

# Brexit: What does it really mean for Irish Agriculture?



# Brexit

A. Withdrawal Agreement

B. Political Declaration on Future Relationship

A. Now with Joint Interpretative Text

- Three different classes of possible outcomes

1. Brexit Deal

2. Brexit with No Deal

- (with sub-variants)

3. No Brexit





# Possible Brexit Outcomes ?



## Very Soft Brexit: (BINO – Brexit in Name Only/Remain)

- UK agrees to stay in SM & CU
- No tariffs with EU
- No non-tariff barriers with EU (regulatory alignment)
- UK cannot do its own trade deals
- UK contributes to EU Budget



## Soft/Medium Brexit: UK/EU FTA Agreement

- UK leaves SM and CU
- UK/EU reach an FTA (but how comprehensive?)
- No tariffs apply to UK-EU trade
- Non-tariff barriers between UK-EU (no regulatory alignment)
- UK might have ability to do its own trade deals
- UK might contribute to EU Budget



## Hard Brexit A: UK/EU WTO MFN Rules/

- UK applies EU WTO Bound Tariffs
- EU treats UK like a MFN WTO member
- Non-tariff barriers & tariffs between UK-EU
- UK can do its own trade deals
- UK no longer contributes to EU Budget

## Hard Brexit B: UK Unilateral tariff elimination

- EU treats UK like a WTO MFN member
- Non-tariff barriers between UK-EU
- UK liberalises unilaterally or via FTA with non-EU countries
- UK can do its own trade deals
- UK no longer contributes to EU Budget



# Brexit: Deal or No Deal?

- There have been 2 so-called meaningful votes (MV) on the Withdrawal Agreement in UK Parliament
  - Both MV1 and MV2 lost by very large majorities
- Speaker of the House of Commons has ruled that MV3 motion cannot be the same or substantially the same as motions already rejected by MPs
- Unclear what happens now politically with the Withdrawal Agreement in the UK Parliament

# Consequences of a Deal

- Allows negotiations on Future Relationship to start
- Transition period until end 2020
  - once off extension possible
- Text of Declaration on Future Relationship
  - Joint Interpretive Instrument
- Points towards possibility of deep and comprehensive relationship
  - But allows for a wide range of possible future trade relationships
    - Everything from Canada FTA to Norway to bespoke FTA
  - Importantly all would have Backstop provision for NI
  - Unless and until alternative solutions are provided remains

# No Deal: UK Trade Policy

- UK recently published details of its trade policy (including ag and food trade policy) in event of No Deal
- Locates UK agri-food trade policy somewhere between “WTO MFN” and “Unilateral Liberalisation” Outcome
- Mixture of zero tariffs on goods not produced in the UK or where UK is competitive at world prices
- Tariffs  $> 0$  but  $<$  EU MFN tariffs where UK is not competitive (sensitive products e.g. beef)
- Tariffs = EU MFN level where product is very politically and economically sensitive

# No Deal: UK Trade Policy

- UK has indicated that it will not impose tariffs on exports from Ireland to Northern Ireland or install physical infrastructure to inspect goods
- And has committed to the absence of any checks between NI and GB
- However HMG has confirmed that NI cannot be used as a tariff free route into the GB market for goods subject to tariffs in UK tariff Schedule

