McCANN FITZGERALD

Hard Brexit: What Would It Mean For Irish Agri-Food Producers?

BRIEFING

Especially since Theresa May's Tory conference speech (2 October 2016), a "hard Brexit" by April 2019 seems more likely. What would this mean for Irish agri-food producers?

First, the UK would trade under the WTO's "most favoured nation" (or MFN) rule. This rule aims to create a level playing field for global trade. It is the basis for EU trade with US, Japan, China and Russia today.

With one important exception, the WTO's MFN rule requires every WTO member to treat all members equally. So, in principle, the UK could not apply different tariffs to Irish agri-food products and products from low cost countries (*eg* Brazil, Argentina, and New Zealand).

An important exception applies where two or more WTO members agree preferential trade terms in a free trade agreement or FTA. Under WTO rules, PTA's must cover "substantially all trade." You can't have an FTA in respect of one or two lines of commerce only.

Second, it means tariff duties could apply. Most Irish agri-food exports are commodity products (*eg* beef, pigmeat, and butter). Tariff duties on these types of agricultural products can be high. In the nearby table, we combined CSO export and UK import figures to calculate the **bound tariffs** for Ireland's top 10 agri-food exports to UK (by value) in 2015 terms. It shows that, for some products, tariff duties – again on the basis of bound tariffs – could be up to 70%.

Possible Tariffs on Top 10 Irish Agri-food Exports to UK

Product	Product Category Number	Value in Euros	Quantity (100kg)		WTO Bound Tariff	Duty	%
Beef	0201	€835,167,140	1488184			€505,354,658	60%
	02011000	*€102,404,419*	*257992*		*12.80% + 176.80EUR/100kg*	*€58,720,751*	*57%*
	02012020	*€8,896,102*	*22471*		*12.80% + 176.80EUR/100kg*	*€5,111,574*	*57%*
	02012030	*€11,861,175*	*29840*		*12.80% + 141.40EUR/100kg*	*€5,737,606*	*48%*
	02012050	*€28,320,861*	*79642*		*12.80% + 212.20EUR/100kg*	*€20,525,103*	*72%*
	02012090	*€72,170,628*	*142888*		*12.80% + 265.20EUR/100kg*	*€47,131,738*	*65%*
	02013000	*€611,513,955*	*955353*		*12.80% + 303.40EUR/100kg*	*€368,127,886*	*60%*
Cheddar	04069021	€260,083,000	855929		167.10/100kg	€143,025,704	55%
Infant Formula	19011000	€171,947,000	414333		7.60%	€13,067,972	8%
Mushrooms	07095100	€91,370,000	290118		12.80%	€11,695,360	13%
Processed Beef	16025095	€76,716,000	222146		16.60%	€12,734,856	17%
Ham	16024110	€73,674,000	78208		156.8/100kg	€12,262,960	17%
Other pig cuts	16024990	€73,660,000	91418		10.90%	€8,028,940	11%
Chicken	16023219	€70,833,000	130152		102.4/100kg	€13,327,560	19%
Butter	04051011	€67,752,000	188788		189.60/100kg	€35,794,133	53%

These figures are calculated assuming that EU WTO schedules for third countries apply and that the products are "out of quota." The figures are based on "bound tariffs" (*ie* the WTO maximum, applied tariffs could be lower).

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(continued)

To adopt a cheap food policy (as Ms May has hinted), the UK could do one of two things. The first would be for the UK to declare itself a low- or no-tariff country, like Singapore. If this happens, Irish producers and producers from low cost countries (*eg* Brazil, Australia, New Zealand, and Argentina) would pay the same UK tariffs.

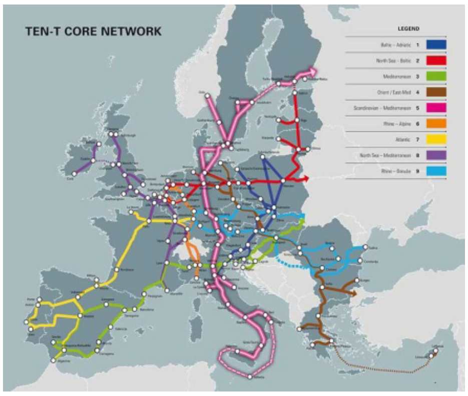
The alternative would be for the UK to put in place FTAs with low cost countries. In that case, Irish producers could pay higher tariffs to access the UK market than producers from those countries.

Both scenarios could hit Ireland's agri-food sector especially hard.

To plan on the basis that the UK will be out of the Single Market by April 2019 seems prudent, even if a worst case scenario. But access to the UK market isn't the only challenge.

Brexit could sever Ireland's main trans-shipment route to continental Europe. The nearby maps show the impact by reference to the EU's hallowed "TENs-T" (for trans-Europe transport networks) core network.

Exports to mainland EU would need to transit an area outside the common customs area. Expect increased red tape for customs clearance procedures – though few can predict how complicated these may be. Inconvenient rules of origin could also delay and increase logistic costs.



Further information is available from:

Philip Andrews

Partner, Competition, Regulated Markets, EU & Trade Law Group

DDI +353-1-611 9143

EMAIL philip.andrews@mccannfitzgerald.com

Aidan Lawlor

Partner, Corporate Group

DDI +353-1-607 1450

EMAIL aidan.lawlor@mccannfitzgerald.com

Alternatively, your usual contact in McCann FitzGerald will be happy to help you further.

McCann FitzGerald

Principal Office
Riverside One
Sir John Rogerson's Quay
Dublin 2
D02 X576

Tel: +353-1-829 0000

London
Tower 42
Level 38C
25 Old Broad Street
London EC2N 1HQ

Tel: +44-20-7621 1000

New York
Tower 45
120 West 45th Street
19th Floor
New York, NY 10036

Tel: +1-646-952 6001

Brussels
40 Square de Meeûs
1000 Brussels

Tel: +32-2-740 0370

Email

inquiries@mccannfitzgerald.com

www.mccannfitzgerald.com