

# Policymaking by accident

Blog post by Chief Economist Gregor Irwin, 18 August 2017

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The British government papers on Brexit published this week leave you wondering if cabinet ministers really understand what the UK is proposing and the implications.

The customs paper proposes an interim agreement that “could involve a new and time-limited customs union between the UK and the EU Customs Union, based on a shared external tariff and without customs processes and duties”. It would involve a whole lot more than that, including accepting the full suite of goods regulations that apply in the EU and ECJ enforcement of these rules. The paper omits any mention of either.

The paper says the UK wants to be able to negotiate trade deals during this interim period, even if the British government accepts that it cannot implement them. That is a concession that the EU may or may not be willing to make. But is it worth anything? In all probability, it is not. No country will take trade negotiations with the UK seriously until questions over the future EU relationship are resolved. There is simply no point in negotiating over regulatory trade barriers until you can see where UK regulation might still be tied to the EU.

And there are plenty of grounds for uncertainty about that. The customs paper sets out two models for the future customs relationship, one of which it describes as a “new customs partnership”, which would see the UK “mirroring” the EU’s customs approach at the UK’s external border to remove the need for any customs processes between the EU and UK. My colleague Stephen Adams provides a more detailed critique of this proposal [\[add link\]](#), but one immediate implication jumps out, which suggests the UK government does not really understand what it is proposing. Customs procedures are not just about ensuring the correct tariff is paid. They also ensure that goods conform with local product standards and regulations. The EU will only consider dropping customs processing at the border if the UK signs up - permanently - to all those regulations, without any influence over them.

The other paper issued this week is a formal position paper on the Irish border. This too has remarkable implications. It has been widely observed that the proposal to retain the Common Travel Area with Ireland, without introducing any new controls, means non-Irish EU nationals must continue to enjoy visa-free access to the UK. That position is not surprising. But the fact that the position must be deduced rather than announced in the British parliament, raises questions over whether the proposal has been fully and formally agreed by the government.

This paper suggests a regulatory equivalence agreement could be reached between the UK and the EU covering agri-foods, which accounts for a large part of trade across the Irish border. The UK will be in a weak position to do anything other than take EU rules in this area, although the UK will try, for political reasons as much as anything. But this simply confirms that no third country will want to enter serious trade talks with the UK while the EU negotiation is still happening, as they won’t know where the UK’s rules are flexible and negotiable.

The paper also proposes to maintain the single electricity market covering Northern Ireland and Ireland. That is eminently sensible. But it also binds Northern Ireland to the framework of rules that applies elsewhere in the EU and raises the question of whether and how this might be done without binding the whole of the UK.

This is just the start of a long process of setting out positions and reaching agreements through negotiations that will run for years. It is not a neat, linear process, but one that is complex and multidimensional. We are therefore likely to see more policymaking by accident, because the consequences of policymaking in one area for others are not thought through. With that comes the likelihood that mistakes will be made and U-turns required. In short, it's a recipe for policy uncertainty.