

The International Agreements Committee published its report on the 20 November 2020. This is the Government's response to that report.

Introduction

1. The Government welcomes the committee's report published on the 20 November, and for allowing advance sight of this report.
2. The Government welcomes the overall assessment made by the committee on the UK-Japan Comprehensive Economic Partnership.
3. The UK-Japan Comprehensive Economic Partnership Agreement, or CEPA, is the first major trade deal that the UK has struck as an independent trading nation.
4. This British-shaped deal is the first agreement that the UK has secured that locks in the benefits of an existing EU deal and goes beyond it, with enhancements in areas such as digital and data, financial services, food and drink, and creative industries.
5. On the 25 and 26 of November, CEPA was debated in the House of Commons and House of Lords respectively. A wide range of key areas of the agreement were discussed at length. Both Houses welcomed the continuity that the deal will provide businesses and recognised some provisions that went beyond the EU-Japan EPA.
6. The CRaG process for parliamentary scrutiny concluded on 7 December. The Japanese parliamentary process concluded on 4 December. Both sides have now taken the necessary action to implement the agreement and the agreement entered into force on 1 January 2021.
7. The Committee made a number of comments and recommendations in the report. The Government has below provided a response to those comments where clarifications were required.

The Government's Response to the IAC Report

Trade in goods (CEPA Chapter 2)

8. **Comment 1 – (pg. 9 para. 18, also related to pg. 34-35 para. 119. We welcome CEPA's tariff reductions keeping pace with EU-Japan reductions, protecting UK competitiveness in the Japanese market. However, the Government's presentation of tariff liberalisation on products like UK pork and beef exports as though they were new to CEPA is just the first instance of what will be a theme of this report: the Government presenting as a new gain the retention of EU-negotiated provisions. Except for a faster tariff reduction for leather and hide goods in the Japanese tariff schedule, the UK does not seem to have secured significant improvements in this area.**
9. **Some of the Government's promotional statements and materials do not reflect the substance of the deal that has been reached. We urge the Government to be careful not to**

oversell its achievements, especially in contexts where nuance is hard to convey, such as on social media.

Government Response

10. If the UK had not signed the deal with Japan, tariffs on a large number of products would have increased on January 1st as terms of trade would have reverted to WTO terms, which was the alternative scenario at the end of the transition period.
11. **Comment 2 (pg.34, para. 124-125) - Despite the detailed consultation and scoping exercise conducted by the Government, it was clearly always the case that CEPA would replicate most of the existing EU-Japan deal. Framing talks for CEPA as entirely new, by further compressing the timetable, only reduced ambition on both sides.**
12. **We welcome the Government's enthusiasm for engaging with stakeholders on the UK-Japan talks, but by presenting the negotiation as one for a wholly new FTA it risked misleading both stakeholders and the public. We also note that it contributed to confusion, apparently within the Department as well as in Parliament, about the process by which scrutiny would be conducted.**

Government Response

13. Between 20 September and 4 December last year, the Department for International Trade ran a Call for Input that gave businesses, interest groups and members of the public the opportunity to highlight their priorities for a potential future agreement with Japan. In this Call for Input, it was made clear that we would be negotiating an enhanced FTA with Japan, using the EU-Japan EPA as a basis. Our Response to the Call for Input was published alongside our negotiating objectives on 13 May, and is available on GOV.UK.
14. **Comment 3 - (pg. 10, para. 24) The arrangements in CEPA for the UK's continued access to some tariff rate quotas are sub-optimal. It is better to have access to these TRQs than not, but uncertainty around how much of the TRQ will be left for UK exporters is likely to disincentivise their use. EU exporters are likely to use the TRQs more as they become more familiar with them, potentially limiting UK exporters' opportunities. Further, as it will not be clear at the time of ordering goods whether they will in fact benefit from the lower tariff, we have been told that this will make British goods less attractive vis-à-vis EU goods. The streamlining of the process that the UK and Japan have agreed, with less paperwork required for UK exporters to use the TRQ, is welcome in principle but unlikely to mitigate this uncertainty.**

Government Response

15. Under CEPA, we will continue to have access to the same preferential tariff rate for 10 priority TRQs. The deal we have negotiated focuses on those quotas with the highest usage

and of most value to the UK. These new arrangements cover 99% of the value of UK exports under EU TRQs in 2019-20.

