



Options to avoid a brutal crisis in the event of a no-deal Brexit

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As the Brexit date of 29th March is fast approaching without a clear prospect of an orderly exit deal, the worst case scenario of a no-deal Brexit is becoming ever more likely.

Although an agreement is still possible and highly desirable, the political stalemate around the apparently intractable issue of the “backstop”, to guarantee that no hard border comes back to the island of Ireland, increases the probability of a no-deal.

We have said it time and time again, a no-deal means disaster for the UK and for the EU agri-food sector as well. We have consistently warned our Members and readers that a no-deal hard Brexit was a distinct possibility to reckon with.

Reverting on the 30th March to applying the WTO tariffs to the trade between the EU27 and the UK would disrupt the current trade flows on a number of key sectors and send shock-waves across the farming communities and the food sector in the EU.

High tariff barriers would be put in place along new burdensome procedures at the borders, which would worsen the impact on trade.

The brutal disruption of trade flows would also affect other economic sectors, as the integration of production systems in many industrial areas, including in pharmaceuticals, is high across the Channel.

The EU and the UK face shortages of key products, including food, medicines and industrial goods.

Rather than contemplating with horror what would happen, we have better work-out what options remain open in the event a no-deal hard Brexit becomes the new reality.

The first option is to reduce key tariffs to zero to keep the trade flowing. This could be done by temporarily suspending existing tariffs for all WTO members, including of course the UK.

This is however not an option that would preserve our agri-food sector from a brutal crisis. To keep trade flows from the UK open, we would sacrifice our sector to imports from other origins without any reciprocity. This would just replace a big problem by an even bigger one.

There is however another option, that would maintain the status-quo with the UK for a period of time long enough to enable new mutually beneficial relations to be agreed.

The disruption of trade flows would put at risk the availability of food, medicines and other products essential to the economy and for the well-being of the citizens. It would beyond reasonable doubt create a situation of emergency that should be avoided at any cost. It would challenge for a period of time the security of the countries affected.

Under WTO rules it is possible to evoke GATT Art XXI, which allows a country to “...taking any action which it considers necessary for the protection of its essential security interests” “... taken in time of war or other emergency in international relations”.

Art XXI could therefore be used for a limited period of time to keep existing trade flows till an agreement is found on the future EU-UK relationship. It would not reduce or impair the existing terms of trade with all the other members of WTO. It would not raise tariff protections, it would not impose bans on trade with other countries. **It would only, for a limited period of time, maintain the existing terms of trade between the EU and the UK.**

During this period of time the EU and the UK would keep its customs union untouched, which means by the way that the UK could not have the freedom to apply trade deals with other countries.

Recently Art XXI has been evoked by the US to protect its steel and aluminum industries, by the UAE to block trade with Qatar, and Qatar with the UAE. These situations hardly match the real emergency the EU and the UK would face in the event of a no-deal hard Brexit.

In the past, Art XXI was also evoked by the US on imposing a secondary embargo on Cuba, and an embargo on Nicaragua. The EU has used it during the Falkland war to impose an embargo on Argentina.

In addition to evoking Art XXI, both the EU and the UK should agree on a standstill that would keep all the existing regulations, standards, and other procedures under the Single Market, till an agreement on the future relationship is found.

The stakes are too high to accept failure for lack of action, where previously lack of political agreement brought the UK and the EU to the brink of disaster, in particular in the agri-food sector.

Whilst we have strongly supported the Withdrawal and Transitional Agreements, and we would have hoped for its approval by the UK Parliament, we cannot resign ourselves to accepting a brutal crisis in the event of a no-deal when there are good options available to stave it off, and create the time and the space for a better outcome.