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Global Trade Analysis Project

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Ireland and the Brexit: What are the Impacts for the Irish Agri-Food Sectors?

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A lot is at stake for agricultural and food producers, among others, in the Republic of Ireland during the negotiations of the Brexit, the exit of the United Kingdom (UK) from the European Union (EU). While there is heated discussion and extensive research on the Brexit and its potential impacts in and on Ireland, there has been no study investigating these effects in an economy-wide, country-specific and detailed general equilibrium model yet. Using the global GTAP computable general equilibrium (CGE) model and database in combination with a detailed country-specific CGE model for Ireland, we are evaluating several alternative outcomes of the Brexit negotiations by simulating carefully designed policy scenarios.

The UK is a highly important agri-food export market for Ireland: More than 40% of Irish agri-food exports (2013 to 2015 average) were destined for the UK. For particular products, such as poultry meat or cheese, these shares even exceeded 50% by far. Moreover, Ireland's farms are highly dependent on subsidies (subsidies amounted to more than 60% of agricultural factor income on average over 2010 to 2013) of which the largest part comes from the EU CAP budget. These facts, together with other large issues like the border between the Republic of Ireland and Northern Ireland and the cross-border businesses there etc., illustrate the tight relationships between Ireland and the UK and therefore the importance of the Brexit negotiation outcomes for Ireland.

With respect to the Irish agricultural and food sectors, two outcomes from the Brexit and its repercussions are central (i) What trade relationship will the UK and the EU enter? (ii) How will the budget of the EU's Common Agricultural Policy (CAP) and therefore the agricultural support be affected?

As indicated by the figures above, the Brexit might have substantial impacts on the Irish economy in general but also for the agri-food sector and farm households and employees in particular. Integrating a detailed representation of the EU CAP instruments into the GTAP model and database and combining it with a single-country CGE model and Social Accounting Matrix (SAM) for Ireland high in detail on the agricultural and food sectors and corresponding policies, we will evaluate several Brexit scenarios taking potential agreements on the trade relations and changes in the CAP budget and complementing policy adaptations into account. The CGE modelling system envisaged will explicitly depict the trade and budget interdependencies between Ireland, the UK and the EU. The results will shed light on the shifts in the sectoral structure, impacts on household incomes, on the

government and the economy as a whole and allow identifying actors who are in particular need of support during the transition phase.