16. These arrangements are a bridge to the UK's eventual membership of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The UK judges there will continue to be enough surplus volume in the EU TRQs until around 2024, by which time we expect to have joined CPTPP.
17. Japan has committed (via a Ministerial side letter) to working closely with the UK to ensure the scheme operates effectively and that we have unfettered access to any under-utilised EU quota. In addition under the UK arrangement Japanese importers of UK products only need to provide two customs documents, rather than the six potentially required by the EU-Japan EPA.
18. To support promotion of the TRQ scheme on 30 November, we published comprehensive business guidance on Gov.uk, including a technical notice which sets out how the TRQ scheme will operate. In December 2020 both the UK and Japan conducted further targeted engagement with stakeholders in the agri-food sector to publicise the TRQ scheme and support uptake.
19. **Comment 4 (pg. 10, para. 27) - As Japan's autonomous TRQ for malt has always been available to UK exporters, we fail to see how CEPA has secured "more generous market access", as the Government claims. Nonetheless, we welcome the assurance provided to UK exporters by the side-letter on malt.**

Government Response

20. 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.

Rules of origin and origin procedures (CEPA Chapter 3)

21. **Comment 5 - (pg. 13, para. 34 , 39, 40) The rules of origin for some products, such as baked goods and textiles, are more liberal in CEPA than in the EU-Japan agreement, and this could be beneficial for some manufacturers seeking more flexibility in sourcing inputs. Continuity in the rules of origin for automotive vehicles and parts has been welcomed by the sector. We also welcome the increased flexibility of origin procedures in CEPA.**
22. **CEPA alone cannot secure diagonal cumulation between the UK, Japan and the EU, which many industries have recommended, but it does take an important first step in extending cumulation to the EU for most products listed in the UK Global Tariff, with some exceptions, like some cereals and spices. This is particularly valuable for food and drink manufacturers and will help to ensure business continuity for UK exporters to Japan and**

Japanese exporters to the UK if they incorporate EU content to meet value added thresholds.

- 23. To secure existing trilateral trade flows between the EU, UK and Japan, the UK and EU would need to extend cumulation to Japan through their own trade agreement. It appears that the EU does not intend to do so. Such uncertainty affects certain sectors, such as automotive manufacturing, particularly acutely.**

Government Response

24. In our negotiations with Japan, we included a provision that seeks to recognise Japanese inputs that are contained in UK goods that are exported to the EU. While this specific arrangement was not included in the Trade and Cooperation Agreement (TCA) between the UK and the EU, there are other measures agreed that provide continuity for UK businesses, such as the staged approach of value-added rules on automobiles.

Trade in services, investment liberalisation and electronic commerce (CEPA Chapter 8)

- 25. Comment 6 - (pg. 18, para. 52) - The mutual recognition of professional qualifications in the legal and the financial and related professional services sectors was not achieved in CEPA, which is unfortunate. The Government should pursue future opportunities for continuing regulatory dialogue.**

Government Response

26. The UK Government is committed to continued dialogue with Japan on the mutual recognition of professional qualifications. The UK-Japan CEPA sets out a process whereby professional bodies in the UK and Japan are encouraged to provide joint recommendations on mutual recognition, including the mutual recognition of professional qualifications, to the UK-Japan Committee on Trade in Services, Investment Liberalisation and Electronic Commerce. This UK-Japan CEPA committee will allow dialogue to be more focused on the UK's key sectors than the EU-Japan Agreement EPA committee.

- 27. Comment 7 (pg. 19, para. 59) - We largely welcome CEPA's new provisions related to digital and e-commerce. The provision banning data localisation requirements will have cross-cutting benefits for many sectors, including the financial services sector. However, we note that some questions remain regarding the protection of personal data.**

- 28. Quantifying the economic benefits of these new and strengthened provisions remains a challenge, and may require time and new economic modelling methods. Moreover, as digital and data become more important in trade agreements, there needs to be greater scrutiny of the impact of digital trade provisions, particularly as the UK develops its own data protection standards, which may diverge from the EU's.**

Government Response

29. The Government has since published a document that addresses issues regarding CEPA and data protection. A link to this document can be found here:

<https://www.gov.uk/government/publications/uk-japan-cepa-how-your-data-is-protected>

30. The CEPA is symbolic of our vision for the UK to be a global hub for digital trade. Now that we have left the EU, we have the opportunity to push new frontiers in this important area.

