

Agreement on Trade Continuity between the United Kingdom of Great Britain and  
Northern Ireland and Canada



Department for  
International Trade

# Continuing the United Kingdom's Trade Relationship with Canada

**TRADE AGREEMENT BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND AND CANADA**

December 2020



# **Continuing the United Kingdom's Trade Relationship with Canada**

Presented to Parliament  
by the Secretary of State for International Trade  
by Command of Her Majesty

December 2020



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## Introduction

1. This report explains the Government's approach to delivering continuity in the trade relationship of the United Kingdom of Great Britain and Northern Ireland (the "UK") and Canada as we leave the European Union ("EU").
2. With our exit from the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's existing trade agreements with existing partners. The Agreement on Trade Continuity between the United Kingdom of Great Britain and Northern Ireland and Canada ("the TCA") is intended to take effect on the date the Comprehensive Economic and Trade Agreement between the European Union and Canada ("CETA") ceases to apply to the UK (or as soon as possible thereafter). This agreement will form the starting point of the UK's future trading relationship with Canada.
4. Wherever possible, the Government has sought a technical replication of existing agreements, but in some cases, it has made bespoke modifications as necessary to ensure continuity of effect of each agreement in a bilateral context. This report gives details of, and explains the reasons for, any significant differences between:
  - a. The TCA and
  - b. CETA.
5. The report first sets out the general drafting changes necessary across all the UK's "short form" continuity trade agreements (see Paragraph 7 and "Legal Approach", below) and which have no significant impact on the UK's current trade relationships. It then considers provisions of the TCA, in turn explaining any significant differences between the provisions of the TCA and the corresponding provisions of CETA. To assist the reader, we have included some discussion of the economic impacts as appropriate. This report focuses solely on the changes made to the trading arrangements between the UK and Canada in preparation for the UK ceasing to be bound by CETA and entering into the TCA. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the future UK-EU trading relationship have been excluded from this report.
6. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form agreement, which incorporates by reference the relevant provisions of the underlying EU-third country agreement with relatively few but necessary modifications. The advantages of the short form approach are set out below. Other agreements have been drafted in long form to reflect the wishes of the partner countries in question. This agreement is a short form agreement.

## Legal approach

7. The UK and Canada have agreed that using a short form agreement is the most pragmatic and sensible approach to delivering continuity in the circumstances. The approach is like that used in other UK continuity agreements that have been ratified since February 2019. The advantages of this approach include:

- a. The short form agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK's ongoing negotiations with the EU regarding the end state of the UK-EU relationship.
  - b. The format itself will send a clear message to businesses, consumers and investors in both the UK and Canada that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the agreement.
  - c. The approach will provide a clear legal text, making rights and obligations unambiguous where they had by necessity changed, yet reduce the burden on both countries of legal scrubbing, translation, domestic procedures and, potentially, ratification.
8. The TCA reproduces the effects of CETA as far as possible, including the establishment of institutional arrangements between the UK and Canada based on existing structures (such as the CETA Joint Committee) that allow for the ongoing management and updating of the TCA.
  9. The provisions of CETA are applied by incorporation *mutatis mutandis*, that is, with the technical changes necessary to apply the TCA as if it had been concluded between the UK and Canada in the first instance. This has avoided the need to reproduce every page and has significantly reduced the volume of text required.
  10. The Agreement provides that references to EU law are to be read as references to retained EU law or to EU law incorporated in the law of the UK on the date the transition period ends.
  11. Where more substantive amendments are required to ensure operability in a bilateral context, or where the UK and Canada jointly agree that *mutatis mutandis* would not deliver adequate certainty or transparency, detailed amendments have been included in the Annexes to the TCA. In particular, Annexes 2A (tariff elimination) and Annex 2-B concerning tariff rate quota administration are in long form.

## Resources

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant differences made to the UK's trade relationship with Canada by the TCA and the reasons for any changes, and their impact. Should you wish to view CETA it can be found online on the European Union's law website [EUR-LEX](#).
13. More detail, including decisions of the CETA Joint Committee established under CETA for the purpose of administering the TCA, can be found on [EUR-LEX](#).
14. Should you wish to view the full text of the TCA, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010. The text will also be available on GOV.UK.

# Economic Background

## Trade between the UK and Canada

15. This section provides a country-specific background analysis of trade between the UK and Canada.
16. Canada is the UK's 15<sup>th</sup> largest trading partner, accounting for 1.6% of total UK trade.<sup>1</sup> Total trade in goods and services between the UK and Canada was £22.4 billion in 2019.<sup>2</sup>
17. In 2019, UK exports to Canada were £11.5 billion, making it the UK's 15<sup>th</sup> largest export market (accounting for 1.7% of all UK exports). UK imports from Canada were £10.9 billion, making it the UK's 16<sup>th</sup> largest import source (accounting for 1.5% of all UK imports).

**Table 1: Trade between the UK and Canada, 2019 (£, billion)**

	Trade in goods	Trade in services	Total trade
UK exports to Canada	5.7	5.8	11.5
UK imports from Canada	8.4	2.5	10.9
Total trade	14.1	8.3	22.4

Source: [ONS, \(2019\). UK total trade: all countries, non-seasonally adjusted](#) (accessed 13<sup>th</sup> November 2020).

18. Using data from HMRC for trade in goods only, Table 2 shows the top goods exported to Canada were in machinery and mechanical appliances of (£979 million in 2019) and Vehicles other than railway or tram stock (£793 million), representing around a third of the total value of UK goods exported to Canada. The UK's top goods imported from Canada were largely in precious stones and metals (£8.9 billion in 2019), representing over two thirds of the total value of goods imported from Canada.
19. ONS data in Table 1 are recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC in Table 2 if a good physically leaves (enters) the economic territory of a country, which includes precious stones and metals.

**Table 2: Top 5 UK goods exports to and imports from Canada, 2019 (at HS2<sup>3</sup>, £ million)**

Top 5 UK goods exports to Canada	Value	Top 5 UK goods imports from Canada	Value
Machinery and mechanical appliances	979	Precious Stones and Metals	8,885
Vehicles other than railway and tramstock	793	Machinery and mechanical appliances; parts thereof	626

<sup>1</sup> EU members are treated as individual trading partners with the UK.

<sup>2</sup> ONS, (2020). [UK trade in services by partner country experimental data – January to March 2020](#) (Accessed: 13<sup>th</sup> November 2020).

<sup>3</sup> The Harmonised System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

Aircraft, spacecraft, and parts thereof	757	Mineral fuels, mineral oils and products of their distillation	510
Pharmaceutical products	667	Wood and articles of wood	283
Electrical machinery and equipment	265	Electrical machinery and equipment	268

Source: [HMRC trade statistics by commodity code](#) (accessed 19<sup>th</sup> November 2020). Sectors classified according to Harmonised System chapters. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

Please note tables 1 and 2 are on different bases. ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

20. Table 3 shows that insurance and pensions was the largest UK service export to Canada, valued at £1.4 billion, and other business services (comprised of sectors including legal, accounting, management consulting, and others) was the largest UK service import from Canada in 2019, valued at £703 million. The second largest UK service export to, and import from Canada, was other business services (£1.2 billion) and travel (£675 million) respectively.

**Table 3: Top 5 UK services exports to & imports from Canada, 2019 (£ million)**

<b>Top 5 UK services exports to Canada</b>	<b>Value</b>	<b>Top 5 UK services imports from Canada</b>	<b>Value</b>
Insurance and Pensions	1,392	Other Business Services	703
Other Business Services	1,243	Travel	675
Travel	1,077	Transportation	395
Financial	988	Financial	149
Telecommunications, computer and information services	364	Telecommunications, computer and information services	119

Source: [ONS, \(2019\). UK trade in services: service type by partner country, non-seasonally adjusted \(Accessed 16<sup>th</sup> November 2020\)](#)

Note: Data for certain sectors have been omitted by the ONS as the data is disclosive, but the values are included in the overall totals. Services data is always reported on a 'change of ownership' (Balance of Payments) basis.

