Could a Canada-style deal work for the UK?

end the chaos!

Let the people decide

Basic facts – 2017 / 2018

	UK	Canada
Population	66.57 million	36.95 million
Global economic ranking	5th / 6th largest	10th largest
Largest trading partner	EU	USA
Approx trade with EU	44% of exports 53% of imports	10% of imports/exports

Background to Canada's trade deal with the EU

- ❖ The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU removed 98% of tariffs - and officials hope it will generate an increase in trade worth $12bn (€10.9bn; £9.8bn) a year.

- ❖ CETA was approached with goodwill on all sides - and took 7 years to agree. After 7 years of negotiations, signing was held up by one region of one EU member state - Belgium's French-speaking region of Wallonia (population 3.6m) – which demanded stronger safeguards on labour, environmental and consumer standards, also more protection for its farmers against competition from Canadian imports.

Brand "Canada" resonates well with British people

For many in the UK, there is much to like about Canada. The country is in the Commonwealth, it is largely English speaking, and the Queen's head is on the currency.

It is a wealthy mixed economy, socially liberal, has universal healthcare, cool livable cities, and vast tracts of pristine wilderness. It has a charismatic, young Prime Minister who many find progressive and refreshing.

So when a Canada-style deal for the UK is advocated as a solution for Brexit, the model is associated with an attractive brand.

But there are pros and cons - trade agreements are made to measure and what fits Canada may not fit the UK.

1. CETA is a trade agreement, not a customs union

- CETA removes tariffs on 98.6% of trade in goods between Canada and the EU, but unlike the situation between EU countries, there is no common external tariff surrounding both Canada and the EU – for example, Canada has a trade agreement with the US, but the EU does not.

- This means the EU needs to check products coming from Canada to ensure they do not originate in the US (or any other country) – because if they did, they would be subject to EU tariffs.

- The same would happen if the UK had a Canada-style deal with the EU. Products exported from the UK to the EU would need to be subject to EU customs controls, so the EU could ensure they were not originally from other countries which did not have free trade agreements with the EU - in effect trying to use the UK as a backdoor to avoid tariffs.

- Customs controls would likely mean delays at the UK/EU border – causing problems for UK manufacturers and just in time supply chains.

2. No common rule book between the EU and Canada

- 76% of the products Canada sells to other countries are sold to the USA. Because of this, many Canadian standards are similar to or the same as US standards, but different from EU standards.

- If Canadian companies want to sell products to the EU, they have to prove those products conform with EU product safety, health and environmental rules. This involves extra bureaucracy, controls and paperwork.

- If the UK had a Canada-style deal with the EU, UK companies would have to do the same. This would mean no frictionless trade between the UK and the EU.

- Also, UK companies exporting to the EU would have to comply with EU rules without having any say in setting them.

3. A Canada-style agreement would mean a hard border with Northern Ireland

- ❖ Because of the above, border controls would be required between the UK and EU - including between Northern Ireland and the Republic of Ireland.

- ❖ This could be a violation of the Good Friday Agreement – and disrupt two decades of hard-won peace on the island of Ireland.

4. CETA does not cover services

- ❖ 80% of the UK's economy is made up of services – including shops, hotels, restaurants, arts, entertainment, recreation, transport, storage, IT, finance, insurance, professional, scientific and technical services.

- ❖ CETA does not cover services – therefore a Canada-style deal would not solve the problems of Brexit for most of the economy.

- ❖ CETA also does not cover passporting of financial services. Passporting allows UK based financial services providers to provide services to customers in other EU countries, as long as they are licensed to do so by a UK regulator. This would not be possible under a Canada-style deal – and would have a significant impact on one of the UK's largest export sectors.

5. CETA does not allow the free movement of people

- ❖ As most industries and sectors – both public and private - are saying, from teaching to the NHS and social care, to cleaning and building, the UK economy depends heavily on EU workers.

- ❖ Under a Canada-style deal for the UK/EU, the ability for EU workers to live and work freely in the UK would stop.

In summary, it is very hard to see how a Canada-style deal could deliver for the UK the deep and close relationship it needs with the EU in order not to suffer serious economic disruption after Brexit. A Canada-style deal would in effect be a 'hard' Brexit.

See attached link for further thoughts on a possible Canada-style deal from the UK Trade Policy Observatory at the University of Sussex.