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Angus Brendan MacNeil MP
International Trade Committee
House of Commons
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12 November 2020

Dear Angus,

UK-JAPAN COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT

Thank you for your letter dated 2 November outlining some questions the International Trade Committee had regarding the UK-Japan Comprehensive Economic Partnership Agreement.

Please find attached answers addressing your questions.

I hope that this, alongside the oral evidence I provided to the Committee on 4 November, will help to inform the committees report on the agreement.

Best wishes,

THE RT HON ELIZABETH TRUSS MP
Secretary of State for International Trade
& President of the Board of Trade

Rules of origin

1. **What due diligence has DIT undertaken to assure itself that the cumulation arrangements under Article 3.5 are not in violation of Articles I (Most Favoured Nation), III (National Treatment) and XXIV (Free Trade Agreements) of the General Agreement on Tariffs and Trade?**

   The UK is committed to complying with its international obligations, including international agreements to which it has entered in to, such as the General Agreement on Tariffs and Trade. DIT considered these obligations when developing our approach to cumulation.

Tariff Rate Quotas

2. **What modelling has DIT done of the impact of the UK no longer having access to 15 Tariff Rate Quotas (TRQs) under the Japan-EU Economic Partnership Agreement (JEEPA) – particularly in respect of TRQ23 (Butter, Skimmed Milk Powder, Milk powder, Butter Milk Powder and Condensed Milk)?**

   No forecast has been made of the impact of the UK no longer having access to specific TRQs. Forecasting future trade flows at the product-line level would be subject to a high degree of uncertainty, due to the low volumes and therefore high volatility of data at such a fine degree of granularity.

   Usage of EU-Japan EPA TRQs cover a small proportion of our total agri-food exports to Japan – just 0.2%. Total UK agri-food exports to Japan were worth around £402 million in 2019-20[1], of which £271 million was beverages, spirits and vinegar[2] and £131 million was other agri-food products of which around £1 million was covered by exports using the EU-Japan EPA TRQs.

   14 of these TRQs had no utilisation in the 2019 financial year and one had minimal usage (certain butter products). 99% of UK exports under the EU TRQs in 2019-20 FY are covered by the arrangements we have agreed with Japan.

   For butter, milk and milk powders, where there was TRQ usage, UK exporters will continue to have access to the Japanese market via Japan's WTO TRQs.

3. **What modelling has DIT done of usage of the remaining 10 EU TRQs (listed in Annex 2-A Part 3 - Section B) and how it's likely to change in the coming years as the relevant provisions in JEEPA are progressively implemented – potentially squeezing the "headroom" available for the UK to use?**

   In the 2019-20 financial year, only a small number of the 25 TRQs were close to being fully utilised by the EU – only 2 quotas had been filled to more than 70% of the available volume. If that usage trend continues then the UK-Japan scheme will continue to provide the UK with adequate market access.

[1] According to Japanese Ministry of Finance and customs data covering period from April 2019 to March 2020.
[2] "Beverages, spirits and vinegar" here refers to products defined under chapter 22 of the Harmonised System.

Under CEPA, we will continue to have access to the same preferential tariff rate for 10 TRQs. UK exporters will also continue to benefit from access to Japan's duty-free global TRQ for Malt. These new arrangements cover 99% of the value of UK exports under EU TRQs in 2019-20.

Assuming that EU27 TRQ usage grows 10% year on year, our calculations suggest that a scenario of curtailed UK market access would be unlikely to arise earlier than 2024. By 2024 we expect to have joined CPTPP. As part of UK-Japan CEPA discussions, Japan has committed (via a Ministerial side letter) to support the early accession of the United Kingdom to the CPTPP and provide the UK meaningful market access to similar products to those covered by TRQs in the EU-Japan deal.

It should also be noted that, the Government of Japan issues licenses to Japanese importers for TRQs and importers are encouraged to return licenses if they have not used them throughout the year. Even if licenses for 100% of the EU TRQ volume has been granted in a year, returned or unused licenses means there could at the end of the year still be unused volumes available for imports from the UK. For example, in 2019/20 financial year 100% of the cheese quota licenses had been allocated, however at the end of the financial year the final usage of the quota was 47.5%.

