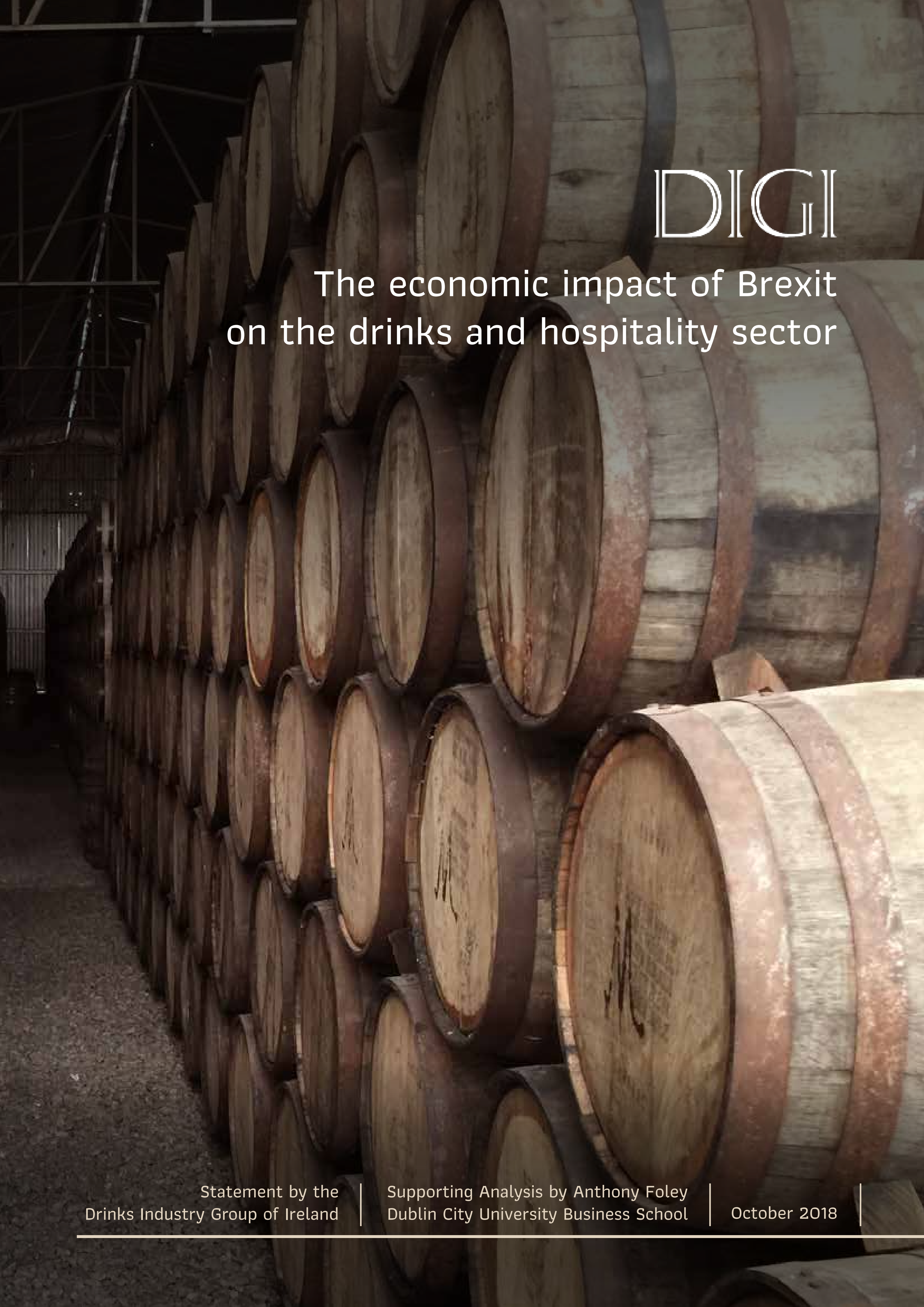

DIGI

The economic impact of Brexit on the drinks and hospitality sector

Statement by the Drinks Industry Group of Ireland

Supporting Analysis by Anthony Foley
Dublin City University Business School

October 2018

Foreword by DIGI

Twenty-seven months have passed since the UK voted to leave the EU. Precisely what shape our neighbour's departure will take remains unknown.

