

DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Dé Máirt, 6 Márta 2018

Tuesday, 6 March 2018

The Joint Committee met at 3.15 p.m.

MEMBERS PRESENT:

Deputy Peter Burke,	Senator Paddy Burke,
Deputy Joan Burton,	Senator Rose Conway-Walsh,
Deputy Pearse Doherty,	Senator Kieran O'Donnell.
Deputy Michael McGrath,	
Deputy Paul Murphy,	

In attendance: Deputies Dara Calleary, Lisa Chambers, Martin Heydon and Eamon Ryan and Senators John Dolan and Neale Richmond.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

EU Finances Post-2020: European Commissioner for Budget and Human Resources

Chairman: Apologies have been received from Senator Gerry Horkan.

I welcome Commissioner Oettinger and his colleagues and look forward to a good exchange of views on the various topics to be discussed.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

I invite the Commissioner to make his opening statement.

Mr. Günther Oettinger: I thank the Chairman and members for inviting me and offering me and my colleagues the opportunity to have an exchange of views on the European Union's finances post-2020. We are preparing the next financial framework which will accompany the European Commission's proposals in May in respect of the financial outlook and financial framework for the period 2021 to the end of 2027.

The reason I am travelling to the capitals of all member states to meet the governments and the parliaments is to understand the expectations of our national colleagues in respect of responsibilities which we all see as European responsibilities. Related to and compared with the existing method, we see that there are new responsibilities in dealing with issues such as migration, the provision of development aid in Africa and the refugee crisis in the Middle East such that border protection and control and defence and defence research could be as important as the fight against terrorism.

In parallel, we have the ongoing traditional responsibilities arising from the treaty covering areas such as cohesion policies and the Common Agricultural Policy. We have two problems in that regard. We have a problem on the revenue side because the United Kingdom is leaving the European Union. After the transition phase, we will be at the loss of its input of between €12 billion and €14 billion. On the expenditure side, it is up to the European Council and the European Parliament to decide. If we see added value in investing or moderating and working together at European level to fight against terrorism or resolve migration issues and so, we will need the money to finance the investment via our European programmes in the next decade.

We are undertaking spending reviews, with a view to modernising existing programmes and the way to simplify the rules. We have to examine which cuts would be acceptable. The halving of the gap created by Brexit, in addition to our new responsibilities, means that we will have to accept some cuts, but we will have to avoid damaging traditional programmes. However, member states do not always have the same interests. Some countries suggest that, in the interests of cohesion, we should invest more in agricultural policies, whereas others say a reduction

of 30% in this area could be acceptable.

We have a budget ceiling or dimension which, in general, under the existing framework, year by year, is approximately 1% of gross national income. It is crystal clear that if this ceiling is prolonged and remains at the same level, we will have no chance of closing the gap due to Brexit and financing the meeting of new responsibilities. In my view, the ceiling should be a little higher and the formula should be set at $1/x\%$. This is necessary. Investing at European level means that we realise added value. We have to bring clear arguments and proof that we will create added value by investing at European level. If there is to be added value, we will need the money. This is about the national budget and new resources and we have a window for negotiations.

The Commission's document will come out in May and the European elections will be held by the end of May 2019. Therefore, the earlier we negotiate the better for farmers, researchers, regions and all of our partners. We would then have clarity and certainty about the available funding and the programmes and rules that would apply to the financial framework post-2020.

The question I address to members of the committee is what do they expect from the European Union because at the end of the day it is about unanimity? We need 27 Finance Ministers, 27 Ministers at the General Affairs Council, 27 Heads of State and Government and 27 national parliaments to agree. It is not the Commission's annual financial framework but our common framework. It is a framework for 440 million citizens, 27 member states and the future of the European Union.

Chairman: I thank the Commissioner. I call Senator Conway-Walsh.

Senator Rose Conway-Walsh: I thank the Commissioner. The multi-annual financial framework, MFF, is the EU's seven year budget but with Britain being one of the major contributors, Brexit has left a hole in all of the budgets, as the Commissioner said. Again, as he said, the choice is between cutting and adding more revenue. Any cut that is likely to be made includes the Common Agricultural Policy, CAP, because that is the biggest budget line and in order to raise more revenue the Commission is looking at extending the EU's resources. Can the Commissioner tell us about the rebates of some of the wealthier countries and the amount that equates to? If these rebates were removed, how less important would the withdrawal of Britain's contributions be?

Mr. Günther Oettinger: The main rebate is the British rebate. It was an agreement between the then Prime Minister Thatcher and the Council and the European Parliament and we have a system of rebates related to the British rebate. Our position is that with the UK leaving, these rebates cannot survive. We are bringing our next MFF without rebates, only with resources coming from member states related to gross national income, GNI, and with some new and other resources without rebate. Nobody knows what the outcome will be afterwards because it is about unanimity. I cannot exclude at the end of the day ending up with no rebate. In general, maybe we need some of them. Member states which are quite critical net payers include the Netherlands, Sweden or Denmark. It is a question of the negotiations but our starting point is that there will be no rebate.

Senator Rose Conway-Walsh: Is the Commissioner aware that the distorted nature of the economic statistics, namely, the use of GNI, means that Ireland is in effect overpaying its share? The revision of the GDP and therefore the GNI figures last year cost Ireland €280 million extra in contributions. Has this issue ever been raised by the Irish Government?

Mr. Günther Oettinger: It has. Now we are analysing the situation and the basis on which we are developing revenues, the amount of money, the systems, the methodology and this is one point on a technical level but on a political level as well, to see if the methodology is future-proofed in an ongoing way or has anything to be changed? Should it be just related to GNI, and in which years, or to labour market demography migration? Are there other relevant points which should play a role in coming to the levels to be paid member state by member state?

Senator Rose Conway-Walsh: Does the Commissioner believe the current situation is unjust that Ireland would end up paying such a huge extra contribution?

Mr. Günther Oettinger: It depends on the negotiation. It should not be too bureaucratic. If it is too complicated, it will not be convincing. GNI ongoing is a fair system with maybe some additional instruments to help to come to a complete figure that member states have to pay. One has to compare revenues and expenditures - payments to member states. For example, if there were to be a hard Brexit, although I hope there is not, I am sure in a new multi-annual financial framework, MFF, we could do a lot via a new instrument against asymmetric shocks, via, indirectly, the Juncker plan, or via connecting to an EU facility. Nobody knows how much money a member state from 2021 up to 2027 will receive. To compare payments or revenues and to compare payments to members states and their projects is quite an open picture. Cohesion is clear, more or less. CAP is clear but all other programmes - take Horizon 2020 - depend on important projects, convincing projects and priorities or problematic developments in which we have to assist and to help.

