



Department for  
International Trade



The UK–Japan  
Comprehensive  
Economic Partnership  
**Benefits for the UK**

**The UK–Japan Comprehensive Economic Partnership Agreement (CEPA) is the first major trade deal that the UK has struck as an independent trading nation.**

This British-shaped deal is tailored to the UK economy, goes beyond the existing EU agreement and includes major wins that would be impossible as part of the EU.

All parts of the country could benefit, with Scotland, London and the East Midlands set to gain the most. This deal could boost trade between the UK and Japan by over £15 billion and drive economic growth in the long run.

It is also an important step towards joining and establishing closer ties with the 11 countries in the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP).

This document explains the specific benefits for consumers and business across different sectors of the UK economy.

# 1

## Agriculture, food and drink

**The UK-Japan Comprehensive Economic Partnership (CEPA) will benefit farmers and agri-food exporters across the UK, from lamb in Wales, to dairy products in the South West, to salmon in Scotland, from a sector that employed over 900,000 people across the UK in 2019.**

**Promoting the interests of our farmers and agri-food exporters has been a priority throughout these negotiations. And we were clear with Japan that we want a deal that works for our agricultural sector.<sup>1</sup>**

### Geographical Indications

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New protection for more iconic UK goods will be possible under CEPA – with the aim to increase geographical indications (GIs) from just seven under the terms of the previous agreement to over 70, which would lead to improved recognition of key UK brands in the Japanese market. Protections of existing geographical indications (e.g. Scotch Whisky, Irish Cream, West Country Farmhouse Cheddar) could in future extend to all current UK GIs under the new agreement such as English sparkling wine, Yorkshire Wensleydale and Welsh lamb, Arbroath Smokies, Jersey royal potatoes, Kentish ale, Orkney Scottish Island Cheddar, Cornish Clotted Cream, and Irish poteen.

Many of these products are popular and UK exports to Japan are growing. In 2019 UK whisky exports to Japan were worth £149m, a growth of 17% from £128m in 2018. There was a 39% increase in British cheese exports to Japan in 2019 (from £1.6m in 2018 to £2.2m in 2019). Fresh Atlantic salmon exports to Japan in 2019 were worth £9.2m, a growth of 66% from £5.5m in 2018.

### Rules of Origin

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We have agreed new and more liberal Rules of Origin (ROO) which remove certain restrictions contained in the previous agreement. These changes will potentially allow £88.2m more of UK exports to receive preferential tariffs in Japan and so could increase the volume of trade in areas such as textile products, sugar confectionary and biscuits.<sup>2</sup>

CEPA protects established supply chains by ensuring that UK businesses are able to continue using EU inputs in their exports to Japan for key agri-food products. This particularly benefits exporters from Northern Ireland and British fisheries, who rely on inputs from the EU. British manufacturers and processors can also continue to use EU inputs.

UK pet food exporters are one example of where UK businesses will gain additional benefits compared to the previous agreement. With exports of over £13m, pet food is the fifth biggest UK agri-food export to Japan and is a growing market. Manufacturers will be able to use ingredients such as meat, fish, cereals and sugar from anywhere in the world as opposed to just the EU and still be able to access competitive tariffs into Japan.

Similarly, restrictions have been removed for manufacturers of baked goods, breakfast cereals and sugar confectionery, giving producers far greater sourcing flexibility. For example, some food producers, including bakers and biscuit makers will have more freedom in where they source their ingredients. They will be able to source ingredients such as flours, starches and sugar from anywhere in the world as opposed to just the EU and still be able to access competitive tariffs into Japan.

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<sup>1</sup> Business Population Estimates 2019, figure relates to 'A Agriculture, Forestry and Fishing', '10 Manufacturing of food' and '11 Manufacturing of beverages'. <https://www.gov.uk/government/statistics/business-population-estimates-2019>

<sup>2</sup> Some of these Rules of Origin changes are in sectors outside of food and drink.

## Lower tariffs

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CEPA will support the exports of British products through reduced tariffs on products such as beef (MFN 38.5% reducing gradually to 9%), pork (MFN up to 4.3% reducing gradually to 0%), sweet biscuits (MFN 20.4% reducing to 0%) and salmon (MFN 3.5% reducing gradually to 0%).

We will continue to benefit from access to the low tariffs for key food and drink products covered by quotas, such as cheese (including Stilton), tea extracts and bread mixes. This arrangement forms a pathway to further market access under CPTPP, which has been committed to by Japan as part of our agreement.

Japan has further agreed to work closely with the UK to ensure the effective operation of the new quota scheme. CEPA will also ease the paperwork requirements under the new scheme. A new Low Rate Import Certificates scheme will be established by Japan for British exports of these products. Japanese importers of British products under the new scheme will only need to provide two customs documentations, reduced from the potential six required by the EU agreement, in order to get access to the quota.

## Improved Future Market Access

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The previous agreement contained a five-year review of the treatment of certain agricultural products; the CEPA extends this to cover all agricultural products. This review will give the UK the opportunity to improve market access across a wider range of products than under the previous agreement, for example, by introducing measures such as faster reduction or elimination of tariffs or streamlining tendering processes and increasing quota quantities.

## Malt exports

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Japan has also guaranteed market access for UK malt exports under an existing quota which is more generous and easier to access than the EU quota. The UK is the second biggest exporter of malt to Japan, with UK producers exporting £37m there in 2019.



### Business set to benefit:

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**Walkers Shortbread:** “We welcome the news that a UK-Japan agreement has been agreed today. Japan remains one of Walkers’ most important markets and sales have grown steadily there since first launching in Japan over 40 years ago.