Ireland's drinks, hospitality and tourism businesses, meanwhile, have performed admirably. They have embraced risk, investment and innovation. New distilleries and breweries have sprung up in remarkable numbers across the country.

Brexit, however, *will* impact this growth considerably, and likely to a disproportionate degree relative to other parts of the economy. The hard truth is that the drinks and hospitality sector is heavily reliant on the UK market, whether for trade, visitors, materials, customers or capital. The impact of hard Brexit on Ireland's drinks and hospitality sector alone could cost the Exchequer €135 million.

Given these circumstances, as Budget 2019 approaches, it is imperative that the Irish Government acts to protect and support these businesses.

Of course, there is a great deal about Brexit that the Government cannot control. But, in areas it can, policymakers must show initiative. In this report, the Drinks Industry Group of Ireland (DIGI) recommends adopting a three-point plan that offsets the worst impacts of Brexit and protects the drinks and hospitality sector:

- **Reduce alcohol excise tax**
- **Maintain the 9% VAT rate for the hospitality industry**
- **Secure EU 'Brexit funds'.**

Currently, our level of excise tax on alcohol, the second highest in the EU, is a self-inflicted punitive measure on a fast-growing industry which generates €2.3 billion in annual revenue and keeps 90,000 Irish people in work, including many in rural Ireland.

A reversal of the emergency excise increases in 2012 and 2013 would help businesses across the country plan for the future, offset the negative impacts of Brexit, and provide more funds for job creation and growth.

Failure to act on these recommendations would worsen the impact of Brexit and abandon a crucial provider of employment, revenues and entrepreneurial spirit to an uncertain future.

Rosemary Garth

Chairperson of the Drinks Industry Group of Ireland and Communications and Corporate Affairs Director at Irish Distillers

About DIGI

The Drinks Industry Group of Ireland (DIGI) is the umbrella organisation for the drinks industry. It is composed of manufacturers, distributors, and both on-trade retailers (pubs, hotels and restaurants) and off-trade retailers (independent off-licences).

Its members include:

- Alcohol Beverage Federation of Ireland
- Irish Hotels Federation
- Licensed Vintners Association
- National Off-Licence Association
- Restaurants Association of Ireland
- Vintners Federation of Ireland

Together, these employers groups sustain directly and indirectly an estimated 90,000 people working directly and indirectly in drinks manufacturing, drinks distribution and visitor centres throughout the country.

DIGI is concerned with the taxation and economic development aspects of the drinks industry and has produced a range of research reports on the economic role of the industry, taxation of alcohol, and the structure and performance of the industry.

Through its Support Your Local campaign, DIGI seeks to highlight the significant financial and social contribution made by the industry and the negative effect of internationally very high alcohol excise tax, and work with stakeholders to create conditions that ensure the industry's continued growth and realise its full economic potential.

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It is very worrying that the Brexit negotiations are proceeding as evidenced in recent times. We are getting closer to a disorderly exit of the UK which will bring significant problems and challenges as a result. Many of these challenges are already being felt in the short term. And, while the Government and EU are planning for a disorderly Brexit, what is the short and medium-term response? This is both critical and crucial and Government policy must recognise and take action in this regard now.

The drinks industry is one industry that is being challenged by many Brexit-related negatives and a hard Brexit will have the following effects:

- **keep sterling low and reduce competitiveness**
- **reduce beverages exports to the UK which is already happening: decrease of 11% in first half of 2018 and down 7% from 2015 to 2017**
- **increase beverages imports from the UK which is already happening: increase of 13% from 2015 to 2017**
- **reduce UK tourism into Ireland which already happened in 2017: despite a small increase in 2018, this is insufficient to offset the 2017 decline**
- **encourage cross border shopping: on the assumption of a resumption of 2009 levels of cross border shopping and a pro rata increase relative to national consumption growth since 2009, the current level of cross border purchasing would be €503 million per year. This would suggest an annual alcohol cross-border expenditure of €60 million**
- **cause an annual drop of about €135 million in Exchequer impact from the hospitality and drinks sector: our estimate based on the Department of Finance/ESRI and Copenhagen Economics projections**

Budget 19 provides an opportunity for a tangible and comprehensive Brexit response. From the drinks and hospitality perspective, alcohol excise should be reduced as a first step in encouraging and safeguarding Ireland's competitiveness. More than ever, amid this uncertainty, our economic future in the short term depends on maintaining our competitiveness.

