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# **Brexit and AgriFood: Update February 2019**

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# Reflections from the past



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- “A free trade agreement [FTA] would be optimal from a UK perspective, but will not be easy to secure and would require some conformity to EU rules.”
- “If an agreement cannot be reached on a FTA, then the default option is for the UK and EU to trade with each other within the WTO system. *This would be damaging to UK farmers in terms of tariff barriers in Europe and free access of imports.*”
- “[t]he Treasury could in all likelihood see BREXIT as an opportunity to reduce the overall cost of payments to farmers, and/or to ask the devolved administrations to assume part of the burden. Its view is that Pillar 1 payments in particular are market distorting and an unnecessary charge on the public purse and we think that Pillar 1 is more vulnerable than Pillar 2.”

Source: YAS Farmer Scientist Network, *The Implications of BREXIT for UK Agriculture*, (2016).



# Tariff

A tax or duty that a government charges on goods coming into or going out of their country



# 1. Options for UK after Brexit



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# Soft Brexit: EU-UK Withdrawal Agreement



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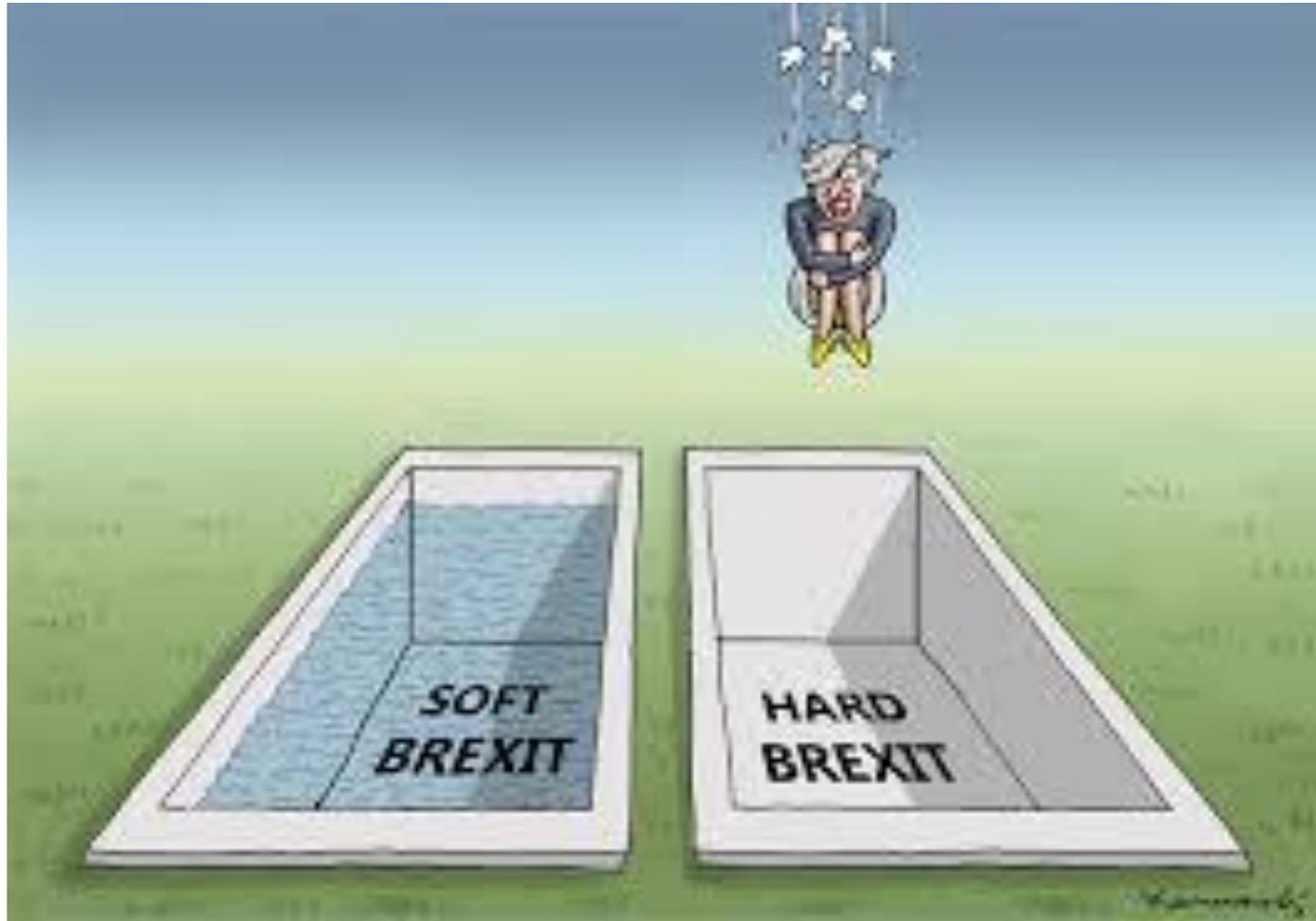
- Agricultural goods can travel freely across EU-UK borders during ‘transition period’. i.e. no tariffs on UK agricultural goods going into EU & no tariffs on EU goods coming into the UK.
- “Transition period” = 29<sup>th</sup> March 2019-31<sup>st</sup> December 2020.
- Special rules on Northern Ireland: ‘the Northern Irish backstop’.



## 2. Options for UK after Brexit



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# Hard Brexit: No EU-UK deal



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- EU-27 carry on trading in the same way with no tariffs and no customs checks on goods traded between EU members BUT
- UK treated as a ‘third country’ in EU law (i.e. non-EU member).
- UK goods exported into EU markets subject to customs formalities and checks.
- UK goods have to pay EU’s Common External Tariff.
- Goods sent for processing in the EU and then sent on, no longer qualify for ‘EU goods’ status.