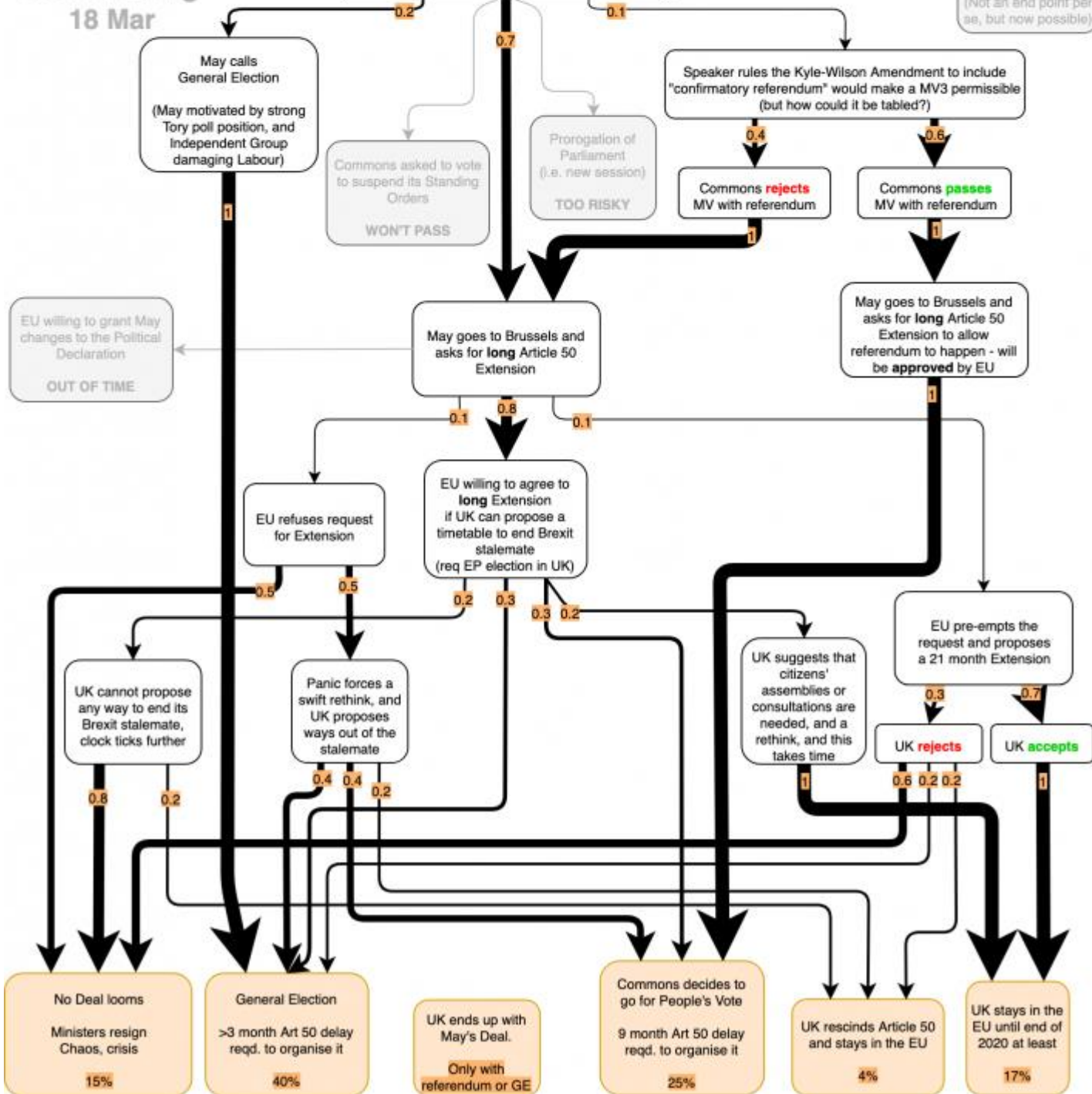
# What happens next? (10 days to go)

- Still only 3 possible outcomes (long term)
  - UK leaves EU without a deal
  - UK does not leave the EU
  - UK leaves with the deal negotiated with the EU
- But lots of different routes to these alternative end states possible
  - <https://jonworth.eu/brexit-where-now-the-flow-diagrams/>
- In event of No Deal any future trade deal between EU and the UK will almost certainly only get agreed after issues within the WA are addressed



18 Mar

(Not an end point per se, but now possible)



# Consequences of a Withdrawal Deal

- WA ratification leads to transition period
- UK and EU continue to trade as if the UK still in Single Market & Customs Union
  - UK loses place at table but continues to implement EU law
  - Minimal short run impact on agriculture & food
- Creates opportunity to begin negotiations on future EU-UK trade relationship

# Consequences of a No Deal

- UK and EU treat each other as 3<sup>rd</sup> countries
- EU imports from UK are subject to EU MFN tariffs as per EU tariff schedule
- EU imports from UK are subject to regulatory checks as currently applied to other 3<sup>rd</sup> countries
- UK Imports from EU (and elsewhere) subject to tariffs announced last week
- Ireland loses preferential market access to UK market

# How is Irish Agri-Food Vulnerable to No Deal Brexit

- What determines degree of negative impact of a No Deal Brexit?
  - Degree of dependence on exports to the UK
  - Degree of current preferential market access to UK
    - How high are EU MFN tariffs
  - Dependence on GB Landbridge to access other markets
  - Farm income dependence on subsidies
- Extent to which currently production is profitable
  - Is production still profitable at lower prices

# Irish Agri-Food: Vulnerability by Key Sectors

- Beef
  - Extremely dependent on UK market
  - Very low farm/processing margins
  - No single EU member state market can replace loss of UK beef market
  - Irish production not competitive at world market prices
  - Irish beef farming and processing a low margin business
  - UK policy of TRQ and high over-quota tariffs would lead to large reduction in Irish prices



# Irish Agri-Food: Vulnerability by Key Sectors

- Dairy
  - Less vulnerable than beef
    - Many dairy commodities are competitive at world prices
    - Tariffs imposed by UK not as high as beef
    - Lesser average dependence on UK Market
    - Dairy sector likely more resilient than beef sector
    - Dairy farming still profitable at lower prices



# Irish Agri-Food: Vulnerability by Key Sectors

- Sheep
  - Low dependence on UK Market
  - Loss of UK market could be offset by gains from UK exclusion from French and other EU markets
  - More profitable currently than beef production
  - Problem of “Landbridge” access to continent



# Other sectors

- Edible Horticulture (Mushrooms)
  - No tariffs in UK No Deal Tariff schedule
- Pigs
  - Tariffs that are lower than EU MFN tariffs would still negatively affect industry
  - Slaughter capacity if North-South live trade is halted
- Poultry
  - Similar concerns as pigs, low tariffs but current integrated supply chains on island of Ireland unlikely to survive NI exit from SM
- Tillage
  - Tariffs on UK imports could increase farm gate prices