

# Canada-UK Free Trade: Balancing progressive trade policies and economic benefits

## About the project

The United Kingdom (UK) and Canada face uncertainty as they respectively manage relations with their largest trading partners. Both the UK's withdrawal from the European Union (EU) post-Brexit and an aggressive American pivot toward a protectionist trade agenda threaten stability and economic prosperity. For Canada-UK bilateral trade negotiations to be successful, policy-makers must address the reasons why the UK voted for Brexit, and why the recent United States election resulted in a populist administration and protectionist agenda.

This report examines how Canada and the UK can deliver on a trade agenda that is progressive in nature, inclusive in impact, and supported by Canadian and British citizens-as-voters. It brings together a broad set of resources, including a comprehensive survey of preferential trade agreements (PTAs), interviews with senior-level provincial staff members, policy-makers, and subject matter specialists from Canada, and a multidisciplinary review of academic literature.

The report identifies four key areas that represent civil society's critique of PTAs; to gain societal support, a Canada-UK trade agreement will need to address these while also considering the various levels of society, including the individual, international and intergovernmental levels:

- **The context of the protectionist movement globally and in the UK:** We identify a demographic that is most likely to hold anti-globalization values to help inform policy-makers on creating supports and flanking policies to address the reasons for their possible disenfranchisement.

- **Economic impact of Brexit on the UK:** Understanding the overall economic impact of Brexit as well as the winners and losers highlights the importance for the UK of initiating progressive PTAs with trading partners like Canada.
- **Fair and free trade:** Providing safeguards to protect environment and social standards, including labour adjustment supports. Drawing lessons from recent free trade negotiations (the Canada-EU Comprehensive Economic and Trade Agreement, the United States-EU Transatlantic Trade and Investment Partnership, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) highlight best practices in building support to overcome domestic opposition. What are the most effective rules and training programs that can be embedded in a PTA?
- **Role of subnational governments:** The legitimacy of a national state signing and implementing a PTA is its ability to manage a policy change that may yield regional disparities. Domestic tensions can derail a successful trade deal because of differential impacts and infringement on the jurisdiction of subnational or devolved regions.

## Key findings

- Displaced labour and populations that have not benefited from free trade support the current protectionist movements. Other public interest groups criticize globalization for failing to safeguard adequate environmental and human rights standards.

- The impact of Brexit on the UK economy will be negative and profound. The magnitude of the impact will depend on what the new relationship looks like and the relationships the UK forges with other countries.
- The provisions regulating labour and the environment within PTAs are progressively expanding in both scope and legal enforceability.
- PTAs have become attractive places to negotiate non-trade rules in exchange for market access because they can link non-trade policy objectives within increasingly “judicialized” treaties. At the limit, such regulatory commitments can be made more enforceable when they are linked to trade agreements, as trade retaliatory measures could be permitted in the event of non-compliance, either as a result of dispute settlement or by unilateral action.
- Whether or not labour and environmental provisions can meet their national policy objectives still remains dependent on domestic factors, such as the political will and resources to enforce these laws.
- Canada Constitution and the UK’s devolution legislations assign jurisdictional authorities to the sub-state regions, including powers over labour, environment and many social programs. As PTAs become more progressive, they will have a greater impact on subnational jurisdictions, which can alter the role of subnational governments in international affairs. ■

### Policy implications

- Brexit will reduce income per capita in the UK. To mitigate the economic costs of leaving, the UK should remain closely integrated into the Single Market and maintain similar access to other partners’ countries that the UK currently enjoys through EU membership, including Canada.
- The UK and Canada should negotiate a PTA with strong environmental and labour provisions. It would be progressive but unprecedented to include an independent enforcement body or explicit targets for the parties to achieve within the commitments of the trade agreement.

- Further research is necessary to identify how a more progressive PTA could be designed to effectively address issues, such as independent monitoring and enforcing labour environmental and social rights, or achieving a government’s nationally determined emission reductions under the Paris Agreement.
- Ensuring a successful Canada-UK PTA requires efforts to garner buy-in from jurisdictions responsible for implantation. Strategies to achieve this could include consultations, collaborations and new institutional mechanisms for negotiations with subnational governments. ■

### FURTHER INFORMATION

[Read the full report](#)

#### Contact the researchers

[Kamala Dawar](#), Senior Lecturer in Commercial Law, University of Sussex: [K.Dawar@sussex.ac.uk](mailto:K.Dawar@sussex.ac.uk)

[Eugene Beaulieu](#), Professor, Department of Economics, and Program Director, International Economics, The School of Public Policy, University of Calgary: [beaulieu@ucalgary.ca](mailto:beaulieu@ucalgary.ca)

[Lindsey Garner-Knapp](#), Research Associate, The School of Public Policy, University of Calgary: [l Garnerk@ucalgary.ca](mailto:l Garnerk@ucalgary.ca)

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