



**UK TRADE & BUSINESS
COMMISSION**



FREE TRADE AGREEMENT: CANADA EVIDENCE IN BRIEF



UK-CANADA FREE TRADE AGREEMENT

STATUS OF THE DEAL

KEY TAKEAWAYS

- 1 Witnesses highlighted that the UK is currently Canada's **third largest trading partner in terms of exports**, despite the fact that the UK and Canada have never had a bilateral trading agreement. Witnesses pointed out that a true bilateral agreement could lead to enhanced cooperation and innovation.
- 2 There have already been **two rounds of trade deal negotiations** between the UK and Canada, with a third round due shortly. Witnesses highlighted that on account of the rollover trade and continuity agreement between the UK and Canada, the starting point for further negotiations is very positive.
- 3 Witnesses noted that a timeframe of two years for negotiations was planned since they commenced in **April 2021**. With more negotiations expected this winter, witnesses largely feel the proposed timeline was on track.

STATISTIC



As well as being Canada's third largest destination for merchandise exports, the UK is Canada's second largest destination for service exports - the value of which was worth just under £4 billion in 2021.

SESSION WITNESSES



Goldy Hyder

President and CEO,
Business Council of Canada



Andrew Casey

CEO,
BIOTEC Canada



Colin Barker

Senior Trade Commissioner,
Canadian High Commission

UK-CANADA

What is the current status of trade negotiations with Canada and what value is placed on them?

Trade talks between the UK and Canada appear to be on a strong footing. The continuity agreement between the UK and Canada following Brexit continues to facilitate tariff-free trade, and the UK is keen to further align itself with Canadian priorities through eventual accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a free trade agreement between eleven signatories (including Canada) which represents one of the largest free trade areas by GDP globally.

Witnesses were largely positive about the current state of trade negotiations between the UK and Canada. Colin Barker from the Canadian High Commission highlighted the potential for the UK and Canada to build on the current rollover agreement and go beyond it to achieve sophisticated trade and development plans with regards to the digital sector and the mutual trade in services. Barker also expressed interest in using a trade agreement between the countries to incorporate inclusive trade elements, benefitting marginalised genders and indigenous industry in Canada.

“When we see the political will align with the business world to get this done we’re encouraged. What we would say of course is no trade deal is ever perfect, so let’s not make perfect the enemy of the good. If you can do a really good deal, let’s do a really good deal. However, let’s also make sure that we provide the venues, the openings...where you can revisit where we are in six years or eight years or 12 years.”

Goldy Hyder

Witnesses also highlighted that the current status of rules of origin provisions as set out in the trade and continuity agreement were a good foundation to build on. These rules currently enable producers in the UK using materials originating in the EU to treat their overall products as originating in the UK and therefore avoid extra export tariffs. This is something that witnesses were keen to see refined and developed as part of the final trade deal.

Goldy Hyder from the Business Council of Canada also spoke about how Canadian businesses were encouraged by the alignment of political will in the UK as regards a trade deal and the interests of businesses. He raised the point that any trade deal should enshrine long-term flexibility and urged that any agreements made between the two countries can be revisited in the years to come.

“Things are progressing well. As I noted, we already have a good starting point, so unlike Australia and New Zealand where the UK was negotiating from scratch with both of those partners, we have a very good starting point already. So we can make some quick progress and then turn to some of these other areas where we might want to go further...that includes the digital space, some inclusive trade elements on gender and indigenous peoples in Canada, and the movement of people to support research and development in the science and technology sphere.”

Colin Barker

What are the priority focus areas for a trade deal between the UK and Canada?

Witnesses highlighted a variety of core focuses for a trade deal between the UK and Canada. Where witnesses highlighted the current good status of the rules of origin provisions in the rollover agreement, they expressed hope that these rules would be explored further and a detailed plan set out as part of the eventual trade agreement to ensure that mutually beneficial and flexible approaches to rules of origin as regards the UK, Canada and EU were set out as part of the UK and Canada's agreement.