“This deal will help provide certainty and create more opportunities to continue building sales in the future in a market where our products already enjoy success.”



### Business set to benefit:

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**Penderyn:** “Our spirits are attracting growing attention on the world stage which is underpinned by the quality of what we produce here in Wales. Japan is a very premium and important market for our spirits, especially single malt whisky, where it is very much a priority market for the future. We are building the brand with growing reputation in what is a very sophisticated spirits market.”

## Fishing industry

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For our fishing industry, CEPA also allows for vessel ownership by the UK, Japan and the EU. UK fishing vessels currently exporting under the EPA, even those part owned by individuals or companies in the EU, will continue doing so.

## Small and Medium-sized Enterprises

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Customs costs can often be a burden to UK SMEs looking to export. The customs provisions in CEPA minimise costs and administrative burdens, meaning that Japanese consumers can get more of the British products they enjoy and UK SMEs can benefit from simple and predictable customs procedures when they export to Japan.

## Reducing counterfeiting

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Japan has agreed to work with us on the development of enforcement mechanisms for lot codes on wine and spirits, which will enable UK manufacturers to more effectively trace their products, as well as reduce counterfeiting. The Agreement also commits both parties to involve industry representatives with the necessary expertise in the field of lot identification in these activities. The Scotch Whisky Association has welcomed the inclusion of this commitment and the benefits for Scotch exporters.

## Food safety

CEPA will also make it easier for UK agri-food exporters to export to Japan by ensuring that Japan's food safety rules are available in English and speeding up Japan's approval process for some agri-food goods.



### Business set to benefit:

**Rhug Estate:** "Our organic Welsh meat is used in Michelin-starred restaurants, and renowned for its quality around the world. Japan is a market of interest to us, having the second highest number of Michelin stars and strong market demand for Welsh lamb and chicken. We would welcome a UK-Japan trade agreement which will make it easier for us to trade there."

## Sustainable agriculture

CEPA will ensure continued cooperation on matters of sustainable agriculture, for example rural development and the exchange of technical information, and best practices. CEPA also enables the UK and Japan to cooperate on measures to improve the business environment for agriculture and foods in both countries. A working group has been established to facilitate discussion between the UK and Japan on these issues.

### Benefits for consumers

We have secured reduced tariffs for some flagship Japanese products into the UK meaning more choice for consumers and cheaper udon noodles (MFN 26.4% reducing to 0% on 1 January 2021), yuzu fruit (MFN 16% reducing to 0% on 1 January 2021) and the popular snack, Pocky (MFN up to 31% reducing to 0% on 1 January 2021), fresh Pacific bluefin tuna (20% MFN reducing to 0% at EIF), Soya sauce (6% at MFN to 0% at EIF) and Japanese beef (up to 217% MFN to 0% at EIF).

The UK's independent food regulators will continue to be able to ensure that all food imports into the UK comply with those high standards. The CEPA maintains our high standards of food safety and animal welfare. Furthermore, we have also locked in the commitment to keep working closely with Japan on animal welfare matters.

Shochu (the Japanese spirit) can now be sold, and enjoyed by consumers, in new 900ml bottle size. Single-distilled Shochu, commonly known as Honkaku Shochu, is an artisanal product and this will allow Japanese producers to sell in the UK in the traditional bottle size.

## Select Tariff Schedule:

Item	Japan MFN Tariff	UK-Japan CEPA Tariff
Beef	38.5% tariff	The EPA stages tariff to 9% by 2033.
Salmon	3.5% for the most important salmon lines	0% entry into force for the most important salmon lines
Pork	4.3% for the main tariff line exported (High Value Pork)	EPA reduces main tariff line exported from 4.3% to 0% over nine years
Bacon	8.5% for prime cuts	Tariffs on prime cuts of British bacon will fall to 0% by 2028
Biscuits	20.4% tariff on sweet biscuits	Tariffs staged to 0% by the 11th year after entry into force.
Strawberries	6.0%	0% at entry into force.
Blue cheese	29.8%	0% from 2033 onwards (but has quantitative TRQ restrictions)
Cheddar cheese	29.8%	0% from 2033 onwards
English and Welsh wine	High tariffs on some products for example for example with sparkling wine has a tariff rate of 21.1%	Under the EPA all tariffs moved to 0%
Roasted coffee	12%	0% at entry into force
Black tea	12%	0% from 2023 onwards
Malt	21.3 yen/kg	Guaranteed tariff free access under global TRQ



# 2

# Manufacturing

**CEPA supports jobs in a sector that employs around 2.7m people across the UK<sup>3</sup> – at major investors like Nissan and Hitachi, as well as our own manufacturers, through reduced tariffs on parts which already come from Japan, streamlined regulatory procedures and greater legal certainty for their operations.**

## **Reduced tariffs and non-tariff barriers**

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UK tariffs on two tariff lines covering electrical control units often used in cars will be put to zero as of 1 January 2021. By bringing in reductions on tariffs on car parts, UK-based auto manufacturers will benefit from lower costs of production, which they can pass onto consumers.

CEPA also includes an automotive annex to facilitate regulatory alignment and the reduction of non-tariff barriers. Without the agreement it will be more costly for UK and Japanese businesses trading vehicles and vehicle parts.

## **Mutual Recognition Agreement Protocol**

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CEPA provides continuity of effect for the EPA Mutual Recognition Agreement (MRA) for Conformity Assessment, through a new UK Japan MRA Protocol. The MRA Protocol provides measures to simplify the process of demonstrating compliance with safety and other regulatory standards e.g. the MRA Protocol's Good Manufacturing Practice for Medicinal Products Annex requires the UK and Japan to recognise each other's inspection and audit systems and waive batch testing of products on import into their territories.