Senator Rose Conway-Walsh: One can understand that it is very difficult for Irish citizens to understand that they have to pay €280 million extra when they have such a huge homeless problem and they have such a huge deficit in investment in infrastructure, particularly in the regions. I want to refer to CAP. This is hugely important. If we accept that there is going to be a hole in the budget, CAP is in the firing line, as the Commissioner said. I was concerned because last month the Commissioner told German farmers that cuts to direct subsidy are coming. Who made that decision and when was it made, that there would be cuts to CAP?

Mr. Günther Oettinger: There has been no decision. Our proposal will be brought forward in May, as I have said. We are engaged in ongoing preparation work. I have been in 18 other parliaments and some colleagues of the member, not of mine, are demanding minus 30%.

Senator Rose Conway-Walsh: Minus 30% in CAP.

Mr. Günther Oettinger: Yes, of course. Just in CAP.

Senator Rose Conway-Walsh: What countries are advocating this?

Mr. Günther Oettinger: Please fly to Den Haag. The Senator should ask her colleagues in the Netherlands or Malta. I have to fight to get a decision by unanimity, it is not so easy. One needs maturity here; I need unanimity. To think that with the UK leaving that there will be no cut anywhere is a mission impossible. I do not want to reduce the amount of money for Erasmus+ or for Horizon. I want to speak about acceptable cuts, meaning from minus 5% up to minus 10% in cohesion and maybe in CAP. It is an open debate.

Senator Rose Conway-Walsh: From our perspective, that would not be acceptable because Brexit is already impacting significantly on Irish agriculture. We hear a lot about solidarity and a lot of words around that. I acknowledge that the EU has stood with Ireland but I really cannot impress on the Commissioner how much a double whammy of Brexit and a cut to CAP

would hurt Irish agriculture. Over the last week Irish agriculture has suffered because of the extreme weather.

When we talk about the rebates to the wealthier countries, we could talk about money that the EU wastes in terms of the arms industry and military development. Having CAP on the chopping board is not acceptable and I would say it is a matter of choices. Our own MEP, Mr. Matt Carthy, has fought strongly on this point.

My message to the Commissioner today is that it would absolutely ruin Irish agriculture, particularly in the region where I come from, if there were cuts to CAP on top of Brexit. That needs to be seriously considered from the Commissioner's point of view.

Chairman: I call Deputy Michael McGrath.

Deputy Michael McGrath: I would like to welcome the Commissioner and his colleagues. Could the Commissioner clarify the extent of the Brexit gap? He mentioned a range of €12 billion to 14 billion. If we park the issue of outstanding commitments to existing programmes and when all of that washes itself through, what is the annual structural gap in terms of the Brexit bill, the shortfall as a result of the UK no longer making a recurring annual contribution? What is the figure?

Mr. Günther Oettinger: We have to compare the EU 28, what would happen beyond 2020 if the UK were a member with annual growth of 2% of its gross domestic product, GDP, and the EU 27 without the UK after a transition phase. As an average of these years in the next decade, it is at least €12 billion.

Deputy Michael McGrath: What percentage of the annual EU budget would that amount to?

Mr. Günther Oettinger: The Commission's existing budget is about €150 billion. It is 7% to 8%.

Deputy Michael McGrath: The Commission's initial proposal is that that gap would be met in two ways; split 50-50 between increased contributions from member states and cuts to EU spending on an equal proportion. Is that the position?

Mr. Günther Oettinger: Yes. I propose to close the Brexit gap 50% by cuts and 50% by additional money coming from the 27 member states and the expenditure gap, seeing new programmes and responsibilities, here I will propose 80% fresh money and 20% cuts, seeing the existing budgetary structure.

Deputy Michael McGrath: If that were to materialise, and if we take the figure of €12 billion, member states would pay an extra €6 billion in proportion to their contributions and there would be expenditure cuts in the region of €6 billion out of an annual budget of approximately €150 billion. That is a 4% expenditure cut, there or thereabouts.

Mr. Günther Oettinger: The cuts needed to realise the new responsibilities must also be added to those calculations. I mentioned 80% fresh money but 20% by cuts.

Deputy Michael McGrath: Is the overall timeline for the new MFF going to be a seven year period or is it going to be a ten year period?

Mr. Günther Oettinger: Seven years.

Deputy Michael McGrath: Is that decision made?

Mr. Günther Oettinger: Internally, the Commission's proposal at the moment is for a seven year framework.

Deputy Michael McGrath: When must it be agreed by?

Mr. Günther Oettinger: There is no time limit. It has to come out in May, as I mentioned. It would be in the interest of our citizens, our farmers, our researchers, our mayors and our regions to have a decision as soon as possible in order to get clarity and certainty. There is a problem in that the European Parliament election is at the end of May next year. We have two windows, before or afterwards.

Deputy Michael McGrath: The absolute deadline is some point in 2020.

Mr. Günther Oettinger: By 1 December 2020 but if there is no decision or no agreement then we have a special procedure which is related to the existing MFF.

Deputy Michael McGrath: In relation to possible additional sources of revenue that the EU is examining, I note that there is mention of common consolidated corporate tax base, including the digital sector. These are proposals that are not agreed, either the common consolidated corporate tax base, CCCTB, or the new proposed method of taxing the very large digital companies based on where their users are as opposed to where these companies are tax resident. To what extent is the Commission factoring in income from proposals that are not yet decided on or agreed or are they not being factored in at all?

Mr. Günther Oettinger: No the Commission is preparing the MFF on the basis of existing rules. Maybe we are proposing some new own resources. Take the emission trading scheme, ETS, scheme, which is agreed and which is an existing system. Climate change policies are European policies. The ETS is European legislation. CO2 emission reduction targets for 2020, 2030, 2050 are European targets but the money is not going to the European budget, so this could be one idea, to take this existing ETS scheme and ask member states to provide the money to diversify the revenue side of our next MFF.

Deputy Michael McGrath: On that question of climate change and emission reduction targets, what role will that play in the new MFF in terms of meeting the UN's sustainable development goals, the Paris climate agreement, and the responsibilities of individual member states to meet their targets and their obligations? How central will that issue be in the negotiation and in the final shape of the new MFF?

Mr. Günther Oettinger: The whole system is an existing one. We agreed, and via Paris we are obliged, to reduce greenhouse gas emissions up to 2020, 2030 and 2050. It is a clear system. The volume of emissions and the number of licences is limited, being reduced year by year by 3% to 4% to reach the goal. Industries, steel users or coal to power plants have to pay licences. This is the European market but the money is not going to the budget. One only has to get agreement with member states to get this money to reduce the money we need from national budgets.

Deputy Michael McGrath: It seems that the period ahead in seeking to reach an agreement will be extremely challenging. Trying to reach agreement on any expenditure cuts is incredibly difficult. We know all about that in this country given the crisis we have come through in the past ten years and the fiscal consolidation that was necessary. How great a challenge

will it be for the European Union to agree a new MFF, a new annual budget, in a post-Brexit environment where we are facing the type of shortfall in the budget that the Commissioner has spoken about, whether it be €12 billion or more than that, and the challenges that poses by way of member states paying more money in, and cuts to expenditure programmes like CAP which Senator Conway-Walsh spoke about? How difficult and how challenging will that be over the period ahead to reach agreement on those very difficult issues?

