

**Address by Phil Hogan, EU Commissioner for Agriculture & Rural Development at AES
Annual Conference**

24th April 2017, Dublin

- Ladies and gentlemen, thank you for the invitation to speak here today, and my thanks to Trevor Donnellan for making it happen.
- Brexit is the most complex economic and political challenge to face Ireland, the UK, and the broader European Union in many generations.
- From the economists' point of view, and agri-economists in particular, it is an era-defining issue that your profession is grappling with.
- And make no mistake, your expertise will be required in the challenge to protect the business foundations of the Irish and EU agri-food sector.
- Today, I propose to provide a 'voice from Brussels' to inform your work and your critically important role in the process.
- The European Council will meet on Saturday to adopt the negotiating guidelines. Negotiations with the UK should start next month.
- I welcome discussions such as this one because it is vitally important that the issues concerning Brexit and its consequences are properly discussed and debated, notwithstanding that there are still infinitely more questions than there are answers.
- A useful starting point is a look at the most recent hard economic data.

- The UK is the fifth largest economy in the world and the second largest in the EU. UK imports from the EU and exports to the EU amounted to €400bn and €300bn respectively in 2015.
- The significant scale of the UK economy and its strong inter-linkages with the EU economy suggest that changes in these economic relationships could be substantial. But as you know, quantifying that change when faced with so many unknowns is a complex task. About 44% of UK exports in goods and services went to other EU countries in 2016. UK exports to the EU make up 13% of its GDP.
- From the Irish point of view, when the UK voted to leave, companies in the Food and Drink sector pointed out that Brexit could have a catastrophic impact on up to 300,000 jobs across the Irish Economy .
- Modelling by the Department of Finance and the ESRI showed that agricultural exports to the UK could be devastated by a hard Brexit, with overall UK exports reduced by a third.
- These projections suggested that if the UK leaves the EU customs union, it could result in a reduction in national wealth here in Ireland, a 30 per cent decline in exports to the UK, a rise in unemployment and 40,000 fewer people in work after 10 years.
- The size of the economy would be 3.5 per cent smaller after five years and 4 per cent smaller after 10 year than it would have been without Brexit.
- This is the worst case scenario, but it's a sobering prospect. And while the UK economy has proved generally resilient, there has nonetheless been a fall in the exchange rate of 15% to date. And that's before Brexit has even happened, don't forget.
- Politically, I'm pleased to say that the situation appears to be stabilising and the UK debate has received an overdue injection of common sense. This is timely, given that

between the referendum on the 23rd of June and the notification of their intention to withdraw on the 29th of March, we did not much to encourage us from the UK side.

- However, now that Article 50 has been triggered and the two-year timeframe, provided for in the Treaty is underway, I have detected a greater sense of realism in the debate.
- Some of the crazier ideas about crashing out of the EU without a deal, or falling back on WTO rules, are less in evidence.
- There are still looney voices on the right of the Tory party and in the Tory press which can always be relied on to generate loud and abrasive headlines, but the implications and costs of such scenarios are now, finally, being understood better and more widely. Up to now, economic rationale has had to take a back seat to political grandstanding. Hopefully we are now seeing more balance and realism.
- I have every confidence in the Commission's lead negotiator Michel Barnier, a man with whom I have come to develop a strong relationship. Personalities matter in this massively complex and sensitive political negotiation, and he is the right man for the job.
- Mr Barnier has shown a particularly keen willingness to understand the unique Irish exposure to Brexit, and he has reflected this in all his important public statements to date.
- In addition, as a rural man and a former Agriculture Minister, he also has an intuitive feel for farmers and the agri-food sector.
- As I said, I am encouraged by what I've heard from Prime Minister May and what I've read in her letter of notification of 29 March.

- For me, it was significant that, in her March 29 letter, the Prime Minister referred on at least three occasions to *"a deep and special partnership"* between the UK and the EU. As always of course, the devil is in the detail and it remains to be seen what exactly the UK means by *"a deep and special partnership"*.
- In its recent Policy Document on Brexit, the IFA identified the optimum outcome as one in which *"the UK would remain compliant with the Single Market and Customs Union"*. In her statement to Parliament on 17 January, PM May spoke about reaching a completely new customs arrangement and suggested that the UK might become *"an associate member of the Customs Union."*
- In that same speech, she also said that the UK did not want to be bound by the EU's Common External Tariff, which she said are *"elements of the Customs Union that prevent us from striking our own comprehensive trade agreements with other countries."*
- It is clear from everything that the Prime Minister has said, that the UK government is ambitious and determined to pursue its own international trade agenda, through its membership of the WTO.
- Indeed on the day that the UK notified of its intention to leave, the PM said *"we are going to make sure that we can strike trade agreements with countries from outside the European Union"*.
- This aim, based on notions of an Empire 2.0, is somewhat fanciful when you look at the trade-offs the UK would have to submit to in order to do deals around the world. Would British farmers and consumers accept hormone beef and chlorine chicken on their supermarket shelves? I seriously doubt it. Will those who voted to curb immigration welcome greater freedom of movement for countries such as India? I seriously doubt it.