## UK businesses exporting to and importing from Canada

21. In 2019, HMRC estimated that almost 12,500 VAT registered UK businesses exported goods to and 8,400 imported goods from Canada.<sup>4</sup> 66% of businesses exporting to Canada were micro or small business, 19% were medium sized and 9% were large. Around 58% of importing businesses were micro and small businesses, around 19% medium sized and 14% large.<sup>5</sup> The majority of these were in the 'services' sector, where 7,200 businesses exported goods and 5,800 businesses imported goods.<sup>6</sup> As these

<sup>4</sup> HMRC, (2020). [Trade in Goods by Business Characteristics 2019](#).

<sup>5</sup> In this analysis micro and small businesses are defined as having 0-49 employees, medium 50-249, and large over 250. Any remaining businesses are in the 'unknown' category for business size. HMRC (2019) [UK trade in goods by business characteristics 2019 – data tables](#) (accessed 1<sup>st</sup> December 2020)

<sup>6</sup> This data does not include firms trading exclusively in services but does include businesses which predominantly trade in services while also trading in goods. HMRC (2019) [UK trade in goods by business characteristics 2019 – data tables](#) (accessed 1<sup>st</sup> December 2020)



figures only include businesses trading in goods, it is likely to be an underestimate of the number of businesses trading with Canada.

22. For context, provisional survey data from the ONS<sup>7</sup> shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2018 with another country. This was just under 15% of all VAT/PAYE registered businesses. There were around 211,100 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 188,400 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

## **Economic impact of CETA on the UK economy**

23. CETA has been provisionally applied since 21 September 2017. This brought most of the agreement into operation, reducing non-tariff measures and eliminating most tariffs between the EU and Canada. The phasing-in of tariff elimination on industrial goods and substantial tariff elimination on agricultural products will be complete by 2024.
24. In May 2018 DIT published an Impact Assessment which assessed the effects of CETA on UK businesses, consumers, and the wider economy.<sup>8</sup> This included the results of computable general equilibrium (CGE) modelling.<sup>9</sup> The results indicated that CETA would increase long-run (2030) UK real GDP by 0.03% (equivalent to £730 million in 2017 terms) from the elimination of almost all tariffs and the reductions in regulatory measures relating to services that impede trade. Under the modelled scenario, UK exports to Canada are estimated to increase overall by 5.5% (equivalent to £680 million in 2017 terms), with increases in motor vehicles exports contributing the most.

## **Potential loss to UK if the TCA is not entered into force**

25. Not being able to bring the TCA into force would result in UK businesses losing the preferences negotiated in CETA. This would include the re-imposition of many tariffs, returning to MFN treatment with Canada. The benefits derived from trading under preferences within the TCA, such as increases in trade flows, may then be reversed.
26. It is unlikely that the entire effect of the agreement would disappear. Tariffs would revert to MFN rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of CETA. Business connections formed because of CETA might endure. In addition, the existing agreement has only been in place since September 2017 and so not all the benefits will have been realised yet.

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<sup>7</sup> (accessed 25th September 2020)

<sup>8</sup> DIT. (2018). ['Impact assessment of the Comprehensive Economic and Trade Agreement \(CETA\) between the European Union and Canada'. Figures expressed in 2017 prices.](#)

<sup>9</sup> Modelling assumed the 2018 status-quo relationship between the UK and EU would continue to apply and was based on the Common External Tariff which the UK applied at the time (rather than the UKGT).

27. The size of the impact of not bringing into force the TCA would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the Agreement.<sup>10</sup>

## Immediate Impact if not brought into force

### Impact of tariffs under current MFN rates

28. Much international goods trade takes place in products for which MFN rates are already zero. However, free trade agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the TCA is not brought into force, this would lead to an increase in duties on some UK exports to and imports from Canada.

29. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed all current trade between the UK and Canada occurs at the negotiated preferential tariff rate and current patterns of trade remain unchanged in the future. In this case, reverting to Canada's current MFN tariff rates and the UK Global Tariff (UKGT) would result in an annual increase in total duties of around £67 million. Duties on imports from Canada would increase by £25 million, with duties applied to UK exports increasing by £42 million in 2021.<sup>11</sup> This is relatively small (around 0.02%) compared to the value of total trade with Canada of almost £22 billion in 2019.

30. The indicative estimates show that the largest implied increases in duties applied to UK exports would be in vehicles other than railway or tramway stock (HS87) at £13 million, perfumery, cosmetic or toilet preparations (HS33) at £4 million, and articles of apparel and clothing accessories (HS62) at £3 million. On the imports side, the largest estimates are for plastics & plastic products (HS39), preparations of meat & fish (HS16) and fish & crustaceans (HS03), all at around £3 million.

31. However, these estimates assume that all tariff preferences offered under the current agreement are fully utilised by exporters. This is unlikely to be true. Import utilisation data shows that 50% of eligible goods imports by the UK from Canada (defined as those which occurred under tariff lines where a preferential rate was offered under the agreement) were imported under the preferences negotiated.<sup>12</sup>

32. Similar data on UK eligible goods exports is not publicly available. The European Commission<sup>13</sup> published in 2018 available data on preference utilisation of exports to

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<sup>10</sup> Head K and Mayer T. (2014). '[Gravity Equations - Workhorse, toolkit and cookbook](#)'. *Handbook of International Economics*, 4, pp. 131-195.

Dhingra S, et al. (2018). '[Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?](#)'. *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

<sup>11</sup> DIT calculations using tariff data from ITC Market Access Map ([MAcMaps](#)) and trade data from [ITC Trade Map](#) (accessed September 2020) for exports calculations. DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed August 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the value of trade for each product at CN8 level (2019 for imports, 2018 for exports). Different approaches and data sources for this analysis are likely to yield different results. Calculations on duties applied to exports also assume trade is not eligible for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not WTO or preferential quotas.

<sup>12</sup> Preferential utilisation rates calculated by European Commission Department of Trade (updated 20<sup>th</sup> September 2020)

<sup>13</sup> Nilsson L and Preillon N. (2018). '[EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country](#)'. *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal trade agreements in place.

selected FTA partner countries.<sup>14</sup> For these countries, 68% of UK eligible goods exports were traded under preferences. This means that the actual increase in duties could be lower than the estimates above.

33. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
34. Indicative estimates of implied additional tariff duties are provided to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Canadian government. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

### **Businesses**

35. Additional duties could be absorbed by either UK or Canadian businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers, or existing trade patterns could be interrupted. This could impact UK competitiveness, leading to disruptions in supply chains and job losses in the short term.
36. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Canadian inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in UK's gross exports reflected imports from abroad. In 2015 (latest data on individual country level), this included 0.4% of value added from Canada. UK companies which rely on Canadian imports would become less competitive.

### **Consumers**

37. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in choice of products and services available.

### **Longer-term impact**

38. In the long run, the UK would forgo the longer-term benefits that CETA would have brought to the UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the TCA is not brought into force.
39. It is also possible that, if the UK is not in a preferential trading relationship with Canada, but EU partners are, EU exports to Canada would be more competitive than UK exports. This could have an additional negative impact on trade flows.

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<sup>14</sup> Albania, Chile, Colombia, Costa Rica, Dominican Rep., Egypt, FYR Macedonia, Israel, Kosovo, Lebanon, Mexico, Montenegro, Morocco, South Africa, Korea, Switzerland, Turkey. Data were not available for all partner countries.

## **Explanation of this Agreement, including Significant Differences between the TCA and CETA**

40. The TCA follows the short form approach, explained above in paragraph 6 of this report. This section provides a discussion of changes in the TCA.

### **General Provisions**

#### **Removal and replacement of references to the EU**

41. Where necessary, the terms, "European Union", "EU", "EU Party", "European Commission", "European", "European Union Member State", "European Union and its Member States", "Member State", and "Member State of the European Union", as well as similar terms, are replaced with "United Kingdom" or "UK".