Mr. Günther Oettinger: My obligation is to develop a reliable and balanced proposal. In the end, it is not the Commission's budget, it is our citizens' budget. The worst case scenario would be to have no budget. Our farmers and our researchers would never accept and understand that we are not ready to come to a conclusion. The winner would be an autocrat in Ankara, an autocrat in Moscow, and autocrats tweeting in Washington DC. It is about good governance.

Deputy Paul Murphy: There is obviously a lot of discussion around how big the MFF will be, but just as important a question is the balance of spending within the MFF. From the Commission communication to the Parliament and the Council, the Commission reflection paper on the future of EU finances causes me to fear that the direction of spending points to the type of Europe that unfortunately we have. It points to a Europe which is a fortress Europe, a racist Europe, an increasingly militarised Europe and a Europe which uses taxpayers' money to finance private development and private profits. To go through each of those areas, the first relates to military expenditure within the EU. In the previous MFF, not the current one, there was €1.4 billion allocated for security research. In the current MFF that we are in until 2020, there is €3.8 billion allocated. Am I right to take from the Commission's communication that the amount of money allocated to what is euphemistically called "defence research" will likely be increased, or the Commission would advocate an increase, in the next MFF? The Commission's communication refers to how best to support a true European defence Union. It reads: "Given the scale of existing national defence research budgets the research window of the Fund would need an estimated budget of at least EUR 3.5 billion over the period to make a substantial difference". It also reads that at least around €7 billion would be needed to co-finance part of the cost of defence industrial development, assisting the military industrial complex and that a separate funding mechanism of around €10 billion for that period would increase the EU's ability to financially support operations with defence implications. Is the Commission in favour of substantially increasing the amount of money allocated to defence in the next MFF?

Mr. Günther Oettinger: Yes.

Deputy Paul Murphy: By how much?

Mr. Günther Oettinger: The Deputy mentioned the number of the investments. Most of our member states are NATO members and NATO members agreed to invest 2% of their GDP in defence. It is an agreement of all our Ministers of defence and foreign affairs, not my agreement. The average Europe is investing is about 1.4%, so we have a gap. We can bring clear arguments that to standardise on a European level, to prepare tenders on a European level and to co-finance on a European level is much more efficient than to standardise and invest 28 times in parallel because the US is much more successful in investing and in getting back services, products and weapons systems. Why should Europe develop ten drone systems in parallel? It is better to have a European joint undertaking, a European team, and the defence union is the network therefore, agreed by 25 member states. It is in the taxpayer's interest to invest on a European level and to get more back than just to invest 25, 27 or 28 times in parallel.

Deputy Paul Murphy: If the budget spent on defence tripled from the previous MFF to

this time, would the Commission advocate something like a tripling again because that is what the figures seem to add up to, a substantial further increase in defence spending at an EU level?

Mr. Günther Oettinger: The Commission's proposal will give the basis for making experiences. A first tender, a first year, then we will see what is the outcome, what is the direction of the market for our industries and then let us come back to the Deputy's question. In the end we need more Europe, even in defence, because America first can mean that Europe has to do more for its own external and internal security, of which I am sure.

Deputy Paul Murphy: Can the Commissioner justify to citizens of Europe, including citizens in Ireland who contribute to this EU budget, why their money should be spent on weapons that are designed to kill people as opposed to being invested in health, education and infrastructure? Can the Commissioner justify that as a moral and political choice by the Commission to advocate?

Mr. Günther Oettinger: It is a political question. I am convinced that if Europe does not invest more, it will come into a dangerous position, seeing terrorists, seeing Islamists and even seeing what Russia and others are investing in. It is about our own security and the security of our children and the next generation. I am totally convinced and I am sure I can convince Irish citizens as well.

Deputy Paul Murphy: I am not so sure but I appreciate the Commissioner's honesty which is often lacking from the Irish Government in this respect about the direction in which Europe is going.

The Commissioner is aware that in the past MFF, in this MFF, hundreds of millions of euros through defence security research spending has ended up with Israeli corporations such as Elbit and other Israeli armament companies, the same companies that are involved in, for example, the construction of the apartheid wall around the West Bank and are involved in the creation of drones used against the Palestinian people. Does the Commissioner agree that no European citizen's money, even if it is under the guise of dual-use, which is how this money ends up with Israeli armaments companies - I am against this direction the Commission is going in any case - should end up with Israeli armaments companies? Surely that is a bottom line, given their flouting of international law and given their oppression of Palestinians.

Mr. Günther Oettinger: Let us come to concrete projects. Please come to Brussels, let us speak about these arguments and let us see which projects are not acceptable to the Deputy. The Commission has Horizon 2020. The Commission has about €11 billion a year. That is not nothing but it is not so much and it is really related to civil projects, to innovation, to digital projects. For example, sometimes these partners are from outside of Europe, but mainly they are European partners. I invite the Deputy to come to me and to come together with the Commission's people from Directorate-General RTD. Then the Deputy can see how convincing European innovation and research projects are because against Silicon Valley and the Pentagon and against Beijing and Made in China 2025, no member state, not Ireland, not Germany, and no company, not Siemens, not Phillips, standing alone is strong enough to compete. Together we have a chance and Europe needs its own innovative and digital sovereignty. Europe does not have this at the moment.

Deputy Paul Murphy: I have been to Brussels. I was a member of the European Parliament. I made these arguments and I will be concrete. Elbit received an EU contribution of over €400,000 for its participation in the FLYSEC project which integrates new technologies

on video surveillance, intelligent remote image processing and biometrics combined with big data analysis, open source intelligence and crowd sourcing. It is an Israeli armaments company. It is used against the Palestinians, people who have their land occupied. The same applies in different systems, for Israeli aerospace systems, for Technion. This is a very simple question. Does the Commissioner agree that no EU money, money that comes from European citizens, should end up with Israeli armaments companies?

Mr. Günther Oettinger: Please accept that, as a German, I am defensive. Because of what Germany did to Jewish people, we have to defend this as Germans, or at least be neutral and not accuse Israel, whatever it is doing. Please ask my president and others but here I am in a national conflict.

Deputy Paul Murphy: But a national conflict the EU is funding one side of in terms of armaments companies. It seems again that the direction that this is going goes further in the direction of the so-called “Juncker investment plan”, the European Fund for Strategic Investment. The Commission envisages more money would be allocated to that in the coming MFF. Could the Commissioner confirm that? The language around it is about mobilising private investment. The mathematics for the Juncker plan were ridiculous. It started with €8 billion and ended up with €350 billion magicked out of nothing. However, it illustrated the fact that it was predicated on private investment. Is this not about the public taking the risk of investment in infrastructure and the private sector ending up with profit gains in schools, hospitals or whatever? It is like a public private partnership model that always results in the public taking the risk and the private sector taking the profit.