Please see DIGI's three-point plan to protect this industry and Ireland's competitiveness ahead of Brexit, along with supporting analysis by Anthony Foley, Dublin City University Business School in the pages to follow.

DIGI's three-point Brexit plan

Ireland's economy, north and south, is best served by a post-Brexit situation which is as close as possible to the status quo. We know that a hard Brexit will have substantial and enduring effects on all areas of Irish economic life. Policy must seek to counter the negative effects.

We welcome the Brexit-related measures already introduced by Government and its broad strategy. **Budget 2019 provides an opportunity to add to this response and to strengthen the ability of the drinks and hospitality sector to withstand the effects of Brexit.** Positive measures which are completely within the Government's control include reducing the very high level of alcohol excise and retaining the 9% VAT rate for the hospitality sector which is a very large internationally competing indigenous sector.

We recognise that there is uncertainty about the post-Brexit economic and trade regime and that it would be premature to spend large sums developing shipping infrastructure and services in anticipation of UK transit/land-bridge difficulties which may not arise. However, it would be wise to have contingency plans ready for such eventualities. The impact of hard Brexit on Ireland's drinks and hospitality sector alone could cost the Exchequer €135 million.

Beverage exports to the UK are performing poorly. UK tourism has not recovered from the 2017 decline. The sterling exchange rate continues to reduce Irish competitiveness. Uncertainty about the UK land-bridge and cross-border supply chains continue.

The three-point plan outlined below is by no means the entirety of the policy measures needed, but is focused on Budget-related and immediately implementable measures. Overall, there should be more detailed clarity provided by Government about policy intentions in a hard Brexit situation.

Recommendation 1:
Reduce alcohol excise tax

A reduction in alcohol excise tax would ameliorate some of the cost-increasing impacts of Brexit. **Unlike some other issues, this is within domestic policy control. The Irish Government would not have to wait for agreements with foreign entities; instead, it has the power to enact this measure in Budget 2019.**

Even excluding the threat of Brexit, the excise tax in Ireland is already unnecessarily high. 21 of our EU peers impose an excise tax on beer that is less than half of Ireland's. If we applied Germany's rate to a pint of lager served here, excise tax would be 5 cents instead of 55 cents, a direct reduction of 50 cents. 14 of the 28 EU member states impose no excise tax on wine, yet we impose one that is 11% higher than any other EU country.

This high rate of excise tax is punitive, not just for consumers, but for our producers and retailers. In the long term, it is likely to damage the competitiveness and earning potential of the drinks and hospitality sector and along with it, the economic prosperity of rural Ireland.

The drinks and hospitality sector has a truly nationwide presence and forms the bedrock of many communities. A high excise tax puts thousands of jobs, many in Ireland's least developed regions, in a precarious position, especially when compounded by external events like Brexit.

Recommendation 2:
Maintain the 9% VAT rate for the hospitality industry

In response to the decline in the value of sterling caused by Brexit and the associated reduction in cost competitiveness, **the 9% VAT rate should be retained to avoid additional competitiveness losses.** The measure has proven to be successful in generating economic activity and its retention is desirable in the context of a hard Brexit.

The 9% VAT rate is important for keeping costs down in the hospitality industry and attracting tourism to Ireland. This is especially true for the hospitality sector in rural areas, which will be hit hardest by the negative effects of Brexit.

Recommendation 3:
Secure EU 'Brexit funds'

Ireland will be uniquely negatively affected by Brexit. A large proportion of Irish goods exports to mainland EU economies is transported via the land-bridge route (ferry/ship to Britain, road across Britain, and ferry/ship from Britain to the European mainland). In addition, a large part of Irish beverages exports to the non-EU global markets is shipped through British ports.

The challenges of Brexit to Irish exports and imports of beverages are not confined to the goods supplied to and sourced from the UK. Irish producers of beverages source non-beverage inputs from Britain and Northern Ireland. Irish beverage exporters and importers use Britain extensively as part of their supply chain channel and as a pathway to other markets. **The UK is a very significant part of the transport and distribution system of the Irish economy's international trade with the world.** A hard Brexit would increase the cost and reduce the efficiency of this system.

The Irish Government must secure dedicated 'Brexit funds' from the EU to combat these negative impacts through both services development and infrastructural investment.