#### **Territorial Application**

42. The Territorial Application article sets out to the territories to which this agreement applies, and how it applies to them. In CETA, the Territorial Application article defined the EU's territorial coverage of the agreement by referencing the EU treaties.

43. In the TCA, the definition of the EU's territorial coverage has been replaced by a provision which ensures that the agreement applies to the UK and the listed territories for whose international relations it is responsible in the same way as the previous agreement did.

44. The territories to which this agreement apply based on CETA coverage to date<sup>15</sup>, are:

- a. The Crown Dependencies (Isle of Man, Jersey, Guernsey), to which, broadly, provisions relating to tariffs and trade in goods apply;
- b. Gibraltar, to which, broadly, provisions not relating to goods or customs apply.

#### **Continuation of Time Periods**

45. CETA contains commitments which are time bound. These commitments will often require the parties to complete an action within a certain timeframe, such as to reduce a specific tariff after 3 years or require the parties to undertake some form of review after the specified time has elapsed. Because CETA has been provisionally applied since September 2017, 'the clock' has already begun to run against the majority of these time periods. In transitioning, these time bound commitments, the question of whether to 'reset the clock' or 'inherit the clock', are dealt with on a case-by-case basis.

46. As a guiding principle wherever the time bound commitments relate to liberalising market access, it has been decided to 'inherit the clock' thus ensuring continuity is maintained in the new bilateral agreement. Should the time bound commitments relate to commitments

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<sup>15</sup> The SBA Protocol, to the UK Withdrawal Agreement, sees the SBAs remain in the EU Customs Territory

to undertake reviews, the clock has generally been reset, thus allowing the UK and Canada to carry out the reviews in a bilateral context.

## **Institutions and Committees**

47. The institutions and committees created under CETA are specified in Chapter 26. Article 26.1 of CETA provides for the creation of the CETA Joint Committee; Article 26.3.1 specifies the Joint Committee's decision-making powers; and Article 26.3.2 provides that the Joint Committee's decision making is subject to any necessary internal requirements and procedures. Most of the institutional provisions and bodies provided for in CETA are incorporated and retained *mutatis mutandis*, although some modifications have been made to the naming and function of these bodies to ensure they are operable in a bilateral context.
48. This agreement makes the following changes to replace and replicate the effect of the existing committee structure in CETA to reflect the bilateral relationship:
- a. "CETA Joint Committee" is replaced with Canada-UK Joint Committee.
  - b. "Joint Customs Cooperation Committee (JCCC)" is replaced with "Committee on Customs and Trade Facilitation" and "Committee on Rules of Origin and Origin Procedures" (see paragraphs 80 and 91).
  - c. "CETA Committee on Geographical Indications" is replaced with "Canada-UK Committee on Geographical Indications".

## **Amendment Provisions**

49. Amendment provisions set out the process that must be followed if the parties agree to amend the provisions of the agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment clauses serve to make the process clearer and more transparent. The retention of an amendment clause does not commit the UK to making any changes to the Agreement once it enters into force. It simply sets out a process which may be used if needed.
50. The TCA contains an amendment clause which outlines the process that must be followed if the Parties agree to amend the provisions of the Agreement after it enters into force. The incorporated Article 30.2 from CETA provides that amendments must be agreed in writing and will enter into force following the Parties' notifications confirming that they have completed any necessary legal requirements and procedures or on the date agreed by the Parties. The Agreement also enables the UK-Canada Joint Committee to decide to amend the annexes and protocols to the Agreement, which the Parties may subsequently approve.

## **Entry into Force and Provisional Application**

51. Entry into force provisions specify the date from which the terms of the agreement will bind the parties. Existing entry into force provisions have been replaced with new provisions to ensure that, whatever the scenario in which CETA ceases to apply to the UK, the TCA can enter into force as swiftly as possible. For the TCA to enter into force, it must first be ratified by both the UK and Canada. In UK domestic law, before an agreement subject to ratification may be formally ratified, it must be laid before

Parliament for scrutiny under the Constitutional Reform and Governance Act 2010 (CRaG Act).

52. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the treaty can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating States for its entry into force, provided any necessary domestic implementing measures are in place. Where the negotiating states have agreed that a continuity agreement may be provisionally applied from the date the underlying EU agreement ceases to apply to the UK, the treaty may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the treaty completes the procedures set out in the CRaG Act. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
53. The UK and Canada have agreed to provide for the TCA to be provisionally applied if necessary. Given that the Government is seeking to maintain the effects of the existing EU agreements as the Transition Period ends, this is a proportionate approach to manage the timing constraints during this unique period and reduces the risk of businesses and consumers experiencing disruption as the UK leaves the EU.

## **Trade Remedies**

54. Trade remedies provide a safety net for domestic industry against injury caused by unfair trading practices, such as dumped or subsidised imports, or against injury caused by unexpected surges in imports. Most WTO members have a trade remedies system. The UK will operate its own system once the transitional period agreed with the EU comes to an end.
55. The TCA replicates the effects of the trade remedies provisions in CETA *mutatis mutandis*.

## **Dispute Settlement**

56. The economic benefits of an FTA can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising.
57. The TCA replicates the effects of the dispute settlement provisions in CETA *mutatis mutandis*. One of the impacts of replicating the dispute settlement chapters in the existing EU trade agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

## **Review Clause**

58. Article IV of the Treaty commits both Parties to commencing negotiations on a new UK-Canada FTA no later than a year after the entry into force of the TCA. Both Parties envisage these negotiations concluding within 3 years. The intention of this provision is to provide for the Parties to strengthen their trade and economic relations further by aiming

for an agreement that is ambitious, modern and comprehensive, and that is tailored to their interests.

59. Expanding the scope of liberalised trade following this review could further increase existing growth in UK trade with Canada since CETA came into effect.

## **Annexes and Protocols**

### **Goods**

60. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Canada have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Canada will remain the same as those applied by the EU on the date the UK ceases to be bound by CETA, and, likewise, Canada will continue to apply the same preferences to products from the UK that it is applying to products from the EU.
61. CETA contains a reference to the Entry Price System (“EPS”) in Annex 2-A. The EPS provides for an additional specific import tariff to be levied on 28 kinds of fruits and vegetables entering the EU market if their price falls below specified price thresholds. Some of these fruits and vegetables are produced in the UK whilst others are not. Under Annex B of the TCA, the UK has preserved the right, but not the obligation, to apply a specific duty to Canadian imports on the same terms. To reflect this, we have agreed some modifications such as changing “shall” to “may”. We do not expect this to have an impact on trade flows.
62. CETA contains a reference to cereal sector import duties (“I55”) in Annex 2-A. I55 is a customs duty for the items 1001 11 00, 1001 19 00, high quality common wheat of items ex 1001 99 00, 1002 10 00 and 1002 90 00, at a level and in a manner so that the duty-paid import price for a specified cereal will not be greater than the effective intervention price, or if there is a modification of the current system, the effective support price, increased by 55%. Under Annex B of the TCA, the UK has preserved the right, but not the obligation, to apply such a duty to Canadian imports on the same terms. To reflect this, we have agreed some modifications such as including wording that such a system “may be adopted on or after the date of entry into force of this Agreement”. We do not expect this to have an impact on trade flows.
63. The revised versions of Annexes 2-A and 2-B of CETA are set out in full in Annex B of the TCA.