Mr. Günther Oettinger: First, the Deputy’s colleagues in the European Parliament agreed. The Juncker plan is a plan of the European Parliament and of the Council. We do not take all of the risks; we are taking some risk. We are reducing the level of risk via the EIB and the Juncker plan. These so-called new financial instruments are not just European instruments. It is a usual instrument used by many member states and by countries inside and outside Europe for funding to reduce the risk and to give some guarantees to attract projects and to activate private investors.

Deputy Pearse Doherty: Cuirim fáilte roimh an Commissioner go dtí an coiste. The Commissioner made a number of comments to Deputy Paul Murphy about the direction of military spend and defence. He said that if Europe did not increase that type of spending, it would be in a dangerous position. What percentage of the budget is currently spent on that and, in his view, what increase is required to avoid what he terms a dangerous position?

Mr. Günther Oettinger: In the draft of the next MFF we are developing a cohesion pillar with at least 30% of our entire annual budget and a CAP of least 30% as well. Our heading 5 means staff and buildings, which it is about 6%, so we have 32% or 33% for the rest - for research, Connecting Europe Facility, ERASMUS+, migration, development aid and, perhaps, for defence research and defence industries.

Deputy Pearse Doherty: What is the current proportion of the MFF spend on the latter category? The Commissioner argued passionately that this must increase, and his forthright honesty on this issue has been acknowledged. I am trying to get an understanding of where the Commission or the Commissioner is coming from on this.

Mr. Günther Oettinger: It is not my own ambition. It is the expectation of our member states. The defence union is a decision of the Council. Some 25 member states are expecting us

to realise added value via European standards, European tenders, European investments coming from the European budget plus additional money coming from member states.

Deputy Pearse Doherty: Is the Commissioner familiar with the percentage of the budget under the current MFF that is currently allocated to the defence and defence research area?

Mr. Günther Oettinger: Starting with €1 billion for defence industries and €0.5 billion for defence research would mean more or less 1% of the whole annual budget beyond 2020.

Deputy Pearse Doherty: The Commissioner believes that is insufficient to meet the demands of 25 member states and points to the dangerous position he believes Europe would be in if it was left at that. What is the percentage he believes would be necessary to avoid the dangerous position he articulated to the committee?

Mr. Günther Oettinger: Take the 2% goal agreed to by NATO members, not by me. The figure of 2% of GDP was agreed to by Defence and Foreign Affairs Ministers, NATO members and governments. If all of the EU 28 were NATO members and had a GDP of €15,000 billion per year, it would mean a figure of €300 billion. At the moment we are investing €10 billion; therefore, there is a gap of €90 billion which could be closed by having a figure of 1% or 1.5% on a European level. If these European programmes succeed, activate and realise added value, figures of €1 billion and €500 million should be a starting point, not the whole story.

Deputy Pearse Doherty: Are we expecting to see a reduction in programmes? The CAP presents a major issue for Ireland. One of main beneficiaries of the EU budget is the CAP. The Commissioner has mentioned that we are likely to see a 5% to 10% reduction in that type of programme, yet, on the other hand, there will be an increase in military or defence spending in Europe.

Mr. Günther Oettinger: Perhaps the Deputy might remember that I referred to new responsibilities, new programmes, at least 80% fresh money and, at a maximum, cuts of 20%. Let us wait and see. If I were to propose a cut of up to 10% in the CAP, I am sure at least 15 or 20 member states would accuse me and ask why I was reducing the money for the CAP, not increasing it.

Deputy Pearse Doherty: I understand that. However, the Commissioner has made speeches in the last month in which he has indicated that the MFF could see a cut of between 5% and 10% for the CAP and the Cohesion Fund. Is that not a statement of fact?

Mr. Günther Oettinger: Not yet. It will be a fact on 2 May, but for the moment our ongoing preparatory work sees a cut of up to 10% for the Cohesion Fund and, in parallel, the CAP.

Deputy Pearse Doherty: Yes, that is the point. I appreciate that it has to be decided and agreed to, but the preparatory work sees a cut of between 5% and 10% for the CAP. How do we square that with an increase in military spending at the same time? Why is the military budget not being cut?

Mr. Günther Oettinger: Perhaps European security presents an increasing challenge.

Deputy Pearse Doherty: We appreciate that there are NATO member states, but this is a neutral state, or at least it should be. It will be hard to swallow for Irish citizens. This is where the European Union sometimes loses touch with its citizens. On the one hand, preparations are being made to cut core programmes that support smaller farmers, in particular, on average and

sometimes very low incomes, while, on the other, resources from national taxpayers are going towards increased military spending. What does the Commissioner say to the farmer in west Donegal on an average income of €6,000? Will he say his or her support payments will be cut but that he or she is not to worry because the European Union will defend him or her because it is ramping up spending on military programmes and using Irish taxpayers' money to do so?

Mr. Günther Oettinger: I would like the Deputy to accompany me and fly to Amsterdam, Copenhagen or Stockholm. All of these member states are stating we need cuts of up to 30%. I am a moderator. At the end I am the Deputy's partner. There are sure to be cuts of 5% and up to 10%, but let us wait and see.

Deputy Pearse Doherty: I appreciate the Commissioner's role and understand there are bigger demands being made by other European countries. It is also the responsibility of the Commission to communicate with individuals who will see support payments reduced as a result of decisions or proposals tabled, at the end of the day, by it. It must take ownership of these proposals. Saying the Netherlands wants to cut more does not cut it. That is what leads to people turning away from the European project. They will argue, legitimately in certain cases, that the priorities are wrong. There is a guaranteed increase in military spending, but everything else is on the chopping table.

Mr. Günther Oettinger: It is about a figure of €1 billion or €1.5 billion, or approximately 1%. The Deputy is using up ten minutes of the time available on 1% of the budget. Is that balanced? I do not think so.

Deputy Pearse Doherty: I represent farmers and people-----

Mr. Günther Oettinger: The Deputy is a lobbyist. I am a moderator.

Deputy Pearse Doherty: That is okay. I say to the Commissioner that he has the opportunity to communicate through this committee to farmers who will potentially see their programme payments cut. I am giving him that opportunity, but he is obviously not going to take it in the way I thought he would.

There is a second point. The proposal from the Commission is to increase the figure from 1% to 1.1% or 1.2% of gross national income, GNI. The European Parliament favours an increase of 1.3%. In response to Deputy Michael McGrath the Commissioner spoke about a 50:50 split between cuts and increases in contributions. What would be required in terms of the increase in the percentage of GNI to avoid cuts to the multi-annual financial framework?

Mr. Günther Oettinger: It depends on responsibilities. If we are just to close the Brexit gap with fresh money, a figure of 1.1x% would be enough. In completing European Monetary Union to develop some new instruments and investments against asymmetric shocks or reform delivery tools, or to integrate the European development aid fund we would have, within a complete picture, a ceiling of up to 1.3%.

