our guests in the two minutes apiece we have remaining, would they like to give us any closing thoughts?

Bryan Barry: We wish it had not come to this, to be blunt. We had a press conference in this hotel a couple of weeks before the referendum to talk about the importance of a remain vote, but here we are. We find ourselves in an extraordinarily difficult situation. We are a relatively small member state with a massive relationship—a really very major

relationship—with the UK. It is of extreme importance to us. We are wedded to the European Union; that has not come into question at all.

We want to keep the relationship as close and as tight to the current situation as possible. We recognise there are serious difficulties in that because of the political forces and economic ones to some extent at play in the rest of the EU, and that ultimately we will not be determining our own fate. We will have some influence over it and will certainly seek to have influence. All that influence from our side is heading towards as soft a Brexit from our point of view—the softer the better, from our point of view. Other member states may not see it that way, but certainly in trade terms and economic impact the stakes for them are not nearly as high.

Richard Pym: I would echo all that. The area that is probably the most complex is Northern Ireland and whether the UK Parliament would permit the devolved Assemblies to have differential arrangements with the European Union. The economy of Northern Ireland is a most unusual one. It has most unusual problems, and one must be concerned about that. It is a very wide issue.

The Chairman: On that note, thank you very much. You have been most reflective and generous with your time and we appreciate it enormously. We are in no doubt, the more for having been here and listened to evidence, as to the seriousness of some of these issues and the impact on both parts of this island, the people who live in it and the businesses trying to survive perhaps without big resources or resilience. We will reflect on it. We are here because we have identified this as a primary concern as part of the Brexit negotiations. As we move into the phase where perhaps there is a more open discussion as to how that will be taken forward, we will want to take forward some of these messages and at least make sure we do our best to see that our Government are alerted to them.

I conclude by not only thanking you but, to use the language of trade deals, saying this is a dynamic relationship. If you have anything you want to share with us by way of policy papers, positions, stats or any concerns you have as this develops, please feel free to get in touch, because we will not forget about it. It will be a continuing interest, as I know it will be for you. Meanwhile, I record our thanks and formally close the session bang on time.