

BUSINESS BRIEFING: UK-JAPAN FREE TRADE AGREEMENT NEGOTIATIONS

A briefing for British business on the wants and asks of the UK and Japan in the ongoing trade talks

Background:

- In September 2019, Secretary of State to the Department for International Trade, Liz Truss visited Japan and announced that the island nation was a priority trade partner for an FTA after the UK leaves the European Union
- The DIT opened an inquiry into 'The Future of UK-Japan Trade' in October, and the CBI held a Townhall Event with SoS Liz Truss in November, to put forward member inputs to the negotiating team
- In January, the CBI met with Japan's chief trade negotiator, Hiroshi Matsuura, to discuss how British and Japanese business can support their respective governments in ensuring a successful trading relationship
- The DIT published its negotiating objectives in May, ahead of the start of formal negotiations in June. Negotiations are now underway, taking place virtually and at pace, given that they need to be concluded by the end of July

The UK's Negotiating Team and Objectives

British representation in these negotiations is headed up by DIT SoS Liz Truss. Being negotiated in tandem with a trade deal between the UK and the United States of America, this marks the first time the UK has negotiated an independent trade deal in over 35 years

Core Objectives:

- Reduce tariffs on Japanese imports so that they can be more easily integrated into supply chains and become more affordable to consumers
- Stronger provisions for Small & Medium Enterprises operating in Japan, including improved access to visas, so that the process in which visas are extended for SMEs is more transparent
- Ambitious digital provisions, including the free flow of data between the UK and Japan to support the technologies of the future
- Mutual recognition of professional qualifications to improve mobility within the services sector
- Reduced tariffs and red tape for food and drink exports to Japan to boost agricultural exports
- Reduced non-tariff barriers for the automotive industry to support the export of cars to Japan
- Develop simple and modern rules of origin that consider existing supply chains
- Secure protections for UK geographical indicators
- Protect the UK's existing IP standards

Japan's Negotiating Team and Objectives

Japan comes to these negotiations fresh from its experience of negotiating the EU-Japan Closer Economic Partnership Agreement. The Japanese Government has taken a strong cross-government approach, drawing on trade experience within its civil service heading back to the 1990s. Japanese representation in these negotiations is headed up by Hiroshi Matsuura, Japan's Chief Trade Negotiator

Core Objectives:

- Liberalisation of trade in goods without the burdens of customs duties and procedures
- Improved mobility for Japanese workers seeking to bring 'key skills' to the UK
- Maintenance of existing basic policies regarding the entry of foreign capital to the UK
- Maintenance of the current levels of information protection and the free transfer of data
- Development of high levels of support for the digital economy and e-commerce in the UK
- Greater investment protection for Japanese firms operating in the UK
- Instant and complete removal of auto tariffs
- Introducing provisions for cumulative rules of origin, so that Japanese firms can move parts between the EU and the UK, while continuing to benefit from FTAs concluded by the EU
- That the UK agrees with the EU for the continuous functioning of the single passporting system for financial services

Timelines:

January 2021:

In order to avoid the UK and Japan falling into a trade relationship based on WTO terms, a deal needs to have been agreed and in place before the new year

September 2021:

Based on the experience of the US-Japan 'mini-deal', that was negotiated last year, a UK-Japan deal that was concluded in September could still be passed by the Japanese Diet before December

July 2020:

However, according to Ambassador Mitsuura, a deal must have been agreed before the end of July so that there is time for the Diet to debate it before their summer recess

Now:

The deal is being negotiated as we speak, with 6 working groups negotiating 23 chapters and annexes

The text is being translated and appraised by lawyers as chapters are concluded, rather than upon the negotiation's conclusion as is the norm, because the deal must be concluded at pace

End Game?

Best Case Scenario: Despite Japan's insistence in the media that a deal must be agreed by the end of July, meaning that there isn't time to structure an ambitious and far-reaching FTA, the UK and Japan manage to agree terms to a forward-thinking FTA, which supports existing supply chains and the technologies and industries of the future

Acceptable Scenario: Given the time pressures, the UK and Japan manage to agree a base trade deal, that functions similarly to a roll-over deal and is based on the EU-Japan EPA, allowing businesses to continue trading in January as is

Worst Case Scenario: The UK and Japan cannot agree terms and walk away from the negotiations. The UK and Japan revert to trading on WTO terms

How can CBI members become involved?

- CBI members wanting to know more about the progress of the negotiations or provide inputs to the DIT on an anonymous basis should contact **Joseph Cash** at joseph.cash@cbi.org.uk if in the Asia-Pacific region or **Hemita Bhatti** at hemita.bhatti@cbi.org.uk if in London
- The House of Lords International Agreements Subcommittee has launched an inquiry on whether the DIT has the right objectives in mind for UK-Japan negotiations and the future of UK-Japan trade. While the CBI will be submitting evidence on behalf of members, businesses should note that they can submit evidence independently. To read the terms of reference, please follow the [link](#)

CBI Beijing Office

July 2020

For more information please contact:

Guy Dru Drury (Chief Representative – China, NE & SE Asia): guy.drudrury@cbi.org.uk

Joseph Cash (Policy Adviser): joseph.cash@cbi.org.uk