Deputy Pearse Doherty: Has the Commission settled on a figure of 1.1% or is it still considering a figure of 1.2%?

Mr. Günther Oettinger: We are working with the formula of 1.1x% as there are several open points. In the next eight weeks I will travel to eight more member states to meet representatives of eight more national parliaments. For the moment I am being quite open and sensitive. There is the question of whether we should integrate the European development aid fund, as

the Parliament is demanding. It represents a figure of about 0.03% of the whole dimension. Outside x would be different, as inside x should be. As I mentioned, there is a package coming on 6 December which will deepen European Monetary Union. It is developing three new financial instruments and we need a clear order or expectation from the eurozone Council as to which amount of money it would prefer for the reform delivery tool. It is to assist and invest when there is an asymmetric shock and so on. That will bring me to a concrete x which may be 1.11%, 1.17% or 1.19%

Deputy Pearse Doherty: I will finish on how the impacts of Brexit could be offset by new programmes. Does the Commissioner have ideas in that regard? I can provide a Sinn Féin document that contains a number of proposals that we believe would be helpful. Among them is that North-South co-operation would be treated as a qualifying combination for inter-regional programmes. Is that something Mr. Oettinger believes is possible? We have also argued for the establishment of a task force, based on the Barroso task force established to support the Good Friday Agreement, with an all-Ireland mandate to work with all the different national actors to support the maximum level of funding. It was unique to Ireland and recognition from Europe of the importance of the Good Friday Agreement. A Brexit initiative would be important there. There are a number of other matters and the third I will mention is the securing of a PEACE programme beyond the 2020 horizon. With those or any other element suggested by the witness, where does he see the multi-annual financial framework, MFF, as a support? The only question is the scale of that impact of Brexit at this point.

Mr. Günther Oettinger: The European Commission, my colleagues and I are preparing negotiations in the best manner. It is not really credible to answer those questions today. If there is a hard Brexit, we will need additional and different instruments for the European Union and Ireland. That is in contrast to there being a customs union, for example. It will depend on such things. The 2 May date is just a starting point for negotiations. I am sure that before the end of this year we will know the detail of what will face the EU 27, the UK and Ireland. That will inform what MFF we will need in the interests of Ireland and the whole EU 27.

Deputy Pearse Doherty: Regardless of whether there is a hard or soft Brexit, the PEACE programme beyond 2020 is a requirement.

Mr. Günther Oettinger: In the regional programmes, the ongoing PEACE programme is future-proofed.

Deputy Pearse Doherty: I thank the witness.

Deputy Martin Heydon: I thank the witnesses for coming before us today. I will take up the last point. It is important there should be an understanding across Europe that Brexit will ultimately be a negative-sum game, probably for all of Europe and particularly for Ireland. Whether it is a hard or soft Brexit will determine how negatively it will have an impact on our economy. Either way, it will not be a positive for us in any way, shape or form. Throughout the budgetary negotiations for 2020 and beyond, there must be a focus not just on the money that will be lost from losing Britain as a contributor but also on the impact that economies like ours will suffer because we are such a close trading partner with Britain. There is a need for some budgetary steps to counteract that, whether that is in terms of the peace process or in trade in general. Our proximity to Britain will be a key consideration.

The Commissioner made a point in his opening statement, saying that losing Britain as a contributor and not having cuts is impossible. That is not the case. We have proposed that

countries which contribute may contribute more. In Ireland our Taoiseach has said we are open to doing that if other countries do the same. What is the Commissioner's sense from the other countries he has visited? Is there an openness to increasing contributions in some ways? At the heart of my points today is the fact that new measures are fine but they require new money. With the Common Agricultural Policy, CAP, and the Irish agricultural sector, which will suffer some of the worst impacts of Brexit, there would be a double-whammy if there was an impact on trade along with a reduction in the CAP budget. Security is absolutely important for the EU but food security is also very important. Ensuring there is a good carbon footprint for the food we produce is very important. The positive environment impacts of sustainable farming are also very important to us.

Mr. Günther Oettinger: We are analysing the starting position of all member state governments and parliaments. At the moment, a majority of member states are ready to accept the higher ceiling and invest a little more money in the European Union's multi-annual financial framework. A figure of 1.1% seems to be acceptable to most of them and a figure of 1.2% seems to be acceptable to some of them. However, and this is not a secret, the Prime Minister of the Netherlands, Mark Rutte, made crystal clear last week that for him the figure should be 1.0%. The new Chancellor of Austria made a similar strong and clear announcement. It is up to me, not us, to convince them and perhaps Sweden, Denmark, Finland and Italy - let us wait and see what happens in Italy after the elections - to invest a little more. To be in the driver's seat, I must be ambitious but realistic. Being overambitious would result in my proposal being rejected and we would then have nothing. Looking back to 2005, perhaps the Commission was too ambitious then because the European Council rejected its proposal, leaving the Commission totally out of the game. I need a balanced proposal that is ambitious but realistic. I have to ensure we have enough tools in the framework to be relevant, important and acceptable to all of our 27 governments and national parliaments.

Deputy Martin Heydon: I thank the Commissioner for his response. Just as he was frank in informing us what the Netherlands and Denmark want in various areas, I hope he will, in the other eight countries he must still visit and throughout the negotiations, reiterate the points he hears in Ireland. New measures require new money and the Common Agricultural Policy is extremely important. Food security and sustainability are a key element of the CAP and that must not be lost in the discussions.

Mr. Günther Oettinger: I am aware that the same applies in respect of France and some new member states.

Senator John Dolan: I welcome Commissioner Oettinger to Ireland and hope his travels have a good outcome. I have a particular interest in the 80 million people with disabilities in Europe. The European Union is in the unique position of being the only non-state party to ratify the United Nations Convention on the Rights of Persons with Disabilities. It follows that the EU must not only comply with the convention, but also advance the inclusion of people with disabilities across its competencies. This should guide and incentivise the greatest possible degree of compliance in terms of mainstreaming in the multi-annual financial framework and the EU's semester process. Similarly, compliance with the UN Convention on the Rights of Persons with Disabilities is intrinsic to achieving the European pillar of social rights and the sustainable development goals. The multi-annual financial framework and semester process are key mechanisms for achieving and implementing these and other objectives. How does Commissioner Oettinger envisage the semester process and MFF being able to advance these objectives at European level?

Over the past decade, the European Union has demonstrated that it can act with determination, strength and resolve when dealing with crises. However, as everyone will agree, poverty, exclusion and inequality have increased to unacceptable levels across the EU and the people worst affected are those who are already marginalised and disadvantaged. In that respect, I speak for people with disabilities. The EU must urgently take strong, determined and resolute action to improve the lives of people with disabilities in line with commitments in the UN Convention on the Rights of Persons with Disabilities. As I stated, there are 80 million people in the EU with disabilities. I will make three simple points about disability. First, disability results in increased poverty for those affected. Second, it increases their exclusion and that of their families in a range of ways. Third, when the first two factors are combined, there is a loss of hope.