The MRA Protocol covers electrical products, good laboratory practice for chemicals, good manufacturing practice for medicinal products (human), telecommunications and radio equipment. Without the MRA Protocol, businesses in these sectors would face significantly more difficult processes to demonstrate compliance with Japanese safety regulations, making these exports less competitive. It covers approximately £2 billion of trade, including around £1 billion of UK exports, representing up to 20% of total UK goods exports to Japan (HMRC, 2019).



## **Business set to benefit:**

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**Advanced Innovative Engineering:** “The biggest challenge facing the electric vehicle industry at the moment is range anxiety, and this is where our rotary engines come into use as long-endurance range extenders. Japan is not currently a market we export to, but it is a market we are very interested in developing. There is demand in the region for our engines, especially in the field of hybrid-electric technologies and urban mobility, particularly for commercial vans and autonomous vehicles.

“Over the next couple of years, we want to build up our presence in the region, and a UK-Japan FTA will make that process much easier for us and allow us greater access to a market that we hugely regard within our industry.”

## Transfers of foreign capital

CEPA limits restrictions on transfers of foreign capital by granting foreign investors the right to free movement of capital for the purpose of investment liberalisation. This means UK investors can move funds into Japan to initiate or expand their investments and repatriate capital back to the UK.

## Customs procedures

CEPA also establishes a committee to ensure direct cooperation between the UK and Japan's customs authorities in customs (and Rules of Origin) matters. It also ensures that goods are held in customs for a period no longer than necessary and that information on customs procedures is publicly available to exporters. The CEPA also ensures that there are rights of appeal and review for exporters following administrative decisions and that both the UK and Japan maintain risk management systems that enable customs authorities to focus inspections on high risk consignments.

## Trade statistics

Road vehicles are one of our top goods exports to Japan, worth around £1.1 billion in 2019.<sup>4</sup>

According to the Society of Motor Manufacturers & Traders (SMMT), in 2018 three out of the top four British car best-sellers worldwide were from Japanese brands – namely Nissan, Honda and Toyota. We have secured a deal that will encourage companies like these to continue investing in the UK, providing jobs for thousands of UK citizens.

Last year, we imported £2.2bn worth of auto products from Japan and, in return, exported around £1.2bn. Auto products made up around 21% of UK goods imports from Japan in 2019 and 18% of all goods exports. They are a key part of our economic partnership.



### Business set to benefit:

**Jim Norman, Commercial Director, Burleigh Ceramics:** “Our brand is recognised globally for beautiful designs and unmatched traditional craftsmanship which hold strong appeal for Japanese consumers.

“There is a rich tradition of tea drinking shared by the UK and Japan. In both our cultures, taking tea is a ceremonial act grounded in the everyday and the occasion. Our hand-made pieces have always been popular in Japan and we welcome any trade agreements which will benefit businesses like ours.”

## Select Tariff Schedule:

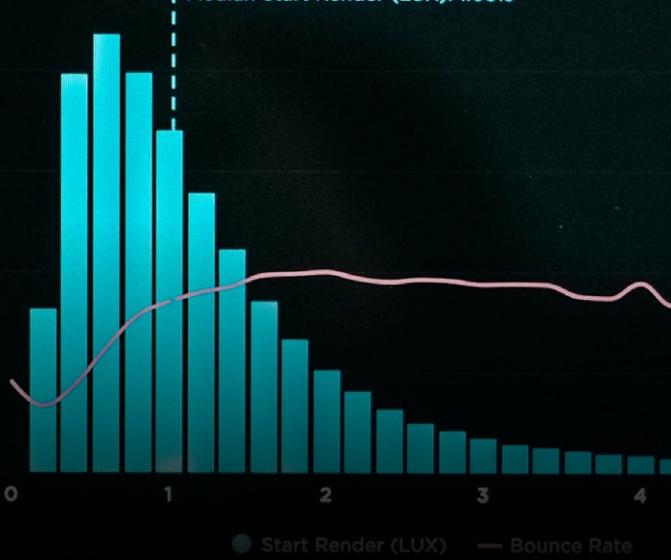
Item	Japan MFN Tariff	UK-Japan CEPA Tariff
Sleeping bag	3.8%	0% EIF
Illuminated signs	4.8%	0% EIF
Articles for Christmas festivities	3.2%	0% EIF
Fishing rods	3.2%	0% EIF
Silver plated cutlery set	3.9%	0% EIF
Decorative glassware	3.9%	0% EIF
Builder's joinery and carpentry made from wood	3.9%	0% EIF

<sup>4</sup> road vehicles defined as SITC2 code 78 (note subset of Automotive). UK trade: July 2020

Bounce Rate  
7s  
57.1%

3

80 % 32K  
60 % 24K  
40 % 16K  
20 % 8K



# Digital and Data

**CEPA includes digital & data provisions that not only go far beyond the EU's, but also outpace the CPTPP in key areas. This makes CEPA a truly cutting-edge agreement and shows how the UK, through its trade deals, will shape global standards on digital trade.**

## Joint digital market

CEPA provisions on the protection of source code, banning data localisation, upholding the principles of net neutrality, open government data and certification all serve to bring together two of the world's most technologically advanced nations into a joint digital market, engineered to foster growth and innovation across both countries.

The CEPA does this, not by seeking to let one country impose regulation on the other, but by recognising that both have trusted, advanced and well-run regulatory systems that can work successfully together. The EU takes a more protectionist stance.