Supporting analysis by Anthony Foley, Dublin City University Business School

2.1 Estimated size of Brexit impact on Irish economy

The Department of Finance/ESRI have estimated the medium- and long-term effects of a hard Brexit. The expectation is that, relative to no Brexit:

- GDP will be 3.5% lower after 5 years and 4% lower after 10 years
- Employment will be 2% lower, about 40k jobs, after 5 years
- Unemployment will be up 1%
- Government deficit to rise by 1% point per year leading to additional national debt of about €20bn after 10 years
- Exports decrease by 4%
- Exports to UK decrease by about one-third, which is especially bad for food exports.

These are very significant negative effects, especially on exports. In assessing the impact it is useful to understand the research methodology. For example, the estimates assume no policy reaction such as measures to improve export competitiveness. It is assumed that the UK will operate the same tariff levels as are currently operated by the EU. This may not be the case. In addition, while 3% to 4% is broadly equivalent to one year's economic growth, some sectors will have a much larger negative effect, such as the agri-food sectors.

The more recent (Feb 2018) Copenhagen Economics report on behalf of the Department of Business, Enterprise and Innovation estimated that a hard Brexit (equivalent to a World Trade Organisation regime) compared to a "no Brexit" situation would result in a drop of 7% in GDP and a drop of 7.7% in exports by 2030. Real wages would be reduced by 6.5% for high-skilled workers and by 8.7% for low-skilled workers. All other trade regimes, such as a customs union, EEA and free trade regimes, would also result in lower Irish GDP and exports.

These predictions are based on a "no policy change", that is before the effect of any policy measures to offset the negative effects of Brexit.

2.2 Value of sterling

The decline in the value of sterling relative to the euro in the Brexit period and its performance in earlier years are illustrated in Table 3.2.1.

Table 2.2.1 Euro relative to sterling exchange rate, May monthly average 2010 to 2018 and July 2016 to July 2018

May monthly average	1 Sterling £=euro	1 Euro=Sterling £
2010	1.16667	0.85714
2011	1.13911	0.87788
2012	1.24423	0.80371
2013	1.17766	0.84914
2014	1.22647	0.81535
2015	1.38614	0.72143
2016	1.28569	0.77779
2017	1.16885	0.85554
2018	1.13991	0.87726
2016 July	1.18898	0.84106
2017 July	1.12844	0.88618
2018 July	1.12707	0.88726

Sources: CSO databases

The UK referendum was in June 2016. We present the average monthly exchange rate for May of each year. At time of writing, the latest monthly average exchange rate is July 2018; we also include the July figures for the past three years..

Between May 2015 and May 2018 the euro has increased in value by 21.6% compared to sterling. Between May 2016 and May 2018 the appreciation was 12.8%. Between July and 2017 and July 2018 the rate is almost unchanged. **Compared to the pre-Brexit referendum situation this is a very substantial loss in cost competitiveness for Irish producers relative to UK producers.** This results in the sterling cost of a €1,000 holiday in Ireland increasing between May 2015 and May 2018 by approximately £135 [from £721.43 to £877.26]; the July 2017 cost is also £877.26.

The same significant impact from a decline in the value of sterling is felt by Irish exporters to the UK. **In May 2015 an item selling in the UK for £100 would generate €138.61 to an Irish exporter.** By May 2018 the same £100 would generate €113.99 in receipts to the Irish exporter, a decline of 17.8% which would be greater than the profit margins of most Irish indigenous exporters.

Exporters to Ireland from the UK also get a strong advantage against Irish producers supplying the Irish domestic market. An item selling for €100 in the Irish market would generate an exporter from the UK £72.14 in May 2015 but by May 2018 this had increased to £87.73 which gives the UK exporter substantial scope to reduce the price in the Irish market and/or improve margins.

Of course, the appreciation of the euro relative to sterling also reduces the price of imports of UK-sourced components, raw materials and other inputs for Irish producers and reduces somewhat the overall negative impact from the levels illustrated above.

Changes in the value of sterling are not a new issue for Irish enterprise. As shown above, in 2010 and 2011 the sterling/euro exchange rate was similar to the current levels. Sterling appreciated between 2013 and 2015 and has declined since then. **However, the variability in the exchange rate does not diminish its importance as a performance determinant, nor does it change the significant impact of a weak sterling on current and future Irish economic performance in the drinks and hospitality sectors.**

The current decline in the value of sterling is not a short-term phenomenon but is expected to persist over the long term and may decline further.

