

Workshop on 'Implications of 'Brexit' for the EU agri-food sector and the CAP'

Possible transitional arrangements
related to agriculture in the light of
the future EU - UK relationship:
institutional issues

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Structure of the Presentation

1. Brexit: trade issues at stake for the agri-food sector
2. Avoiding the 'cliff-edge'
3. Protecting farmers against adverse effects

Brexit: trade issues at stake for the agri-food sector

- Imposition of tariffs
- Loss of preferential trade transfers
- Customs clearance costs
- Regulatory compliance costs
- Additional road haulage barriers
- Irish border issues

Alternative post-Brexit trade scenarios beyond WTO terms

Barrier	Customs agreement	Free Trade Area (FTA)	FTA+	Customs Union (CU)	CU+	Single market (Regulatory Union)
Trade facilitation	Yes	Yes	Yes	Yes	Yes	Yes
Tariffs	Not affected	Removed	Removed	Removed	Removed	Removed
Preferential trade transfer		Lost	Lost	Retained	Retained	Lost
Rules of origin		Yes	Yes	No	No	Yes
Regulatory controls		Yes	Reduced	Yes	Reduced	No

Main elements of different EU trade arrangements

Element	'Canada'	'Turkey'	'Ukraine'	'Swiss'	'Norway'
< LessDegree of integration.....More >					
Non-agricultural trade with EU	Liberalised for goods plus services commitments	Liberalised for goods	On way to being liberalised for goods and services	Goods and some services liberalised	Goods and services liberalised
Agricultural trade with EU	Partial liberalisation	Partial liberalisation	Partial liberalisation	Partial liberalisation	Partial liberalisation
Trade with third countries	No impact	Turkey must apply EU FTAs	No impact	No impact	No impact
Regulatory coherence	Limited	Aspiration	Aspiration	High	Complete
Agricultural policy	Unilateral	CAP aspiration	CAP aspiration*	Unilateral	Unilateral
Freedom of movement	No	No	No	Yes	Yes
Budget contributions	No	No	No	Yes	Yes
Dispute settlement	WTO-like	Limited	WTO-like	Limited	Effective

Avoiding a cliff-edge

Why the 'cliff-edge'?

- Lack of preparedness of customs and health authorities to cope with UK-EU27 trade
- Lack of knowledge of the thousands of businesses which will now be clearing goods through customs
- The almost certain congestion at major ports of entry and exit because of the extra time needed for controls

Options to avoid a ‘cliff-edge’ – Option 1

UK remains an EU Member during transition

- Option 1 a. Extend Brexit date within withdrawal agreement (qualified Council majority + EP consent)
- Option 1 b. Extend period for negotiations beyond two years (Council + UK unanimity)

Options to avoid a ‘cliff-edge’ – Option 2

Objective: To maintain trade with the UK as a non-Member State on the same basis as at present during the transition

- UK would agree to bind itself to following the relevant EU acquis for a time-limited period after March 2019
- UK would enter into a temporary customs union with the EU27

Legal issues around Option 2

- Joining EFTA and EEA is not an appropriate basis for a transitional agreement
- Transition agreement with the UK as a non-Member State would be a trade agreement (Art. 207/217)
- Is it possible to negotiate a detailed transition agreement while also negotiating a withdrawal agreement and the framework for the future relationship?

Options to avoid a ‘cliff-edge’ – Option 3

Fall-back positions to avoid immediate implementation of ‘hard Brexit’

- Temporary customs union
- Free trade agreement in goods alone
- Regulatory equivalence agreement for food safety and animal health

Next steps on transition

October 2017 mandate of the European Council (Art.50)

- the General Council (Art. 50) and the Union negotiator should seek to rapidly progress preparatory work particularly on models of transitional arrangements.
- Focus should be to help to clarify the minimum requirements to ensure that trade can continue to take place with the UK as it does today for the duration of the transition period, and what the appropriate balance of rights and obligations might be during this period.

Specific issues for clarification

- Whether UK membership of the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP) will be deemed necessary as a prerequisite for continued free trade in agricultural and fishery products during the transition period.
- Arrangements to ensure the continued protection of Geographical Indications in the UK.

The international dimension - WTO

UK needs to separate its WTO Schedule of Concessions from the EU28 Schedule

- Mainly technical issues around tariffs, export subsidy commitments and non-exempt domestic support
- Political difficulties around division of Tariff Rate Quotas (TRQs)
- How to address UK-EU27 trade in UK and EU TRQs

Protecting farmer interests during the transition

In the event of a sharp dip in EU producer prices for specific commodities after Brexit

- Safety-net intervention
- Targeted aid
- Mobilisation of the crisis reserve
- Advancing direct payments
- Making use of the income stabilisation tool
- Permitting flexibility in state aids
- Facilitating supply management

Supporting adjustment during the transition

Adjusting to the structural consequences of a hard Brexit

- Provision of adjustment assistance
- Greater use of financial instruments
- Strengthened promotion policy
- Improved access to third country markets