



Department for
International Trade



Department for
Business, Energy
& Industrial Strategy

Lord Grimstone of Boscobel, Kt
Minister for Investment

Department for International Trade
King Charles Street
Whitehall
London
SW1A 2AH

The Lord Goldsmith QC
International Agreements Sub-Committee
House of Lord
London
SW1A 0PW

T +44 (0) 20 7215 5000
E grimstone.correspondence@trade.gov.uk
W www.gov.uk/dit

Dear Peter,

11th September 2020

Update on negotiations on the UK's future trading relationship with Japan: agreement in principle reached

I am writing to inform you and your committee that today we have reached agreement in principle for a free trade deal with Japan. This is the UK's first major trade deal as an independent trading nation.

The UK-Japan Comprehensive Economic Partnership Agreement was agreed in principle by Japan's Foreign Minister, Minister Motegi, and Secretary of State for International Trade, Liz Truss, on a video call this morning.

This is a historic moment for both our countries. This deal deepens the economic partnership between two democratic island nations who believe in the fundamental principle of free and fair trade.

The deal secures additional benefits beyond the EU-Japan trade deal and will give UK companies exporting to Japan a competitive advantage in a number of areas. It will help to create jobs and drive economic growth throughout the whole of the UK.

UK businesses will benefit from tariff-free trade on 99% of products exported to Japan. Government analysis shows that a deal with Japan increase trade by £15.2 billion, giving a £1.5 billion boost to economy and increasing UK workers' wages by £800 million in the long run.

The deal is also an important step towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. This will give UK businesses a gateway to the Asia-Pacific region and help to increase the resilience and diversity of our supply chains.

UK manufacturers, food and drink producers and the tech sector are all set to benefit from the additional measures, which include:

- 1. Cutting-edge digital & data provisions** – that go far beyond the EU-Japan deal, including enabling free flow of data, a commitment to uphold the principle of net neutrality, and a ban on data localisation that will prevent British businesses from having the extra cost of setting up servers in Japan. This will help UK fintech firms operating in Japan – like Revolut and Transferwise – to innovate and grow, attract greater investment into the UK from Japan's leading digital industry, and make it easier for UK tech and digitally-savvy firms to export to Japan.

2. **Improved market access for UK financial services** – including ensuring UK firms can secure licenses to operate in Japan simply and transparently. 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. Financial services are our biggest export to Japan, accounting for 30% of all UK exports.
3. **Tariff-free access for more UK goods** – new and more liberal Rules of Origin will allow producers of coats, knitwear and biscuits – to source inputs from around the world for their exports to Japan, making it easier and cheaper for them to sell to the Japanese market.
4. **New protection for more iconic UK goods like Cornish pasties** – increasing geographical indications (just seven under the terms of the EU-Japan deal to potentially over 70 under our new agreement, covering goods like Scotch beef, English sparkling wine, Yorkshire Wensleydale, and Welsh lamb. This would lead to improved recognition of key UK brands in the Japanese market.
5. **New protections for UK creative industries** – British businesses can now be confident that their brands and innovations will be protected. We have gone beyond the EU on provisions that tackle online infringement of IP rights, such as film and music piracy.
6. **Improved mobility for business people** – securing more flexibility for Japanese and British companies to move talent into each country, including graduates and specialists. These commitments – that go beyond the EU-Japan deal – cover a range of UK skilled workers to enter Japan, from computer services to construction.
7. **Paves the way for UK accession to the Trans-Pacific Partnership** – we have secured a strong commitment from Japan to support UK membership of the Trans-Pacific Partnership, which will open up 11 key pacific markets for exporters, reducing tariffs for UK business (95% of goods traded between members are tariff-free).
8. **Supporting UK car and rail manufacturing** – supporting jobs at major investors in the UK like Nissan and Hitachi through reduced tariffs on parts coming from Japan and streamlined regulatory procedures.
9. **More generous market access for malt producers** – Japan has 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 each year.
10. **Strong tariff reductions for pork and beef exports** – we have negotiated a deal that sees tariffs fall on pork, beef, salmon and a range of other agricultural exports. We will continue to benefit from access to the low tariffs for key food and drink products covered by quotas, such as stilton cheese, tea extracts and bread mixes. This forms a pathway to more meaningful market access under the Trans-Pacific Partnership, which has been committed to by Japan as part of our agreement.

The NHS' services and the prices it pays for drugs remain protected and was not up for negotiation. There have been no changes to our intellectual property regime that would lead to increased medicines prices for the NHS.

We have maintained all existing protections for our high standards of food safety and animal welfare. The UK's independent food regulators will continue to ensure that all food imports into the UK comply with those high standards and, without exception, imports into the UK will meet our stringent food safety standards.

As we have now reached an agreement in principle, we hope to sign the agreement in the coming weeks and thereafter publish it along with the parliamentary report and economic impact assessment in October.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grimstone', written in a cursive style.

Lord Grimstone of Boscobel, Kt
Minister for Investment
Department for International Trade
Department for Business, Energy and Industrial Strategy