



November 13, 2020

Sent electronically

The Honourable Judy Sgro, P.C., M.P.
Chair, House of Commons Standing Committee on International Trade

Dear Ms Sgro:

Thank you for the opportunity to participate in the House of Commons Standing Committee on International Trade's study into Canada-UK trade relations. The United Kingdom is Canada's third-largest export market and second-largest destination for FDI abroad. Despite ranking relatively high in our trade statistics, the relationship has room to grow given the UK is the fifth-largest economy in the world and companies are still ramping up to take advantage of the Canada-EU Comprehensive Economic and Trade Agreement (CETA) that currently sets the terms of trade between our countries.

To support the committee's study, this submission provides comments on the need to transition CETA into a Canada-UK trade agreement to minimize disruptions as of January 1, 2021, as well as how we can build on that framework to enhance commercial activity.

Transitioning CETA into a Canada-UK Trade Agreement

The Canadian Chamber of Commerce welcomes the Government of Canada's work with the British government to transition CETA into a bilateral agreement. Canadian businesses have faced substantial supply chain disruptions because of COVID-19 and do not wish to see further difficulties during this period of economic uncertainty. Although it would be ideal to know the full conditions under which our negotiations are occurring, the timing of the UK's discussions with the EU remain uncertain and outside our control. Other major markets such as South Korea and Japan have managed to secure their trade agreements with the UK, and we should seek to do likewise to ensure we are not disrupting trade activity. There are several immediate implications of not having a transition agreement in place by December 31, 2020.

Tariffs: Canadian businesses will lose preferential access to the UK market, thereby making our products less competitive. Some examples of where products face tariffs include:

- Maple syrup under HS 1702 with tariffs of up to 8%
- Beef products under HS 0201 with ad-valorem tariffs of up to 12% and specific unit tariffs per kg. For products like beef that have a TRQ under CETA, any TRQs in a Canada-UK agreement need to be commercially viable quantities.
- Lobster products under HS 030632 with tariffs of up to 10%
- Plastics under HS 3908 with tariffs of up to 6%.
- Trucks under HS 8427 with tariffs of up to 4%
- Vehicles under HS 8703 with tariffs of up to 10%



Regulatory cooperation: The CETA provides a framework for critical regulatory dialogues to occur on agriculture non-tariff barriers that have prevented Canadian businesses from achieving their full market access potential. Not having a transition agreement in place will mean less pressure for regulators to remain at the table discussing these important challenges. Additionally, continuing regulatory dialogues will enable work to proceed in relation to the conformity assessment protocols, which reduce the burden on businesses needing to have products certified.

Services: Ensuring Canadian companies have access to talent through the CETA's temporary entry chapter's intra-company transferee and contractual service supplier categories should not be disrupted. These provisions enable firms to fill critical gaps by moving specialists between international operations and Canada, or filling gaps in a company's supply chain. Linked to temporary entry, we will also lose the structure provided by the chapter on the mutual recognition of professional qualifications without a transition agreement in place.

The Canadian Chamber has not completed our own in-house modelling, but some external work serves as a rough guide. Canadian economist Dan Ciuriak conducted an analysis in 2018 as part of the British government's CETA impact assessment. The study found that by 2030 the value of the UK's participation in CETA was worth about £1.2bn (C\$2bn) in GDP to the Canadian economy and £1.1bn (C\$1.9bn) in exports to the UK.¹ While these numbers are not a precise UK-Canada measurement given we do not know the final architecture of the UK's trade arrangements with the EU and Canada, and they are 2030 projections, they provide a signpost on the imperative of securing a Canada-UK trade deal.

Lastly, given the transposition of CETA has been regularly referred to as a "transitional agreement," it is important to provide clarity for companies on what that means in practical terms to allow companies to undertake medium to longer-term planning.

Building on the Transitional Agreement to Enhance Canada-UK Commercial Activity

In addition to benefiting exporters, transitioning CETA to a bilateral agreement provides a strong baseline to enable a further deepening of the relationship. Therefore, in the context of the committee's study the Chamber wishes to highlight several areas where our bilateral relationship can go further to the benefit of both our economies.