31. The UK and Japan are like-minded countries, committed to enabling data to flow between us whilst maintaining the highest data protection standards.

32. UK data protection laws are not undermined or changed by the deal with Japan - any transfers of personal data to Japan must satisfy the UK's high data protection standards.

33. The UK-Japan deal does not change existing measures in relation to onward transfers of personal data. Personal data that is transferred to Japan from the UK cannot be sent to other countries with lower data protection frameworks without appropriate protections being in place.

34. Japan, like the UK, has a robust domestic regime in place that provides for adequate protection of personal data, including when it is transferred across borders.

35. **Comment 8 (pg. 19 para. 60) - Quantifying the economic benefits of these new and strengthened provisions remains a challenge, and may require time and new economic modelling methods. Moreover, as digital and data become more important in trade agreements, there needs to be greater scrutiny of the impact of digital trade provisions, particularly as the UK develops its own data protection standards, which may diverge from the EU's.**

36. The UK-Japan CEPA could increase bilateral trade with Japan by £15.7bn in the long run – but we know traditional trade models do not capture the full benefits from increased opportunity of digital trade afforded by the FTA. That's why we asked Professor Tony Venables to help us to examine modelling approaches to ensure we have the best available tools to inform modern and future FTAs.

Intellectual property (CEPA Chapter 14)

37. **Comment 9 (pg. 21, para. 66) We welcome CEPA's additional language, compared with the EU-Japan deal, on ensuring adequate rights protections and, including additional provision on enforcing criminal remedies for certain intellectual property rights infringement and on enforcement in the digital environment. We note, though, that many of the additions focus on future discussions and awareness raising about existing enforcement procedures in both countries, rather than securing new, concrete protections.**

Government Response

38. The existing EU-Japan EPA agreement is a high standard IP chapter. Both the UK and Japan have well-regarded IP regimes and due to the time constraints for the negotiation, a key objective for the UK-Japan agreement was to ensure continuity for businesses whilst making no legislative changes in either Party. That said, the IP chapter agreed between the UK and Japan goes even further in areas of importance to the creative industries and SMEs.
39. The UK-Japan agreement secures a commitment to tackle the online infringement of IP rights, ensuring that existing enforcement procedures can allow action against online IP infringement. The agreement encourages Japan to tackle online infringement through voluntary initiatives and impresses the importance of awareness-raising among the public. The CEPA also goes beyond the EU-Japan EPA with new commitments to share best practices on the enforcement of IP rights including in respect of websites registered outside of the territories of Japan and the UK. CEPA also includes a provision ensuring access to justice is affordable for all rights holders without unreasonable costs for litigation.
- 40. Comment 10 (pg. 22, para. 71) - 14. It is welcome that CEPA maintains the Geographical Indications (GIs) under the EU-Japan deal, and that the UK has taken steps to make it easier to obtain further GIs in the future. But given the uncertainty regarding whether UK producers will gain the additional sixty or so GIs that the Government has advertised, it is not yet possible to state that the UK has won new protection for more UK goods. This is another area in which the Government's promotion of CEPA has oversold the actual provisions of the deal. The Government should swiftly provide clarity for stakeholders by setting out in detail the process and timeframe for obtaining approval of new GIs from Japan.**

Government Response

41. The UK-Japan CEPA includes a new provision allowing more world-famous UK products to receive protected recognition in Japan, such as Scotch beef, Welsh lamb, and English sparkling wine. Seven UK GIs are already covered in the agreement.
42. The provision (Article 14.34 para. 5) sets out an improved process for the addition of new GIs. Under CEPA, it has been agreed that Parties can exchange lists of GI products as soon as practicable after the agreement has entered into force. From this list, all eligible UK GIs will be put through Japan's domestic GI approval process.
43. We anticipate that domestic procedures should take no longer than five months, unless there are exceptional circumstances. HM Government will continue working closely with stakeholders and Devolved Administrations (DAs) throughout this process to keep them abreast of any developments.
44. This arrangement is significantly better than the terms of the EU-Japan EPA, under which the EU was not able to put forward any new products for protection without explicit Japanese agreement. Japan has not approved any further EU GIs since the EU-Japan EPA was signed.
45. The Government has published an explainer on GOV.UK which gives an overview of what has been agreed with Japan and the process for additional UK GIs to gain protection in Japan.