4. **A side-letter to the Agreement commits Japan to "take all reasonable steps to maximise the utilisation of the [TRQ] scheme". What specific steps is Japan obliged to take in this respect?**

This letter represents a clear political commitment from Japan to maximise the utilisation of the scheme. This will include proactively publicising the availability and operation of this scheme; proactively communicating the availability of UK-Japan Preferential Import Certificates on the website of the Government of Japan; providing a dedicated contact point for United Kingdom exporters and Japanese importers within the Government of Japan to respond to queries or requests for information; and providing upon request in a timely manner any data available on the volume and timing of imports registered under the scheme.

5. **The side-letter also commits Japan to participate in a review of the TRQ scheme if UK cheese exports under the scheme fall in any given year. In that circumstance, what measures does DIT expect Japan might take to remedy the situation – and how far would it be obligated to implement any such measures?**

If in a given year, under the scheme, cheese imports from the UK are lower than in the previous year then Japan and the United Kingdom will examine whether the reasons for the fall are because of the design of the scheme. If the issue related to the design of the scheme as it relates to cheese imports then the UK and Japan would review the issue. Any measures or outcomes would be subject to discussions with Japan. However, Japan has committed that it would undertake this review with a view to ensuring improved market access for the United Kingdom.

6. **Why is this commitment only made in relation to use of the cheeses quota (TRQ25)?**

   This commitment was part of the overall negotiated outcome with Japan for these new arrangements reflecting the future potential of Cheese exports to Japan and the complexity of the Cheese TRQ. It covers soft cheese, blue cheese (which includes Stilton), fresh cheese, powdered cheese and processed cheeses (hard cheeses, like cheddar, are not covered by a quota but tariffs are gradually phased out becoming duty free in 2033). Japan provided additional assurances in a Ministerial side letter with regard to the design of the scheme and any impacts for future UK cheese exports under the new quota scheme.

7. **DIT's press release on the Agreement says that "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." Can DIT explain how this is the case given that: the UK already has access to Japan's autonomous / global quota for malt; there's more competition for it (as it's open to the whole world); and this quota can be unilaterally changed or removed by Japan at any time, unlike the EU malt quota (TRQ10), which Japan is obligated under JEEPA to maintain?**

   UK exporters will continue to benefit from access to Japan's duty-free global TRQ for Malt. Instead of receiving continued access to a country-specific TRQ for malt, Japan provided a Ministerial side letter guaranteeing that the UK will continue to have access to Japan's duty-free global TRQ. Other countries do not have this additional guarantee. Unlike a country-specific TRQ, this does not require additional documentation providing evidence of originating status and is historically much larger than the TRQ in the EU-Japan EPA. This arrangement from Japan will provide for continuity for UK exports of malt to Japan.

8. **Can DIT set out in plain language how Japanese importers will be able to claim preferential treatment for UK goods in relation to the TRQ scheme, as provided for under Annex 2-A Part 3 - Section B?**

   The new scheme uses Japan's Before Permit scheme – a scheme which temporarily suspends the need to pay tariffs at the border on the condition that the importer provides a guarantee to the customs authority (one way of doing this is via a Banker's Guarantee). This means that at the point of import the importers would only need to register the import under the Before Permit scheme.

   The preferential tariff rates as set out in the EU-Japan EPA will apply to imports from the UK. The quota available for British importers will be the entirety of any unutilised EU quota in that year (for cheeses, certain wheat products, cake mixes, certain barley products, coffee syrups, tea extracts and certain cocoa preparation products).
   Under the new scheme, Japanese importers would initially pay no tariff on imports of covered products. At the end of each financial year, importers would pay the same in-quota rate as under the EU scheme (for most TRQs this is a 0% tariff) for any TRQ volume not utilised by the EU27.

If the quotas under the EU-Japan agreement are full then importers would pay the MFN rate. However, these arrangements are a bridge to the UK's eventual membership of the Trans-Pacific Partnership (CPTPP). The UK expects there will continue to be enough surplus volume in the EU TRQs until at least around 2024, by which time we expect to have joined CPTPP. As part of UK-Japan CEPA discussions, Japan has committed (via a Ministerial side letter) to support the early accession of the United Kingdom to the CPTPP and provide the UK meaningful market access to similar products to those covered by TRQs in the EU-Japan deal.