2.3. Tourism and hospitality

In 2016 British tourists accounted for 41% of overseas visitors. **The UK is, by far, our largest national market.** In 2017 this share had declined to 38%. Between 2016 and 2017 British tourism to Ireland declined from 3.924 million visitors to 3.729 million, or by 5%. British tourism expenditure declined by 5.1%. In addition, inward tourism from Northern Ireland has decreased.

Some regions are very dependent on the British market, such as the Border (40% of international visitors are from Britain), and the South-East, Midlands and South-West, which all have a 38% British share. In contrast, the Dublin British dependency is 16% and the West is 14%. Tourism from Northern Ireland has also declined with above average impacts on specific locations and facilities.

In the first two quarters of 2018, British tourism increased by 2.3% to 1.786 million visits compared to the same period in 2017. This is still lower than the total in the first half of 2016, 1.865 million.

British tourism expenditure, excluding carrier receipts, increased very slightly by 0.6% in the first half of 2018. **The average length of stay declined in the first half of 2018 compared with 2017.**

Despite the decline in British tourism in 2017, the worst effects of the exchange rate-induced loss in competitiveness may take some time to occur. Irish suppliers may temporarily lower prices to cope with the loss in competitiveness but this may not be possible on a continuing basis. Existing contracts have to be honoured despite changes in exchange rates.

In addition to the impact on the export side of tourism, there are also consequences for domestic tourism. **The indirect Brexit effect of a lower valued sterling increases the attraction of the UK as a destination for Irish domestic tourists relative to holidays at home.** The eventual direct effect of a hard Brexit which increased the difficulty of tourist mobility would enhance the attractiveness of the domestic market for Irish tourists relative to the UK.

There are also major concerns about the operation of air services between Ireland and the UK in a hard Brexit regime. In the absence of a full and comprehensive agreement between the EU and the UK, the Irish Government must ensure that Irish economic national interests are safeguarded with appropriate sectoral and possible Ireland/UK specific arrangements.

2.4. Exports and imports of beverages

The UK is a large market for Irish drinks exports. The Irish drinks industry generated exports of €1357.8 million in 2017, of which €289.8 million, or 21%, went to the United Kingdom. Britain accounted for €211.8 million, or 73.1%, of the UK total and Northern Ireland accounted for €78 million or 26.9%.

The largest national market for Irish drinks exports in 2017 was the United States with €575.4 million or 42%. **Britain is our second-largest national market for drinks exports and Northern Ireland is our third largest.** Drinks exports are more dependent on the UK market than overall exports.

Overall beverages exports have increased in recent years from €1.240.1 million in 2015 and €1.297.9 million in 2016, but beverages exports to the UK have declined. In 2015 the value of beverages exports to the UK was €313.1 million and in 2016 the value was €305.2 million. **Between 2015 and 2017, beverages exports to the UK declined by 7.4% while overall beverages exports increased by 9.5%.** In 2017 beverages exports to the UK accounted for 21% of total compared to the 25% share in 2015.

Between 2015 and 2017, beverage exports to Northern Ireland declined by 12.7% and beverage exports to Great Britain declined by 5.4%. Imports of beverages from the UK increased from €305.6 million in 2015 to €346.1 million in 2017. The beverages trade surplus with the UK was €7.6 million; by 2017 this had declined to a deficit of €56.4 million. Individual drinks products such as soft drinks and cider are particularly reliant on the UK market, much more so than the average drinks situation, as referred to below.

Drinks imports were €822.0 million in 2017 of which the UK provided €346.1 million or 42%. Britain provided €275.3 million in drinks imports and Northern Ireland €70.8 million. Britain is by far the largest source of drinks imports, followed by France with €93.2 million. By contrast, the USA provided only €17.3 million in imports compared to the UK's €346.1 million. UK imports include products produced in the UK and products produced elsewhere but distributed from the UK.

As illustrated in the 2017 DIGI Brexit report, there are very substantial market differences between different beverage types with consequent different levels of Brexit-related impact. **Soft drinks exports are very reliant on the UK market and hence are particularly vulnerable to the negative effects of Brexit.** 81.4% of soft drinks exports were sold on the UK market in 2015. **The same is true of cider: 70.7% of cider exports were sold in the British market.** Beer has a much lower but still high share of its exports sold in the UK market (43%).