The twin advantage of the CEPA approach is that it will create new opportunities for UK tech and digitally-savvy firms to export to Japan, whilst also attracting greater investment into the UK from Japan's leading digital industry, supporting a digital sector that employed an estimated 1.6 million people across the UK in 2019, an increase of 20.6% from 2018.

## Joint commitments

CEPA commits the UK and Japan to:

Avoiding unjustified restrictions on the free flow of data between the UK and Japan, giving business the assurance they need that they can collect, process, and transfer data between the two countries, without facing unnecessary red tape.

Encouraging the release of anonymized government datasets where appropriate. Facilitating public access to these valuable datasets will create opportunities for British businesses to build innovative new products and foster economic and social development.



## Business set to benefit:

**AVID Technology:** "At AVID our most significant advantage is that no request is too big or too small for us. We produce end-to-end custom solutions, design electrification solutions for high performance, heavy duty vehicles, which means that we do all the design, testing, manufacturing and certification in our factory. Japan is not currently a market we export to, but it is a market we are very interested in developing. At present AVID has very limited activity in Asia and over the next couple of years we want to build a strong presence there."

"Based on my 30-year experience of doing business in Japan, without a shadow of doubt UK-based tech solutions, research and development are highly regarded around the world, but particularly in Asia and especially in Japan. There is big mutual respect between the UK and Japan, for the type of technology innovation and high-quality manufacturing AVID provides."

## Digital and data protections

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CEPA provides comprehensive protections for software, algorithms, and encryption technologies. Innovators can be confident that their products will not be undermined by unjustified requests for the disclosure of their trade secrets to state authorities.

## Open Government Data

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An ambitious provision on Open Government Data, that will facilitate the development of innovative new products and services with tremendous economic and social potential. This agreement encourages both governments to publish anonymized datasets in a machine-readable format. Recognizing the value of Open Government Data, we have agreed to cooperate in identifying appropriate Government datasets to be made publicly available.

## Benefits for consumers

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The agreement includes an additional commitment to uphold world-leading standards of protection for individuals' data when their data is being transferred across borders. This means that individuals can be sure that their data is being handled responsibly and securely.

CEPA also contains a commitment to ensuring open internet access as a means of developing an open, secure and trustworthy online environment which will enable development of innovative technologies and the protection of users of online services.

The UK takes the protection of personal data, the right to privacy and consumer protection extremely seriously. We recognise that spam can cause annoyance, embarrassment and even distress for consumers, particularly for the most vulnerable in society. That's why UK and Japan have agreed to require the consent for messages to be received by a user of electronic commerce and for commercial electronic messages to be clearly identifiable.

We have also agreed to strengthen commitments to protect consumers engaged in electronic commerce by prohibiting fraudulent and deceptive commercial activities online. The UK and Japan affirmed their commitment to cooperate on online commercial activities, helping to ensure that consumers are covered by high standards in online consumer protection.

## Trade statistics

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The digital industry exported £675m worth of services to Japan in 2018. £265m of this was in computer programming, consultancy, and related activities.

The UK's digital industry contributed £149bn to the economy in 2018 and 7.7% of the UK's gross value added. The industry is also rapidly growing on the global stage with a 14.7% increase in UK digital services exports between 2017 and 2018.



### Business set to benefit:

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**TechUK:** “techUK welcomes the conclusion of the UK-Japan Economic Partnership Agreement with its comprehensive digital trade chapter. Today's agreement improves an already flourishing relationship between the UK and Japan tech sectors and creates significant opportunities for trade and investment for both our countries. Since 2018, in partnership with JEITA, we have run a successful UK-Japan Tech Forum to enable our members to develop a closer relationship with Japan and we look forward to working with the Government and our partners in Japan to assist the tech sector in taking full opportunity of this agreement.”



### Business set to benefit:

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**Simon Williams, NTT Data CEO:** “We're delighted that this agreement not only replicates the existing EU-Japanese digital trade rules but goes a step further to enhance them. This gives UK businesses complete trust in dealing with Japanese businesses by including some of the most advanced data protection and sovereignty rules in the world. This demonstrates the high priority given to the digital economy by both countries - a blueprint for the digital era that others will surely replicate.”



# 4

## Financial services

### CEPA goes beyond the previous agreement in financial services.

#### Enabling the Free Flow of Data

Additional safeguards on the ability to use, store and process financial data on a cross-border basis have been agreed. This means that UK businesses supplying financial services in Japan are not obliged to store financial data in Japan.

This avoids the associated costs of maintaining multiple data servers across jurisdictions. This will help UK fintech firms operating in Japan to innovate and grow, helping a sector that employs over 500,000 in the UK in 2019.<sup>5</sup>

#### Licences to operate

CEPA includes greater transparency and streamlined application processes for UK firms seeking licences to operate in Japan. This gives UK suppliers greater confidence that they will receive transparent and reasonable treatment by Japanese regulatory authorities.

#### Annual dialogues

The deal creates an annual dialogue between Her Majesty's Treasury, UK financial regulators, and the Japanese FSA that will explore ways to further reduce regulatory friction – something that would be impossible were the UK still in the EU. This framework will facilitate closer UK-Japan cooperation on financial services regulation in the future, supporting the reduction of market fragmentation and barriers, and increasing trade and investment.

#### Trade statistics

The top UK services exports to Japan in 2019 were financial services (£4.2bn).



#### Business set to benefit:

**Yoko Christina Makiguchi, CEO (Interim) Japan, Revolut:** “A free trade agreement with Japan that enables greater regulatory cooperation will further support our expansion into the Japanese market, taking Revolut’s financial super-app to even more customers.”