<https://www.gov.uk/government/publications/uk-japan-cepa-geographical-indications-explainer>

Trade and women's economic empowerment (CEPA Chapter 21)

- 46. Comment 11 (pg. 23-24, para. 75 and 76) We agree with the Commons International Trade Committee that the UK should use trade deals proactively to promote gender equality. CEPA does not reflect a significant step towards that goal. We would welcome further clarity from the Government about how central this issue will be for the UK in future trade negotiations.**
- 47. We welcome the introduction of a chapter on women's economic empowerment in CEPA, but we note the non-binding nature of the text. While this is common for such chapters in trade deals, we were disappointed at the absence of any reference to this issue in the Government's outline objectives and the Secretary of State's recent speech about "values-driven" trade.**

Government Response

48. The Government's outline approach for the UK-Japan negotiations referenced that gender equality and women's economic empowerment should be protected and promoted in the UK-Japan FTA. The UK is committed to promoting gender equality and women's economic empowerment in the UK and around the world and the CEPA contains the UK's first Trade and Women's Economic Empowerment chapter.
49. Our trade policy will break down barriers and create opportunities for women in trade. The chapter recognises that systemic barriers such as a lack of access to finance, information and business networks, may exist for women in trade and provides the opportunity for the UK and Japan to work together to address such issues. As such, the UK and Japan will seek to empower women business owners through better access to markets, technology and financing. Through encouraging cooperation and the sharing of best practice on areas such as women's leadership and workplace flexibility, this chapter also recognises the importance of supporting women in their role as workers to fully benefit from the opportunities of trade.
50. The UK successfully secured text in the CEPA which commits the UK and Japan to establish a Working Group. This Group will be responsible for translating cooperation commitments, including the *Joint Declaration on Trade and Women's Economic Empowerment*, into actions which have tangible impact, enabling the Parties to work together to monitor and encourage best practice over time.
51. The Chapter builds on the precedent and shared interests set out in CPTPP's women and economic growth article. The UK will look to go further in our future FTAs with USA, Australia and New Zealand. The inclusion of Women's Economic Empowerment provisions in FTAs features in the Government's manifesto as part of our broader agenda for 'free and fair trade' as well as in our public negotiation objectives demonstrating the centrality of this issue for the UK in our future trade policy.
- 52. Comment 12 - (pg. 26, para. 85) - We have concerns about the exclusion of the entire chapter on sanitary and phytosanitary measures (Chapter 6) from CEPA's dispute**

mechanism. We urge the Government to explain the possible consequences of this change.

Government Response

53. 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.

54. Comment 13 (pg.27, para. 88) CEPA has largely replicated the EU-Japan provisions for subsidies, or state aid. Insofar as CEPA might serve as a model for other UK bilateral agreements, the absence of any practical enforcement mechanism and of an ability for companies to launch a complaint in the other party's jurisdiction means that the agreement adds only modestly to the WTO subsidy control provisions.

Government Response

55. Every international negotiation is unique and negotiations are ongoing with other partners. Both Japan and the UK were clear from the start of negotiations that this agreement would be at least as ambitious as the Japan-EU EPA. In this chapter we achieved continuity of the arrangements in the EU-Japan agreement.

56. Comment 14 (pg. 28, para. 91) - We welcome the rolling over of the EU-Japan chapter on trade and sustainable development, maintaining bilaterally commitments to international agreements on labour, the environment and biodiversity, and the importance of sustainable management of natural resources. The small changes introduced in CEPA, however, seem to require less swift action to work on these issues. We urge the Government to maintain its focus in this area, through this and other agreements.

Government Response

57. Minor amendments have been made to the articles on Joint Dialogue with Civil Society and the Panel of Experts to ensure they operate appropriately and more flexibly in the bilateral context. These changes though will not affect our ability to provide adequate monitoring and implementation of the chapter.

58. Comment 15 (pg. 28, para. 94)The SMEs chapter of CEPA, while welcome, does not in and of itself offer significant benefits to UK SMEs. Like SMEs chapters in many trade deals, including the EU-Japan agreement, it simply offers facilitation. Advantages for SMEs are more likely to emerge from work done by the two parties, and others, to encourage the

utilisation of the agreement by such businesses. This should be the subject of regular review by the Government.