Agricultural safeguards

9. **The agricultural safeguards threshold (under Article 2.5) will apply to EU and UK imports combined. What modelling has DIT done of the effect of this arrangement compared to there being separate safeguards thresholds for UK and EU imports?**

For Japan's agricultural safeguards, the UK will be no worse off than it was when the EU-Japan Agreement applied to the UK.

Japan has retained safeguards on beef, pork, processed pork, whey and oranges. Japan may trigger the safeguard to apply to the UK only if the combined total of imports from the UK and the EU exceed the trigger volumes determined in the EU-Japan Agreement for that given safeguard period.

The UK examined and modelled various safeguard mechanisms and decided that this approach was the best negotiable outcome available. In this instance, given the headroom built into the EU-Japan safeguards, the approach taken in the UK-Japan CEPA of aggregating UK and EU import volumes is better for UK exporters than if the UK had negotiated independent safeguards on a proportional basis of historic EU28 exports.
For racehorses, the safeguard (which is price triggered) is identical in design and function as the safeguard in EU-Japan Agreement.

All the safeguards in the CEPA are synchronised in terms of timing with those in the EU-Japan Agreement so that when the safeguards expire in the EU-Japan Agreement, they also expire in the UK-Japan CEPA.

Services

10. **DIT's press release on the Agreement states (regarding Article 8.31) that it has secured "Improved market access for UK financial services – including greater transparency and streamlined application processes for UK firms seeking licences to operate in Japan." If the basis for granting licences to operate remains unchanged, in what sense is market access increased?**

Commitments on the ability to provide new financial services and regulatory transparency have been bolstered to give UK suppliers greater confidence that they will receive transparent and reasonable treatment by Japanese financial regulatory authorities. For example, there are additional commitments which mean that an applicant seeking authorisation will be able to provide additional information to complete an ongoing application and receive reasons for the rejection of an application (Article 8.64). The agreement also new commitments that prevent discrimination against UK firms seeking to supply new financial services in the Japanese market and ensure that applications for authorisation will be processed within a reasonable period of time (Article 8.60).

The new UK-Japan Financial Forum also establishes enhanced regulatory cooperation to address regulatory barriers and improve market access for financial services suppliers.

11. **DIT's press release on the Agreement states (regarding Annex 8-A, paras 17–25) that "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." What is the difference in this regard between the provisions in CEPA in respect of the Joint UK- Japan Financial Regulatory Forum and those in JEEPA regarding the Joint EU-Japan Financial Regulatory Forum?**

    The EU-Japan EPA contained a regulatory cooperation annex (Annex 8-A). The annex established a Forum for representatives of both the EU Commission and the Government of Japan, including the Japanese Financial Services Agency, to promote closer regulatory cooperation and examine specific issues at least once a year. The existing EU-Japan Forum does not allow individual member states to attend which restricts the UK's ability to raise issues specific to our financial services sector.

    The UK and Japan have agreed a bespoke Forum for ongoing regulatory cooperation between HM Treasury, the Bank of England and Financial Conduct Authority and the Financial Services Agency of Japan. The new annex includes more comprehensive provisions that provide a mandate to pursue enhanced bilateral trade and investment, support the agreement and management of deference arrangements and collaborate on emerging policy issues of interest (e.g sustainable finance, diversity in finance and new financial services).

12. **Article 8.5.1 states that the Parties shall endeavour, where appropriate, to reduce or eliminate the non-conforming measures set out in their respective Schedules. What timeframe, if any, will apply in this regard?**

    Article 8.5.1 reflects the shared commitment of both Parties to continue to reduce trade barriers for service suppliers and investors. There is no specific timeframe for doing so. However, the article creates the scope for further liberalisation where appropriate while protecting the right to regulate, including on public services. This ensures that decisions on how to run public services, such as the NHS and the BBC, continue to be made by UK governments, including the devolved administrations (DAs), not Japan.
    The CEPA also provides for any future liberalisation by the UK or Japan through amendments to legislation listed as a non-conforming measure to be automatically passed on to the other Party. For example, the CEPA will allow UK lawyers to benefit from recent amendments to Japan's Foreign Lawyers' Act which enter into force in 2022.

