

JOINT INTERPRETATIVE INSTRUMENT ON THE AGREEMENT ON TRADE CONTINUITY BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND CANADA

1. Preamble

- a) The United Kingdom of Great Britain and Northern Ireland (“the United Kingdom” or “UK”) and Canada make the following Joint Interpretative Instrument at the time of signature of the Agreement on Trade Continuity between the United Kingdom of Great Britain and Northern Ireland and Canada ("TCA").
- b) The TCA embodies the shared commitment of Canada and the United Kingdom to free and fair trade in a vibrant and forward-looking society. It is a modern and progressive trade agreement which will help boost trade and economic activity, while also promoting and protecting our shared values and perspectives on the role of government in society.
- c) The TCA creates new opportunities for trade and investment for people of the United Kingdom and Canada, its outcome reflects the strength and depth of the United Kingdom-Canada relationship, as well as the fundamental values that we cherish. In particular, we wish to recall:
 - that integration with the world economy is a source of prosperity for our citizens;
 - our strong commitment to free and fair trade, whose benefits must accrue to the broadest sections of our societies;
 - that the principal purpose of trade is to increase the well-being of citizens, by supporting jobs and creating sustainable economic growth;
 - that Canada and the United Kingdom recognise the importance of the right to regulate in the public interest and have reflected it in the Agreement;
 - that economic activity must take place within a framework of clear and transparent regulation defined by public authorities.
- d) The United Kingdom and Canada will therefore continue to have the ability to achieve the legitimate public policy objectives that their democratic institutions set, such as public health, social services, public education, safety, environment, public morals, privacy and data protection and the promotion and protection of cultural diversity. The TCA will also not lower our respective standards and regulations related to food safety, product safety, consumer protection, health, environment or labour protection. Imported goods, service suppliers and investors must continue to respect domestic requirements, including rules and regulations. The United Kingdom and Canada reaffirm the commitments with respect to precaution that they have

undertaken in international agreements.

- e) This interpretative instrument provides, in the sense of Article 31 of the Vienna Convention on the Law of Treaties, a clear and unambiguous statement of what Canada and the United Kingdom agreed in a number of TCA provisions that have been and continue to be the object of public debate and concerns and provides an agreed interpretation thereof. This includes, in particular, the impact of TCA on the ability of governments to regulate in the public interest, as well as the provisions on investment protection and dispute resolution, and on sustainable development, labour rights and environmental protection.

2. Right to regulate

The TCA preserves the ability of the United Kingdom and Canada to adopt and apply their own laws and regulations that regulate economic activity in the public interest, to achieve legitimate public policy objectives such as the protection and promotion of public health, social services, public education, safety, the environment, public morals, social or consumer protection, privacy and data protection and the promotion and protection of cultural diversity.

3. Regulatory cooperation

The TCA provides Canada and the United Kingdom with a platform to facilitate cooperation between their regulatory authorities, with the objective of achieving better quality of regulation and more efficient use of administrative resources. This cooperation will be voluntary: regulatory authorities can cooperate on a voluntary basis but do not have an obligation to do so, or to apply the outcome of their cooperation.

4. Public Services

- a) The United Kingdom and Canada affirm and recognise the right of governments, at all levels, to provide and support the provision of services that they consider public services including in areas such as public health and education, social services and housing and the collection, purification and distribution of water.
- b) The TCA does not prevent governments from defining and regulating the provision of these services in the public interest. The TCA will not require governments to privatise any service nor prevent governments from expanding the range of services they supply to the public.
- c) The TCA will not prevent governments from providing public services previously supplied by private service suppliers or from bringing back under public control services that governments had chosen to privatise. The TCA does not mean that contracting a public service to private providers makes it irreversibly part of the commercial sector.

5. Social Security or Insurance

Canada and the United Kingdom may regulate the provision of public services such as social security and insurance in the public interest. The United Kingdom and Canada confirm that compulsory social security and insurance schemes are excluded from the Agreement pursuant to Article 13.2(5) or are exempted from liberalisation obligations of the Agreement on the basis of the reservations the United Kingdom and Canada have taken on social and health services.

