

**Seanad Special Select Committee on the
UK's Withdrawal from the European Union
Wednesday 19 June 2019**

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Thank you, Chairman.

Firstly, I'd like to thank you for another opportunity to set out the views and concerns of business on the crucial issue of Brexit.

As you know Ibec is the country's largest business organisation. Over recent years, we have been working intensely to support member companies as they manage ongoing uncertainty and plan for potential Brexit disruption.

In many respects, the headline concerns of business unfortunately remain unchanged since we last addressed this Committee two years ago. Political developments have, however, crystallised the immediate risks.

The failure of the UK government to ratify the Withdrawal Agreement, has left business with the complex task and enormous cost of managing the uncertainty of moving Brexit deadlines. Millions of euro has already been spent putting in place, and in many cases activating, costly contingency plans.

The divisive and ongoing polarisation of the UK political debate has increased the likelihood of a 'no deal' outcome, driving up the cost of contingency planning further.

For the record, business supports the terms of the Withdrawal Agreement, which comprehensively address the key challenges that arise in the exit process.

From the perspective of business, customs and regulatory alignment across the island of Ireland is vital to avoid the return of a hard border, safeguard the all-island economy and protect the Good Friday Agreement.

Over recent months, our work to support contingency planning has intensified. We have produced comprehensive guidance for business and have hosted numerous events, providing detailed expert insight into the complex issues that will need to be managed in such a scenario.

While our members are very aware of the risks and are planning accordingly, it would be wrong to suggest that business, or the wider economy for that matter, could ever be ready for the profound, overnight changes that a 'no deal' exit at the end of October would involve.

Despite the best efforts of business, successfully adjusting to a radically new trading relationship with the UK is neither possible nor realistic, particularly for companies in the most exposed sectors. There are too many variables and unknowns. What we do know is that

the imposition of very high WTO tariffs on certain products, combined with additional customs and regulatory barriers, would cause major trade disruption.

Even in a worst case 'no deal' scenario, we will need a phased implementation of a new trading relationship and a compliance trajectory that minimises disruption. The political brinkmanship involved in setting non-credible deadlines has already cost the business community, additional collateral damage must be avoided.

European Commission claims that contingency planning is complete do not reflect the complex challenges on the ground. In this context further measures are urgently needed, such as moratoriums to facilitate data exchange, the roll-over of current product labelling regimes and other areas where is simply impossible for business to change overnight.

While most larger companies have comprehensive plans in place, many SME are ill-prepared. Despite major information campaigns, around 46000 small companies, of the 84000 that trade with the UK, have yet to register for the EORI number that will be necessary to continue to trade post-Brexit. There is still a job to do.

While Ibec's work to support contingency planning will continue, it must be stressed that very significant government and EU state aid intervention will be required to protect jobs and businesses in the case of a 'no deal'.

It is important that the European Commission and our own Government has in place fully developed and comprehensive plans that can be triggered without delay in such circumstances. The economic hit will be immediate, so too must be the response.

Certain issues have been addressed in the Brexit Omnibus Bill, such as the treatment of VAT on UK imports, but a much more far-reaching state aid programme would be required. This would need to include:

- a new enterprise stabilisation fund, to provide short-term financing support for affected companies;
- direct capital, marketing and innovation supports for companies reorienting into new markets beyond the UK; and
- new trade support measures, including further export trade financing and export credit guarantees.

Ibec has set out in detail these proposals to government, and we continue to work with the relevant departments and agencies to prepare for all scenario.

As we move again towards another Brexit deadline, the macroeconomic backdrop remains benign. No other economy in Western Europe had greater momentum coming into 2019.

However, a 'no deal' UK exit would significantly re-frame the economic outlook, and involve a major sterling depreciation, cancelled investment, falling consumer confidence, rising prices and significant trade disruption. It is crucial that all our efforts are focused on avoiding such an eventuality.

Thank you for your time. We look forward to answering any questions.