A number of speakers referred to defence. The European Union is a precious and unique regional entity and no other entity in the world comes close to it as a model. Notwithstanding that, the Union has problems and it strikes me that disintegration and the breaking down from within is as great a threat as are external threats. I am not disputing that the EU faces external threats but sometimes threats are imported or develop from within. One of the greatest defence mechanisms for entities such as the EU and its member states is to strengthen social cohesion. This requires a specific focus on people and families on the margins, even if the instinct may be to argue that doing this would be unaffordable. There is no doubt this is necessary when one considers how people with disabilities are affected across a range of indicators, including employment, poverty and education status.

Commissioner Oettinger set the scene, with which we in Ireland are familiar from the past decade. The European Union's revenue is declining while expenditure is increasing and it is acquiring new responsibilities. The Commissioner referred, for example, to migration, development aid, refugees, border controls and terrorism but did not mention Europeans with disabilities.

Mr. Günther Oettinger: Disability is not a new responsibility. I was asked to discuss new responsibilities. We must be clear about that.

Senator John Dolan: That is correct. However, while the issues I listed were new responsibilities, Commissioner Oettinger also referred to existing responsibilities. The European Union has ratified the UN Convention on the Rights of Persons with Disabilities. It is important to remember that both the EU and UN were born out of the Second World War. The Universal Declaration of Human Rights dates back to 1948, yet 60 years later, the UN was forced to point out that its members, which include all EU member states, had not viewed people with disabilities as among the human beings who should have their rights advanced. The Convention on the Rights of Persons with Disabilities is a statement, 60 years after the universal declaration, that is necessary to insert a "how to do" mechanism, as it were, to ensure people with disabilities can board trains, go to school and find jobs. This is a serious international issue.

Commissioner Oettinger referred to the Holocaust. We remember the awful fate of 6 million Jews. Some 300,000 people with disabilities were murdered by the Nazi regime, many of whom were German. No laws were introduced at Nuremberg to make that possible. The point I am making is that the humanity of people with disabilities is not viewed as being as strong as that of others. There needs to be a commitment through the protection of - the holding of the line - and improving supports for people with disabilities in the period ahead if ratification of the UN convention is to mean anything.

Mr. Günther Oettinger: In meeting our treaty obligations ensuring there is no discrimina-

tion and ensuring equality and inclusion are clear European Union priorities. They are obligations for us as an employer inside the Commission and in terms of European Union citizenship. We want to see them practised in member states and as part of the complete picture in the European Union and beyond in development aid and neighbourhood policies and so on. Inside the Commission we are doing a lot in the interests of all of our staff via inclusion programmes to have fair, attractive and flexible working places, as well as via a clear order to ensure there is no discrimination and have a policy whereby people can let us know if anything goes wrong. We are an engaged employer and sometimes pioneering.

The European Semester, including the process and recommendations, was born at a time of financial and economic crisis. It is an ongoing process primarily related to economic analysis and recommendations. With the two pillars generated by our communication last autumn and the Gothenburg Summit conclusions, increasingly European Monetary Union and the Single Market in the European Union must be completed by clear societal rules. With limited room to manoeuvre in the next multi-annual financial framework, MFF, perhaps we might invest more in the direction demanded by Ireland, but for the moment the majority of member states are quite defensive. They do not accept that the European Union is doing too much in societal fields. They have stated it is up to us, that it is a national and regional competence and that we can act and react in our own dimension, as we are closer to people and, therefore, know better what has to be done. It should and will be a European dimension.

Deputy Joan Burton: I welcome the Commissioner to Dublin and Ireland. I understand a hard Brexit would leave a €200 million per week gap in the European Union's budget. Essentially, it would make a major hole in the Commission's budget. On the options being examined, can the Commissioner tell us how it is proposed to fill the hole in the budget? He has talked about increasing the contributions made by member states from 1% to 1.1% or 1.2%. Will he clarify where his thoughts are focused at this time?

Another option is creating an entirely new income flow from new forms of taxation or changes to rates or by achieving efficiencies in the case of existing taxes. For example, we know that a group of member states are now having very advanced conversations about digital taxation. I do not know how the Commissioner views the matter. If there is such a development, how does he anticipate it would impact on the Commission's budget? Increasing the existing VAT contributions is another possibility. Ireland is now in an economic recovery period but we still have major financial obstacles to overcome in order to get us back to where we were ten years ago.

I have a few questions on specific programmes. One of the greatest threats to the European Union, as a political entity, is the spectre of youth unemployment right across the European Union. The youth unemployment rate is appallingly high in Greece and, to be honest, it is quite shocking in Italy. When I was the Minister for Social Protection I introduced a lot of youth employment measures in Ireland in the course of the last Government. As a result, we more than halved the rate of youth unemployment in that period. Why is youth unemployment a persistent problem in so many countries? Does the Commission have further plans to assist young people who are shut out of the jobs market? I compliment Senator Dolan on his remarks because what has happened to many young people has also happened to others who suffer from a disability but would really like to be part of the workforce.

Young people are very concerned about the future of the ERASMUS programme in the event of the United Kingdom leaving the European Union. The free movement of young people in Europe is critical to their sense of Europe and the ERASMUS programme is very important

to those who go to college. I ask Commissioner Oettinger to tell us how he foresees this matter unfolding. Will a special side deal be negotiated for the ERASMUS programme, as suggested by many of the British universities?

I have two more questions on a hard Brexit. Does the Commissioner have a sense of the areas where the European Union might assist Ireland? I am aware that the Union does not want a hard Brexit in Northern Ireland but I am sure he will appreciate that the matter is a very pressing political issue for us. It also means that if there was a hard border we would have to develop our ports in Dublin, Cork and Rosslare. Has the European Union considered plans to counter that eventuality?

Finally, as the Commissioner will know, Ireland is a neutral country. Recently, the European Union has indicated that a 2% target for defence spending is desirable. Germany, which is the Commissioner's own country, for a number of reasons is not necessarily an integral part of military alliances. People in Ireland really value the fact that their country is neutral but we participate in peacekeeping missions around the world under the auspices of the UN and the Irish Parliament. Will the new defence configuration pose a challenge to Irish neutrality?

Mr. Günther Oettinger: We discussed many of Deputy's questions before she arrived.

Deputy Joan Burton: I am sorry but I had to attend a debate in the Dáil Chamber.

Mr. Günther Oettinger: I am sorry too. To repeat is always-----

Chairman: I remind members that we are now working against the clock. We agreed to finish at 4.45 p.m. and I have two more questioners.

Mr. Günther Oettinger: I have a few remarks to make. A figure of €200 million per day makes up the entire investment of the UK. However, in light of what it is getting back, the figure is far less in the end at between €12 billion, €13 billion or €14 billion per year net. There is an ongoing figure of €1.1 billion or €1.2 billion. We are working with €1.1 billion because some things are not clear. Should we integrate the European development aid fund into the budget or should it stay outside? Which amount of money must we foresee for new programmes against asymmetric shocks for a reform delivery tool deepening and completing our European monetary union?