- However, from the point at which we began to see some clarity about the UK's negotiating position, the Prime Minister has been consistent in her support for a free trade agreement with the EU. She said so in her Lancaster House speech on 17 January, in the House of Commons on 29 March and in her letter of notification to President Tusk.
- On all three occasions, she used precisely the same language, when she spoke of the pursuit of *"a bold and ambitious free trade agreement with the European Union."*
- In her 29 March statement to the House of Commons, she went on to refer to such an agreement as one that *"allows for the freest possible trade in goods and services between Britain and the EU's Member States."*
- It is my hope that, over the course of the coming months, the British government will recognise that the best way to maintain the freest possible trade in goods such as agri-food products is to remain in the Customs Union, and that sense will prevail.
- While the UK's decision to leave the European Union is still a matter of regret and, in my view, an error of judgement, it is what it is.
- All of us have come to accept the democratic will of the British people and we are all now resolved, in the words of the Confederation of British Industry, to *"making a success of Brexit."* For the European Union, that means, as President Tusk said, that *"the Union will act as one and preserve its interests."*
- In a recent speech, Mr Barnier stressed the need for unity of the EU27 and emphasised the priority of reaching *"an agreement on the orderly withdrawal of the United Kingdom, and to prepare the way for a new partnership."*
- However, he also said that, while he agreed with Ms May's ambition for an FTA, this ambition must also apply to *"social, fiscal, environmental and consumer protection standards, which European citizens rightly support."*

- The Prime Minister says she wants to have tariff-free trade with Europe and for cross-border trade to be as frictionless as possible and Mr Barnier agrees that *"there will be a free-trade agreement at the centre of this partnership"*.
- Expressing a strong cautionary note, he said that *"this free-trade agreement cannot be equivalent to what exists today. And we should all prepare ourselves for that situation."*
- He went on to say that, following its departure from the EU, *"the United Kingdom will naturally find itself in a less favourable situation than that of a Member State."*
- There has been considerable speculation about the so-called "bill" that the UK faces when leaving the Union, but the truth is that technical work is continuing in the Commission and the other EU institutions, based on objective and verifiable data.
- It is clear that the "exit bill" will be the subject of debate, but it is also important to contextualise the figures. The value of UK trade with the EU is over €600bn per year, the settlement will only be a small fraction of that, paid presumably over several years. Again, as with everything, it can be the tipping point or it can be something dealt with rationally. Let's hope it's the latter.
- Next, let me address Ireland's situation.
- Brussels and national capitals now understand very well that Brexit is already having a negative impact on the value of Irish agri-food exports to the UK, principally as a result of the depreciation of sterling. Due to the fall in sterling, in a sense Brexit has already happened for Irish farmers looking to sell product in Britain.
- As Commissioner for Agriculture & Rural Development, I have seen an increasing consciousness from food-exporting Member States of the very considerable

challenge that Brexit presents. While Ireland is uniquely exposed in terms of the proportion of product exported to the UK, there are a number of other Member States which also have significant exposure in terms of the volume and value of their trade to the UK.

- Germany for example has a €51 billion trade surplus with the UK, with agri-food exports of €3.5 billion. In the case of France, the trade surplus is €12 billion with agri-food exports of €3.9 billion.
- It may be that some have woken up later than you have to the enormous challenge that Brexit presents, but better late than never! Brexit presents different challenges to different sectors of the economy, but the European Union is clear about one thing – in the forthcoming negotiations, the Union will act as one and will strive to reach an agreement that is in the interests of both sides.
- For the EU, preserving the integrity of the Single Market is an absolute priority. That excludes participation in any agreement with the UK on a sector-by-sector approach.
- A comprehensive free-trade agreement, with a tariff-free transition period, probably represents the best option to maintain continued access to the UK market for Irish agri-food exporters.
- Let me assure you that in Brussels there is considerable understanding of and indeed support for Ireland's predicament arising from Brexit. The Irish government and the diplomatic service have done a good job in explaining the political and economic consequences of Brexit, particularly in the context of the negative impact of restoring a so-called hard border.
- I know from talking to my colleague Commissioners, including, as I mentioned, President Juncker, that the issues for Ireland are also well understood in the College.

- **As a result of such representations, it is laudable and remarkable that Ireland is listed as one of the three main EU negotiating priorities by Mr Barnier, the others being the status of EU citizens and the divorce bill.**
- **This is a good first step and it is an excellent example of how good political connectivity with large political groups is essential in Brussels.**
- The Irish agri-food sector is facing probably its greatest challenge since Independence. The sector is one of enormous importance to this country, both economically and socially.
- Ireland exports food and drink products to 180 countries worldwide. It makes good economic sense to develop these markets even further now. The sector's traditional focus on the UK represents pragmatism – which should not be confused with a lack of ambition.
- In conclusion, I believe that everyone with a stake in the future of the EU-UK relationship should exercise whatever influence they can to maintain this common sense trajectory, while in Ireland, no economic or political stone should be left unturned to soften the blow of Brexit, including as I mentioned the development of new and existing overseas markets.
- While Brexit presents an enormous challenge, it is not an insurmountable one. The future will be different, but together it is a future we should face with confidence and determination. Thank you.