### **Tariff Rate Quotas (TRQs)**

64. Tariff-rate quotas (TRQs) allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade agreements.

## Inward Quotas

65. TRQs administered by the UK have been re-sized to reflect the fact that the UK is a smaller importer and exporter than the EU28. Solutions were agreed with partner countries to set quotas to a sufficient level that will allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.
66. As CETA has only been in force since September 2017, the UK and Canada agreed to use relevant trade flow data (as opposed to usage data) as the basis for sizing TRQs in the new agreement. Doing so allows future market access opportunities for UK and Canadian businesses using a fair and evidence-based methodology.
67. CETA provides inward TRQs for Canadian exports of sweetcorn, low/medium quality wheat, processed shrimp, frozen cod, beef and veal, bison and pork; these have been re-sized under the TCA as reflected in table 4 below. The quotas on sweetcorn, wheat and shrimp are temporary. The CETA fresh or chilled beef and veal TRQ is increased by an amount “resulting from the application of Council Regulation (EC) No 617/2009 of 13 July 2009 opening an autonomous tariff quota for imports of high-quality beef”. The UK and Canada agreed to resize this amount using the same trade flow-based approach and include it in the fresh or chilled beef and veal TRQ established by the TCA. This change is not expected to have a significant impact on trade flows.
68. CETA provides certain additional benefits to TRQs opened to Canada by the EU as part of the Uruguay Round negotiations leading to the formation of the WTO, covering pork, beef and wheat. The UK is currently negotiating with Canada at the WTO to establish our own TRQs and provide continuity to our WTO trading relationship. As these negotiations have not concluded at the time of the TCA being agreed, additional text has been added which removes the fixed WTO quota quantities referenced and instead references the WTO commitment while acknowledging the ongoing negotiations. This has the same effect as the original text negotiated in CETA but avoids the need to reference a fixed quantity.
69. In CETA, TRQs for sweetcorn, processed shrimp, frozen cod and bison operate under a First-Come First-Served (FCFS) system and TRQs for beef and veal, wheat and pork operate under a Licensed system. This is set out in further detail in Annex 2-B of the CETA. Licensed systems are generally used to manage quotas that are regularly oversubscribed. However, utilisation of these TRQs is low: the Rural Payments Agency (RPA) has issued 13 licences between 2017 and 2020. The UK and Canada have therefore agreed in the TCA to move from a Licensed to a FCFS system for all UK-managed quotas. This system is less burdensome for traders and will be subject to review if utilisation increases, as detailed in the paragraph below.
70. CETA contains an under-fill mechanism, which applies if certain licensed TRQs are underutilised. Given the change to FCFS outlined in paragraph 68, as part of the TCA, the operation of the under-fill mechanism has been reversed in comparison with CETA. If 75% or more of the product is imported into the UK under the beef and veal or pork TRQs in a given year under FCFS, the Parties shall meet to address any underlying concerns regarding the administration of the quota. If 75% or more of the annual quantity is imported under quota in a given year for 3 consecutive years, the administration of the quota will be made on a licensed basis from the following year, provided that the Parties agree. If subsequently, less than 75% of the quota is imported under licence for 2 consecutive years, the parties may consider a return to FCFS following consultations between the parties.



**Table 4: List of TRQs applied by the UK for imports from Canada and new quota volumes (tonnes)**

Quota No. (1)	Product description	Tariff classification (2)	New UK quota volume (tonnes unless otherwise specified)
09.8405	Sweetcorn <sup>16</sup> (Transitional / Permanent)	<a href="#">0710 40 00 00</a> <a href="#">2005 80 00 00</a>	2021 - <b>3380</b>  2022 (and subsequent years) - <b>4,056</b>
09.4124	Wheat (Transitional – tariff free at end of 2023)	1001 99 00 40 1001 99 00 50	2021-2023 - <b>51,600</b>
09.8403	Frozen Cod (Transitional – tariff-free at end of 2023)	<a href="#">0304 71 90 00</a> <a href="#">0304 79 10 00</a>	2021-2023 - <b>791</b>
09.8404	Processed Shrimp (Transitional – tariff-free at end of 2023)	<a href="#">0306 95 19 10</a> <a href="#">0306 95 20 21</a> <a href="#">0306 95 20 91</a> <a href="#">0306 95 30 21</a> <a href="#">0306 95 30 91</a> <a href="#">0306 95 40 10</a> <a href="#">0306 95 90 10</a> <a href="#">1605 21 90 00</a> <a href="#">1605 29 00 00</a>	2021-2023 - <b>12,443</b>
09.8400	Bison (Permanent)	<a href="#">0201 10 00 21</a> <a href="#">0201 10 00 92</a> <a href="#">0201 10 00 97</a> <a href="#">0201 20 20 21</a> <a href="#">0201 20 20 92</a> <a href="#">0201 20 20 97</a> <a href="#">0201 20 30 21</a> <a href="#">0201 20 30 92</a> <a href="#">0201 20 30 97</a> <a href="#">0201 20 50 21</a> <a href="#">0201 20 50 92</a> <a href="#">0201 20 50 97</a> <a href="#">0201 20 90 11</a> <a href="#">0201 20 90 91</a> <a href="#">0202 10 00 11</a> <a href="#">0202 10 00 91</a> <a href="#">0202 20 10 11</a> <a href="#">0202 20 10 91</a> <a href="#">0202 20 30 11</a> <a href="#">0202 20 30 81</a> <a href="#">0202 20 30 83</a> <a href="#">0202 20 30 85</a> <a href="#">0202 20 30 87</a> <a href="#">0202 20 50 11</a> <a href="#">0202 20 50 91</a> <a href="#">0202 20 90 11</a>	2021 (and subsequent years) - <b>232</b>

<sup>16</sup> The TRQ for one category of sweetcorn (frozen, 0710 40 00) is temporary because out-of-quota rates are removed after six years. For the other category of sweetcorn (preserved sweetcorn, 2005 80 00), the TRQ is permanent

		<a href="#">0202 20 90 91</a> <a href="#">0206 10 95 11</a> <a href="#">0206 10 95 91</a> <a href="#">0206 29 91 11</a> <a href="#">0206 29 91 21</a> <a href="#">0206 29 91 33</a> <a href="#">0206 29 91 37</a> <a href="#">0206 29 91 41</a> <a href="#">0206 29 91 44</a> <a href="#">0206 29 91 51</a> <a href="#">0206 29 91 61</a> <a href="#">0206 29 91 71</a> <a href="#">0206 29 91 91</a> <a href="#">0210 20 10 10</a> <a href="#">0210 99 51 10</a> <a href="#">0210 99 59 10</a>	
09.4280	Fresh/Chilled Beef and Veal (Permanent)	0201 10 00 29 0201 10 00 94 0202 10 00 98 0201 20 20 29 0201 20 20 94 0201 20 20 98 0201 20 30 29 0201 20 30 94 0201 20 30 98 0201 20 50 29 0201 20 50 94 0201 20 50 98 0201 20 90 15 0201 20 90 99 0201 30 00 49 0201 30 00 90 0206 10 95 15 0206 10 95 99	2021 – <b>2,311</b>  2022 (and subsequent years) – <b>2,708</b>
09.4281	Frozen other Beef and Veal (Permanent)	0202 10 00 15 0202 10 00 99 0202 20 10 15 0202 20 10 99 0202 20 30 15 0202 20 30 82 0202 20 30 84 0202 20 30 86 0202 20 30 88 0202 20 50 15 0202 20 50 99 0202 20 90 15 0202 20 90 99 0202 30 10 15 0202 30 10 82 0202 30 10 84 0202 30 10 86 0202 30 10 88 0202 30 50 15 0202 30 50 82 0202 30 50 84 0202 30 50 86 0202 30 50 88 0202 30 90 15 0202 30 90 42 0202 30 90 44 0202 30 90 46 0202 30 90 48	2021 - <b>968</b>  2022 (and subsequent years) – <b>1,161</b>

		0202 30 90 70 0202 30 90 75 0202 30 90 80 0202 30 90 90 0206 29 91 15 0206 29 91 29 0206 29 91 35 0206 29 91 38 0206 29 91 42 0206 29 91 45 0206 29 91 59 0206 29 91 69 0206 29 91 79 0206 29 91 99 0210 20 10 90 0210 20 90 15 0210 20 90 99 0210 99 51 90 0210 99 59 90	
09.4282	Pork	0203 12 11 0203 12 19 0203 19 11 0203 19 13 0203 19 15 0203 19 55 0203 19 59 0203 22 11 0203 22 19 0203 29 11 0203 29 13 0203 29 15 0203 29 55 0203 29 59 0210 11 11 0210 11 19 0210 11 31 0210 11 39	2021 – <b>4,838</b>  2022 (and subsequent years) – <b>5,805</b>

