

# Trade Relations between Canada and the UK in the event of Brexit

## About the project

The United Kingdom's (UK) departure from the European Union (EU) has profound implications for Canada-UK trade relations. By some calculations, Canada and the UK are linked via the EU to at least 94 treaties and international agreements. The UK and Canada have treaties in seven broad categories: trade, regulatory co-operation, fisheries, transport, customs, nuclear and agriculture.

Canada and the UK have a long history of mutually beneficial trade and investment relations. Canada exports and invests more in the UK, than in any other EU member. Similarly, the UK exports and invests more in Canada than any other EU member invests. Both countries wish to maintain and enhance these relations in their mutual self-interest. The Government of Canada has committed itself to a 'seamless transition,' whatever the outcome of Brexit.

The knowledge synthesis project considered the implications for existing trade relations between the UK and Canada after Brexit. The report provides an analysis regarding the position of the UK under relevant UK and EU international agreements with Canada, and focus on what would be required, both at the international level and domestically, in order to maintain the status quo and ensure a seamless transition. It distinguishes between three scenarios:

- a Withdrawal Agreement;
- the scenario arising on the expiry of such agreement; and
- a 'No Deal' Brexit, which sees the UK leaving the EU on March 29, 2019, with no such agreement.

The analysis presents three perspectives:

- the multilateral legal framework existing under the World Trade Organization (WTO);
- the bilateral legal framework existing particularly under the Canada-EU Comprehensive Economic and Trade Agreement (CETA), currently provisionally in force for all parties concerned; and
- the degree to which existing or future domestic law in Canada and the UK constrains or facilitates the implementation of a new trading relationship between Canada and the UK.

## Key findings

- Ceasing to be an EU member state has significant implications for the UK's legal position under various international agreements, including those with Canada. A number of those agreements are concluded either by the EU alone (and therefore apply to the UK by virtue of its EU membership), or by the EU together with the UK, in which case it becomes important to determine the UK's position. These include treaties over which the EU exercised competence before or subsequent to 1973 when the UK joined the EU. In some cases, as a result of leaving the EU, the UK will need to accede to or even renegotiate its participation in these agreements, while some treaties are unaffected by Brexit
- Central issues for restructuring the Canada-UK trade relationship are to determine the legal status of the UK and time. The ultimate goal of the UK vis-à-vis the existing EU-UK relationship has not yet been determined. The UK Parliament has rejected the November 2018 Withdrawal Agreement and Statement of Principles for a future relationship. Negotiations continue, which

makes it all the more difficult to put the necessary international agreements and domestic laws in place by March 29, 2019, for both countries. ■

### Policy implications

- The report assumes that Brexit will occur. Much will depend on the manner in which the UK leaves the EU. If there is a lengthy phase-in or an extension of the withdrawal agreement in accordance with Article 50 of the Treaty of European Union, this will greatly facilitate the process of restructuring the Canada-UK trading relationship. A no-deal Brexit creates more problems with Canada than it solves.
- Before the UK leaves the EU, it can only seek to maintain arrangements equivalent to the existing situation. It has circulated draft schedules of concessions on customs duties and tariff rate quotas and of services commitments at the WTO.
- For Canada, the process of determining a new Canada-UK trading relationship will depend on having appropriate domestic legislation in place to implement any arrangement that is agreed on by the EU and the UK. In the absence of such an agreement, Canada will need to adapt and act accordingly. The UK and Canada have been examining the measures that must be in place at the moment of Brexit in order to ensure a seamless transition. The most urgent measures include an agreement on Air Transport Services and Nuclear Cooperation between the two countries and it is understood that draft agreements are ready to enter into force when needed.
- More complex is the question of maintaining all CETA rights in the UK for Canadians and in Canada for UK traders. Intensive discussions have been conducted; as the window of

opportunity closes the adoption of suitable international agreements and domestic law becomes virtually impossible.

- The report casts some doubt on the UK strategy of replacing the EU tie with a new network of bilateral trade agreements and suggest that the UK would be well advised to pursue a strategy of concluding a mega-free trade agreement (e.g., Atlantic Free Trade Area) with all of Europe and all of North America. ■

### FURTHER INFORMATION

Read the full report

Visit the [Jean Monnet Chair in the Law of International Economic Integration website](#) for background studies and a public lecture to the University College London on December 6, 2019.

#### Contact the researchers

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