# UK access to EU through Tariff Quotas



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# What are the UK's tariffs after Brexit?



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- UK submits its Schedule to the WTO on 24 July 2018.
- UK replicates all the EU's maximum tariffs.
- UK claims access to 'emergency' agrifood safeguard clause.
- UK takes 'split' of EU's existing tariff (import) quotas: calculated on basis of historic trade flows over last three years.
- 10<sup>th</sup> October 2018: WTO members express concern about UK's schedule.
- 25<sup>th</sup> October 2018: UK starts negotiating scope of its schedule with other WTO members.

# Where are we now?



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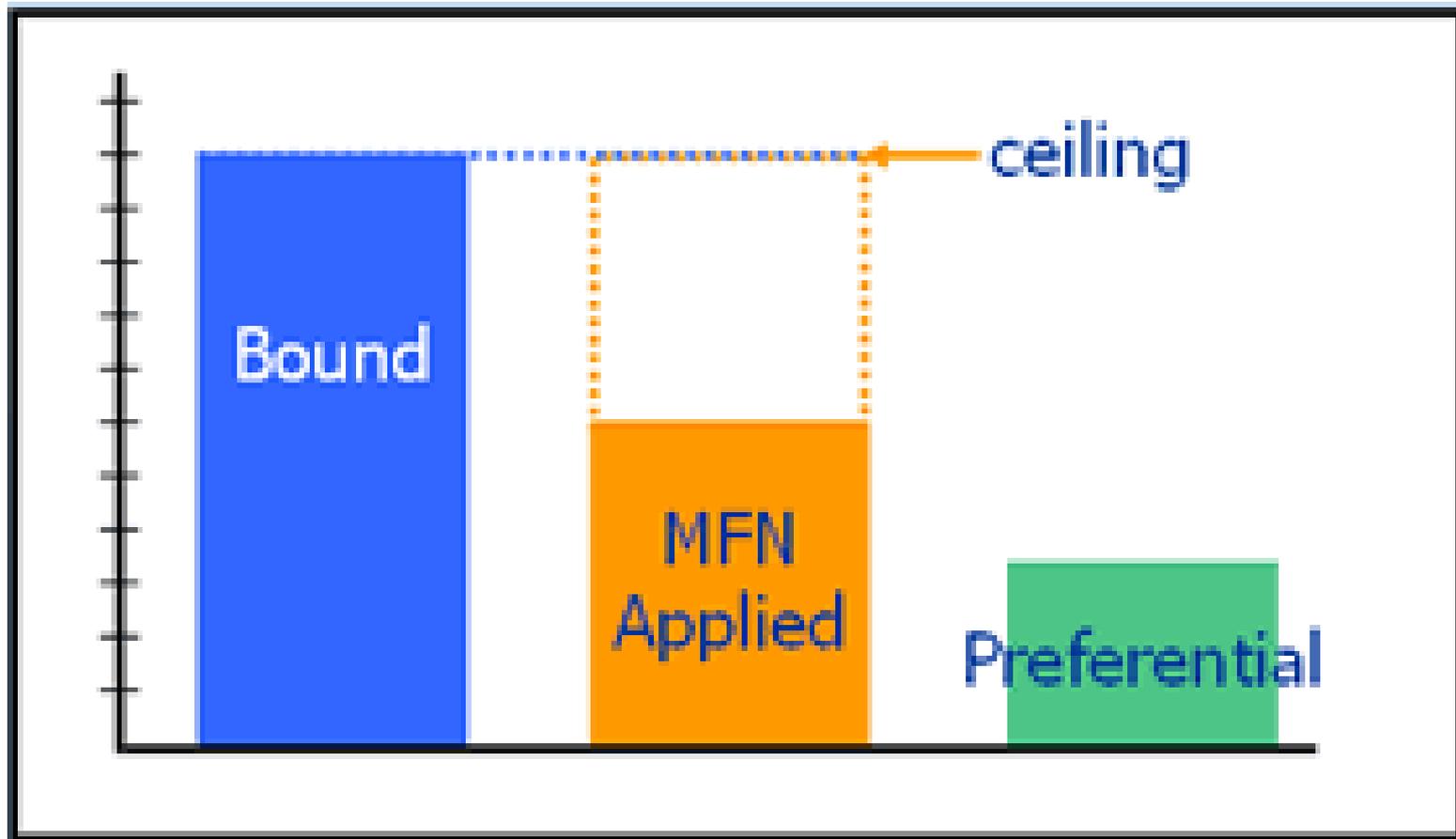
“The Government is, of course, doing everything it can not just to secure a deal but also to mitigate the impact of leaving without deal. The NFU and others have made strong arguments about the need to ensure stronger tariff protection for British farming, in particular stronger protection for British farming than any other sector of the economy... **Your concerns have been absolutely heard and announcement on new UK tariffs in a no deal scenario - with specific and robust protections for farming - will be made shortly.**”

Source: Rt Hon Michael Gove Speech to the NFU, 19 February 2019.

# What tariffs will UK apply to agrifood imports if no deal?



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# UK's New Trade Deals?



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## **Continuity Agreements:**

- UK-Israel (18 February 2019).
- UK-Palestine (18 February 2019).
- UK-Switzerland (11 February 2019).
- UK-Faroe Islands (1 February 2019).
- UK-Eastern and Southern Africa (31 January 2019).
- UK-Chile (30 January 2019).

## **Mutual Recognition Agreements:**

USA, Australia and New Zealand.

# What next?



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Expect the  
Unexpected

