

Jeremy Miles AS/MS

**Cwnsler Cyffredinol a'r Gweinidog Pontio Ewropeaidd
Counsel General and Minister for European Transition**



**Llywodraeth Cymru
Welsh Government**

Angus Brendan MacNeil
Chair, International Trade Committee
House of Commons
London
SW1A 0AA

trade.com@parliament.uk

27 November 2020

Dear Angus,

Thank you for inviting Welsh Government to submit evidence to your inquiry into the UK's trade negotiations with Japan. Please find attached our responses to your set questions.

As you know, the UK Japan Comprehensive Economic Partnership Agreement (CEPA) is referred to as a 'continuity plus' agreement as both parties wished to maintain the preferential trading arrangements established by the EU Japan Economic Partnership Agreement (EPA) from 1 January 2021 whilst also seeking enhancement in areas of mutual interest. Our overriding priority was to ensure that any agreement secured was at least equivalent to the existing EPA and I am pleased to confirm that this has been achieved.

Our intention is to publish our assessment of the CEPA and we are currently finalising this report. I will ensure that your committee receives a copy of the final report as soon as it is available.

Yours sincerely,

Jeremy Miles AS/MS

**Cwnsler Cyffredinol a'r Gweinidog Pontio Ewropeaidd
Counsel General and Minister for European Transition**

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

YPCCGB@llyw.cymru PSCGMET@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Welsh Government Responses to the International Trade Committee's Questions on the UK-Japan Negotiations and the Comprehensive Economic Partnership Agreement

- **How are the terms of the Comprehensive Economic Partnership Agreement (CEPA) between the UK and Japan likely to affect you, your business or organisation, or those you represent?**

The CEPA largely represents continuity of the EU-Japan Economic Partnership Agreement (EPA), and many of the provisions and articles are the same. The CEPA will therefore provide continuity for our Welsh businesses already trading with Japan under the terms of the EPA, and for our citizens.

- **In what ways does CEPA differ from the Japan-EU Economic Partnership Agreement (JEEPA)?**

Many of the provisions and articles within the CEPA are the same as, or very similar to, those within the EPA.

There are however, some differences between the two agreements. For example, the CEPA contains additional provisions in financial services, data and digital areas and there is also a new chapter on Trade and Women's Economic Empowerment.

- **To what extent has the Government achieved its negotiating objectives, as set out in May 2020?**

The UK Government has achieved its negotiating objectives to the extent that it has secured an agreement which maintains the preferential trading arrangements established by the EPA, which the UK is currently party to, with some additional provisions in areas such as data and digital.

- **Does CEPA represent a good deal for the UK?**

The Comprehensive Economic Partnership Agreement (CEPA) is a good deal in the sense it maintains the preferential trading arrangements established by the EPA.

Our overriding priority was ensuring that any agreement secured was at least equivalent to the existing EPA and we are pleased this has been achieved.

- **What is likely to be the impact of the agreement on:**
 - **the UK's economy as a whole?**
 - **particular sectors of the UK economy?**
 - **the UK's devolved nations and English regions?**
 - **social, labour, environmental and animal welfare issues?**
 - **UK consumers?**

Individual Sectors

The following points provide a high level summary of our findings in respect of the above themes in relation to Wales' key sectors and Welsh consumers. Further detail will be provided in our full assessment which will be published before the end of the Constitutional Reform and Governance Act 2010 (CRaG) ratification process. Our findings are based on our analysis of the text of the agreement and the Impact Assessment produced by the UK Government.

The UK Impact Assessment presents the impacts of CEPA compared to a scenario in which the UK is not party to the EPA. For this reason, the figures used over-state the benefits of the deal compared with the status quo today. In addition, the UK Government's analysis assumes that a UK-EU agreement will be reached.

Automotive

- The liberalisation timetable of tariffs on cars and car parts is not being accelerated beyond the timetable as agreed in the EPA. This provides a degree of security for domestic manufacturers of these products.
- Of particular relevance to our automotive sector are Rules of Origin arrangements. CEPA secures cumulation arrangements to allow our exporters to Japan to use EU materials and processing as counting as originating within the UK. Some removal of the less restrictive Product Specific Rules when compared to EPA may offer more opportunities for manufacturers of both parties in certain goods to source the raw materials they need from other countries in their exports to one another.

Agriculture and Food and Drink

- There will be continuity of effect for Geographical Indicators (GI) with the EPA, maintaining protections secured for three products (none of which are Welsh) under Japan's Geographical Indications (GI) scheme.
- The UK Government has secured a provision that stipulates that as soon as practically possible after entry into force, each Party shall consult and provide a list of GIs to the other Party for addition to the Agreement, subject to examination and opposition procedures. Fifteen of the seventy products the

UK Government has said it will seek to register in Japan are of Welsh origin and include Welsh lamb and Anglesey sea salt.

- These provisions could have a slightly positive, albeit limited, impact on Wales' food and drink sector in the long-term depending on the extent they are used by Welsh businesses.

Data and Digital

- Ambitious and forward looking provisions on digital and data take CEPA beyond the EU-Japan deal. Japan has agreed to lift its data localisation arrangements, which will improve data flow and create opportunities for businesses in financial services and e-commerce industries.

Financial Services

- There are a number of benefits, particularly relating to commitments on promoting regulatory and legal transparency and cooperation between both parties that should increase certainty and clarity for UK financial services providers operating in Japan and vice versa.

Welsh consumers

- The UK Government's Impact Assessment shows that Wales accounts for around 7% of the UK's total imports from Japan. Whilst the modelling estimates a potential saving of up to £4m for Welsh consumers, the evidence directly linking tariffs to consumer prices is mixed and we expect the scale of the savings to be linked to the extent to which savings from lower import costs are passed onto the consumer.

Social, Labour, Environmental and Animal Welfare Issues

- CEPA largely replicates the Trade and Sustainable Development (TSD) chapter in EPA, including those related to the environment and climate change. We are supportive of these provisions.
- Modelled estimates suggest CEPA is not expected to have significant impacts on Greenhouse gas emissions (CO2 and Non-CO2), energy usage, trade-related transport emissions and wider environmental impacts such as air quality, biodiversity, and water use/quality.
- References to labour laws and conventions have been included throughout the TSD chapter which is consistent with the EPA.
- There is a new chapter on Trade and Women's Economic Empowerment which we support.

- Animal welfare provisions are identical to provisions made in EPA, with a commitment to establish a technical working group on animal welfare. We are broadly supportive of this provision, but as animal welfare is a devolved issue, we await further clarification from UK Government on the role we will have in the working group.