House of Commons Brexit “Roadmap”

**BREXIT ROADMAP**

1. **Have the UK Government and EU27 agreed a withdrawal deal?**
   - **YES**
     - Commons debates the Government’s deal
       - Commons have a “meaningful vote” on the deal
         - Government introduces the European Union (Withdrawal Agreement) Bill
           - Parliament votes on motion based on Government statement
             - Government proceeds with proposed course of action
               - Default outcome is UK leaves without a deal on March 29 2019
             - Government must make a statement of intentions
               - Before 21 January 2019, the Government decides no deal can be reached, makes voluntary statement
                 - The Prime Minister makes a voluntary statement
                   - The Government introduces the European Union (Withdrawal Agreement) Bill
                     - If the Bill doesn’t receive Royal Assent before the expiry of Article 50, the UK leaves the EU without a deal
   - **NO**
     - Before 21 January 2019, the Government decides no deal can be reached, makes voluntary statement
       - The Prime Minister makes a voluntary statement
         - The Government introduces the European Union (Withdrawal Agreement) Bill
           - If the Bill receives Royal Assent before Article 50 expires then the UK leaves the EU with the Government’s deal

**KEY DATES**

- **December 11 2018**
  - ‘Meaningful Vote’

- **December 4, 5, 6, 10, 11**
  - ‘Meaningful Vote’ Debates

- **December 21 2018**
  - Christmas recess

- **January 26 2019**
  - Government must make no deal statement if no political agreement has been reached

- **March 29 2019**
  - Default expiry date of Article 50
Brexit

A. Withdrawal Agreement

B. Political Declaration on Future Relationship

• Three different classes of outcomes
  1. Brexit Deal
  2. Brexit with No Deal
     • (with sub-variants)
  3. No Brexit
Four 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

**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

**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 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

**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

**Source: Author’s own elaboration**
Consequences of a Withdrawal Deal

- Future Relationship negotiated after March 29th
- Transition period until end 2020
  - once off extension possible
  - Can kicked down the road for the immediate future
- Text of Declaration on Future Relationship
  - Points towards a deep and comprehensive relationship
  - But declaration is not a legally binding treaty
  - Allows for a wide range of future trade relationships
    - Everything from Canada FTA to Norway
  - Importantly all future outcomes would have Backstop provision for NI
  - Unless and until alternative solutions are provided
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
Consequences of a No Deal Brexit

- No Deal Brexit
  - Aka “chaotic Brexit”, “Cliff Edge”,
  - so-called “WTO Deal”
  - UK/EU as MFN WTO members
  - Apply MFN duties, tariff rate quotas, NTB
    - including regulatory checks, etc.
    - on trade in both directions
  - Ireland/N. Ireland Border?
  - Hard Border concern
    - How can Ireland/EU continue to be WTO compliant
    - Protect the Single Market without controls vis a vis UK
Consequences of a No Deal Brexit

• Form/shape of future UK trade policy in No Deal Scenario unclear
  – UK seek to protect UK Agri-food sector?
  – UK seek to unilaterally liberalise?
  – UK take intermediate path?
• Additional market access to UK granted to non-EU suppliers via bilateral trade agreements
A Pathway to No Brexit

- No Brexit?
  - Political/economic prospect of a No Deal Brexit?
  - Changes the view on a 2\textsuperscript{nd} referendum?
  - Political uncertainty
  - How does UK gets to a 2\textsuperscript{nd} referendum
    - Would require Article 50 extension
  - If we get a No Brexit outcome ........
  - .....is that the end of the story politically?
Uncertainties Presented by No Deal

• What trade posture does the UK adopt?
  – “Fortress UK” where it adopts EU tariff schedule etc. as its own
  – “Unilateral” trade liberalisation, Singapore-upon-Thames?

• Both scenarios see Ireland’s preferential market access to the UK eroded/removed
How is Irish Agri-Food Vulnerable to No Deal Brexit

• What determines exposure to No Deal Brexit?
  – Degree of dependence on exports to the UK
  – Degree of current preferential market access to UK
    • How high are EU tariffs
  – Dependence on GB Landbridge to other markets
  – Farm income dependence on subsidies

• Extent to which currently production is profitable
  – Can production can continue at lower prices
Interaction of CAP Budget & Brexit

• Brexit to lead to much lower CAP budget?
  – now seems less likely

• Wider EU budget objectives post 2020
  – pressure on overall CAP budget
  – Pressure on Irish CAP receipts

• Comm. proposals for CAP Pillar I budget
  – Smaller drop than Brexit could have triggered
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 Agri-Food: Vulnerability by Key Sectors

- Dairy
  - Less vulnerable than beef
  - Many dairy commodities are competitive at world prices
  - Lesser average dependence on UK Market
  - Dairy sector likely more resilient than beef sector
  - Farm and processing sector more integrated than other sectors
Irish Agri-Food: Vulnerability by Key Sectors

• Sheep
  – Low dependence on UK Market
  – Possible gains from UK exclusion from French market
  – More profitable currently than beef production
  – Problem of “Landbridge” access to continent
  – Uncertainty over current EU TRQ allocation
    • Would NZ & Aus. lamb currently shipped to UK be shipped to EU27_2019 market?
Macroeconomic Impact of Brexit

- Recent modelling of Brexit impact on UK indicates that Brexit could significantly reduce GDP
  - HM Treasury No Deal Scenario -7.6% GDP by 2030
  - BoE “disorderly” No Deal Brexit -8% GDP shock
- Impact on Ireland likely to close in magnitude
  - Copenhagen Econ WTO scenario Ireland GDP -7% by 2030
- Impact on Irish agriculture sector likely to be larger than impact on wider economy in Ireland
  - With negative impact more pronounced for vulnerable sectors