- *Digital trade:* Since the CETA's negotiation, global discussion on digital trade rules have taken on a much greater focus in bilateral and plurilateral contexts. We have also negotiated digital trade chapters in the CPTPP and CUSMA. In our future trade discussions with the UK, we should replicate these provisions in order to allow companies to move data across borders within defined parameters.
- *Regulatory cooperation:* As tariff rates fall, the future gains on merchandise trade will be driven by regulatory cooperation. As noted above, there is a short-term imperative to keep these

¹ See Table 7 from Ciuriak Consulting Inc, January 2018 "The Impact of the EU-Canada Comprehensive and Economic Trade Agreement on the UK." Link available here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/708803/Impact_of_the_EU-Canada_Comprehensive_Economic_and_Trade_Agreement_on_the_UK.pdf.

See also UK Department for International Trade, May 17, 2018 "Impact assessment of the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada." Link available here: https://www.legislation.gov.uk/ukia/2018/82/pdfs/ukia_20180082_en.pdf



discussions going. However, with the UK gaining control of its trade policy we should seek to accelerate the work of these regulatory bodies to drive forward tangible outcomes that will increase Canadian exports.

- *Cyber and defence:* Alongside digital trade and regulatory cooperation, there is the overarching importance of cybersecurity for government and businesses. The Canadian and British governments should develop mechanisms to bolster cybersecurity cooperation. This would both support national security objectives and reinforce dialogues occurring through the Five-Eyes, in addition to growing the ability of companies to undertake joint ventures and access procurement contracts.
- *Export restrictions:* The COVID-19 pandemic has shown the potential risk of export restrictions in the movement of critical products. Canada and the UK should explore in their future discussions how we can further circumscribe the use of export restrictions in a bilateral context while protecting national security and public health. This will both provide certainty for companies and set a useful benchmark for other markets.
- *Professional qualifications:* The CETA's provisions on the mutual recognition of profession qualifications have not yet reached their full potential for professional associations. Our two governments should review these provisions to find ways to enable greater uptake from professional associations in Canada and the UK. This will enhance the value of labour mobility provisions.
- *Critical minerals:* The global supply of rare earth minerals that enable the production of many hi-tech products remains dangerously concentrated. Future discussions between Canada and the UK should seek to facilitate greater private sector production and movement of these critical minerals.
- *Sustainability:* Given the UK's commitment to net zero by 2050, we should seek ways to use our trade frameworks to grow cooperation in sustainability policies and increase environmental goods and services exports. Furthermore, Canadian companies are fully committed to ensuring trade can support sustainable economic activity. Canadian exporters would benefit from greater recognition of strides made to bolster the ESG credentials of our energy products. Future discussions with the UK should focus on how mutually recognized standards can achieve this objective.
- *Health sector procurement:* Canada and the UK face similar challenges with aging populations and rising healthcare budgets. A practical way to enhance the commercial relationship would be to use the structure of a trade agreement to deliver coherence on value-based procurement policies, specifically with regard to the life sciences sector. Additionally, the governments should use the UK's experience regarding the approval process of innovative products through the Health Technology Assessment to inform Canada's approach moving forward. These would help deliver taxpayer value for money and improve patient outcomes.
- *Trade facilitation:* The global pandemic has emphasized the value of the efficient movement of goods globally, and placed supply chain integrity under the spotlight. CETA's provisions on customs and trade facilitation matters in the evolving global trading environment and lay the groundwork for cooperation. However, Canada and the UK should explore opportunities to introduce additional measures to modernize customs processes that would improve the movement of goods.



- *Labour mobility and entry requirements:* Although composing a comparatively small portion of our exports, services present a substantial opportunity for growth through Mode 3 (foreign investment) and Mode 4 (temporary entry). In future discussions with the UK, Canada should look to measures to ease the ability for companies to move skilled talent into the UK to service their foreign investment operations. Both governments should also facilitate easier temporary entry under the contractual service supplier route to minimize burdens related to sponsorship requirements. Alongside entry rules, Canadian and British border authorities should consider trusted traveller schemes to ease movement at points of entry. It would be beneficial to coordinate with the United States on the potential for shared programs given Canada and the UK's respective programs with US Customs and Border Patrol.

Thank you for the committee's consideration of our recommendations and the invitation to appear before members for a further discussion.

Regards

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Canadian Chamber of Commerce