

Cynulliad Cenedlaethol Cymru | National Assembly for Wales  
Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External  
Affairs and Additional Legislation Committee  
Y goblygiadau i Gymru wrth i Brydain adael yr Undeb Ewropeaidd |  
Implications for Wales of Britain exiting the European Union  
IOB 02  
Ymateb gan Prifysgol Reading, Alan Swinbank, yr Athro Economeg  
Amaethyddol  
Evidence from University of Reading, Professor of Agricultural  
Economics Alan Swinbank

WTO rules raise two issues that make agricultural trade and policy rather unique. First, for many products very high import tariffs apply: for example the EU's most-favoured-nation (MFN) tariff on fresh lamb carcasses is 12.8% *plus* €1,713 per tonne. This means, for example, that preferential access to protected markets is attractive to overseas suppliers, although problematic for domestic producers; and that determining the UK's post-Brexit agri-food trade strategy is perhaps more complicated than is the case for other sectors. Second, the WTO's *Agreement on Agriculture* places constraints on "domestic support measures in favour of agricultural producers". Furthermore it should be noted that as a WTO Member the UK would be bound by all the WTO agreements, including for example the *Agreement on the Application of Sanitary and Phytosanitary Measures*.

*Trade Policy:* A range of trading arrangements with the EU, and also with the UK's WTO partners, is theoretically possible post-Brexit (see Swinbank, 2016a), with the default option —trading simply as WTO partners— emerging as the most likely outcome for trade with the EU for an interim period until a new UK-EU arrangement can be negotiated. A number of challenges face the UK Government, including: i) negotiating a new trade arrangement with the EU (is duty-free access for Welsh lamb to the EU market a high priority for example?); ii) trade barriers on the UK-EU land border in the island of Ireland (does the Government want to avoid high tariff barriers —on livestock products for

example— to avoid the emergence of a ‘hard’ border and to reduce incentives for smuggling?); iii) trading arrangements with other WTO Members (is a Free Trade Area Agreement with Australia, for example, compatible with the UK’s EU trade policy objectives?).

*Domestic Support for UK Farmers:* Currently Welsh farmers are eligible for Pillar I income support (which is subject to ‘greening’ and cross compliance) and environmental payments under Pillar II (Rural Development). *The availability of funding for agricultural support after Brexit in the devolved administrations will be discussed in other evidence sessions I’m sure!* But whatever support is given, the UK Government would be responsible for providing the WTO with an *aggregate* listing of all UK support on an annual basis. How will the UK ensure that support across all the devolved administrations fits within its WTO commitments?

One unknown relates to the WTO allowance for trade distorting support that the UK will ‘inherit’ from the EU. It might be a generous allocation, or it might be zero: we do not know. If it is zero the UK will have to rely on the WTO’s *de minimis* provisions. Non-product-specific support would then be limited to 5% of the overall value of agricultural production, *plus*, for product-specific support, 5% of the value of that product’s production (both percentages are likely to be reduced in any future multilateral WTO agreement). An example of the former would be environmental programmes that paid more than “the extra costs or loss of income involved in complying with the government programme”; and, of the latter, payments linked to the production of particular products.

*Further Reading:*

Alan Swinbank (2016a), ‘Brexit or Bremain? Future Options for UK Agricultural Policy and the CAP’, *EuroChoices*, 15(2): 5-9.

Alan Swinbank (2016b), ‘Possible options for UK farm policy after ‘Brexit’; and four points for immediate action’, *Agra Europe* online, 26 July 2016.