13. **On 14 September, the Secretary of State told the House that "We have achieved improvements in areas such as transportation services". Which provisions of the Agreement was she referring to and how do they differ from those under JEEPA?**

As set out in the Parliamentary Report, a number of changes have been made to the UK's and Japan's schedules of reservations in Annexes 8-B-I and 8-B-II. Where the UK has agreed to a substantive change, this has been in the interest of the UK to support the UK economy. Annex 8-B-II Reservation 13(d) has been modified to guarantee non-discriminatory treatment to Japanese businesses in relation to passenger rail that are operating, or seeking to operate, in the UK. This benefits the UK as it provides certainty to Japanese investors already in the UK and makes the UK a more attractive place to invest, which will support UK jobs in the UK rail sector. Japan has also made a change to its schedules which will provide greater certainty for UK suppliers in the water transport sector by removing an Annex 8-B-II reservation.

14. **The UK's Schedules on entry and temporary stay of natural persons in Annex 8-B do not offer reciprocity with Japan in length of stay for contractual service providers and investors; nor do they include reference to the ability of a spouse to apply for change of status to enable them to work. Why is this the case?**

Business mobility offers are negotiated outcomes which bind in provisions made under each Party's existing temporary business visa rules, providing certainty for UK service suppliers and investors working in Japan and vice versa. Therefore, the offers reflect each Party's distinct domestic regime and economic needs.

Where the UK has made additional commitments, these are in the interests of the UK to support the UK economy. For example, it will be easier for Japanese firms investing in the UK to send staff to set up operations, helping to create jobs in goods production by our world-leading UK industries. This reflects the overall balance of the services and investment elements of the CEPA.

15. **Why does the Agreement not go beyond JEEPA in liberalising market access to the UK audio-visual sector (Article 8.4.2)?**

The UK has a strong, unique Audio-Visual ecosystem that has allowed us, like Japan, to be a world leader in this sector. The UK's business-friendly environment and regulatory system are key factors in encouraging international operations in the UK.

The UK has approached negotiations with a view to supporting the UK's important media and creative industries sector. We recognise the importance of open dialogue to facilitate trade and investment between the UK and Japan. The UK and Japan agreed to discussing matters relating to trade in audio-visual services as a function of the Committee on Trade in Services, Investment Liberalisation and Electronic Commerce. If the UK and Japan agreed to amend the Agreement in accordance with Articles 24.2.1 and 24.2.2 to undertake commitments with respect to audio-visual services, any such amendment will be subject to the Parliamentary scrutiny procedures set out in section 20 of the Constitutional Reform and Governance Act 2010.

Digital and data

16. **Does the scope of the "Personal Information Protection" exception (Article 8.80) allow the UK to comply with ongoing domestic and international legal obligations to protect the personal data of: (a) UK nationals; and (b) EU and other non-UK nationals?**

    Under Article 8.80.2, the UK and Japan must adopt or maintain a legal framework that provides for the protection of the personal information of users of e-commerce. 'Personal information' is defined in the Agreement as any information, including data, about an identified or identifiable natural person. Accordingly, such information would include the personal information of UK nationals and EU and other non-UK nationals.

    The UK maintains a comprehensive legal framework for the protection of personal information, as required by Article 8.80, through the Data Protection Act 2018. The UK will also adopt its own independent international transfers regime (ITR) for personal data following the end of the Transition Period. The UK's ITR forms an integral part of our domestic data protection framework and complies with the UK's existing obligations regarding the protection of personal data.

17. **Was the view of the Information Commissioner sought on the exception itself – and, if so, what did she conclude?**

    We did not share text with the Information Commissioner's Office during negotiations of the CEPA. It is not usual practice to share legal text outside HM Government. Since the provision did not impact upon the Data Protection Act, nor the role of the Information Commissioner, there was no need to consult ICO on this basis.