All witnesses were emphatic about the importance of the trade deal working for SMEs. Colin Barker noted that SMEs who export tend to be more innovative and sustainable and he wants the eventual trade deal to reflect the priorities of these enterprises.

Goldy Hyder also highlighted that vital commodities in the world today include energy, critical minerals and food - all of which Canada can supply and some of which the UK can supply. He was keen to see the two countries partner more on the development and export of these products and materials and share insights and learnings for the betterment of the world at large.

Andrew Casey spoke of the importance of a trade deal encouraging investment between the two countries, and said that the deal needs to explicitly protect intellectual property rights as a means of safeguarding the value of investments. He saw great potential for the deal from a science and innovation perspective, and also noted that a deal could be conducive to growth for SMEs in those sectors.

"I think the other one I've seen in both sets of objectives is the encouragement of investment...the protection of the investment is intellectual property rights and making sure intellectual property is protected because essentially when you invest you want to make sure that you've got a guarantee that that intellectual property is going to be protected."

Andrew Casey

"The world desperately needs three things today: critical minerals, energy and food and Canada happens to have all of them and you have some of them and so we have an opportunity to work together to make sure our countries are building the trade-enabling infrastructure that allows products to get to market."

Goldy Hyder

Are there any potential areas of concern in the progress of a deal?

Witnesses acknowledged that while progress was generally very positive, there were still small tensions and uncertainties to be ironed out. Goldy Hyder was particularly vocal on this front.

He made clear how vital it is that businesses and services are offered certainty and stability as part of any trade agreement, and spoke plainly about the fact that the politicisation of certain issues was getting in the way of trade. He said that it was important for negotiations

between countries (and the businesses that depend on agreements being made) not to be held hostage by political changes or turmoil. He also acknowledged that improved EU-UK alignment would be in the interests of Canadian businesses and explained that increased stability of relations between the EU and UK is beneficial for a healthy business environment. This could all be conducive to a more productive trade deal between the two countries.

UK-CANADA

Andrew Casey and Goldy Hyder both pointed out that the interests of individual industries and the strength of their lobbies can be a sticking point in trade deals - with Casey briefly referencing the dairy industry (a sticking point in UK/Canada negotiations in terms of UK access to the Canadian market) by mentioning cheddar cheese. Both witnesses highlighted that these individual interests will sometimes be in tension with overall objectives. However, both were optimistic that such hurdles could be overcome.

“I would only add from my experience from the lumber industry that individual interests of certain industries can actually be your problem. They are very effective from a lobbying standpoint with the Government to protect their self-interest. So even though you may have a free trade agreement or an arrangement that can often put a stick in the spokes.”

Andrew Casey

“In any trade agreement, in any environment we’re operating in, we’re finding too much politics...is getting in the way of the predictable regulatory frameworks businesses need to make not short term investments but long term investments. We can’t be held hostage by the political situations when elections happen and things change. We used to be able to rely on the conventional wisdom that if something was good and something was working it should stay. Today in some countries, the day there’s a new Government, that day, black becomes white and white becomes black and you cannot operate in that kind of environment.”

Goldy Hyder

What is the overall sentiment around a trade agreement?

Witnesses expressed hope that a trade deal could be agreed soon and with few hurdles. There was an acknowledgement of the importance of having solid dispute resolution procedures, but Andrew Casey also suggested that having a trade deal in place might be the best way to resolve disputes.

Goldy Hyder perhaps offered the greatest number of notes of caution throughout the hearing and did express his concerns at the politicisation of issues to the detriment of cooperation.