## Outward Quotas

71. The UK and Canada have agreed that UK cheese will continue to be eligible for import under the EU reserve of Canada’s WTO cheese TRQ until December 31st 2023, rather than moving to the smaller non-EU reserve. The UK and EU will have equal access within this quota, which has historically been the main route into the Canadian market for UK cheese exporters. This is set out in an agreement by way of exchange of letters that are integral to the TCA, entitled “WTO Cheese TRQ – UK Transitional Access to the EU Reserve”. The two CETA TRQs for cheese and industrial cheese have not been transitioned as part of the TCA.
72. The impact of this change will depend on business decisions made by Canadian importers. As a member of the EU, the UK historically exported cheese under the EU reserve of Canada’s WTO TRQ. This arrangement means that UK exports of cheese under the WTO TRQ can continue following the Transition Period in the same manner as they do now. The quota is not currently filled so Canadian importers have room to import more cheese. Without this agreement, UK cheese exports would only have been eligible under the much smaller non-EU reserve of Canada’s WTO cheese quota and long-standing relationships between UK producers and Canadian importers who hold licenses for the EU reserve would have been broken.

73. Furthermore, the UK and Canada shall endeavour to reach an arrangement on cheese as part of the negotiations referred to in Article IV of the TCA, which will commence no later than a year after the entry into force of the TCA. The UK will seek a bilateral TRQ on cheese through those negotiations.

## Impacts

74. Without transitioning the inward TRQs, and without any other mitigating actions, goods imported from Canada that are currently covered by TRQs in CETA could face MFN tariffs. This could make these imports more expensive. The nature of this impact will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. UK imports from Canada, based on trade data at tariff line level covering these products, were worth around £190m in total in 2019,<sup>17</sup> equivalent to 1.5% of total UK goods imports from Canada.

75. Regarding the change in quota administration, FCFS is recognised as being less burdensome for traders. The UK will continue to monitor the impact of this change and retains the ability to return to a Licensed system if quotas become oversubscribed, upon agreement as set out in the *Inward Quota* section above.

76. The impact of not transitioning the outward CETA TRQs for cheese is difficult to determine as TRQ usage data on cheese exports to Canada by quota allocation is not publicly available. The agreement will ensure that Canadian importers can continue to import cheese from the UK via the EU reserve of the WTO quota, meaning the impact on trade flows will be largely determined by business decisions made by Canadian importers of UK cheese.

## Rules of Origin

77. In free trade agreements, Rules of Origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must “originate” in one of the parties to the agreement. Trade agreements may also allow materials originating and/or processing in a country other than the exporting Party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

78. There are two main categories relevant to determining whether goods “originate” in the exporting country for the purposes of a trade agreement:

- a. **Wholly obtained** – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
- b. **Substantial transformation** – These are goods that are made from materials which come from more than one country, and the origin is therefore defined

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<sup>17</sup> HM Revenue and Customs, UK trade statistics data. <https://www.uktradeinfo.com/> (accessed 20th October 2020). 2019 average. It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

as that of the country where the goods were last substantially transformed. This can be determined in three ways:

- i. *Value added* – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
- ii. *Change in Tariff Classification (“CTC”)* – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
- iii. *Specific processing or manufacturing* – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

79. During the transition period, all UK content is considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from and, processing in, the UK and the rest of the EU can be used interchangeably in bilateral trade with existing EU FTA partners. This will no longer be the case when existing EU FTAs stop applying to the UK. At that point, the designation of UK exports will shift from “EU” originating, to “UK” originating and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and Canada.

80. To address these implications and to provide maximum continuity for business, the TCA provides that EU materials and processing can continue to be used, and count as originating (i.e. cumulated) in UK and Canadian exports to one another for 3 years after entry into force. Not more than 30 months after the entry into force of this Agreement, the UK and Canada shall consider whether the period should be extended. The cumulation arrangements are set out in detail in modified Article 3 – Cumulation of Origin, of the incorporated Rules of Origin Protocol, and are subject to satisfying certain conditions specified in the Agreement. If it were no longer possible for EU materials to be recognised in UK and Canadian exports to each other in the future, there may be an impact on UK businesses that export to Canada and vice versa. Both Parties commit to working towards mutually beneficial and more liberal rules of origin in the future that best reflect Canada’s and the UK’s supply chains and sectoral interests.

81. A technical change to the agreement has been made resulting in the functions of the Joint Customs Cooperation Committee (“JCCC”), which was granted authority under CETA to decide upon matters pertaining to Rules of Origin under CETA, being transferred to a new Committee on Rules of Origin and Origin Procedures. We do not expect this change to have any impact as the new Committee assumes all of the existing responsibilities of the JCCC.

82. Modifications to the text of the incorporated Rules of Origin Protocol can be found in Annex A, Part B of the TCA.

## **Impact**

83. If cumulation of EU content for the UK and Canada were not permitted under the TCA, some UK and Canada based exporters might find themselves unable to access preferences, as they are currently able to. For example, UK exporters to Canada who rely on EU content might have to revert to paying Most Favoured Nation (MFN) tariff rates, if they continued using EU content, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors.

84. The TCA provides only for trade between the UK and Canada and does not provide for either party's direct trade with the EU, including, for example, where UK and Canada based exporters use content from each other in exports to the EU.

## **Origin Quotas**

85. Origin quotas allow a volume of specific product lines to be exported under a more lenient rule of origin. They allow exporters who may have struggled to meet the origin requirements in the list of product-specific rules to secure preferential access up to a specified volume threshold. For example, under CETA, Canada is entitled to export 100,000 autos (passenger vehicles) to EU member states at only 30% Canadian content, and beyond 100,000 the required content level rises to 50%.
86. CETA contains origin quotas related to specific products exported from the EU to Canada (outward) and from Canada to the EU (inward). The quotas have been transitioned in the TCA in order to provide continuity for businesses.
87. In some cases, quota volumes have been replicated in full, and in other cases quota volumes have been resized following a negotiated outcome, informed by historic trade flow data. A full list of origin quotas can be found in Table 5 and 6 below. Quota sizes were agreed with Canada to allow for a sufficient level that will allow for continuity of historical trade flows for importers and exporters from both sides and to reflect UK and Canadian supply and value chains, whilst recognising that Canada's export interests for several of the goods subject to origin quotas would be smaller for the UK than for the EU as a whole.
88. Consistent with the cumulation arrangements and to provide maximum continuity for business, the agreed origin quotas will apply for three years after entry into force. Not more than 30 months after the entry into force of this Agreement the Parties shall consider whether the period should be extended. If it were no longer possible for UK and Canadian exporters to utilise these quotas in the future, businesses that currently use these quotas would have to meet the more rigorous test of origin in order to access preferential tariff rates. If goods could not meet these rules they would be subject to MFN tariffs.

## **Outward origin quotas for exports from the UK to Canada**

89. All of the EU's 36 outward origin quotas in CETA are for textile and apparel products. All these origin quotas have been replicated in full. UK exporters will, therefore, be able to export to Canada using these origin quotas as they did before.

## **Inward origin quotas for imports to the UK from Canada**

90. All inward quotas – covering exports from Canada to the EU – have been transitioned in the TCA to a sufficient level that allows for the continuity of historic and existing trade flows. None of the inward quotas have increased in size, meaning that Canadian exporters will continue to be able to export the same, or in cases where there is a reduced quota level, a smaller amount of goods to the UK under these origin quotas than the maximum they currently can under CETA.
91. Only two origin quotas were fully utilised in 2018 under the EU Origin quota allowance; 'men's or boys' overcoats' and 'women's or girls' overcoats'. This means that if Canadian exporters were constrained from exporting to the UK, the new UK quota could provide them with additional preferential access. However, analysis shows that they are unlikely to be a significant source of competition for UK producers. Over the last five years,

Canadian imports of these products have accounted for less than 0.5% of imports from outside the EU. The average value of UK production is substantially higher than imports from Canada. Between 2014 and 2016, the UK produced an average of £91m worth of both products<sup>18</sup>, whereas imports from Canada stood at £1.3m.

