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## **TWO-STAGE BREXIT STRATEGY DERIDED BY UK AND EU POLITICIANS**

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Government plan to keep UK in near identical customs union at interim and final stages criticised by all except business

A government plan to copy European customs controls after Brexit has run into immediate difficulties in Brussels and the UK, with ministers being accused of making unrealistic promises in pursuit of frictionless trade.

The long-awaited policy paper proposes to keep Britain in a near identical customs union with the EU for an unspecified period after departure while it seeks to negotiate a permanent arrangement that will also mirror much of the existing system.

The paper is designed to ease the concerns of those worried about border chaos, although the compromise proposal would prevent early implementation of other international trade deals, and was criticised as premature by EU negotiators.

We take note of the UKs request for an implementing period and its preferences as regards the future relationship, but we will only address them once we have made sufficient progress on the terms of the orderly withdrawal, a European commission spokesman said on Tuesday.

Underlining the difficulties facing the UK as it negotiates its way out of the European Union, the spokesman added: As [the EUs chief negotiator] Michel Barnier has said on several occasions, frictionless trade is not possible outside the single market and customs union.

Guy Verhofstadt, who acts as the European parliaments lead coordinator on Brexit, described the UKs proposals as a fantasy while Barnier himself said that the UK and the EU needed to agree on citizens rights, the divorce bill and Ireland first.

The Brexit secretary, David Davis, insisted the plan would avoid a cliff-edge for businesses and individuals and promised the freest and most frictionless system possible.

The way we approach the movement of goods across our border will be a critical building block for our independent trade policy, he said. An interim period would mean businesses only need to adjust once to the new regime and would allow for a smooth and orderly transition.

Nicola Sturgeon, the Scottish first minister, wrote on Twitter that the Conservative government is back to its daft have cake and eat it approach to #Brexit and repeated her argument that the UK

should stay in the single market and the customs union.

Business leaders responded favourably to the plan, with the CBI welcoming it as a critical first step forward.

Whitehall officials have been forced to walk a tightrope between concerns about the economic impact of leaving the EU customs union and the desire for greater international trade freedom.

Yet explanatory briefings by government officials revealed that the intention was for this interim phase to involve a new, temporary customs union with the EU that would be substantially the same as now.

The government paper said this would be a new and time-limited customs union between the UK and EU customs union based on a shared external tariff and without customs processes and duties between the UK and the EU.

Officials confirmed that while this would technically involve leaving the existing EU customs union after March 2019, it would be close enough to existing arrangements that Britain would only be able to negotiate, rather than implement, new trade deals with non-EU countries.

This contradicts confident promises made by the international trade secretary, Liam Fox, and the chancellor, Philip Hammond, in a joint article that was heralded as a victory for the formers ambition to show the benefits of an independent trade policy long before the next election.

In March 2019 the United Kingdom \* will leave the customs union and be free to negotiate the best trade deals around the world as an independent, open, trading nation, they wrote in the Sunday Telegraph.

The notion of a long interim period was attacked on Tuesday by both sides of the Brexit debate. This is dither and delay, said the former Ukip leader Nigel Farage. It shows a lack of decisive leadership and it lowers our standing in the world.

The UK government wants to be out of the customs union but in a customs union, said Peter Mandelson, a prominent remain campaigner. It is all delusional semantics, trying to square a circle for the Tory party but not a basis for serious negotiation.

Whitehall officials refused to say whether new trade deals could be signed during this interim phase, and stressed that implementation was impossible until after the UK moved to its final customs arrangement.

But even the two scenarios outlined by the government for this end-state position could still involve substantial overlap with EU customs procedures to try to minimise chaos at ports.

The more ambitious of the two options outlined in Tuesdays paper was called a new customs partnership and would involve the UK mirroring the EUs requirements for imports from the rest of the world where their final destination is the EU.

Officials hope this would remove the need for all customs checks with the EU because UK exports would also be exempt from tariffs under the planned free trade agreement □ though all such promises are subject to extensive negotiation with other member states.

The other option envisaged by the government after the interim stage would be a form of the

current customs arrangements with countries outside the EU but rely heavily on new technology, such as number plate recognition, to try to avoid physical checks at the border.

Officials conceded that both options would entail significant new red tape for business as they would involve shifting the reporting burden on to exporters at the point of departure rather than building new lorry parks and border posts.

Despite Britains 44 years inside the EU, that could prove a tough sell, as some EU member states see the UK as a weak link in the chain on customs enforcement. The British government is fighting a      (£1.8bn) fine for negligence after EU anti-fraud investigators accused the UK of failing to stop Chinese criminal gangs evading customs duties on clothes and shoes.

Fox struck a defiant note in a statement to accompany the strategy paper, insisting leaving the customs union will allow us to operate a fully independent trade policy in Britains national interest ...

We will seek a new customs arrangement that ensures that trade between the UK and the EU remains as frictionless as possible and allows us to forge new trade relationships with our partners in Europe and around the world.

Davis, the UKs chief Brexit negotiator, also tried to make a virtue of the governments lack of clarity on what it wanted from the negotiations. You will find it difficult sometimes to read what we intend, he told BBCs Today programme. Thats deliberate. Im afraid in negotiations you do have constructive ambiguity from time to time.

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