The great trade muddle

"We are leaving the European Union… We are leaving the Single Market… We are leaving the Customs Union." Theresa May has repeated these phrases on numerous occasions since her Lancaster House speech in January. Only last week, Steve Baker, the new Brexit minister, insisted that there would be no watering down of the Brexit strategy. "It's like putting blood in the water to even talk about the EEA," he said. "We don't want to be a rule taker, for all the reasons that David Cameron gave during the referendum. We mustn't take up some of those ideas."

The Customs Union is a red herring. It never came up during the referendum debate last year and, one suspects, it has only re-surfaced recently because some people may well not know the difference between it and the Single Market.

The Single Market is another matter. It is not true, as suggested by a number of senior EU figures including Michel Barnier, the chief negotiator, that the four "freedoms of movement" – goods, services, capital and people – are indivisible. They may be for EU member states, but not for the non-EU countries in EFTA. Iceland imposed restrictions on the movement of capital when its banks collapsed and Liechtenstein still imposes restrictions on immigration from the EU. Furthermore, no Brexit campaigner suggested that the "Norway Option" or even the "Liechtenstein Solution" should be anything other than an interim arrangement to get us safely through the EU's exit door within the Article 50 timescale.

It is certainly not an ideal arrangement, and some leave campaigners, including CIB Committee member Ian Kealey, have offered a number of reasons why it should be avoided even as a temporary solution. Carolyn Fairbairn, the Director General of the Confederation of British Industry, which represents large employers, has nonetheless been pushing hard for us to adopt this approach. Some leavers are naturally suspicious of an organisation which campaigned for us to stay in the EU, arguing that the real motive of the CBI is to stop us leaving the EU at all. For all the objections to re-joining EFTA and accessing the Single Market via the EEA agreement, the fact is, countries which use this model are most definitely outside the EU as this helpful comparison by CIB Committee member Anthony Scholefield illustrates

Mrs May, however, has not shown any enthusiasm for this route, although she mentioned the possibility of an interim arrangement as far back as November of last year, without going into any details. Her recent pronouncements have been very much about the long term, stating her desire to sign a "bold and ambitious" trade deal with the EU by March 2019 and only yesterday, at the G20 summit in Hamburg, she said she wanted a "deep and special partnership with the EU, a comprehensive free trade agreement with the EU, so that we can continue to trade with the European Union. That's not just in our interests in the interest of the other 27 member states as well."

Fair enough, but only two days ago, Michel Barnier said that "There will be no business as usual." To underscore the point, he later continued, "I have heard some people in the UK argue that one can leave the single market and keep all of its benefits – that is not possible."

It has been argued that many other countries trade with the Single Market without being members of it. This is true, but they do not get 100% access nor of the benefits. There will inevitably be obstacles. Most people who have looked at this complex subject accept that being outside the Single Market will involve some loss of trade access to the EU. The big question is whether or not they can be minimalised. The Bruges Group has come up with an alternative which, its authors claim, can be implemented in eighteen months and which would address the main concerns of business, including nontariff barriers. However, it does not deny the presence of significant obstacles.

We do not know whether or not this report is being digested by the Civil Servants of David Davis' department. What we can say is that there has been precious little comment from the government on its proposals regarding this important subject. To date, the Bruges Group proposal is the most detailed study of a non-EEA solution to the trade conundrum which would avoid the need for any interim arrangement. If it isn't going to be adopted but something better has been produced, it clearly hasn't reached the ears of the CBI or some other concerned politicians who advocate our remaining in the EEA.

What is worrying is the lack of a detailed response to these concerns. Could it be that even a year on from the referendum, the Government still doesn't have any idea of what its Brexit trade strategy should be? When we joined the EEC (as it was) over forty years ago, businesses were given increasingly detailed guidance, starting over a year before entry. If the transition to independence is to be seamless, businesses need adequate notice to comply with whatever the new arrangements will be. Regulation has become a lot more complex since 1973 and the process of informing them of what needs to be done will surely need to start no later than March next year.

With some economists suggesting that the UK economy is slowing, some leave campaigners have expressed a concern that Brexit may not actually happen given the additional challenges which lie ahead. We do not believe this to be the case as any backtracking on Brexit would be suicidal for the government and the Conservative Party. Nonetheless, the Article 50 clock is ticking away and if the government is still in a muddle about trade, we may end up going down the EEA/EFTA route as an "off the peg" solution which, due to time constraints, could end up by default as the only way of preventing a "cliff edge" scenario in March 2019.