**Table 5: List of origin quotas from the UK to Canada and quota volumes**

Product description	Quota units	UK quota volume
Woven fabrics containing 85 per cent or more by weight of silk or of silk waste other than noil silk	m <sup>2</sup>	83,000
Woven fabrics containing predominantly, but less than 85 per cent by weight of carded wool or carded fine animal hair, mixed mainly or solely with man-made staple fibres	m <sup>2</sup>	205,000
Woven fabrics of combed wool or of combed fine animal hair	Kilograms	200,000
Woven fabrics of cotton, containing 85 per cent or more cotton by weight and weighing not more than 200 g/m <sup>2</sup> , dyed, excluding those in three-thread or four-thread twill, which includes cross twill, and plain woven fabrics	m <sup>2</sup>	116,000
Sewing thread of synthetic filaments, whether or not put up for retail sale	Kilograms	18,000
Synthetic filament yarn, not put up for retail sale, high tenacity yarn of aramids	Kilograms	504,000
Synthetic monofilament of 67 decitex or more and with a cross sectional dimension of no more than 1 mm; strip and the like, (for example, artificial straw), of synthetic textile material, with an apparent width of no more than 5 mm	Kilograms	275,000
Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04	Kilograms	636,000
Nonwovens, whether or not impregnated, coated, covered or laminated, not elsewhere specified or included	Kilograms	1,629,000
Binder or baler twine, of polyethylene or polypropylene	Kilograms	813,000
Twine, cordage, ropes and cables of polyethylene or polypropylene, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (excluding binder or baler twine)	Kilograms	347,000
Carpets and other floor coverings, of man-made textile materials, woven, not tufted or flocked, of pile construction, made up (excluding kelem, schumacks, karamanie and similar hand-woven rugs)	m <sup>2</sup>	187,000
Carpets and other floor coverings, of nylon or other polyamides, tufted whether or not made up	m <sup>2</sup>	413,000
Carpets and other floor coverings, of felt, not tufted or flocked, whether or not made-up (excluding floor tiles with an area of no more than 0.3 m <sup>2</sup> )	Kilograms	1,830,000
Textile fabrics impregnated, coated, covered or laminated with plastics (excluding tyre cord fabric of high-tenacity yarn of nylon or other polyamides, polyesters or viscose rayon)	Kilograms	209,000
Linoleum, whether or not cut to shape	m <sup>2</sup>	61,000
Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	Kilograms	298,000
Textile products and articles, for technical uses, specified in note 7 to Chapter 59	Kilograms	160,000
Bed linen, printed, of cotton, not knitted or crocheted	Kilograms	176,000
Bed linen (other than printed) of cotton, not knitted or crocheted	Kilograms	216,000
Toilet linen and kitchen linen of cotton (excluding of terry towelling or similar terry fabrics), floor-cloths, polishing-cloths, dish-cloths and dusters	Kilograms	20,000

<sup>18</sup> EUROSTAT PRODCOM Data <https://ec.europa.eu/eurostat/web/prodcom>

Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, t-shirts, singlets and other vests)	Units	46,000
Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted (excluding t-shirts and vests)	Units	126,000
T-shirts, singlets and other vests, knitted or crocheted	Units	722,000
Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted (excluding wadded waistcoats)	Units	537,000
Other garments not elsewhere specified or included, knitted or crocheted	Kilograms	58,000
Pantyhose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings for varicose veins) and footwear without applied soles, knitted or crocheted (excluding for babies)	Pairs	1,691,000
Women's or girls' overcoats, raincoats, carcoats, capes, cloaks and similar articles of wool or fine animal hair, not knitted or crocheted	Units	15,000
Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted)	Units	16,000
Men's or boys' suits of wool or fine animal hair	Units	39,000
Men's or boys' suits (excluding wool or fine animal hair), ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (excluding knitted or crocheted, and swimwear)	Units	281,000
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (excluding knitted or crocheted and swimwear)	Units	537,000
Men's or boys' shirts of cotton, not knitted or crocheted	Units	182,000
Garments made up of fabrics of heading 56.02, 56.03, 59.03, 59.06 or 59.07 (excluding knitted or crocheted, and babies' garments)	Units	19,000
Tracksuits, ski suits, swimwear and other garments, not elsewhere specified or included(excluding knitted or crocheted)	Kilograms	85,000
Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, of all types of textile materials, whether or not elasticated, including knitted or crocheted (excluding belts and corselets made entirely of rubber)	Dozen	26,000

**Table 6: List of origin quotas from Canada to the UK and quota volumes**

<b>Quota Number</b>	<b>Product description</b>	<b>Quota units</b>	<b>Canada quota volume</b>
098300	High-sugar containing products	Tonnes	12,600
098301	Sugar confectionery (including white chocolate), not containing cocoa	Tonnes	4,200
098302	Processed foods	Tonnes	19,250
098303	Dog and cat food	Tonnes	16,200
098304	Frozen fillets of halibut, other than Reinhardtius hippoglossoides	Tonnes	10
098305	Cooked and frozen lobster, in shell	Tonnes	840
098306	Prepared or preserved salmon, whole or in pieces but not minced	Tonnes	2400
098307	Prepared or preserved herring, whole or in pieces but not minced	Tonnes	50
098308	Prepared or preserved sardines, sardinella and brisling or sprats, whole or in pieces but not minced, excluding Sardina pilchardus	Tonnes	200
098309	Prepared or preserved crab, other than Cancer pagurus	Tonnes	44
098310	Prepared or preserved shrimps and prawns	Tonnes	2700
098311	Prepared or preserved lobster	Tonnes	240
098312	Yarn of combed wool, not put up for retail sale, containing less than 85 % by weight of wool	Kilograms	192,000



098313	Cotton yarn (other than sewing thread), 85 % or more by weight of cotton, not put up for retail sale, single yarn of uncombed fibres, measuring less than 714,29 decitex but not less than 232,56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	Kilograms	1,176,000
098314	Other woven fabrics of cotton, containing 85 % or more by weight of cotton, printed, other than plain weave, not elsewhere specified or included, weighing not more than 200 g/m2	m2	60,000
098315	Other woven fabrics of cotton, containing 85 % or more by weight of cotton, printed, other than plain weave, not elsewhere specified or included, weighing more than 200 g/m2	m2	79,000
098316	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilaments of less than 67 decitex	Kilograms	4,002,000
098317	Other synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm, not elsewhere specified or included	Kilograms	21,000
098318	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 5404	m2	4,838,000
098319	Waste (including noils, yarn waste and garnetted stock), of synthetic fibres	Kilograms	1,025,000
098320	Woven fabrics of polyester staple fibres, containing less than 85 % by weight of such fibres, unbleached or bleached, plain weave, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2	m2	6,259,000
098321	Felt, whether or not impregnated, coated, covered or laminated	Kilograms	583,000
098322	Nonwovens, whether or not impregnated, coated, covered or laminated	Kilograms	621,000
098323	Carpets and other textile floor coverings, tufted, whether or not made-up	m2	196,000
098324	Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)	Kilograms	169,000
098325	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise, other than embroidery of heading 5810	m2	12,000
098326	Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading 5902	m2	1,754,000
098327	Floor coverings, consisting of a coating or covering applied on a textile backing, whether or not cut to shape, excluding linoleum	m2	24,000
098328	Rubberized textile fabrics, other than those of heading 5902	Kilograms	450,000
098329	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like	m2	2,969,000
098330	Textile products and articles for specified technical uses	Kilograms	173,000
098331	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 % or more elastomeric yarn or rubber thread, other than those of heading 6001	Kilograms	25,000
098332	Warp knit fabrics (including those made on galloon knitting machines), other than those of headings 6001 to 6004	Kilograms	16,000
098333	Knitted or crocheted fabrics, not elsewhere specified or included	Kilograms	24,000
098334	Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods	Kilograms	124,000
098335	Other made-up articles, including dress patterns	Kilograms	503,000
098336	Men's or boys' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted	Units	10,000

