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UK-Canada trade deal is back on the table

The next agreement will not be plain sailing, with agriculture looking particularly tricky

By Lizzy Burden

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The progress of the “Global Britain” project will be the measure of whether the UK’s trading partners still regard the agreements it signs as worth the paper they are written on.

Former prime minister John Major warned last week that “if we lose our reputation for honouring the promises we make, we will have lost something beyond price”, after the

Government's [Internal Market Bill](#) proposed to override promises made to Brussels over Northern Ireland in the Brexit Withdrawal Agreement.

Tokyo appeared unfazed, however, as a [UK-Japan trade deal](#) “in principle” was struck on Friday, the first Britain has negotiated independently of the EU for 47 years.

The next challenge will be Canada. Liz Truss, the Trade Secretary, confirmed last week that talks were back on to protect the two countries' £19.7bn trading relationship when the Brexit transition period ends at the end of the year.

It is understood that Ottawa envisages a “Phase One” agreement – like Beijing's with Washington – so that businesses can continue to benefit from the provisions of the EU-Canada Comprehensive Economic and Trade Agreement (Ceta), before a free-trade agreement proper is targeted.

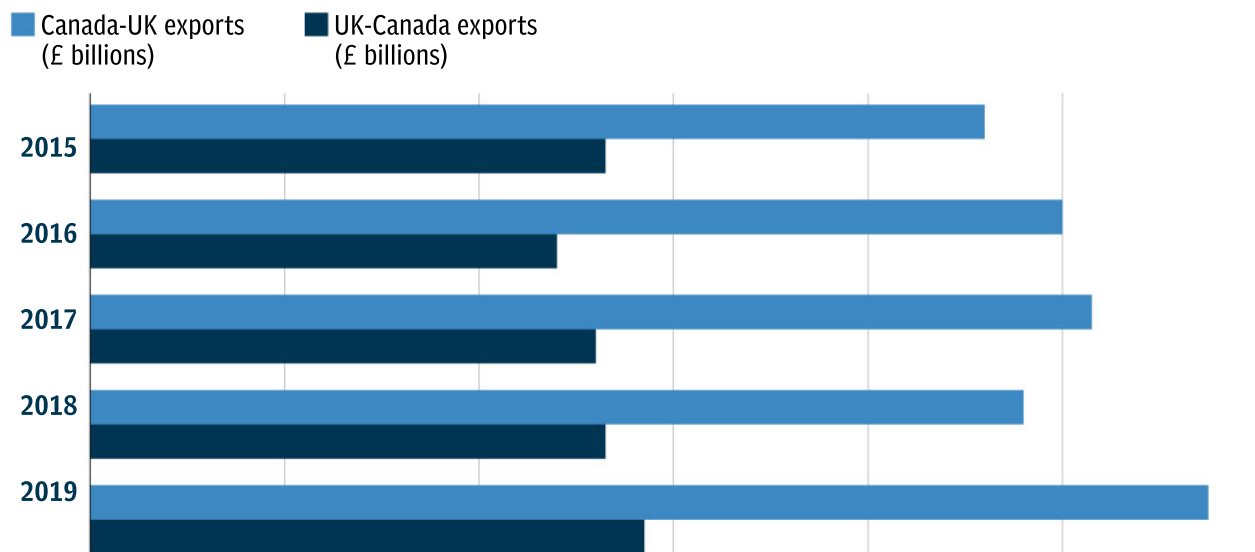
Canada will then support Britain's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which also includes Japan, Australia, Mexico and New Zealand.

The announcement of fresh talks ended a period of soured relations after the Department for International Trade (DIT) published a temporary regime that would have cut tariffs on nearly all UK imports, shielding British consumers from a no-deal Brexit but making a UK-Canada deal futile.

When Britain revised its global tariff strategy in May, publishing the rates that will apply to trading partners' exports when the transition period concludes, the stage was set for discussions to resume.

The UK's exports to Canada are worth nearly half as much as its imports from the country

Value of UK-Canada trade, billions



But in reaching anything more than a skeleton agreement, as ministers will be keen to do to prove UK negotiators' prowess when free from the EU, they will have their work cut out.

“Canadian trade negotiators, for the past 25 years, have negotiated some of the biggest deals on the planet so this is simply a question of leverage,” according to Eric Miller, a former Canadian trade negotiator and president of the Rideau Potomac Strategy Group, an advisory firm.

Those agreements include Ceta, the CPTPP and US-Mexico-Canada Agreement – a modernised version of the North American Free Trade Agreement (Nafta).

Behind those deals is a seasoned team of negotiators, spearheaded by Steve Verheul, who led on Ceta, so in Miller's words, unlike his British counterparts, “he knows where all the bodies are buried.” Verheul, who cut his teeth in trade on agricultural negotiations, “has the absolute trust of the government”, Miller adds.

In addition, the minister who was responsible for trade when the Ceta negotiations were passed was Chrystia Freeland, now the deputy prime minister. She will have a strong influence over a final UK-Canada deal, alongside Mary Ng, Truss's opposite number, Miller says.

