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

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

The Rt Hon. the Lord Goldsmith QC
House of Lords
London
SW1A 0PW

By email: goldsmithp@parliament.uk

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Dear Peter,

Thank you for hosting me at the EU International Agreements Sub-Committee oral evidence session hosted on the 4th November.

In response to the follow up questions that were sent regarding the UK-Japan Comprehensive Economic Partnership Agreement (CEPA), 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 your report on the CEPA.

Best Wishes,

Lord Grimstone of Boscobel, Kt
Minister for Investment
Department for International Trade
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Additional questions on the UK-Japan Comprehensive Economic Partnership Agreement from the International Agreements Sub-Committee

Which products where the tariff reductions under CEPA would benefit the UK?

Commitments on tariffs for both the UK and Japan have largely been transitioned without changes. This deal sees tariffs for UK exports to Japan fall relative to trade on WTO terms on products including beef (MFN 38.5% reducing gradually to 9% by 2033), higher value pork (MFN 4.3% reducing gradually to 0% by 2027), cheddar cheese (MFN 29.8% reducing gradually to 0% by 2033) and salmon (MFN 3.5% continued reduction to 0% at entry into force).

The UK and Japan have gone further than the tariff elimination schedules in the EU deal. For example, the UK agreed to eliminate tariffs at entry into force for two tariff lines covering electrical control units often used in cars. By bringing in reductions on tariffs on car parts this means UK-based auto manufacturers (like Nissan and Toyota) will benefit from lower costs of production.

The UK-Japan CEPA not only provides continuity of tariff treatments and protects established supply chains, it also allows more UK goods to access preferential tariffs than the EU-Japan Agreement, thanks to new and more liberal rules of origin provisions around certain food and textile products. This will allow up to £88.2m more of UK exports to receive preferential tariffs in Japan.

Are you able to give any indication of the sorts of areas Article 1.9.5 was intended to cover?

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.

Would a similar article to 1.95, covering NI protocol potential issues, appear in other continuity agreements?

Northern Ireland is clearly included in the territorial scope of the UK's continuity agreements. Therefore, the implementation of the agreements alongside the NI Protocol, and in a way that is fully consistent with parties' obligations under the Protocol, is an interpretative and operational matter.

We are working with partners to reach a shared understanding of how our continuity agreements will be implemented in Northern Ireland alongside the Protocol, and do not consider that this requires in-treaty provisions. This is especially the case as the Protocol pertains mostly to trade in goods, and reference to specific arrangements are therefore unnecessary. But there are various approaches through which we can reach such a shared understanding with partner countries. A general provision, as agreed in the UK-Japan Comprehensive Economic Partnership Agreement, is one such approach.

Mr Zebedee seemed to suggest at one point that objections to GI applications in Japan could be made by CPTPP countries/companies in CPTPP countries. It was not quite clear precisely which he meant, so it might be useful to have clarity on that?

Japan's domestic opposition process for the addition of GIs to the agreement for protection allows any person to submit a written opinion about that application, this includes both third countries and private companies. This is provided for in Japan's domestic law regarding agricultural GIs at Article 23-25 of Japan's Act on Protection of Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs. Additionally, Japan is a party to the CPTPP, and Article 18.36.1 requires a CPTPP party to take certain steps where it is looking to protect another country's GI through an international agreement. This includes running an opposition process on any proposed GIs to be protected through the international agreement and permitting interested persons to oppose the proposed GI for protection. It also includes informing other CPTPP parties when these opposition processes are to begin.

Why negotiations with Japan were not started earlier?

When the UK left the EU, we followed a technical replication approach with all partners where there was an existing agreement.

In January 2019, the Prime Ministers of the UK and Japan agreed to negotiate a new bilateral agreement using the EPA as a basis, ensuring the new agreement is as ambitious, high standard and mutually beneficial as the EPA and enhanced in areas of mutual interest. The EU-Japan Economic Partnership Agreement (the EPA) entered into force on 1 February 2019.

The Department for International Trade (DIT) sought input from members of the public, businesses, and any other interested parties to inform DIT of specific areas where new and additional provisions could be pursued. DIT ran a call for input on 20th September 2019 which closed on 4 November 2019. DIT published its response to the call for input on gov.uk, including an outline approach and scoping assessment on 13 May 2020.
Both sides committed to an ambitious timeline for negotiations to secure a deal to enter into force by the end of 2020. DIT launched formal negotiations with Japan on 8 June 2020. DIT secured Agreement in Principle with Japan on 11 September 2020, and signature on 23 October 2020.