<sup>5</sup> Business Population Estimates 2019. Figures relate '64 Financial service activities, except insurance and pension funding'  
<https://www.gov.uk/government/statistics/business-population-estimates-2019>



5

# Creative industry

**The UK's creative industries employed around 2.1m people in 2019.<sup>6</sup> CEPA means they can now be confident that their brands and innovations will be protected.**

## Intellectual property rights

We have gone further than the EU on provisions that tackle online infringement of IP (Intellectual Property) rights, such as film and music piracy.

These include provisions on access to justice, enforcement in the digital environment and public awareness, measures in respect of websites registered outside of the territories of Japan and the UK, and criminal remedies for certain IP rights infringement. For example, encouraging the use of voluntary initiatives to tackle infringement and awareness-raising among the public, and an agreement to ensure affordable access to justice for all Intellectual Property rights holders in the UK and Japan, without unreasonable costs for litigation.

## Promoting high standards

Under the CEPA, we have strengthened the UK and Japan's commitments to promoting the best standards in practice of collective management organisations. Regarding fair remuneration for the music industry, we have secured a commitment to discuss with Japan the right to remuneration for performers and producers of phonograms (any sound recording) when phonograms published for commercial purposes are used for broadcasting or for any communication to the public. We have secured text that ensures legal protection and remedies against the circumvention of technological protection measures and also on rights management information.

## Small and Medium-sized Enterprises

The UK has also secured a dedicated SME chapter that ensures that UK SMEs are provided with the tools and resources necessary to seize the opportunities of exporting to Japan. This includes securing a commitment to make information on doing business in Japan available to UK SMEs.

## Benefits for consumers

CEPA includes a number of new articles enhancing the enforcement of IP rights. These include provisions on access to justice, enforcement in the digital environment and public awareness. This is likely to reduce the scale of counterfeiting and pirating in relevant industries thereby helping to protect consumers.

## Trade statistics

In 2019, £375 million of Intellectual Property (IP) services were exported to Japan, representing 5% of all UK services exports to Japan.<sup>1</sup> Over the same period, £2.5 billion of IP services were imported from Japan, representing 37% of all UK services imports from Japan.



## Business set to benefit:

Geoff Taylor, CEO, British Phonographic Industry (BPI) and BRIT Awards –  
“We welcome the conclusion of the UK-Japan Free trade agreement, including commitments on IP that have the potential to further strengthen the outstanding export record of Britain's music and creative industries. We hope that the UK can build on this achievement and continue dialogue with Japan so as to secure the most effective implementation possible of these commitments, based on ongoing consultation with industry partners.”



# 6

## Fashion

**CEPA support British exporters of leather goods and clothing through reduced tariffs. Across the UK, the textile sector employs over 95,000 workers.<sup>10</sup>**

### Rules of Origin

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The CEPA makes it easier for UK clothing producers to export to Japan under these reduced tariffs. In particular, we have introduced rules which will allow clothing producers to undergo a single process in the UK (for example, sewing together the imported fabrics into a coat), and then export to Japan under tariff preference, as long as 50% of the inputs are sourced domestically.

Under the EPA, clothing producers were required to undertake several processes in the UK, even if they sourced most of their inputs domestically. This change may allow high-value producers of goods including knitwear, suits, gloves and coats to increase their exports to Japan.

### Customs provisions

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The UK has negotiated customs provisions that minimise costs and administrative burdens, meaning Japanese consumers can get more of the British products they enjoy and UK companies benefit through simpler and more predictable customs procedures.

### Design law

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On designs, we have locked in recent revisions to Japan's design law which allows for multiple designs in one application. This means, for instance, a fashion designer who has recently designed a new product line of trainers can file for design right protection for these new products in one go instead of previously having to send the applications separately, which is more time consuming and costly.



### Business set to benefit:

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**Rutherford's:** "After completing a two-year apprenticeship with one of the UK's top leather craftsmen, I knew I wanted this passage of knowledge to lay the foundations of the business. Leather luxury items often become family heirlooms and every piece we stitch together needs to encapsulate that sense of devotion. That sentiment transcends the business and I hope one day I'll be passing Rutherford's on to our talented team so they can keep the name and craft alive for many years to come.

"In Japan they absolutely adore handmade, good quality, English products. We were first approached by a Japanese distributor after he spotted our bags on eBay. Since then the relationship blossomed and the Department for International Trade assisted in exporting our products abroad."



### Benefits for consumers

Consumers will benefit from reduced tariffs on imports ranging from T-shirts (from MFN 12% to 0% on 1 January 2021) to wrist watches (from up to 0.26% AVE to 0% on 1 January 2021)

### Trade statistics

The UK exported more than £175m of textiles and leather products to Japan in 2019.

### Select Tariff Schedule:

Item	Japan MFN Tariff	UK-Japan CEPA Tariff
Silk fabrics	Up to 12.5%	0% EIF
Hats and head-gear	Up to 5.8%	0% EIF
Coats	Up to 10.9%	0% EIF
Suits	Up to 10.9%	0% EIF
Shirts	Up to 10.9%	0% EIF
T-shirts	Up to 10.9%	0% EIF
Textile and textile articles	0.0% to 6,978 yen per kg	0% by 2028
Articles of apparel and clothing accessories, not knitted or crocheted	Up to 13.4%	0% EIF
Footwear	Up to 30 % or 4,300 yen, whichever is higher	0% by 2033
Handbags	Up to 16 %	0% by 2028



### Business set to benefit:

**Martin Mason, Managing Director at Tricker's, said:**

“Our products represent quality and luxury in footwear manufacturing and knowing that our leather sourced from Italy is covered within the Rules of Origin in the Japan Free Trade Agreement ensures that our business with Japan will be able to trade in exactly the same way.