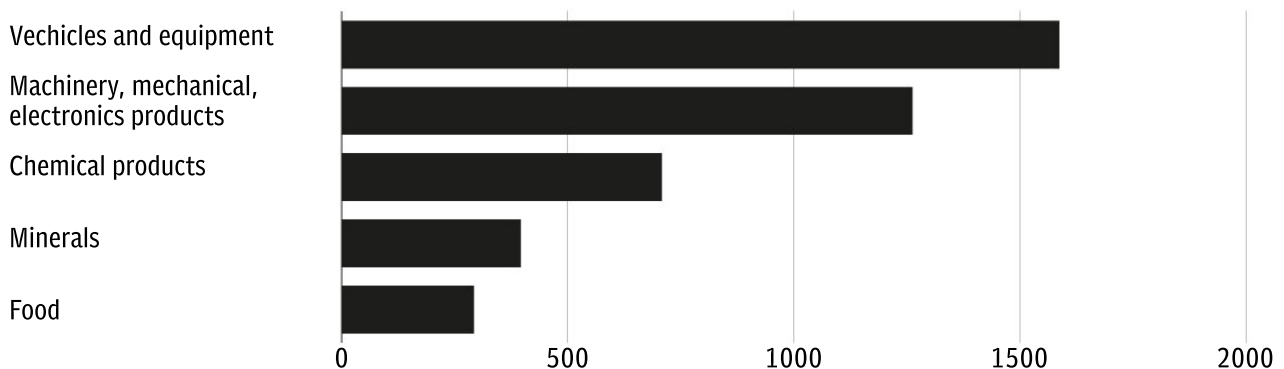
The Canadians have so much experience on trade that DIT has hired them to train its own staff. For example, UK officials have taken part in negotiation simulations with Canadians based at Carleton University in Ottawa.

Andrew MacDougall, who was director of communications for Stephen Harper as the Canadian prime minister, notes such training is necessary because “Britain hasn’t had in-house trade negotiation capability for 40-plus years. You don’t just come off the bench cold and bend one into the top corner”.

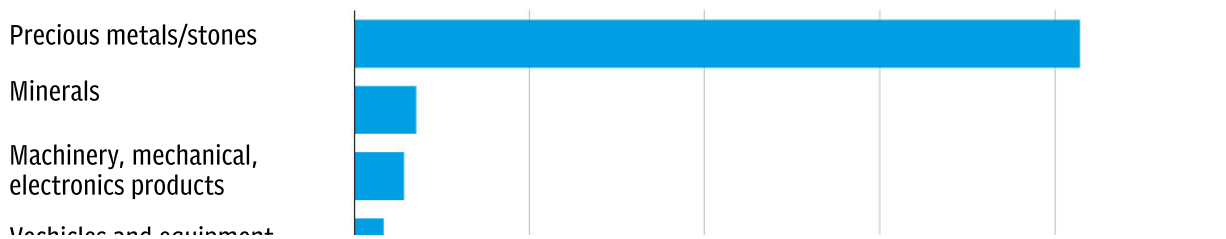
As in most trade negotiations – including the Japan talks, which [stalled over Stilton cheese](#) – agriculture is likely to be a contested issue with Canada. Again, Britain may seek to expand access for its dairy products but this will be met with resistance by the Canadian farm lobby.

Armand de Mestral, professor of international trade law at McGill University, Montreal, explains: “Quebec and Ontario are key to getting the Liberals re-elected. They’re the places where milk is produced. If their dairy farmers are on the warpath about cheese, the Liberal minority government might think twice. Why rouse a sleeping dog?”

UK exports to Canada (2019)



Canadian exports to UK (2019)



Indeed, after the USMCA, Justin Trudeau, the Canadian premier, promised no more compromises on dairy, having handed the US more market share for its dairy exports.

This contradicted Canada’s supply management framework, which controls the production and imports of dairy, poultry and eggs and is enforced by the Agriculture and Agri-Food Department. It states that imports should face high tariffs and shoppers pay high prices so that domestic farmers are guaranteed price stability.

This time, Jacques Lefebvre, chief executive of Dairy Farmers of Canada, is confident that “concessions to our domestic dairy sector are off the table”. Because of favoured-nation

clauses in Ceta, any concessions to the UK will be automatically granted to the EU.

If Albertan beef farmers' wish to sell more to the UK is granted, however, [British food standards groups](#) will be angry, just as they have been about the potential US trade deal.

Sue Davies, of *Which?*, says that in Canada "growth hormones are permitted for use in beef production although not dairy production. Chlorine washes are also permitted for chicken. The issues are therefore the same as the other deals – we need to make sure that we build on our standards – and in this case don't go backwards from Ceta on food standards".

The UK will also want to expand access to Canada's financial services sector, so that British insurers can open offices in Canadian cities. Ottawa has resisted this too, and "any future free trade agreement between Canada and the UK will be influenced by the UK-EU trade relationship, as well as any unilateral UK approaches", a spokesman for Ng says.

For now, attempting to conclude anything more than a transitional deal would be disastrous, according to Lorand Bartels, lecturer in international trade at Cambridge University. "When Canada negotiated Ceta, they were negotiating with the UK," he adds. "What's changed from the Canadian point of view is the UK is no longer a springboard into the rest of the EU so they've lost interest."

For Harry Broadman, who led negotiations for the US with Canada on the foreign investment provisions of Nafta and is now managing director of Berkeley Research Group, even a skeleton agreement this year is "wishful thinking".

Although the UK is Canada's largest market in Europe and fifth-largest globally, a deal between the two countries "is as close to insignificant as you can get", Steen Jakobsen, chief economist at Saxo Bank's, reckons.

"The EU says from the EU-Canada deal it saves €590m a year in the reduction of duties," he says. "The EU has 500m people. The UK has a tenth of that. So on the back of an envelope, you'd have to say the economic consequences are very limited."

Broadman warns that this, added to Britain's recent behaviour towards Brussels, will make a comprehensive trade deal with the UK a low priority for Canada. "There's a world of difference between how trade negotiators think about the UK and its credibility and sincerity and a decade ago," he says. "If you're any trade negotiating side, you're looking at the UK having depleted resources and you see that what they may agree to one day, they may not agree to the next day. It makes you nervous."