

What Britain's 'rollover' trade deal with Canada really means

By Lizzy Burden, ECONOMICS REPORTER 24 November 2020

Brexit tie-up has left some trade experts with more questions than answers, writes Lizzy Burden

Liz Truss, the Trade Secretary, rubbed experts up the wrong way this weekend with her proclamation that the UK and Canada agreeing to continue trading on European terms was a victory for "patriotic globalism" that would "allow Britain to change the world".

"What in the name of everything that's holy is patriotic globalism?" an incredulous Anna Jerzewska, a customs expert who advises the British Chambers of Commerce, asked her followers on Twitter.

For all the celebration, the text of the deal, which is expected to roll over most of the EU-Canada Comprehensive Economic and Trade Agreement, has yet to be published. Allie Renison, head of Europe and trade policy at the Institute of Directors, laments: "The devil will still be in the detail for businesses. Much has been made of the Government's desired 'Canada-style trade deal' with the EU; much less, however, about the outcome of the one we currently have with Canada."

The Department for International Trade's message is that the rollover will be the foundation for a more ambitious deal to be signed in future. For now, the main prize is continuity for the two countries' £20bn trading relationship. Eric Miller, a former Canadian trade negotiator and president of the Rideau Potomac Strategy Group, an advisory firm, says: "With Brexit unresolved, what key trading partners like Canada are doing is kicking the ball down the road - mitigating risk by rolling over the status quo."

"It provides some degree of temporary relief but it's not something that's going to fundamentally put trade in a new direction."

But it hasn't been a total "copy and paste" job. Sources say the UK will lose out on access to the EU's quota for tariff-free access for cheese, for example. A DIT spokesman confirmed: "Exporters will still be able to export cheese to Canada at zero-tariff from Jan 1, so that's providing them with certainty and security."

However, the precise arrangements are slightly different to previously. We'll lay out full details at signature. We've negotiated to be part of the EU reserve - part of the World Trade Organisation quota - which is the main coverage market for our cheese exporters."

Even that is a victory, though, given how worried officials were about the UK falling out with Ottawa after DIT published a temporary regime that would have cut tariffs on almost all UK imports, shielding British consumers from a no-deal Brexit, but making a UK-Canada deal futile.

DIT is framing the deal as a stepping stone to accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which also includes Japan, Australia, Mexico and New Zealand. Jerzewska says the question is: "What is it that CPTPP gives us that we couldn't get closer to home?"

Other potential upgrades could come on areas such as gender, the environment and digital trade, none of which should be too tricky given they are issues on which both countries are broadly aligned, according to Sam Lowe, senior fellow at the Centre for European Reform.

"The only reason you'd expect a new agreement to be held up is if the UK wanted to reopen some issues, such as on agriculture," he adds. "Like the NHS is a huge red line for the UK, cheese is the same for Canada."

Harry Broadman, managing director of the Berkeley Research Group who led negotiations for the US with Canada on the foreign investment provisions of the North American Free Trade Agreement, argues that "the benefits touted by Truss are way overblown". Canada has more to gain from a deal, he adds. "I don't know why so much attention is being paid to it."

With the end of the Brexit transition period fast approaching, the other worry will be rushing the "Phase One" deal through the Canadian parliament, given Justin Trudeau runs a minority Liberal government.

After Nafta was passed hastily last winter, the Canadian government promised the opposition New Democratic Party it would give future deals more time for parliamentary scrutiny - but again, the clock is ticking, and this year, there are new pressures from Covid.

Nonetheless, Armand de Mestral, professor of international trade law at McGill University, Montreal, is confident: "When they're in a hurry they can move pretty fast. Support will probably come from the Conservative Party, which wouldn't want to be seen to damage Canadian business."

What's more, it was the Conservative government of former prime minister Stephen Harper that negotiated the original Ceta, so the party has even less reason to block a rollover.

For De Mestral, the biggest hurdle to a free trade agreement proper will be DIT's negotiating capacity. He warns: "You're going to be dealing with the EU day and night until the end of time."

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