18. **What implications, if any, does the scope of the exception have for the UK obtaining adequacy decisions from the EU, and for Japan maintaining its own EU adequacy decision?**

    The UK is committed to maintaining high standards of protection for personal data, including when it is transferred across borders. The UK will continue to be a global leader in ensuring personal data remains safe. Adequacy decisions are separate from data protection provisions in Free Trade Agreements. Article 8.80 does not impact on our adequacy discussions with the EU, or Japan's adequacy decision from the EU. The UK remains confident that we will receive adequacy decisions from the EU by the end of the Transition Period. However, the Government is taking sensible steps to prepare for a situation where this has not been achieved.

Agreement implementation and governance

19. Article 1.3 states that the Agreement applies to the whole territory of the UK. However, Article 1.9.5 provides that, where there is an inconsistency between the Agreement and the Protocol on Ireland / Northern Ireland, a Party is not prevented from taking a step in relation to that inconsistency, even if it is inconsistent with the obligations of the Agreement. What possible scenarios have been foreseen that have led to the inclusion of Article 1.9.5?

As Article 1.3 of the Agreement and Article 4 of the Protocol on Ireland/Northern Ireland clearly state, Northern Ireland is included within the territorial scope of UK FTAs.

At the time of negotiations, not all decisions regarding the implementation of the Protocol on Ireland/Northern Ireland had been made.

We therefore included this clause, which makes clear that the UK-Japan CEPA is legally coherent with the Protocol and the UK's commitments under the Protocol.

20. JEEPA provides for the Joint Committee, Specialised Committees and Working Groups under the Agreement to make decisions "by meeting in person or in writing". CEPA additionally allows decisions of these bodies to be made "by other means" (Article 23). What "other means" are anticipated here, and how will decisions made in that way be recorded and made transparent?

The "other means" referred to could include, for example, video conferencing. The transparency of these committees and the recording of their decisions will not be affected by how the committee meets.

21. JEEPA provides for a Select Committee on Cooperation in the Field of Agriculture. CEPA provides instead for a Working Group on Cooperation in the Field of Agriculture (Article 19.5). What difference will this make to the potential composition and role of this body as compared to its counterpart under JEEPA?

The UK retains a keen interest in facilitating discussion in this area. The UK-Japan CEPA will facilitate discussion through the establishment of a new Working Group on Cooperation in the Field of Agriculture with the benefit of reducing some of the administrative burdens and allowing for greater flexibility on each Party whilst retaining the decision-making powers of Committees, i.e. the ability to submit proposals for decisions to be adopted by the Joint Committee and to take decisions in accordance with the provisions of the Agreement.

22. **Certain aspects of the Agreement's Sanitary and Phytosanitary provisions (Article 6.12) are not subject to the main dispute resolution mechanism (set out in Chapter 22 Why does CEPA differ from JEEPA in this respect – and what practical impact does DIT expect this to have?**

The UK and Japan have agreed to simplify their approach to SPS implementation and dispute resolution processes. For simplicity and consistency the SPS chapter is no longer subject to the CEPA's dispute settlement mechanism. The UK and Japan have agreed to take all possible steps to ensure that any differences are resolved through regular conversations and technical consultations. The CEPA's institutional arrangements will continue to enable technical and policy experts on both sides to maintain dialogues with the aim of resolving all issues, including those that go beyond the WTO SPS Agreement provisions (WTO+). Where they do have to seek a resolution through a dispute on more fundamental issues that fall under the WTO SPS Agreement, the UK and Japan have agreed that differences can be settled through the WTO dispute settlement system.

The changes are expected to have no economic impact. The UK-Japan CEPA does not compromise on the UK's high animal welfare, environmental protection and food standards.

23. **Under Clause 2 of the Trade Bill as it currently stands, the Government would have the power to change domestic law by means of regulations in order to implement CEPA, even where ordinarily primary legislation would be necessary (since Clause 2 confers a "Henry VIII power" in this respect). Does the Government envisage using this provision of the Trade Bill in respect of CEPA?**

As we have confirmed during the passage of the Trade Bill, we will use the Clause 2 power to implement non-tariff obligations in agreements where the partner country had an FTA with the EU before Exit Day. This means that Japan is in scope of this power.