098337	Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted	Units	17,000
098338	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted	Units	535,000
098339	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres, knitted or crocheted	Units	44,000
098340	Women's or girls' briefs and panties of man-made fibres, knitted or crocheted	Units	129,000
098341	Women's or girls' negligees, bathrobes, dressing gowns and similar articles of man-made fibres, knitted or crocheted	Units	39,000
098342	T-shirts, singlets and other vests, of cotton, knitted or crocheted	Units	342,000
098343	T-shirts, singlets and other vests, of other textile materials, knitted or crocheted	Units	181,000
098344	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	Units	478,000
098345	Women's or girls' swimwear of synthetic fibres, knitted or crocheted	Units	73,000
098346	Garments not elsewhere specified or included, knitted or crocheted	Kilograms	90,000
098347	Pantyhose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example stockings for varicose veins) and footwear without applied soles, knitted or crocheted	Kilograms	98,000
098348	Men's or boys' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, not knitted or crocheted, other than those of heading 6203	Units	96,000
098349	Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles, not knitted or crocheted, other than those of heading 6204	Units	99,000
098350	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), not knitted or crocheted	Units	95,000
098351	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), not knitted or crocheted	Units	506,000
098352	Men's or boys' shirts, not knitted or crocheted	Units	15,000
098353	Women's or girls' blouses, shirts and shirtblouses, not knitted or crocheted	Units	64,000
098354	Men's or boys' garments, made up of fabrics of heading 59.03, 59.06 or 59.07, not elsewhere specified or included, not knitted or crocheted	Kilograms	68,000
098355	Women's or girls' garments, made up of fabrics of heading 59.03, 59.06 or 59.07, not elsewhere specified or included, not knitted or crocheted	Kilograms	30,000
098356	Track suits, ski-suits and swimwear; other garments, not knitted or crocheted	Kilograms	52,000
098357	Brassieres, whether or not knitted or crocheted	Units	297,000
098358	Girdles and panty girdles, whether or not knitted or crocheted	Units	32,000
098359	Corselettes, whether or not knitted or crocheted	Units	40,000
098360	Braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	Kilograms	16,000
098361	Other vehicles, with spark-ignition internal combustion reciprocating piston engine, of a cylinder capacity not exceeding 1 000 cm <sup>3</sup>	Units	60,000

## Customs

92. We replicated CETA's customs provisions *mutatis mutandis*. However, a technical change to the agreement has been made resulting in the functions of the Joint Customs Cooperation Committee ("JCCC"), which was granted authority under CETA to decide upon matters pertaining to customs matters under the CETA, being transferred to a new Committee on Customs and Trade Facilitation. We do not expect this change to have any impact as the new Committee assumes all of the existing responsibilities of the JCCC.

## Sanitary and Phytosanitary (SPS)

93. Sanitary and Phytosanitary (SPS) articles in trade agreements concern the application of food safety and animal and plant health regulations. SPS provisions in free trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. SPS provisions can increase transparency in trading by allowing the recognition of equivalent measures in relation to animal health, and import requirements, including health certification.

94. In accordance with the approach across the continuity agreements, this agreement contains a few technical changes to the SPS provisions which are not expected to have an impact on trade flows. For example, the reference to 'Protected zones' which arises in incorporated Article 5.1 and 5.5 has been removed as the term is limited in use to EU Member States. There should be no material impact resulting from this removal of 'Protected zones' as incorporated Article 5.1 includes the equivalent term of 'pest-free areas'. This latter term is included in the definitions adopted under the '*International Plant Protection Convention*' referenced in incorporated Article 5.1.1(d). References to the Trade Control and Expert System ("TRACES") have been replaced with "the UK electronic import control system" to reflect the new system the UK will be operating following the end of the Transition Period.

## Intellectual Property and Geographical Indications

95. We have ensured that the provisions in this TCA are consistent with our obligations on intellectual property (IP) found in international and trade agreements. The UK will remain a member of the World Intellectual Property Organization (WIPO), and remain fully compliant with those WIPO treaties to which we are already a party. The UK will also remain fully compliant with the World Trade Organization's Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS).

96. The TCA includes the Wine and Spirit Drinks Agreement (2003)<sup>19</sup> and the Alcoholic Beverages Agreement (1989)<sup>20</sup>, which were pre-existing EU-Canada agreements that were incorporated into CETA. These agreements add to Chapter 20, under which agri-food Geographical Indications (GIs) may be protected. The text of the Wine and Spirit Drinks Agreement retains protections for Scotch Whisky and also Irish Whiskey and Irish Cream, which are transborder geographical indications that extend to the territory of both Northern Ireland and the Republic of Ireland.

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<sup>19</sup>The *Agreement between the European Community and Canada on Trade in Wines and Spirit Drinks*, done at Niagara-on-the-Lake on 16 September 2003 (the "2003 Wines and Spirit Drinks Agreement").

<sup>20</sup>The *Agreement between the European Economic Community and Canada concerning Trade and Commerce in Alcoholic Beverages*, done at Brussels on 28 February 1989, as amended, (the "1989 Alcoholic Beverages Agreement").

97. References included in CETA to GIs identifying a product originating in the EU have been deleted in order to reflect that this agreement applies to the UK and Canada. Neither the UK nor Canada had any GIs listed under incorporated Annex 20-A of CETA. Provisions that related to products that had been listed in Annex 20-A – namely parts of Article 20.21 – have been deleted.
98. A footnote to Annex III(a) of the Wine and Spirit Drinks Agreement has been added to provide for a review to amend the Annex as the terms “English vineyards” and “Welsh vineyards” are no longer protected GIs in the UK. We do not expect these changes to have an impact on bilateral trade flows between the UK and Canada.

## **Wine and Spirits**

99. As per paragraph 95, the Wines and Spirit Drinks Agreement and the Alcoholic Beverages Agreement are incorporated into the bilateral agreement. In the transitioned Alcoholic Beverages Agreement, two amendments have been made in respect of cost of service differential. The Parties have agreed that a cost of service differential shall not be applied on the basis of value of the product. Furthermore, any cost of service differential must be justified by an audit. Upon request, the other Party shall make available its most recently completed audit. It is not anticipated that these changes will have any significant impact on trade flows.
100. The EU-Canada Wine and Spirit Drinks Agreement is accompanied by a number of declarations. Those declarations that remain relevant to the UK-Canada relationship will likewise accompany the TCA

## **Sustainability**

101. The UK has long supported the promotion of our values globally and this will continue as we leave the EU. We want to ensure economic growth, development and labour and environmental protection, including tackling climate change, go hand-in-hand. We have replicated the content of the chapters on trade and sustainable development, labour and environment in their entirety in the TCA.
102. Sustainability chapters often refer out to other (non-EU) international agreements on issues like labour and environment, to which the UK and the partner country are member in our own right. These provisions will continue to apply after the end of the Transition Period.

## **Government Procurement**

103. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments. The TCA has retained the commitments on public procurement that relate to the UK and Canada.
104. An amendment has been made to Annex 19-1 (Central government entities which procure in accordance with the provisions of this Chapter) in the Market Access Schedule of the United Kingdom (formerly the Market Access Schedule of the European Union) through the inclusion of a new footnote to the heading of Section B to ensure coverage of successor entities in respect of their listing until the United Kingdom initiates the process of modifications and rectifications of coverage under Article 19.18 to update the entities listed under Annex 19-1. We do not expect this to have a significant impact on trade flows.

