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
<table>
<thead>
<tr>
<th>Possible Brexit Outcomes?</th>
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<tbody>
<tr>
<td><strong>Very Soft Brexit: (BINO – Brexit in Name Only/Remain)</strong></td>
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<tr>
<td>- UK agrees to stay in SM &amp; CU</td>
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<td>- No tariffs with EU</td>
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<td>- No non-tariff barriers with EU (regulatory alignment)</td>
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<td>- UK cannot do its own trade deals</td>
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<td>- UK contributes to EU Budget</td>
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<td><strong>Soft/Medium Brexit: UK/EU FTA Agreement</strong></td>
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<td>- UK leaves SM and CU</td>
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<td>- UK/EU reach an FTA (but how comprehensive?)</td>
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<tr>
<td>- No tariffs apply to UK-EU trade</td>
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<tr>
<td>- Non-tariff barriers between UK-EU (no regulatory alignment)</td>
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<td>- UK might have ability to do its own trade deals</td>
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<td>- UK might contribute to EU Budget</td>
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<td><strong>Hard Brexit A: UK/EU WTO MFN Rules/</strong></td>
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<td>- UK applies EU WTO Bound Tariffs</td>
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<td>- EU treats UK like a MFN WTO member</td>
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<tr>
<td>- Non-tariff barriers &amp; tariffs between UK-EU</td>
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<td>- UK can do its own trade deals</td>
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<td>- UK no longer contributes to EU Budget</td>
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<td><strong>Hard Brexit B: UK Unilateral tariff elimination</strong></td>
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<td>- EU treats UK like a WTO MFN member</td>
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<td>- Non-tariff barriers between UK-EU</td>
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<td>- UK liberalises unilaterally or via FTA with non-EU countries</td>
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<td>- UK can do its own trade deals</td>
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<td>- UK no longer contributes to EU Budget</td>
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Source: Author’s own elaboration
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 agri-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

• 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
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 3rd 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 3rd 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