Our use of the power will be limited to non-tariff provisions including procurement and mutual recognition. All tariff related legislation will be passed under the Taxation (Cross Border Trade) Act.

The power in the Bill is constrained in that it allows only for the modification of primary legislation which is direct retained EU law. If the primary legislation in question does not fall into this category, it does not fall within scope of the Clause 2 power.

In the case of the CEPA, we will not be using the power in the way described. As set out in the Explanatory Memorandum, we will require the Trade Bill power to implement Annex 2-D (Facilitation of Shochu export) relating to recognition of Shochu bottle sizes and to make regulations to implement the Protocol on Mutual Recognition once it supersedes the Exchange of Letters that we have signed to ensure continuity. In addition, for the procurement chapter, Clause 2 will be used to implement technical changes as a result of the UK's independent accession to the WTO Agreement on Government Procurement that are relevant to the CEPA, and to the extent that further legislative provision is required in future.

Intellectual Property

24. Regarding protected Geographical Indications, DIT has tweeted that "Under [JEEPA], the EU was not able to put forward any products without explicit Japanese agreement", in contrast to CEPA. How does Article 14.34 of CEPA differ from the equivalent provision in JEEPA in this respect?

The UK-Japan deal (CEPA) includes a new provision (Article 14.34 paragraph 5) setting out an improved process for the addition of Geographical Indications (GIs). Under CEPA, it has been agreed that all GIs put forward by the UK will be put through to Japan's GI examination process automatically. The UK will make use of this provision in the new year.

The JEEPA envisages the possibility to amend the lists of GIs protected under the agreement, but it does not contain a specific mechanism for exchanging lists of GIs and conducting examination and opposition procedures as soon as practically possible which we have secured in the CEPA. Under the JEEPA, there is no guarantee that all proposed GIs will be taken forward to examination and opposition procedures and the EU has yet to secure any new GIs so far. Under the CEPA there is a guarantee that any UK GI put forward will be put through Japan's domestic processes where it is eligible for protection under Japan's schemes.

The JEEPA allows the EU and Japan to negotiate on the addition of new GIs for protection on a case-by-case basis with no guarantees that specific products will be taken forward for protection on either side. The EU has to date been unable to secure any new GIs.

25. Articles 14.55, 14.58 and 14.59 commit the UK to having dispute resolution approaches, including criminal penalties and particular remedies, for certain breaches of IP rights. Will those provisions require changes to UK law – and, if so, will they require primary legislation?

Both the UK and Japan have well-regarded IP regimes and there will be no need for legislative changes. Consequently, these additions do not require domestic systems to change but rather seek to enshrine existing high shared standards.

CPTPP accession

26. A side-letter to the Agreement deals with the UK's prospective accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. What does the side-letter oblige Japan to do in this regard?

This letter represents a clear political commitment from Japan and is an important step in the UK's accession to CPTPP. The side letter reflects both our ambition to join CPTPP and Japan's commitment to provide the UK with meaningful market access to similar products to those covered by TRQs in the EU-Japan deal.

Accession continues to be a priority for the government and a key part of our trade negotiations programme. It complements bilateral agreements we have with CPTPP members, including the CEPA, deals we hope to strike with Australia and New Zealand, and existing EU agreements with Canada, Chile, Mexico, Peru, Singapore and Vietnam that we are working to transition into bilateral UK deals.

We plan to apply for formal accession in early 2021.

Technical Barriers to Trade

27. **What are the legal and practical effects of the EU-Japan Agreement on Mutual Recognition being incorporated into CEPA as a Protocol, rather than being rolled over from the corresponding EU-Japan agreement as a standalone UK-Japan Mutual Recognition Agreement?**

The CEPA provides continuity of effect for the EU-Japan Mutual Recognition Agreement 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.

As part of the agreement of the CEPA, we have agreed to incorporate the functions of the existing EU/Japan MRA into a protocol to the CEPA. The coverage of this MRA remains the same as the EU/Japan MRA and having it as a protocol to the CEPA, rather than as a separate agreement, does not change its legal status.