“Tricker's success in Japan highlights the continued demand for traditional British manufacturing methods and processes”

# 7

## Small and Medium Sized Enterprises (SMEs)

**CEPA could deliver huge gains for 8,000 UK Small and Medium-Sized (SMEs) across the UK already exporting goods with Japan as well as those making plans to enter the Japanese market.**

### SME chapter

A dedicated SME chapter that ensures they are provided with the tools and resources necessary to seize the opportunities of exporting to Japan, creating new opportunities for the UK's 5.9 million small and medium-sized businesses to trade with Japan.

### SME website

CEPA sets out how the UK and Japan will exchange information on vital rules and regulations, including through the use of an SME website and a searchable database. This commitment also includes making information on doing business in Japan available to UK SMEs in English.

### Cooperation on support for SMEs

The UK and Japan have agreed to undertake and strengthen cooperation to support SME trade and investment between the UK and Japan, and that is it important to involve the private sector in this cooperation. This commitment does not exist in the EPA text. These cooperation activities could range from developing and promoting seminars for SMEs or exchanging best practices to support SMEs.

### Lower customs costs

Customs costs can often be a burden to UK SMEs looking to export. The customs provisions in the CEPA minimise costs and administrative burdens, meaning that Japanese consumers can get more of the British products they enjoy and UK SMEs benefit from simple and predictable customs procedures.

The UK Japan FTA ensures that dispute procedures are not overly costly and are dealt with in a timely manner to ensure all businesses, including SMEs, can access the process if needed.

### Trade statistics

SMEs make up more than 99% of UK businesses.<sup>7</sup>

Of the companies exporting goods to Japan in 2018, 89% were SMEs. Additionally, of those importing goods from Japan, 86% were SMEs.<sup>8</sup>



### Business set to benefit:

**Belvoir Fruit Farms:** “The opportunities for Belvoir Fruit Farms in Japan are huge because of the company’s history and British heritage.

“Our consumers in Japan are fascinated by our original family recipe and our special manufacturing process, which involves picking the elderflowers by hand. Japan has become one of Belvoir’s top export markets and is one of our key growth partners.”

**Ollie and Lucy’s:** “Our mission from the start was to get traditional Cumberland sausages to other places outside Cumbria and the UK. We like to consider ourselves as the first point for Cumberland produce and we work with local farmers to make sure we have the best pork from Cumbria and the Lake District.

“With the Lake District becoming a world UNESCO World Heritage Site in 2017 we have seen an increase in tourism from Japan. Japanese visitors love visiting the Lake District and there is a strong demand in Japan for fine British produce.”

<sup>7</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/836562/BPE\\_\\_2019\\_detailed\\_tables.xls](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836562/BPE__2019_detailed_tables.xls) Table 5

<sup>8</sup> HMRC Trade in Goods by Business Characteristics (2018). Please note that figures do not include businesses whose size is unknown.



8

# Services

**The UK's creative industries employed around 2.1m people in 2019. CEPA means they can now be confident that their brands and innovations will be protected.**

## **Market access and fair treatment**

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We have negotiated to ensure that CEPA provides UK service suppliers continued market access to Japan. Whilst protecting the UK government's right to regulate our own domestic markets, we've also gone further than the EU and negotiated provisions that deliver benefits to UK services suppliers beyond the previous agreement.

In particular, we've secured commitments for preferential guaranteed market access and fair treatment for UK services suppliers. These ensure UK services and services suppliers are treated no less favourably than local services and services suppliers in Japan, and at least as well as competitors from third countries.

Neither the UK or Japan can impose limits on the number of companies supplying services or the number of transactions undertaken for sectors within the scope of the agreement, nor discriminate against the service suppliers of the other country. CEPA also ensures that measures affecting the supply of services, including technical standards, are administered in a reasonable, objective and impartial manner.

With few exceptions, any future liberalisation by the UK and Japan on sectors covered by the agreement will not be undone, meaning that UK and Japanese services suppliers can benefit from liberalising changes to the UK and Japan's domestic regime even if they take place after the agreement enters into force. For example, UK legal service suppliers will benefit from the recent amendments to Japan's Foreign Lawyers' Act which don't fully enter into force until 2022.

## **Services domestic regulation**

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The Domestic Regulation provisions incorporate some key additions beyond the previous agreement. This will provide greater certainty for UK service suppliers seeking to operate in Japan, and signals the UK's commitment to a liberal and transparent trading environment for Japanese service suppliers contributing to the UK economy. The new text has been largely drawn from the World Trade Organization's Joint Initiative on Services Domestic Regulation draft text, reflecting the UK and Japan's shared ambition in this area. These additions will increase transparency on processing times, approval and renewal procedures for licensing, authorisation and qualification requirements across relevant services sectors.

## **Professional and Business Services**

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CEPA sets out a process whereby professional bodies in Japan and the UK are encouraged to provide joint recommendations on mutual recognition, including of professional qualifications (known as MRPQ) to the UK-Japan Joint Committee. If a Mutual Recognition Agreement is reached between competent authorities it could allow a professional to provide a service in the other country without having to retrain.

## **Transport services**

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CEPA ensures legal certainty across all modes of transport, particularly maritime, rail and air transportation services. This includes greater certainty for Japanese investors and service suppliers in the UK's rail industry, who employ thousands of people, including in the North East.

The international maritime transport subsection within the previous agreement contains one of the more ambitious maritime transport provisions we have seen in recent FTAs, which are in line with the UK's core maritime trade policy objectives.

