McCANN FITZGERALD

AN OVERVIEW

Business Critical Changes to Irish–UK Trade Rules:

How Should Irish Agri-Food Producers Plan for Brexit?

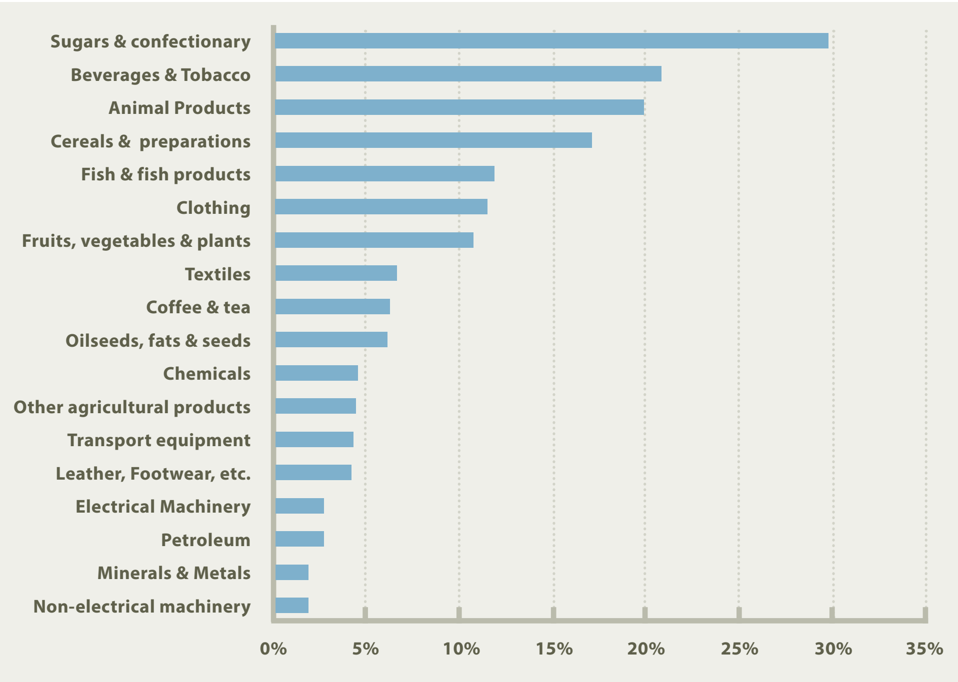
What rules will govern Irish–UK trade after Brexit? For Ireland's agri-food industry it is a €8.4bn question: 2015 exports to the UK were €4.4bn while Irish imports from the UK were £3.4bn (circa €4bn today). Could Irish producers face tariffs on exports to or raw material imports from the UK?

Not since the 1930s has Irish–UK trade faced such uncertainty. But even if Brexit is unprecedented and what it means for trade still unsure, some important things are clear already.

Here are the Key Points

1. **The baseline for future Irish–UK trade arrangements, the WTO rules, would mean tariffs on UK imports to Ireland.**

   Absent a preferential trade arrangement between the EU and the UK, the UK Government says the following average WTO tariffs would apply on exports from the UK to Ireland (and the rest of the EU):



The EU's Most Favoured Nation applied tariff rates at harmonised system 2 digit (aggregate) level, available here.

2. But nobody yet knows what tariffs Irish exporters to the UK will face even if the WTO system applies.

What UK tariff duty, say, will Irish cheddar cheese producers pay - annual average exports of which to the UK are 88,000t (CSO)?

Nobody knows! WTO schedules of bound tariffs run to over 22,000 pages. But UK WTO membership is bundled with the EU's, so there are no separate UK schedules.

Some trade experts say the UK would continue to apply the EU's MFN tariffs.

This would mean, in case of the cheddar cheese example, €167.10 per 100kg tariff duties on Irish cheddar cheese (or a total of €143,488,470 at current Irish levels).

Others disagree. Roberto Azevêdo, WTO director general says "*[u]pon leaving the EU, [WTO] rights that the EU secured for its members would arguably no longer automatically apply to the UK ... [t]he only certainty is uncertainty.*"

3. The UK could unilaterally adopt a cheap food policy immediately after Brexit.

The UK has "*a huge food trade gap of £21bn*" (€24.6bn) so is heavily dependent on imports for food.

Under WTO MFN rules, unilateral UK adoption of a cheap food policy would mean Irish producers and producers from low cost countries (*eg*, Brazil, Australia, New Zealand and Argentina) *would pay the same UK tariffs*.

Or the UK could negotiate preferential FTA's with low cost producer countries (in which case the MFN rule does not apply). This would mean, absent any EU–UK FTA, that *Irish producers could pay higher* UK tariffs than producers from those countries.

The National Farmers Union, Britain's largest farmer organisation, says UK agriculture may become little more than "*a pawn in bilateral trade negotiations.*"

UK GDP from agriculture was £3.2bn (€3.75bn) in 2015, which is around 0.5% of GDP and 0.8% of employment. In contrast, UK GDP from services was £225.5bn (€264bn) in 2015, which is around 78% of GDP and 80% of employment (the UK is the world's third largest exporter of services).

4. The UK will be out of the EU single market (long) before any final EU–UK trade arrangement is in place.

Negotiations on UK withdrawal and on a new UK–EU trade deal are, legally, separate and distinct processes.

The withdrawal treaty will concern technical issues – *eg*, acquired rights of citizens, ongoing project funding, pension liabilities for UK officials in Brussels.

The EU–UK future relations treaty, governed by different EU Treaty rules, will be about much more: the future rules on trade between the two. It will take longer.

The UK Government says negotiation of a new EU–UK trade deal could "*take up to a decade or more.*" A modern EU-Canadian DCFTA took 7 years (2007 – 2014). A former head of the UK civil service says the process would be "*absolutely all-consuming ... the job is vast.*"

Article 50 TEU gives the UK 2 years, absent EU extension, to agree terms (dubbed a "*ticking time-bomb*" for UK negotiators). So, depending on when the UK starts negotiating, full UK withdrawal from the EU Single Market could happen by mid-2019.

5. Act now for fair and open access to UK agri-food markets!

Brexit may not happen. Who knows? Even if it does, sense may prevail: the UK might join the EEA – probably a best case scenario for Irish agri-food businesses.

But proceeding on this assumption is not an option.

20 UK trade groups met recently with representatives from Defra and the new Department for International Trade *"to discuss the challenges facing the food and drink industry."*

Since the referendum, the UK has met with fellow Anglo-sphere countries, the U.S., Australia and New Zealand to discuss future trade relations.

Further information is available from:

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