With regard to digital taxation, there is a clear demand from seven or eight member states to prepare a legislative proposal. In parallel is the ongoing work by the OECD. We are waiting to see what its conviction is. In general, OTT digital platforms use a lot of data. Billions of data come from European citizens using their services but nearly none of their revenue comes to Europe. If we look at Google, Apple, Amazon, Facebook, Qualcomm, Microsoft and all the others, we can see that to have a bigger share of the value chain should be in our common interest. There is no decision for the moment. We are checking the situation and will then come to the Council and member states when there is a realistic option.

What can we do if there is a hard Brexit? The Commission and Mr. Barnier are really near to the Irish Government and Chambers Ireland and are looking at the risks facing the EU 27 and Ireland, in particular. Ireland's ports were mentioned. If we need more capacity to transport products from Ireland to the EU 27 and from Amsterdam, Rotterdam or Antwerp to one of Ireland's ports, we can invest in respect of connecting to Europe. We have more flexibility via our reform of the financial regulation. We can take money from this programme to co-finance a project that is important for Ireland if there is a super-hard Brexit.

I agree with the point about Erasmus+. Erasmus+ is one of the few programmes I do not want to see reduced. I want to invest more. It is up to the UK. Erasmus+ and Horizon are open to third countries. Switzerland is taking part. It is up to London to decide whether it is in the interest of Oxford, Cambridge or London to be a part of Horizon and whether Erasmus+, an open programme, should be for English and Scottish young people. It then must pay something so that the younger generation can take part. We would prefer such a European approach - a continental approach - in the interest of our younger generation and the younger generation in the UK.

I agree with the point made about youth unemployment. We can see how different Europe is. There are some regions that are very successful with no or almost no youth unemployment. An example would be the Baltic states, Sweden, Denmark or Germany. We are investing more than ever via a European budget to combat youth unemployment. My problem is that the absorption rate is not high enough. Countries cannot use the amount of money we are offering them because the administrations are unable to use it, finance projects and reform and redirect their labour markets. We are not a centralised European Union. We are a union of member states and we need competent and efficient national and regional administrations. The absorption rate is really not convincing. I could give the committee some more background information. Look at Spain. It is really incredible. There is a lot of money in Brussels and it cannot use it. It is the same with the southern part of Italy.

Deputy Lisa Chambers: As a member of the Committee on Budgetary Oversight, I thank the Chairman for extending an invitation to me to attend this meeting and I thank Commissioner Oettinger for attending for this exchange of views. It is much appreciated. My understanding is that he is here to hear our thoughts on this process and the MFF. I will not comb over all the issues that have already been discussed but will briefly give my view of what has been discussed.

In respect of overall funding, the question for every member state is whether funding for key areas we care about will be cut and if it will be cut, by how much. The next question is whether our contributions will increase. Obviously, the two are connected. If we do not want to see a reduction in funding, we must increase our contributions. Overall, broadly speaking, there is broad support across our Parliament in most political parties and within Government for some increase because we recognise that there is a huge deficit to be met post-2020 and we must all meet that together as a team, as Commissioner Oettinger noted.

One of our biggest sectors is agriculture. The CAP is a more important issue for us than it will be for other member states. We are keenly aware that the three main member states who are supportive of CAP are France, Ireland and the UK so with the loss of the UK, the voice for CAP weakens. Again, we are aware of this. However, we would also make the argument that the money it generates within our economy allows us to pay our net contributions to the EU. When Commissioner Oettinger goes to the eight remaining member states he is visiting, could he try to impress upon them the importance of CAP for the entire EU and not just those member states that may rely on it more than others?

The Committee on Budgetary Oversight met with members of the EU budget committee two weeks ago and had a very in-depth discussion about Brexit. One of the interesting points that was made by the members of that committee was that as a Union, we need to respond more robustly to the refugee crisis and those countries that are dealing with that issue more than others and that we cannot allow those member states that are at the forefront and at the borders to shoulder all of those demands. I would make the same point with regard to Brexit. This is a huge crisis for us. It is very challenging and has the potential to be hugely detrimental to our

country - more than other countries. I appreciate that every member state will be affected in some way. As a small country on the periphery of Europe beyond the UK, we need to see real and robust support from the EU and not just talking and supportive words. We need financial supports to deal with the possible fallout from this. It would be important for our citizens to see that the EU family is there to back us up when we need it. Equally, I accept that we have responsibilities in terms of the migration crisis and other crises that may come down the line in the future. We are all part of a Union and that should mean something.

Defence is my portfolio within my party. Unlike some of the other contributors earlier, I am very supportive of increasing our defence budget, which I think is far too low. However, efficiencies need to be made. I think that is the same for the entire EU budget. If we are advocating for increased spending and increased contributions, we should also talk about the efficiencies we can make across the board in how we run our business. That will go some way towards convincing other member states that 1% is not enough and they need to come up towards 1.1%, 1.2% or maybe 1.3%.

Regarding defence, three or four weeks ago I attended a meeting in Brussels as part of the OSCE. The purpose of that meeting was to consider how Belgium dealt with the terrorists attacks in Brussels in 2016. We met the Belgian Minister for justice and the parliamentary committee which carried out a review on how the city and country reacted in the immediate aftermath of the attacks, how they dealt with victims and what they are doing now to deal with the threat of terrorism. I am sure the Commissioner will agree the threat is real for every member state. While it may be more prevalent in others than it is in Ireland, nobody is immune. From that brief visit I learned that the threat is becoming very sophisticated and more of a challenge, and therefore becoming more costly to deal with. Technology is advancing all the time and we need to be a step or two ahead, but at the moment we are always a step or two behind.

Regarding working together, the Commissioner made a very good point. Why have multiple member states developing or trying to develop the same technology? Working together makes perfect sense to me. Recently Ireland has committed to participate in two EU projects in the area of defence. One is in the Training Mission Competence Centre, which will train our personnel for future challenges that may come down the line. The second is in maritime surveillance. When we talk about defence spending, defence budget and working together, it is not all about arms, bombs and tanks. It is about working together to build the technologies and share the knowledge we have to gain efficiencies and, as the Commissioner said, present value to the taxpayer. It is not acceptable for some member states to sit back and say, "Well, this isn't really a problem for us now. We don't see a threat in our country, so we will leave you to deal with that on your own." It goes against what it means to be part of a union. From my perspective and that of my party, we see the value in sensible and reasonable defence spending to meet the challenges today and in the future.

I finish on a point mentioned by Deputy Burton. I welcome that youth participation is one of the key areas the Commission wants to focus on post-2020. For younger people we need to do more on communicating and showing the value of the European Union for younger people. The issues facing young people are the same in most countries. It is becoming increasingly difficult for them to purchase their first homes. People are having their families later. The cost of education is rising. All of these challenges mean it is a very difficult time for those in their 20s or 30s. The European Union has a role to play in that. What is the planned budget for youth participation? What initiatives is the Commission considering? We need to do our best to communicate those to our younger citizens across the EU to show the value of the Union into

the future.

