

Appendix 1

- 1. Could you please confirm that the Government's position is that CETA, and all other EU FTAs, will cease to apply to the UK at the time that the UK leaves the EU? Does the signature of CETA as a mixed agreement have any bearing on this?**

On leaving the EU, the UK will no longer retain access to the trade preferences contained within CETA unless arrangements to do so are put in place as part of our negotiations with the EU. This outcome will not be impacted by whether or not the existing trade deal was signed as a mixed agreement. The Department of International Trade is in the process conducting analysis of all available options and we will update the Committee in due course.

- 2. Could you confirm that the UK intends to proceed with the provisional application of CETA, although it will not remain party to the agreement before it leaves the EU?**

The UK Government has been clear that, while we remain a member of the European Union, we will back the EU's trade agenda and participate constructively in decision-making on trade. As such, the Government does want to proceed with provisional application as it will allow UK firms and consumers to benefit whilst we are still in the EU. It is estimated that an ambitious trade agreement with Canada such as CETA will increase the UK Economy by £1.3 billion per annum in the long term and increase UK exports to Canada by 29%. In addition, agreeing to support the CETA deal will prove valuable in aiding our future relationship with Canada.

- 3. What assessment has the UK Government made of the impact on business of the provisional implementation of CETA, when the UK will not be party to CETA over the longer term?**

As you will appreciate, it would be difficult at present to make a detailed assessment of the impacts of provisional application in light of the long term uncertainty around the UK's future relationship with the EU. It is the case, however, that both Canadian and UK businesses will benefit immediately from a number of trade provisions in CETA such as: removal of tariffs on 99.6% of non-agricultural goods and 90.6% of agricultural goods on entry into force; increased market access for food and drink by greater liberalization of tariff lines for processed agricultural products; increased patent protection for pharmaceutical products; and greater market access for services sectors including consulting and advisory services.

- 4. Which items of CETA does the UK not wish to be implemented in the provisional period and why?**

The Commission has provided guarantees that the investment court system of arbitration (ICS) that was included in CETA following the completion legal review in February 2016, will not be provisionally applied ahead of ratification in Member States. The UK welcomes this decision as removal of ICS from provisional application is the main ask of the UK Government.

Discussions about what further elements of CETA will be provisionally applied following the vote in the European Parliament in early 2017, are still ongoing in Council and at the point of writing this letter no firm decision has yet been reached on the provisional application of

CETA. The UK Government will update the Scrutiny Committee when a final decision has been agreed by all 28 Member States.

5. The Explanatory Memorandum states that CETA may form the basis for a future UK-Canada FTA. What discussions has the Government had to date with Canada regarding the prospects for such an FTA? Which elements of CETA are of most value to the UK economy?

Officials in the Department for International Trade are examining options to secure continued UK access to the trade preferences negotiated by the European Union to cover the period between leaving the EU and the coming into force of bespoke UK negotiated agreements. As you will appreciate, our thinking on the UK's future trading relationship with Canada and other international partners is still at a preliminary stage. Further information will be provided to the Committee as we develop our analysis. Attached in appendix 2 is a summary the main benefits of CETA to the UK economy.

Appendix 2

EU-Canada Comprehensive Economic and Trade Agreement Benefits for the UK

Economic modelling has estimated an ambitious trade deal would be worth C\$12 billion to the Canadian economy and £1.3bn to the British economy in the long run. Based on the CETA's text, and summary documents prepared by the Canadian Government and European Commission we see the following benefits for British business.

Industrial and Manufactured Goods

- 99.6% of non-agricultural goods tariffs will go to 0% upon entry into force.
- Transition periods exist for ships and automobiles of between 3-7 years depending on the product. This includes a 6.1% tariff on automobiles and tariffs as high as 25% on marine vessels.

Consumer Products

- Tariffs on consumer products will be eliminated upon entry into force
- This includes tariffs of up to 18% on apparel

Food Products

- 92% of tariff lines will go to zero upon entry into force (exclusion of poultry and egg products)
 - This includes tariffs of up to 10% on sugar confectionary products and up to 6% on chocolate confectionary
- The EU will have a total cheese quota of 31,972 tonnes (13,472 tonnes of existing WTO quota plus 16,800 tonnes of cheese and 1,700 of industrial cheese from CETA)

Wines and Spirits

- Full tariff elimination on wines and spirits products (4.92¢/litre gin, 12.28¢/litre vodka, 24.56¢/litre rum)
- Removal of the blending requirement for imported bulk distilled spirits
- Cost of service fees charged by liquor boards will be only be charged on a flat fee basis rather than ad valorem, which penalises higher value products

Procurement

- The CETA offers broad coverage at the Canadian federal, provincial, and municipal level. The general thresholds for procurement include:

	Provinces and Territories (incl municipalities)	Federal	Other Government entities (crown entities, federal and provincial)	Utilities Sector
Goods and Services	200,000 SDR	130,000 SDR	355,000 SDR	400,000 SDR
Construction	5,000,000 SDR	5,000,000 SDR	5,000,000 SDR	5,000,000 SDR

Special provisions are in place for certain sectors. Certain provisions apply to a number of jurisdictions' procurement by energy entities, as well as mass transit in Ontario and Quebec (up to 25% of contract value can be required to be contracted locally). Shipbuilding is excluded also from the CETA's coverage.

Services and Investment

- EU companies will have a higher threshold (C\$1.5bn) for invoking reviews under the Investment Canada Act
- Process to encourage mutual recognition of professional qualifications
- Provisions to cover the temporary entry of service professionals. Some of the highlights include:

	Intra-Company Transferee			Contractual Service Supplier	Independent Professional
	Senior Personnel	Specialist	Graduate Trainee		
Definition	Exercise wide latitude in decision making	Advanced level of expertise or knowledge of the enterprise's processes and procedures	Possess a university degree and temporarily transferred to an enterprise in the territory of the other Party for career development purposes,	Persons employed by an enterprise of one Party which has no establishment in the territory of the other Party with a contract to supply services with a consumer in the latter Party requiring the presence on a temporary basis of its employees in that Party. Must possess a university degree or qualification demonstrating knowledge of an equivalent level.	Persons engaged in the supply of a service and established as self-employed in the territory of a Party who have no establishment in the territory of the other Party and who have a contract to supply services with a consumer in the latter Party requiring their presence on a temporary basis. Must possess a university degree or qualification demonstrating knowledge of an equivalent level.
Length of Stay Permitted	Less of 3 years or length of contract. Possibility of up to 18 months extension	Less of 3 years or length of contract. Possibility of up to 18 months extension	Less of 1 year or length of contract	Up to 12 months	Up to 12 months

NB: There are a number of other sub categories and further detailed provisions which exist within the Temporary Entry chapter. The above is only a high level summary.

Pharmaceutical Intellectual Property Protection

- Canada's period of data protection is now locked in at eight years
- Provisions for lengthening patents by up to two years to compensate for delays caused by regulatory approvals
- Amendments to the patent legal appeal mechanism to place brand names companies on an even footing with generic companies in the event of a patent dispute.

Inward Investment

- Although the CETA provides numerous benefits for British business, the agreement will also help to improve our offer for current and potential inward investors through:
- EU tariff liberalisation on non-agriculture products. Many food products also liberalised with certain sensitive products receiving significantly increased quota amounts
- Locked in access to EU procurement markets
- Locked in access to EU services markets
- Businesses will also benefit from the certainty provided with the temporary entry provisions.