The situation is very different for whiskey and liqueurs. Whiskey has been the drinks export growth story of the past few years, but the UK has contributed little to it. Of €443.9 million in whiskey exports in 2015, only €19.1 million or 4.3% was sold in the British market in 2015.

65% of Ireland's whiskey exports in 2015 were sold in markets outside the EU. The USA on its own accounted for €233.7 million or 52.6% of total whiskey exports. In the liqueurs category, Britain accounted for only 4.3% of exports in 2015, the same as whiskey. Non-EU markets absorbed 78.4% of Ireland's liqueur exports compared to Britain's 4.3% share. The USA absorbs €163.8 million or 52.3% of total Irish liqueur exports.

Beverage exports to the UK have performed poorly in the first six months of 2018 when they declined by 10.9% compared with the same period of 2017. On the import side, soft drinks accounted for €248.9 million of which Britain supplied €173.0 million or 69.5% in 2015. There was €233.0 million of wine imports (excluding sparkling wine) of which Britain supplied €14.6 million or 6.3%. Britain supplied €33.6 million of beer imports, or 24.2% of the total of €138.7 million. Whiskey imports were only €15.6 million of which Britain supplied €6.4 million or 41.0%. Imports of other spirits and liqueurs amounted to €59.9 million of which Britain supplied €16.2 million and Northern Ireland €23.8 million.

Overall, the British or UK-sourced drinks imports in 2015 were soft drinks €173.0 million; beer €33.6 million; whiskey €6.4 million; liqueurs €40.0 million; and wine €14.6 million. The increased competitiveness advantage of UK drinks imports into Ireland will be most felt by domestic producers of soft drinks and, to a lesser extent, beer producers.

2.5 Cross-border shopping

Depending on exchange rates and tax differentials there is the possibility of substantial Exchequer revenue losses from cross-border shopping due to a hard Brexit. There are two conflicting impacts. Tight border controls and restrictions on quantities of purchases will reduce the incentive for cross-border shopping. However, the strength of the euro and tax differentials will encourage cross-border shopping.

There does not appear to have been an upsurge in cross-border shopping in recent times. However, the tax and exchange rate conditions facilitate such an upsurge. The Government lost substantial revenues because of cross-border shopping for alcohol and other products in 2009.

The May 2018 Revenue Commissioner survey of alcohol prices and tax differences between Northern Ireland and the Republic of Ireland clearly show the significance of the tax differential. It shows a significant difference between the two areas in terms of tax on alcohol (VAT and excise) for some alcohol products. The euro/sterling exchange rate used in the survey was 0.8729.

Table 2.5.1. Comparative prices and tax component in off-licence alcohol products, May 2018, NI and RoI.

Products	Price in this state	Price in N. Irl	Difference	Total tax & duty in this state	Total tax & duty N. Irl	Difference total tax and duty
Alcohols						
Stout (500ml can)	2.17	2.11	0.06	0.88	0.81	0.07
Lager (500ml can)	2.20	1.66	0.54	0.90	0.80	0.09
Lager (330ml bottle)	1.66	1.15	0.51	0.63	0.50	0.13
Bottle of vodka	20.00	15.48	4.52	14.91	11.22	3.69
Bottle of whiskey	26.78	23.21	3.57	16.93	13.09	3.84
Bottle of wine	10.85	8.70	2.15	5.22	3.93	1.29
(Chardonnay)						
Bottle of wine	10.00	8.28	1.72	5.06	3.86	1.20
(Sauv. Blanc)						
Sparkling wine	17.18	14.31	2.87	9.59	5.56	4.02

Sources: Revenue Commissioners, May 2018 Cross-Border Price Comparisons.

The Republic's alcohol tax is higher in all the listed beverages. The tax difference in spirits is substantial: vodka is €3.69 and whiskey is €3.84 per bottle tax difference. The beer tax difference is lower. The sparkling wine tax difference is also large at €4.02. The tax difference in wine varies from €1.20 to €1.29 per bottle.

The current differentials are sufficiently large to justify "special event" purchasing such as for parties, domestic celebrations and other large-scale formal events. In addition, ordinary domestic purchasing can be done on an occasional basis providing that households have the financial resources to engage in such bulk purchases.