105. Further changes have been made to the Market Access Schedule of the United Kingdom to add clarification to previous references to EU directives and coverage. Where appropriate, these have been replaced with references to relevant UK procurement regulations and wording that reflects the UK's individual coverage of procurement. An additional change to the agreement has been made in Annex 19-7, paragraph 3 to list the territorial units of the United Kingdom - formerly referred to in EU Regulation 1059/2003 on the establishment of a common classification of territorial units for statistics ('the NUTS regulation'). Annex 19-2 (Sub-central government entities which procure in accordance with the provisions of the Chapter) has also been changed to refer to this list of territorial units, in place of the NUTS regulation. This change is not expected to have a significant impact on trade flows.
106. An amendment has been made to Annex 19-8 (Publication Media) in the Market Access Schedule of the United Kingdom to reflect the fact that upon entry into force of the TCA, the United Kingdom will provide Canada with the location of publication of procurement notices and contract awards in the United Kingdom as has been determined after we exit the EU. This will replace the reference to the information system for European public procurement and the Official Journal of the European Union. This replacement text will have a consequential effect to the references to Annex 19-8 in Articles 19.6, 19.8.7 and 19.15.2 pursuant to Article 19.5. These changes are not expected to have a significant impact on trade flows.

## **Technical Barriers to Trade**

107. Technical Barriers to Trade ("TBT") articles in free trade agreements cover aspects relating to regulations, standards and conformity assessment for goods. TBT provisions in trade agreements play an important role in reducing non-tariff barriers for businesses, for example through increasing the transparency of a trading partner's regulatory requirements.
108. A technical change is made to the chapter on Regulatory Cooperation. Incorporated Article 21.7.4 is changed to remove an arrangement to exchange information between the EU RAPEX product safety database and Canada's RADAR database, and instead offer the parties the opportunity to establish such an exchange in future.
109. Two technical changes of note have been made to the Protocol on the mutual acceptance of the results of conformity assessment. The first of these changes is to Article 3.3 which records that following EU exit, conformity assessment bodies based in the United Kingdom may no longer be listed on the EU's New Approach Notified and Designated Organisations or 'NANDO' system. Secondly, in Article 16 the wording of the article has been restructured to ensure continuity of coverage for conformity assessment bodies which had been formerly designated under the Mutual Recognition Agreement between Canada and the European Union which was subsequently superseded by CETA. These changes are not expected to have a significant economic impact.

## **Competition & Subsidies**

110. Chapters or articles in free trade agreements relating to competition, subsidies and state-owned enterprises help to ensure open and fair competition exists for both parties. They detail key principles and can refer to domestic laws for each party.

111. Minor non-substantive technical changes have been carried out in areas of the competition policy chapter to ensure that the effect of the provisions is replicated without altering the substance.
112. Specifically, the Competition and Markets Authority or other regulators listed in section 54(1) of Competition Act 1998 (c.41) or successors notified to Canada, replace the Commission of the European Union as specified competition authorities under Article 28.2 of the agreement. A reference to EU competition law has been replaced with references to relevant UK legislation. A reference to the 1999 Agreement between the European Communities and Canada regarding the application of their competition laws has been removed since this is not appropriate in a UK-Canada context. There nonetheless remains scope for the UK and Canadian authorities to cooperate as necessary. The UK will also retain uncontested access to subsidies allowed within the WTO's green and amber box. Therefore, these changes are not expected to have significant economic impacts.

## **Investment**

113. The investment chapter in the TCA includes liberalisation provisions e.g. concerning market access and performance requirements, as well as provisions on non-discrimination and on investment protection. The latter protect foreign investors from mistreatment by the host state, e.g. by unfair measures or expropriation without adequate compensation. These provisions have been transitioned in the TCA subject to cross-cutting changes as outlined above, such as removal and replacement of references to the EU and Member States.
114. The definition of covered investments has been updated in the investment chapter to reflect the date of provisional application of CETA, 21 September 2017. This provides continuity of effect and ensures the same classes of investor and investment are covered under the TCA as under CETA.
115. National Treatment and Most Favoured Nation standards have also been clarified in the context of the TCA to set out that Canadian investors in the UK will benefit from no less favourable treatment across both central and non-central levels of government. This is not a change in the level of treatment provided for under CETA.
116. CETA Article 8.9 sets out the relationship between investment obligations and regulatory measures. This contains, among other things, a clarification that a Party may discontinue the granting of a subsidy or request its reimbursement where such measures are necessary in order to comply with international obligations between the Parties or has been ordered by a competent court, administrative tribunal or other competent authority. Given that UK's competent authority for such matters has not yet been officially designated, a provision has been made for the UK to notify Canada of its officially designated authority or agency in due course via the UK-Canada contact points.
117. The CETA investment chapter includes a version of an investor-state dispute settlement system called the Investment Court System (ICS). It envisages establishment of a standing tribunal and appellate tribunal for resolving any investor claims brought pursuant to this agreement. The practical details to operationalise the ICS have not yet been fully developed or agreed between the EU and Canada and it has not been provisionally applied under CETA. Article V of the TCA sets out that the ICS-related provisions (including those relating to Financial Services) will not come into force with the rest of the TCA, but instead will be subject to a comprehensive joint review (to be completed within 3 years, unless otherwise extended).

118. Specifically, this suspension and review will cover Articles 8.18 through 8.43 as well as paragraphs 8.44.2 and 8.44.3, except for subparagraph (d). Furthermore, the provisions in Chapter Thirteen (Financial Services), which incorporate the named ICS-related provisions from Chapter Eight (investment) and apply them to investor-state disputes under the Financial Services chapter, are also suspended for the duration of the review. As the CETA ICS is currently not operational there will be no immediate impact from the suspension of these provisions.
119. Decisions under CETA Committees with respect to the ICS will not apply to the TCA. Furthermore, to ensure certainty for UK and Canadian investors, CETA Article 30.9.2 (which triggers a sunset clause in the event of termination) will not apply from the date CETA ceases to apply to the United Kingdom.
120. CETA Article 28.4 permitting the imposition of temporary safeguard measures by the European Union with regard to capital movements and payments has been removed as it relates to an obligation in Article 66 of the TFEU pertaining to the Euro and which, therefore, has no relevance to the United Kingdom. We do not expect this change to have an impact.
121. In the UK's schedule of non-conforming measures (Annex I), the National Treatment 'branching' reservation has required additional clarificatory wording to be added to the reservation following removal of the reference to the Treaty on the Functioning of the European Union from it. This clarifies that the scope of the reservation should not be interpreted more broadly than its comparative reservation in CETA. This change will not have a significant impact for businesses established in the UK. A similar clarification has been made to the UK's customs clearing services reservation in Annex I and the replacement of the reference to the Community Customs Code with a reference to the Taxation (Cross-border Trade) Act 2018.

## **Services**

122. Services chapters and corresponding annexes in trade agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Provisions build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate the domestic markets.
123. Amongst the EUs FTAs with third countries, the content of the services chapters and depth of the reservations undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. However, the majority of CETA's relevant services provisions have been replicated in full under the TCA, with only limited modifications to deliver continuity of effect.
124. Accordingly, the TCA removes CETA's obligations, reservations, and commitments of other EU Member States as these are no longer relevant in a UK-Canada context. Similar amendments include deleting contact points of other EU Member States, deleting references to any non-UK reservations or commitments (e.g. footnotes) and removing those EU or other Member State reservations or commitments that are not relevant to the UK.
125. References to the EU-Canada Agreement on Air Transport (the ATA) are made throughout this agreement. When the UK leaves the EU, it will no longer be party to the ATA. The

relevant text has therefore been replaced with any agreement or arrangement governing air services between Canada and the United Kingdom.

126. The financial services chapter of CETA sets out an obligation for the EU and Canada to negotiate Performance Requirement principles for financial services within three years of the Agreement entering into force. In the TCA, the Parties have agreed to restart the clock for that provision. Where the Chapter makes a reference to the Competent Authority for Financial Services, that has been amended to HM Treasury.
127. The above changes are not expected to have a significant impact on trade flows.



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