Customs cooperation

28. **Article 2.32.1 refers to "an agreement on cooperation and mutual administrative assistance in customs matters to be concluded between the Governments of the Parties" (CMAA); and this agreement is mentioned in Articles 3.23 and 4.12.1. What will be the scope of that agreement and what is the timetable for concluding it?**

The UK-Japan CMAA is a bilateral customs arrangement being negotiated separately to the CEPA. This is intended to replace the EU-Japan CMAA and negotiations are being conducted by HMRC as the responsible department. We expect that an agreement will have been concluded and in force by the date when the CEPA enters into force.

29. **The Parliamentary Report indicates at para 59 that the equivalent of the EU-Japan Joint Customs Cooperation Committee which will be established pursuant to the UK-Japan CMAA will be more narrowly constituted than its EU counterpart. Why is that?**

The JCCC under the EU CMAA includes a number of different government bodies in addition to customs authorities. The UK CMAA will only include customs authorities and not the wider range of government bodies participating in the Committee on Rules of Origin and Customs-Related Matters. Retaining a requirement to hold joint meetings between the Committee on Rules of Origin and Customs-Related Matters and the JCCC would therefore have been overly restrictive.

<u>Territorial Application</u>

NB: Question 30, 31, 32 have been grouped and answered together:

30. On what basis will the Government exercise its right to have the territorial application of CEPA extended to cover UK Crown Dependencies or Overseas Territories, as provided for under Article 1.3.5?

31. Have any Crown Dependencies and Overseas Territories requested that the Agreement be extended to include them under the provisions of Article 1.3.5?

32. What role, if any, did Crown Dependencies and Overseas Territories have in negotiating CEPA?

DIT is responsible for negotiating FTAs on behalf of the Crown Dependencies and Overseas Territories (CDs and OTs). DIT has agreed that provisions relating to customs matters and the Protocol on Mutual Recognition will apply to the CDs, and has also agreed an mechanism to extend further coverage to CDs and/or the OTs at or after the point of ratification.

We will seek to extend the agreement to territories where they have an economic interest in this and where they can comply with the obligations of the agreement. This will involve discussing the extent of any request for extension, ensuring the territory is able to comply with any new terms that would be applied to them, and discussing plans to implement the provisions. We would also need to agree any extension with Japan as per Article 1.3.4.

Crown Dependencies

DIT has shared text with Crown Dependencies (CDs), held policy specific discussions and provided updates through a fortnightly contact group established to support engagement on all Rest of the World free trade agreements.

DIT continues to work with CDs to ensure they can implement provisions which are to apply to them. DIT has shared stable text to enable CDs to take any steps required for their domestic implementation ahead of entry into force. DIT will continue to work with CDs to assure compliance with relevant articles in the agreement.

With regards to future extension of the agreement, `DIT has now begun a programme of engagement to understand specific interests for further coverage and undertake necessary compliance work.

Overseas Territories

DIT has committed to seeking appropriate coverage of the OTs using the extension mechanism. DIT shared draft text and discussed this approach to inclusion with OTs during negotiations. DIT has established a regular programme of engagement with OTs which will ensure their specific interests are understood, and where appropriate, will facilitate the necessary compliance work ahead of possible inclusion.

With regards to Gibraltar, DIT is working with Gibraltarian officials to progress the necessary technical compliance work in these stated areas of interest which should be completed rapidly.

33. How will Parliament be involved in any decision by the UK to increase (under Article 1.3.5) or decrease (under Article 1.3.6) the territorial application of the Agreement?

Neither extension in article 1.3.5 or termination in article 1.3.6 will trigger the scrutiny procedures in s20 of the Constitutional Reform and Governance Act 2010 . Parliamentary scrutiny will occur in the usual way where any domestic implementation in the UK is required.

Security Exceptions

34. The wording of Article 1.5, on security exceptions, differs slightly from the equivalent Article in JEEPA. The Parliamentary Report states at para 43 that this is to allow "the UK Government to protect legitimate domestic security priorities". How does the change in wording achieve this?

As compared to the JEEPA, the drafting of the list of actions under Article 1.5.1(b) has been changed to make the list non-exhaustive. This provides to the UK greater legal certainty that any action that it considers necessary for the protection of its essential security interests would not breach the terms of the CEPA.