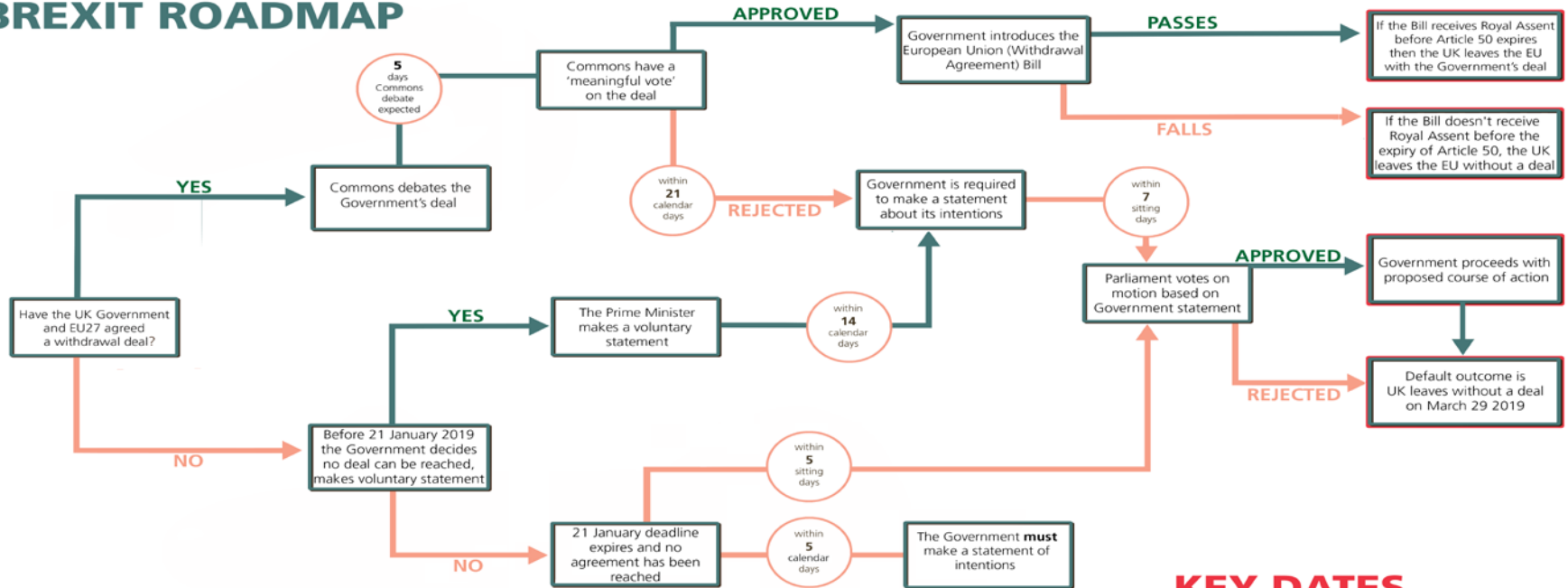


Brexit Update



House of Commons Brexit “Roadmap”

BREXIT ROADMAP



KEY DATES



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



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 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



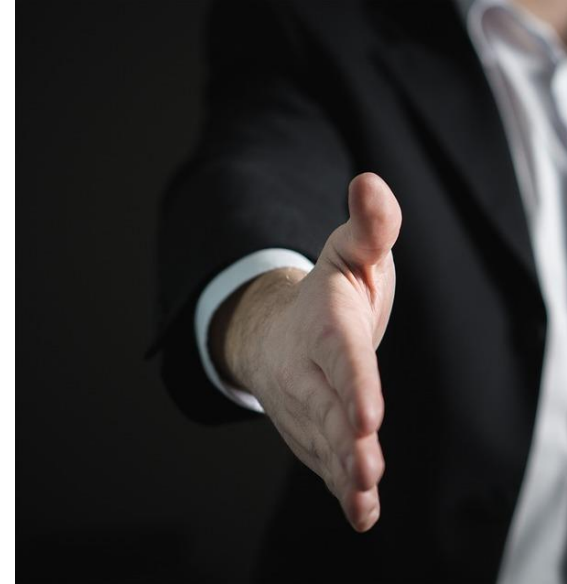
Hard Brexit B: UK Unilateral tariff elimination

- 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



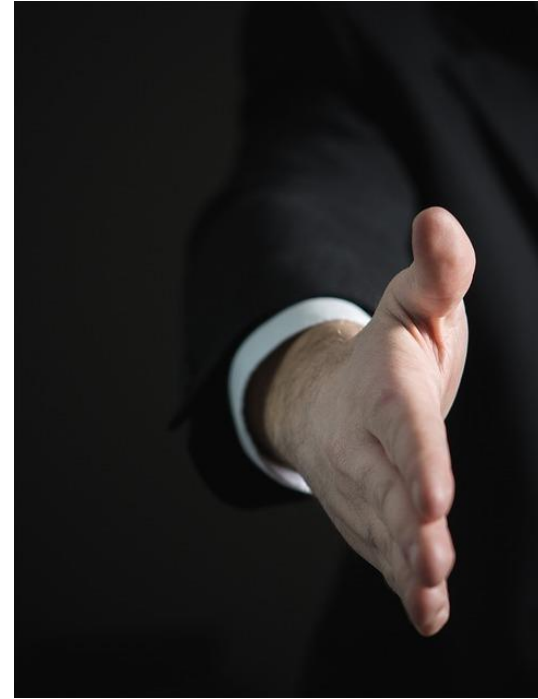
Consequences of a Withdrawal Deal

- 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



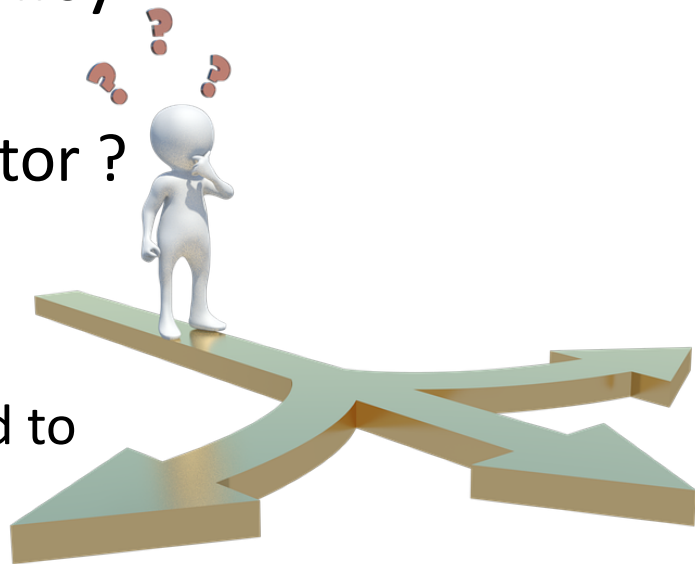
Consequences of a No Deal Brexit

- 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 2nd referendum?
 - Political uncertainty
 - How does UK gets to a 2nd 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

