Canada and the UK reach a “rollover” trade deal

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On November 21, 2020, Canada and the United Kingdom concluded negotiation of a “rollover” trade agreement that will take effect on January 1, 2021. The agreement ends concern that the preferential terms of trade between the two countries, under Canada’s Comprehensive Economic and Trade Agreement (CETA) with the European Union would cease when the UK’s Brexit transition period ends on December 31 of this year.

The new agreement, known formally as the Canada-UK Trade Continuity Agreement (TCA), largely preserves the status quo under the CETA for Canada-UK trade, including the duty free treatment that the CETA affords to nearly all non-agricultural and most agricultural goods. Without the rollover agreement, trade between Canada and the UK would be conducted under the generally less advantageous terms of the WTO Agreement and many goods currently benefitting from preferential duty free access to their respective markets would be subject to tariffs.

The UK now has rollover agreements with around 50 of its trading partners. n Canada’s case, the agreement is being presented as a kind of “stopgap” arrangement until a more ambitious free trade agreement is negotiated, beginning in 2021. That new agreement will be able to build on the CETA, which is already Canada’s most liberalizing trade agreement, not only in eliminating tariffs but also in areas such as access to government procurement.

Areas in which a new Canada-UK agreement might go beyond the CETA include; trade in services and financial services, temporary entry for businesspersons, digital trade, regulatory cooperation and trade-related measures to address climate change. A new agreement also could mean addressing the contentious issues of further trade liberalization in agricultural and seafood products that are subject to tariff-rate quotas under the CETA, including dairy imports into Canada and imports of cod, shrimp, sweet corn, beef, and pork into the EU. The Canadian Government promised that it would not increase access to Canada’s supply managed agricultural sectors following negotiation of the recent United States–Mexico–Canada Agreement so it will be interesting to see if it is prepared to compromise on this line in the sand when negotiating a new free trade agreement with the UK.

Next steps

The TCA must complete a legal review and then be signed, ratified and implemented into the domestic law in each country by the end of this year. The timing will be tight on the Canadian side to the extent that the agreement will require legislative changes to give it effect.

BLG's International Trade Group will provide further analysis of the TCA once the text of the agreement is public.

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