

Consultation on the Impact of Brexit on Agriculture, Food and Fisheries

The Irish Exporters Association (IEA) welcomes the Oireachtas' Joint Committee on Agriculture, Food and the Marine's invitation to submit to its ongoing consultation on the *Impact of Brexit on Agriculture, Food and Fisheries*.

The Joint Committee on Agriculture, Food and the Marine is currently considering the specific issues concerning the outcome of Brexit negotiations and the potential impact of a final agreement and the possibility of a 'no deal Brexit'. Accordingly, the Committee wishes to invite written submissions from stakeholders and interested parties, as well as offer the opportunity to appear before the Committee to discuss the submission and relevant issues.

Submissions should deal with some/all of the following. It is requested that contributors focus on the points most relevant to their specific remit or experience:

- The Committee's 2017 Brexit Report and Recommendations
- The Recommendations of other Parliamentary Reports on Agriculture, Food and the Marine, including the Report of the Seanad Special Select Committee.
- Preparations and Preparedness for Brexit and the current status of negotiations, including any agreement on the Future EU-UK Relationship;
- The Future Direction of the European Union on Agriculture, Food and Fisheries
- The Impact of Post-Brexit Trade Policy
- The Impact of Market Diversification inside and outside the European Union

The Irish Exporters Association's submission to the *Consultation on the Impact of Brexit on Agriculture, Food and Fisheries* submitted to the Oireachta's Joint Committee on Agriculture, Food and the Marine has been drafted in consultation with the IEA National Council and IEA members operating in the sector.

About the Irish Exporters Association:

The Irish Exporters Association (IEA) assists its members to grow their exports to world markets. We drive and support the growth and development of all exporting businesses based in Ireland. The IEA strategy is to support our members to grow their exports to world markets with 3 main functions:

- **Represent** the needs of members in the development of policy, lobbying, intervention at government level and in the media. Brexit and the Diversification of Export Markets, Cost Competitiveness, the War for Talent and Entrepreneurship are at the core.
- **Trade Services** include practical training, support and consultancy right across the supply chain including customs awareness and audits, export and import compliance, consular, business travel support, route to market and general assistance with trade related queries.
- **Knowledge Networks** support members to: explore new markets, route to market scenario planning, understand customs and supply chain challenges and provide thought leadership through a series of events and webinars. Networking and connectivity remain an important part of membership benefits.

The IEA represent the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland as well as the providers of key services to the sector. It is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

The Impact of Brexit on the Irish agriculture, food and fisheries exporting sectors

As Minister for Finance, Public Expenditure and Reform, Paschal Donohoe stated in his announcement of Budget 2019, "Brexit is the political, economic and diplomatic challenge of our generation." With less than 6 months before the UK is due to leave the European Union and its associated legal and regulatory structures, its future trading relationship between Ireland and the European Union continues to be uncertain. Crucial questions remain concerning the UK government's position regarding access to the EU's Single Market, post-Brexit customs arrangements and regulatory alignment. In light of continued uncertainties, Irish exporting businesses have increased their contingency planning to mitigate any negative impacts of an unorderly withdrawal by the UK.

The response to this consultation has been drafted in coordination with the IEA national and regional Council, individual member input. This input has been supplemented with input from the IEA's 'Export Eye' Brexit member survey in January 2018 and initial responses from an ongoing 'Brexit and its impact on your business' survey. Due to data protection, survey data is anonymised and not divided into specific industry sectors.

1. The Joint Committee's 2017 Brexit Report and Recommendations

The Irish Exporters Association welcomed the Joint Committee on Agriculture, Food and the Marine's invitation to contribute to its February 2017 Report on the '*Impact of the UK Referendum on Membership of the EU on the Irish Agri-Food and Fisheries Sectors*' and takes note of the various challenges and recommendations it addresses for the European Union, Ireland-UK Relations, as well as trade, competition and other sector-specific policies.

In particular, we welcome the Report's acknowledgement of the various challenges and risks Brexit presents to Irish businesses through 'likely reductions in exports to the UK [and] increased competition with UK exporters in other markets¹' as well as the potentially negative impacts of the reintroduction of tariffs and customs.

Since the publication of the Joint Committee's Report in February 2017, negotiations on the United Kingdom's withdrawal have successfully reached 'sufficient progress' in December 2017 and the publication of the draft Withdrawal Agreement in February 2018.

¹ Oireachtas Joint Committee on Agriculture, Food and the Marine Brexit Report 2017: https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_agriculture_food_and_the_marine/reports/2017/2017-02-28_report-on-brexit-february-2017_en.pdf

Although, according to EU Chief Negotiator Michel Barnier, between 90% and 95% of the Withdrawal Agreement are finalised, key differences surrounding the Republic of Ireland-Northern Ireland border, the Good Friday Agreement and protected Geographical Indications continue to hold up negotiations.

2. Recommendations of other Parliamentary Reports on Agriculture, Food and the Marine, including the Report of the Seanad Special Select Committee.

The Irish Exporters Association takes note of the Seanad Special Select Committee on the Withdrawal of the United Kingdom from the European Union's June 2017 Report on '*Brexit: Implications and Potential Solutions*'. In particular, the IEA welcomes the Report's detailed analyses of the potential impacts and responding solutions needed to address the different potential post-Brexit scenarios for an Ireland-UK trading relationship.