6. Investment Protection¹

- a) The TCA includes modern rules on investment that preserve the right of governments to regulate in the public interest including when such regulations affect a foreign investment, while ensuring a high level of protection for investments and providing for fair and transparent dispute resolution. The TCA will not result in foreign investors being treated more favourably than domestic investors. The TCA does not privilege recourse to the investment court system set up by the Agreement. Investors may choose instead to pursue available recourse in domestic courts.
- b) The TCA clarifies that governments may change their laws, regardless of whether this may negatively affect an investment or investor's expectations of profits. Furthermore, the TCA clarifies that any compensation due to an investor will be based on an objective determination by the Tribunal and will not be greater than the loss suffered by the investor.
- c) The TCA includes clearly defined investment protection standards, including on fair and equitable treatment and expropriation and provides clear guidance to dispute resolution Tribunals on how these standards should be applied.
- d) The TCA requires a real economic link with the economies of Canada or the United Kingdom in order for a firm to benefit from the Agreement and prevents “shell” or “mail box” companies established in Canada or the United Kingdom by investors of other countries from bringing claims against Canada or the United Kingdom. The United Kingdom and Canada are committed to review regularly the content of the obligation to provide fair and equitable treatment, to ensure that it reflects their intentions (including as stated in this Instrument) and that it will not be interpreted in a broader manner than they intended.
- e) In order to ensure that Tribunals in all circumstances respect the intent of the Parties as set out in the Agreement, the TCA includes provisions that allow Parties to issue binding notes of interpretation. Canada and the United Kingdom are committed to using these provisions to avoid and correct any misinterpretation of the

¹ Pursuant to Article V (Review of procedures for the resolution of investment disputes between investors and states) of the TCA, the incorporated provisions listed in paragraphs 1 and 6 of that Article do not apply upon entry into force of the TCA and are subject to a comprehensive review. Accordingly, the interpretative notes included in this paragraph that relate to those incorporated provisions will not be used for interpretative purposes pending the review.

TCA by Tribunals.

- f) The TCA moves decisively away from the traditional approach of investment dispute resolution and establishes independent, impartial and permanent investment Tribunals, inspired by the principles of public judicial systems in the United Kingdom and Canada, as well as international courts such as the International Court of Justice and the European Court of Human Rights. Accordingly, the members of these Tribunals will be individuals qualified for judicial office in their respective countries, and these will be appointed by the United Kingdom and Canada for a fixed term. Cases will be heard by three randomly selected members. Strict ethical rules for these individuals have been set to ensure their independence and impartiality, the absence of conflict of interest, bias or appearance of bias. The United Kingdom and Canada have agreed to begin immediately further work on a code of conduct to further ensure the impartiality of the members of the Tribunals, on the method and level of their remuneration and the process for their selection. The common aim is to conclude the work by the entry into force of Section F of Chapter 8 of the TCA.
- g) The TCA includes an Appeal mechanism which will allow the correction of errors and ensure the consistency of the decisions of the Tribunal of first instance.
- h) Canada and the United Kingdom are committed to monitoring the operation of all these investment rules, to addressing in a timely manner any shortcomings that may emerge and to exploring ways in which to continually improve their operation over time.
- i) Therefore, the TCA represents an important and radical change in investment rules and dispute resolution. It lays the basis for a multilateral effort to develop further this new approach to investment dispute resolution into a Multilateral Investment Court. The United Kingdom and Canada will work expeditiously towards the creation of the Multilateral Investment Court. It should be set up once a minimum critical mass of participants is established, and immediately replace bilateral systems such as the one in TCA, and be fully open to accession by any country that subscribes to the principles underlying the Court.

7. Trade and Sustainable Development

- a) The TCA reconfirms the longstanding commitment of Canada and the United Kingdom to sustainable development and is designed to foster the contribution of trade to this objective.
- b) Accordingly, the TCA includes comprehensive and binding commitments for the protection of workers' rights and the environment. The United Kingdom and Canada attach the highest priority to ensuring the TCA delivers tangible outcomes in these areas, thereby maximising the benefits the Agreement will bring for workers and for the environment.