As shown below, **bulk buying (based on infrequent trips to NI) generates substantial savings in tax in addition to non-tax price advantages,** based on the Revenue prices survey. As can be seen, **there is a significant financial incentive for cross-border activity, particularly arising from tax differences.** If one considers a basket of goods that would be deemed appropriate for a large party, the tax-related savings on the selected "party" bundle of beverages is €156.51.

Table 2.5.2. Savings from Northern Ireland purchases of alcohol 2018.

Quantity	Product	Tax saved Per unit	Total tax saved
3	Bottle vodka	€3.69	€11.07
3	Bottle whiskey	€3.84	€11.52
10	18-unit crate bottle lager	€2.34	€23.40
6	Bottle sparkling wine	€4.02	€24.12
6	Crate of Sauvignon Blanc	€14.40	€86.40
TOTAL			€156.51

Sources: DIGI and based on Revenue Data

The issue of out-of-state sourcing is not confined to Northern Ireland. **Irish holidaymakers go to low alcohol tax countries such as Spain and Portugal and the large tax differential is an incentive to bring home bottles of spirits even allowing for the weight and baggage restrictions.**
The high alcohol excise provides an incentive to source outside the state with consequent losses of economic activity, jobs and Exchequer revenue.

2.6. Supply chain, pathway to market and transit arrangements

The UK is a very significant part of the transport and distribution system of the Irish economy's international trade with the world. A hard Brexit will increase the cost and reduce the efficiency of this system.

In the case of the beverages industry, a hard Brexit could include relatively low tariffs on some beverages but severe restrictions and increased costs relative to the current situation on use of Britain as a transport/supply chain hub.

The impact of Brexit on Irish exports and imports of beverages goes well beyond the goods supplied to and sourced from the UK. Irish producers of beverages source non-beverage inputs from Britain and Northern Ireland. Irish beverages exporters and importers use Britain and Northern Ireland extensively as part of their supply chain channel and as a pathway to other markets.

A 2017 survey of exporters by the Irish Exporters Association reported, as shown below, on the supply chain and pathway to market element of Brexit:

- 67% of exporters make use of the UK land-bridge to access continental markets
- 59% of exporters make use of UK land-bridge to position freight to continental airports/railheads etc as part of supply chain to intercontinental markets
- 57% of exporters said that if transit time through the UK land-bridge were to increase due to additional controls and/or costs were to increase, they would be able to supply using a direct shipping service to a Benelux or other continental port
- 40% of exporters said that use of a slower direct route would adversely impact the quality of product
- 53% of exporters said that longer time supply chain would seriously impact inventory and other costs

The beverages industry makes extensive use of Britain as an access mode for global and other EU markets, and has integrated supply and production chains on the island of Ireland.

Bord Bia's Brexit Barometer Industry Findings (2017) report shows that 68% of food/drinks companies are unsure if their supply change partners are Brexit ready. 31% of food/drinks companies ship their EU purchases directly to Ireland bypassing the UK while 69% use the UK route.

Consequently, even where a beverages sector's exports are mainly to the non-EU markets, easy access to Britain's sea services contributes to efficiency. **Even where exports to the UK are small, the impact of Brexit still looms large.**

It is unclear how the new regulatory regime of a hard Brexit will affect these goods in transit and what increased costs of documentation and administration, as well as delays, will arise. In effect, some of the non-tariff barriers which were considered for beverages exports to the UK in section 5 will apply to much of the exports and imports of products not destined for, or originating in, the UK.

All-island geographic indicators or designations (GI) apply to Irish whiskey, Irish cream and Irish poteen. This means that product made in either north or south can use the description "Irish". The EU protects its GIs by registering them in trade agreements and ensuring trade agreements recognise them. **The UK's exit from the EU increases the complexity of protecting and maintaining these all-island designations.** The ongoing detailed Brexit negotiations should ensure that the Irish drinks GIs are maintained and supported.

Some drinks companies have all-island and Ireland/Britain integrated supply and production systems, including canning/bottling and inputs sourcing. For individual companies, the cross-border movements relating to inputs, semi-finished product and finished product can amount to thousands of cross-border movements of goods annually. **Customs checks and inspections on this volume of transactions would add significantly to transport and administration costs.**

Research by the ESRI on behalf of InterTradeIreland notes the significance of cross-border supply chain integration. It concludes that cross-border trade links show a high degree of integration, that trade in intermediate products is significant, and that there is a large presence of two-way traders.


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