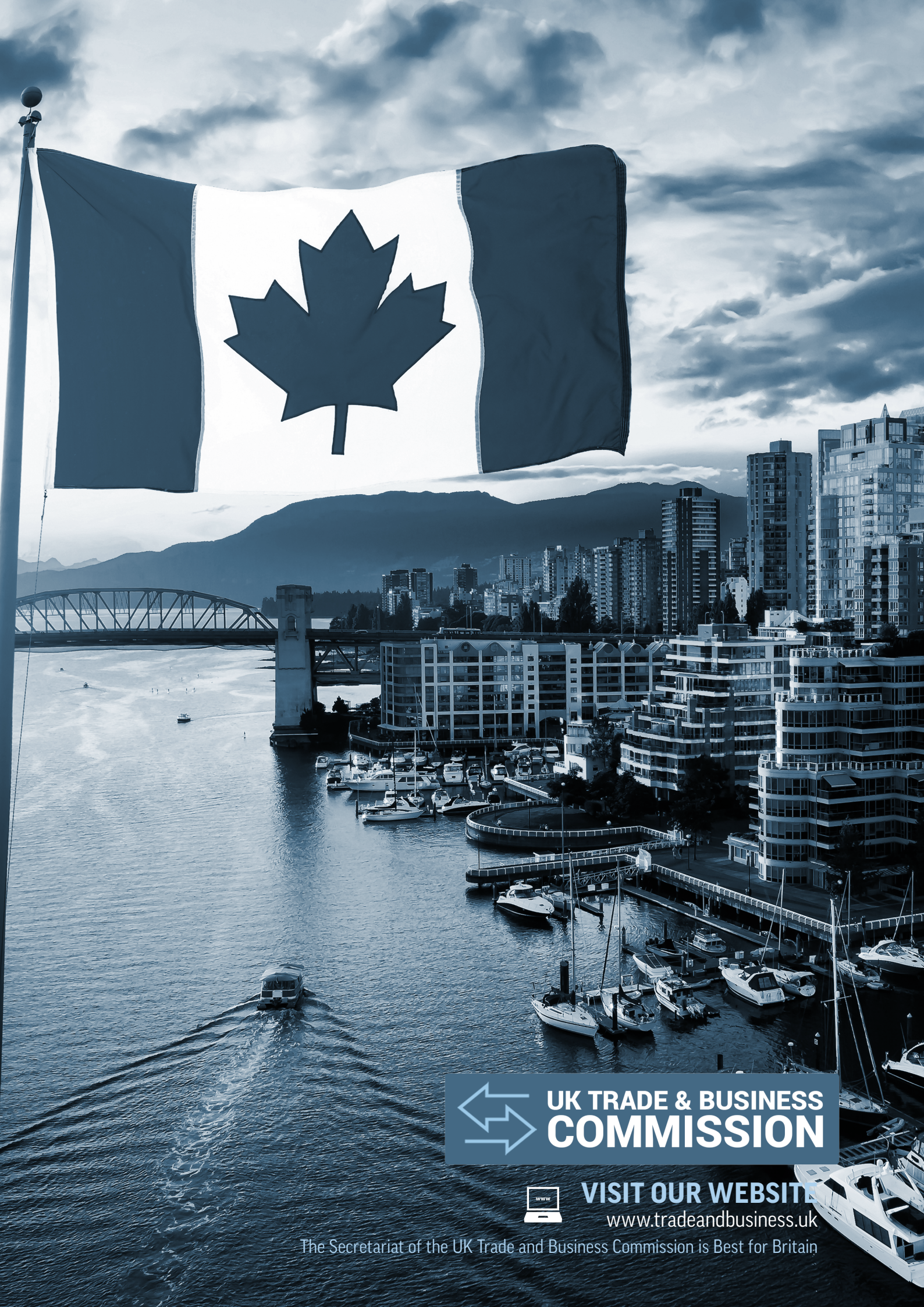
However, all participants struck an optimistic note and shared details of what areas they felt were really ripe for cooperation between the UK and EU. The overall sentiment was one of recognition that the UK and Canada were commencing from a position where they already have a lot in common; the more this can be developed, the better.

“The benefit of these agreements is that these companies are able to find one another and grow and expand and become world leaders. I am also very optimistic and hopeful that we will conclude quickly and then the hard work begins getting our companies knowledgeable about what the opportunities are and seizing them...I think the sky’s the limit.

Colin Barker

“I completely agree with my colleagues - I think they’ve said it all. At a more philosophical level, a trade agreement in and of itself is a way of avoiding disputes and so you’re always going to have disagreements in that deal but I think getting that deal itself is probably the most effective way to reduce the number of disputes.”

Andrew Casey



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