On rail CEPA also goes further than the EPA by including a guarantee of non-discriminatory treatment to Japanese entrepreneurs and enterprises in regards to rail passenger transportation. This provides further legal certainty to Japanese rail investors and firms already established and operating in the UK, such as Hitachi and makes the UK a more attractive investment opportunity for future investors in this sector. This supports further investment and UK jobs in the passenger rail sector within the UK.

### Postal and courier services

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CEPA safeguards the right to legislate for a Universal Service Obligation, whilst also ensuring a level playing field for postal and courier service suppliers within both countries through such measures as preventing cross-subsidisation of non-universal services by universal service revenues and ensuring regulators are independent and impartial.

### Telecommunications

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CEPA enables telecoms providers of Japan and the UK to operate in each other's countries. It does not apply to broadcasting and services providing content transmitted using telecoms services. Both the UK and Japan agree to allow each other's suppliers to access and use the others' telecommunications networks on terms that are reasonable and non-discriminatory.

Both the UK and Japan have agreed to ensure that its regulatory authority is legally distinct and independent from telecommunications suppliers. Japan and the UK have the right to maintain universal service obligations. These ensure that basic fixed line services are available at an affordable price to all citizens. They also agreed that all telecoms suppliers are eligible to provide universal service.

The agreement provides that authorisation procedures to provide telecoms services should, as far as possible, require simple notification or registration, and not a prior decision by the regulatory authority. There are provisions on the allocation of frequencies and scarce resources, resale, transparency, confidentiality, and dispute settlement. The Agreement also requires the UK and Japan to endeavour to cooperate on promoting transparent and reasonable rates for mobile roaming.

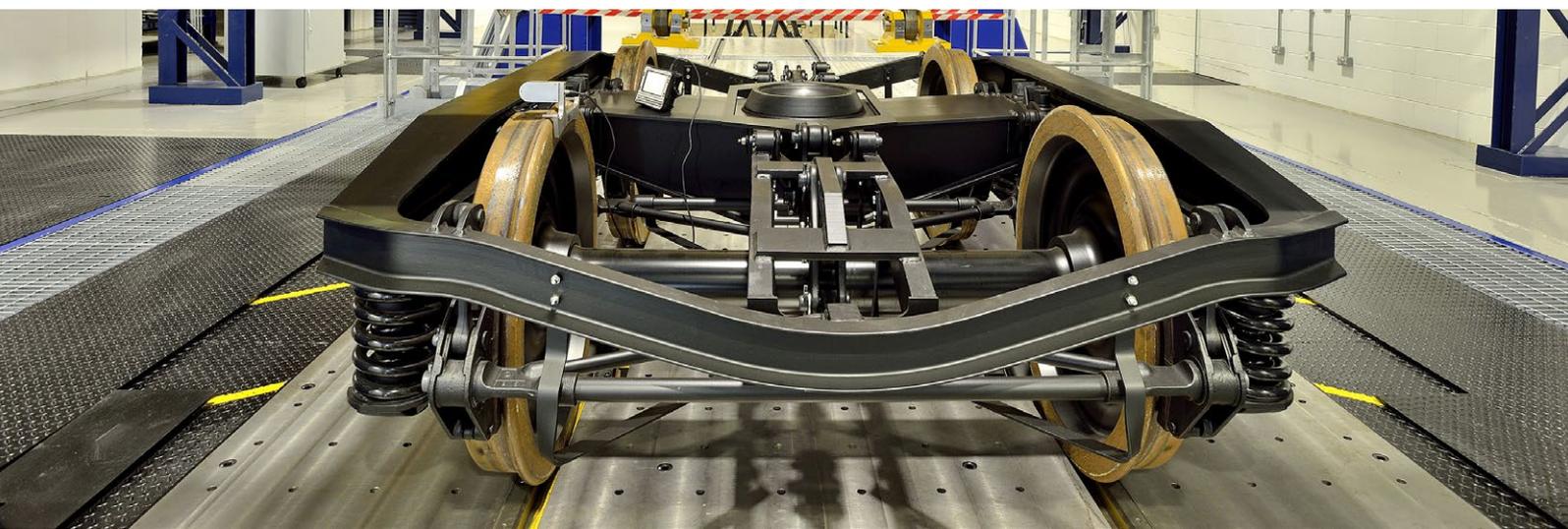
### Business mobility

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CEPA maintains the full provisions on temporary movement of highly skilled professionals from the previous agreement, allowing the UK to continue to benefit from the comprehensive commitments Japan took in the following areas: Business Visitors (including Short-term Business Visitors and Business Visitor for Establishment Purposes), Intra-corporate transfers, Investors, Contract Service Suppliers and Independent Professionals. Entry and stay of spouses and dependents of each category is also granted, with the ability for spouses to temporarily enter the labour market in Japan.

The UK maintained its commitments under the previous agreement, providing certainty to Japanese businesses that they can continue to access the current provisions and use them to support growing their businesses in the UK, through the movement of highly skilled professionals in a range of sectors.

The CEPA has improved commitments on the temporary movement of highly skilled professionals. Japan has expanded the scope of their intra-corporate transferee category, and the investor definitions have been amended to focus on investment in UK industry and jobs, rather than the amount of capital. The UK has taken new commitments for Japanese investors who are coming to the UK to establish a new company or running an existing branch, and for the entry and temporary stay of the partners and dependent children of intra-corporate transferees. The UK has made a new obligation to process visa applications in 90 days that matches Japan's commitments.