8. Labour Protection

- a) The TCA commits Canada and the United Kingdom to improving their laws and policies with the goal of providing high levels of labour protection. The TCA provides that they cannot relax their labour laws in order to encourage trade or attract investment and, in case of any violation of this commitment, governments can remedy such violations regardless of whether these negatively affect an investment or investor's expectations of profit. The TCA does not change the rights of workers to negotiate, conclude and enforce collective agreements and to take collective action.
- b) The TCA commits the United Kingdom and Canada to the ratification and effective implementation of the fundamental Conventions of the International Labour Organisation (ILO). Canada has ratified seven of the fundamental Conventions and has launched the process to ratify the remaining Convention (*Right to Organise and Collective Bargaining Convention, 1949 (C98)*).
- c) The TCA also creates a framework for Canada and the United Kingdom to cooperate on trade-related labour issues of common interest, including through involvement of the ILO and a sustained dialogue with civil society, to ensure that the TCA encourages trade in a way that benefits workers and in a manner supportive of labour protection measures.

9. Environmental Protection

- a) The TCA commits the United Kingdom and Canada to provide for and encourage high levels of environmental protection, as well as to strive to continue to improve such laws and policies and their underlying levels of protection.
- b) The TCA explicitly recognises the right of Canada and of the United Kingdom, to set their own environmental priorities, to establish their own levels of environmental protection and to adopt or modify their relevant laws and policies accordingly, mindful of their international obligations, including those set by multilateral environmental agreements. At the same time in the TCA the United Kingdom and Canada have agreed not to lower levels of environmental protection in order to encourage trade or investment and, in case of any violation of this commitment, governments can remedy such violations regardless of whether these negatively affect an investment or investor's expectations of profit.
- c) The TCA includes commitments towards the sustainable management of forests, fisheries, and aquaculture. It also includes commitments to cooperate on trade-related environmental issues of common interest such as climate change where the implementation of the Paris Agreement will be an important shared responsibility for the United Kingdom and Canada.

10. Review and Stakeholder Consultation

- a) Commitments related to trade and sustainable development, trade and labour and trade and environment are subject to dedicated and binding assessment and review mechanisms. Canada and the United Kingdom are fully committed to make effective use of these mechanisms throughout the life of the Agreement. Furthermore, they are committed to initiating an early review of these provisions, including with a view to the effective enforceability of the TCA provisions on trade and labour and trade and the environment.
- b) Stakeholders, including employers, unions, labour and business organisations and environmental groups, have a key role to play in supporting the effective implementation of the TCA. The United Kingdom and Canada are committed to seeking regularly the advice of stakeholders to assess the implementation of the TCA. They support their active involvement, including through the establishment of a TCA Civil Society Forum.

11. Water

The TCA does not oblige Canada or the United Kingdom to permit the commercial use of water if they do not wish to do so. The TCA fully preserves their ability to decide how to use and protect water sources. Furthermore, the TCA will not prevent the reversal of a decision to allow the commercial use of water.

12. Government Procurement

The TCA maintains the ability of procuring entities within the United Kingdom and Canada, in accordance with their respective legislation, to use environmental, social and labour-related criteria, such as the obligation to comply with and adhere to collective agreements, in procurement tenders. Canada and the United Kingdom will be able to use such criteria in their procurement in a way that is not discriminatory and does not constitute an unnecessary obstacle to international trade. They will be able to continue to do so under the TCA.

13. Benefits for Small and Medium Sized Enterprises

The TCA also provides benefits to small and medium sized enterprises (SME's) for whom trying to meet the cost requirements of customers is a constant challenge. The TCA will address this issue by: allowing virtually all manufactured goods to be exported duty-free; reducing processing times at the border and making the movement of goods cheaper, faster, more predictable and efficient; reducing regulatory hurdles, in particular with the possibility to have their products tested and certified to Canadian standards within the United Kingdom and vice-versa; facilitating the movement of service providers such as contractual suppliers, independent professionals, and short-term business visitors, so that SMEs can more easily meet with clients and offer after-sales servicing; and greatly expanding access to government procurement

opportunities for SMEs at the central, sub-central and local government levels. Small farmers will equally benefit by easier access to markets and better selling opportunities, including for distinctive quality products.

14. Preferences for Canada's Aboriginal Peoples

In the TCA Canada has included exceptions and carve-outs to ensure its ability to adopt measures that preserve rights and preferences for Aboriginal peoples. Canada is committed to active engagement with Indigenous partners to ensure the ongoing implementation of the TCA continues to reflect their interests.