Chairman: I know we are beyond our time; we were due to finish at 4.45. However, before the Commissioner replies, I will ask the two Senators to ask their questions. I will call Senator Kieran O'Donnell followed by Senator Paddy Burke, after which the Commissioner will conclude.

Senator Kieran O'Donnell: I hope I am not asking questions that were asked already. Does the Commissioner see any upside to Brexit? Is there any way in which Brexit could be of benefit to Ireland and Europe? I do not believe there is any upside. What type of empirical work has the Commission completed in respect of the impact of a soft Brexit versus a hard Brexit for individual countries? That would inform the approach the Commission would take.

Senator Paddy Burke: I welcome the Commissioner. I have two brief questions. He mentioned that the overall defence budget would be about 2%. How will it be distributed? Will it be given to member states or will there be a new centre set up in Europe as a focus for an organised European defence? Will there be a specific budget for European energy security? If so how will it operate given that we are not self-sufficient in oil and gas?

Chairman: The Commissioner has heard the concerns about Brexit, which are clearly understood. There is no upside to Brexit. It is important to remember that Ireland took one for the team, as it were, in the financial crisis and we continue to carry the burden of that. The banks do not function as they should and we continue to pay back huge amounts of money arising from that crash. During that period, the SME sector was decimated, as was farming. Rural areas are under considerable pressure to catch up with some of the bigger urban centres, particularly Dublin. There is the budget under CAP in terms of rural development. The second one is market related expenditure and direct payments. On the social side of it is economic, social and territorial cohesion. No one has mentioned fishing today. Those involved in fishing have suffered immensely in the past ten years.

Ireland is doing well now. I do not want the Commissioner to leave here without knowing that behind that national story there is another story about rural areas that cannot be ignored in terms of funding through CAP and other measures, especially the social element of it. Therefore, the Commissioner has a very difficult job to do. If any of these programmes are cut to the extent of 30% or whatever it might be in the end, it will have a devastating effect on our economy. Farming is the backbone of our economy - food and dairy production for export. All of that has been affected in the past by banking. Many farmers are under pressure regarding their financial structure within our institutions and are receiving absolutely no support from the banks. To compound it by having a cut in the supports from Europe will be devastating for those sectors that are beginning to improve but are carrying enormous debt from the past. Therefore, there is a special case to be made for Ireland in terms of the banking crisis, in terms of Brexit and in terms of what we are trying to cope with *vis-à-vis* our economy. Central to that economy is Irish farming, rural Ireland and the SME sector.

Deputy Lisa Chambers made a point regarding convincing young people about their future in Europe. I believe we need to convince all the citizens in the European Union of the importance of Europe because many would ask serious questions about Europe and its future. In the context of these discussions, someone has to explain in detail the cost of the administration of Europe. Someone has to explain the importance of Europe and where we are going. However, we cannot forget the sectors within our economy that still have serious problems. It is important for the Commissioner to understand that not every boat has risen and that many are still under

water. I ask the Commissioner to take those last few questions and make a closing statement.

Mr. Günther Oettinger: The Chairman should understand that is the reason I am here. Tomorrow I will be in Zagreb, Friday in Sofia, and Sunday in Berlin. Day by day the European project needs more ambassadors than just the Commission. It is our project. Members of the committee and I - all of us - have to do better and do more. Brussels bashing is the most popular game of many national governments. If anything goes wrong it is because of these stupid bureaucrats. If we are successful, it is because of national governments. This game is not acceptable. It is our European Union. I have to convince all of our citizens and I do my best, but members of the committee have to do it also. We have to do it. It is not the Commission's obligation; it is a common obligation. It is our project. It is a project of Ireland, Germany, France, Malta and Cyprus. It is an obligation for the Commission and all people with a mandate and a level of authority having prominence, as members of the committee have and as I have. I do my best - not more, but I do my best. There is no reason to accuse anybody - not members of the committee or me.

Maybe it was because of rural areas, agriculture and fisheries that the Commission's candidate coming from Ireland is now the Commissioner in charge. Is that a surprise? Considerable lobbying led to an Irish Commissioner having DG AGRI and not having another portfolio. It is the best guarantee that the next Common Agricultural Policy is in the interest of our rural areas, our farmers and maybe especially Irish farmers. I have a perfect relationship with him; members can be sure that we are closest partners. In my MFF we developed from him and from me - not from me against him. It is about trust and confidence. I trust you and I ask you to trust me as well.

Regarding energy security, I was in charge of energy for five years, which is a long time, working on electricity grids, gas pipelines, connections between Ireland and the UK, energy efficiency, diversification of routes and sources, and LNG. Today we are much more independent and in a much better situation than we were ten years ago through investing in wind energy, supporting renewable energies and so on. The energy union of just one energy Single Market is our vision.

There will be new headquarters for European defence policies, but it is not the Commission's headquarters. The headquarters were developed through agreement of 25 member states. We can co-finance, activate some money and organise tenders in order to be more efficient and realise added value.

Brexit will bring no benefit. It is hugely damaging for the UK and it is negative for the EU 27 as well. The winner is China and maybe President Trump. However, we need to be cautious because these people like *divide et impera*; that is their game. Therefore we should work together as the EU 27 in a deeper and more efficient manner than ever. This is about the White Book process, the Bratislava and Rome process. We have to try to stabilise and deepen our European Union after Brexit and to reduce the damage Brexit will bring. Here Ireland is at the centre of all our work. There is no week without a debate in the college about Ireland, Northern Ireland and the UK. Michel Barnier is really brilliant and I ask members to trust him. Task Force 50 is competent and I ask members to trust it. Our problem is we have a weak negotiating partner. It is a divided government and a totally divided coalition and if we have to negotiate, it is better to have a strong partner, a reliable partner, than to have a weak partner changing its mind week by week and having no clear priority. We are asking for the UK's priorities and we have no clear picture for the moment but we are developing several instruments and options to act and react immediately, as soon as we know what the outcome is. In regard to this MFF and

beyond, if the committee wants to meet me again I am available to come here or the committee is invited to come to Brussels, whether in June, in September or in December to discuss common reactions of the EU 27 and Irish reactions when we see the outcome and the result of the Brexit negotiations. I know quite well the exports, the imports and the daily operative developments and that people living here are working there. It is one island in an economic dimension.

I must go to meet the Taoiseach as I am late. Afterwards there is a conference with the chamber of commerce. These people are the main concern.

Senator Kieran O'Donnell: The Commissioner will be very welcome back with good news.

Mr. Günther Oettinger: I will do my best.

Chairman: I thank the Commissioner for attending this meeting. It has been very productive.

The joint committee adjourned at 5.06 p.m. until 9.30 a.m. on Thursday, 8 March 2018.