# 9

## Investment



**The CEPA provides continuity in our investment relationship, making it easier for UK firms to invest in Japan and reinforcing the UK's position as the top destination in Europe for investment, and third in the world.**

The UK and Japan already have a strong relationship on investment. Japan was the 6th largest investor in the UK in 2018, with £89.2 billion invested in the UK in 2018.<sup>9</sup> The UK was the 4th largest investor in Japan with US\$23.3 billion (£17.5 billion) invested in Japan in 2018.<sup>10</sup>

The agreement include provisions on market access preventing the UK or Japan from placing numerical or performance limitations on the investors of the other. In addition, provisions also include prohibitions on performance

requirements and restrictions on nationality requirements of executives, managers, and members of boards of directors.

The previous agreement does not include provisions on investment protection or investor-state dispute settlement. The CEPA does not include these provisions either. However, we recognise the importance of provisions relating to investment protection and investor-state dispute settlement in general and have agreed to continue discussions on these topics when appropriate.

<sup>9</sup> ONS, Foreign direct investment (FDI) totals for inward and outward flows, positions and earnings: 2017 to 2018.

<sup>10</sup> Japan External Trade Organisation (JETRO), Japan's Inward FDI 2018.



# 10

# Global Britain

**CEPA is a landmark moment for the UK. Our first major agreement as an independent trading nation is critical to the future of our country and role in the world.**

## **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).**

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CEPA not only provides benefits for UK businesses but also represents an important step towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This will give UK businesses a gateway to the Asia-Pacific region and help to increase the resilience and diversity of our supply chains.

This in turn will hitch us to a high standards agreement full of countries who play by the rules - strengthening the global consensus for free trade and putting the UK in a stronger position to reshape global trade rules, from women's economic empowerment to anti-corruption.

## **Gender Equality and Women's Economic Empowerment**

The UK is committed to promoting gender equality and women's economic empowerment in the UK and around the world – which is why we've negotiated an entirely new chapter in the CEPA that promotes these issues.

A key part of this is increasing women's ability to access the benefits of trade, including our FTAs. The Women's Economic Empowerment chapter provides a crucial mechanism for the UK and Japan to work together to increase the ability of women, as both business owners and workers, to access the benefits of the agreement.

Women continue to face disproportionate barriers in accessing the opportunities of trade, which prevent them from participating equitably in the domestic and global economy. Research by the International Trade Centre (2019) identifies these barriers as a lack of access to finance, information and business networks. The UK and Japan have agreed to work together to overcome these barriers to trade through a working group mechanism.

This agreement will not only support women business owners but also women employees. This chapter highlights the importance of advancing women's leadership in recognition of ongoing gender segregation by sector and occupation. This contributes to the gender pay gap and translates to trade-dependent employment.

Traditional gender roles can also limit women's participation in trade-related employment and other barriers to trade are compounded by other factors which make operating a business more difficult such as childcare commitments (ITC 2015) as such, the Parties have agreed to identify best practices related to workplace flexibility.

This agreement recognises that the ongoing relevance of the commitments made in 2017 through the UK supports Joint Declaration on Trade and Women's Economic Empowerment agreed at the 11th Ministerial Conference of the WTO (MC11), which seeks to remove barriers to, and support the participation of, women in trade.



## Anti-Corruption

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The CEPA goes beyond the previous agreement by including a new provision covering anti-corruption, which signals the UK and Japan's shared ambition to combat the distorting effects of corruption on trade.

The CEPA reinforces the obligations that the UK and Japan have in relation to Anti-Corruption and their efforts to eliminate bribery and corruption in international trade and investment by affirming the UK and Japan's adherence to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and the United Nations Convention against Corruption.

## Standards

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The CEPA underlines the UK and Japan's commitments to trade and sustainable development, highlighting their recognition of the linked nature of economic, social and environmental development. The UK and Japan are to work to ensure that their laws and regulations maintain a high level of protections based on international standards, whilst recognising their right to regulate for themselves in this area.

## Labour

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There are provisions on labour standards which recognise the importance of using trade to promote high labour standards, and commit the UK and Japan to aligning their domestic legislation to international principles for fundamental rights at work. They provide that both Japan and the UK ensure that no competitive advantage is gained by lowering labour standards or failing to enforce these standards. Both also reaffirm their obligations under the International Labour Organisation. There are references to cooperation on labour matters.

## Environment

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The CEPA also reaffirms commitments to implement a number of multilateral environmental agreements, including the Paris Agreement, and commits to cooperation on using trade to promote the transition to a low emission economy. Further provisions require the UK and Japan to take action on biodiversity and conservation, sustainable forestry, and sustainable fisheries, including tackling illegal economic activity in these areas.

## Animal Welfare and Food Safety

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Nothing in the CEPA prevents the UK from continuing to uphold its' high environmental, food safety and animal welfare standards now that the UK has left the European Union. The agreement with Japan works for UK consumers, farmers, and companies. Without exception, imports into the UK will continue to meet the UK's stringent food safety standards. The Government stands firm in trade negotiations to ensure any future trade deals live up to the values of farmers and consumers across the UK.

Provisions in the UK-Japan CEPA commit both parties to cooperation on matters of animal welfare, and to the exchange of technical information and best practices for providing safe and high quality foods for consumers in the UK and Japan. In addition, DIT is committed to scrutiny of animal welfare standards in FTAs through a range of measures, including where appropriate the assessment of animal welfare impacts.

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

We are an international economic department, responsible for:

- supporting and encouraging UK businesses to drive sustainable international growth
- ensuring the UK remains a leading destination for international investment and maintains its number one position for international investment stock in Europe
- opening markets, building a trade framework with new and existing partners which is free and fair
- using trade and investment to underpin the government's agenda for a Global Britain and its ambitions for prosperity, stability and security worldwide.

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