3. Preparations and Preparedness for Brexit and the current status of negotiations, including any agreement on the Future EU-UK Relationship

While an increasing number of Irish exporters across the varying business sectors are stepping up their Brexit preparedness, a still large number of IEA members do not have either preparedness or mitigation plans in place. This, by and large, is due to the largely complex and in-flux nature of the ongoing negotiations on the UK Withdrawal Agreement. IEA members continue to state their concern about the large number of 'unknown unknowns', and the difficulty to understand how or what to prepare for. In any case, with the assistance of the Irish Exporters Association, member and non-member businesses have already undertaken significant steps to diversify their export markets and to train and educate their respective staff on the customs and other procedures.

According to initial responses from the IEA's ongoing '*Brexit and its impact on your business*' survey, nine in ten IEA members who responded to the question are very, or somewhat aware of the implications of a soft or hard Brexit scenario on their business operations. Almost 70% of initial responses stated that they are extremely or very aware of the state of play in the ongoing Brexit negotiations.

In general, the majority of IEA members have put in place Brexit impact mitigation measures, with preliminary results indicating that, of those that have responded to this question, had decided to put in place at least one Brexit mitigation measure. However, at the same time only slightly more than half of all respondents indicated that they already have a formal or non-formal impact mitigation plan in place. This is in spite of all respondents having actively engaged in scenario planning for at least one potential post-Brexit impact on their business, with most respondents having engaged in scenario planning for the potential reintroduction of tariffs, the potential reintroduction of customs checks, the routing of in- or outbound goods or the reintroduction of border controls.

Irish exporters, especially in the food sector, in particular for fresh and perishable goods, are heavily dependent on fast and frictionless access to the European continent via the UK landbridge as a delay in transport time could cause their goods to go off. As a result, agriculture and food exporters continue to be extremely concerned about potential delays caused by potential customs and sanitary checks at exit and access points to Irish and UK ports. Such delays in transport times, especially for just-in-time deliveries for continental supermarkets may have a detrimental impact in the competitiveness of the Irish agriculture, food and marine industry. In response, a number of IEA members are actively investigating transport and shipping alternatives to the continent such as directly by sea.

a. Market diversification

Although the UK continues to be a key market for Irish exports, since the referendum in 2016, Irish exporters have increasingly looked to diversify their export markets to reduce their over-reliance on the UK market. In fact, in the IEA's January 2018 *'Export Eye'*, 66% of respondents stated their intention to diversify their business in the coming 6 months, up from 54% in June 2016. These figures complement the figures released by the CSO on external trade for 2017, which show an increasingly outward and global looking Irish export sector.

In particular, the IEA is seeing a rising interest among members to enter and expand their business in Germany (29%), the USA (27%), France (23%) and Spain (19%). In addition, Australia, the Netherlands, Canada, Belgium, Italy and Sweden make up the remaining top-10 diversification destinations². In addition, Irish exporters are increasingly shifting their focus on emerging markets in China, South Korea and Saudi Arabia.

4. The Impact of post-Brexit Trade policy

The United Kingdom's withdrawal from the European Union is expected to have a number of potential impacts on Ireland's international competitiveness. This is mirrored by a general sentiment among IEA members that Brexit will have a harmful effect on Irish economy, competitiveness and export sector. The UK has long been a strong advocate for a liberal European trading policy. With the UK's departure from the EU, the influence of the liberal trading countries may potentially be diminished, leading towards a more conservative, protectionist EU international trade policy.

In general, the Irish Exporters Association welcomes the various Free Trade and Investment Agreements recently finalised and currently under negotiation by the European Union with high-potential export markets such as Singapore, Australia and the Mercosur bloc. We welcome the strong focus across all FTA agreements on reducing barriers to trade, increasing market access and supporting European businesses and regions through enforcing protected Geographic indications such as 'Irish Whiskey', 'Irish Cream' or 'Clare Island Salmon'.

The United Kingdom's withdrawal from the European Union also has global trading implications beyond the bilateral relationship between the EU and the UK, in particular with respect to the EU's World Trade Organisation (WTO) tariff rate quotas (TRQs) for agricultural, fish and industrial goods. In consideration of the UK's withdrawal, a revised EU TRQ schedule will have to be negotiated by the European Commission on behalf of EU member states. In view of the need to ensure legal certainty for businesses and the continuous smooth operation of imports under the tariff rate quotas to the Union we welcome the European Commission's decision to proceed unilaterally to the apportionment of revised tariff rate quotas.

We note, however, with concern recent reports on the blocking of the United Kingdom's proposed draft TRQ schedules by a number of WTO members. Under a disorderly Brexit scenario on default WTO trading terms, the absence of an agreed schedule may significantly impede Irish companies' ability to trade into the UK.

5. The Impact of Market Diversification inside and outside the European Union

Overall, when investigating new markets, Irish exporters appear to show a clear preference for European Union member states and English-language countries. With respect to the agriculture, food

² Exports to the Netherlands and Belgium are primarily destined for onward, global shipment through deep-sea ports in Antwerp, Zeebrugge and Rotterdam.

and fisheries sector, Ireland's close proximity to the European continent, and associated short transport and shipping times, are a significant factor for the popularity of the European Union as the predominant export diversification destination. Moreover, the cost reductions achieved through the common standards, rules and regulations provided through the EU's Single Market and the absence of customs and tariffs on intra-EU trade is frequently cited as a key factor for targeting EU member states when diversifying their export markets.

If you would like to discuss the contents of this submission further, please contact:

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