Government Response

59. The CEPA will support SMEs through a dedicated SME chapter that ensures that UK SMEs are provided with the tools and resources necessary to seize the opportunities of exporting to Japan, creating new opportunities for the UK's 6 million small and medium-sized businesses to trade with Japan.
60. The CEPA sets out how the UK and Japan will exchange information on vital rules and regulations, including through the use of an SME website and a searchable database. This commitment also includes making information on doing business in Japan available to UK SMEs in English.
61. Through CEPA the UK and Japan have agreed to undertake and strengthen cooperation to support SME trade and investment between the Parties, including developing and promoting seminars and workshops, exchanging best-practice in supporting SMEs and emphasizing the importance of involving the private sector in cooperation initiatives. CEPA states that a central point of contact will be established to facilitate this cooperation with Japan on issues specifically relating to SME trade.
62. On 30 November, we published information on Gov.uk to support businesses prepare for new trading arrangements with Japan under the CEPA, including a dedicated page on SMEs with information on product-specific and country-specific information on tariffs, rules of origin and regulations that currently apply to UK trade in goods. That page can be found here:

<https://www.gov.uk/guidance/summary-of-the-uk-japan-comprehensive-economic-partnership-agreement>

63. We will work with businesses so that they can understand and take advantage of this new agreement. The Department for International Trade has set up engagement mechanisms to allow stakeholders the opportunity to feed into trade policy, ensuring the UK position is well informed and reflects the interests of the whole of the UK. These include the Strategic Trade Advisory Group, trade advisory groups, the trade union advisory group, civil society roundtables, thematic working groups and the Board of Trade. In addition, DIT regularly engages with a wide range of stakeholders, including businesses, through DIT's network of International Trade Advisers, as well as civil society organisations and Think Tanks through roundtables, Quarterly Stakeholder Briefings and bilateral conversations.
- 64. Comment 16 (pg 29, para. 97) We welcome the fact that CEPA includes provisions to extend its territorial application to cover the Crown Dependencies and Overseas Territories. Should they wish to be included and CEPA prove of benefit to them, the agreement should be extended to these areas as soon as practicable.**

Government Response

65. 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.

66. 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.
67. With regards to future extension of the agreement to CDs, DIT has now begun a programme of engagement to understand specific interest for further coverage and undertake necessary compliance work.
68. DIT has also 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.
69. With regards to Gibraltar, DIT has engaged with Gibraltar officials to understand their interests in inclusion in the CEPA. Officials are working collaboratively to progress the necessary technical compliance work in these stated areas of interest.
- 70. Comment 17 (pg. 30, para. 101) We have concerns about how CEPA's new provision relating to the Protocol on Ireland/Northern Ireland will work in practice, as well as how modified rollover trade agreements, such as CEPA, will interact with that Protocol, and might affect access to goods in Northern Ireland. Without clarity on the UK-EU relationship, it is impossible to comment further, but we note the uncertainty this has caused for Northern Ireland citizens and businesses.**

Government Response

71. 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.
72. 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 provision, which ensures that the UK-Japan CEPA is legally coherent with the Protocol and the UK's commitments under the Protocol.
73. The UK and EU reached agreement on the implementation of the Northern Ireland Protocol in December 2020. Full details are available at www.gov.uk/government/publications/the-northern-ireland-protocol
74. The UK has always been clear that implementing the Protocol has to respect Northern Ireland's place in the UK customs territory. We have protected and respected that important principle. It will only be goods destined for the EU, or where there is uncertainty or genuine risks of onward movement, where tariffs will be charged.

75. A UK Trader Scheme will allow authorised businesses to undertake that the goods they are moving into Northern Ireland are 'not at risk' of onward movement to the EU, and therefore not liable to EU tariffs. The UK internal trade scheme will be open to businesses moving goods into Belfast from GB irrespective of where those goods have originated.
76. The whole of the UK will benefit from enhanced cooperation with Japan on regulatory standards issues, including through improved engagement on lot codes for wine and spirits, which the UK was able to secure in this agreement. There is nothing in the UK-Japan CEPA which mandates Northern Ireland businesses to operate different regulatory standards.

Explanatory documents and Government presentation of CEPA

- 77. Comment 18 (pg 32-33, para. 108, 109, 112) Modelling of trade deals is complex, and we commend the Department's efforts to get it right, including through its ongoing review with the support of an expert panel led by Professor Tony Venables.**
- 78. The Government's impact assessment (IA) fails to provide the information that Parliament and the public need if they are to evaluate how well the Government has done in its negotiations with Japan, as it does not identify what extra benefit, if any, CEPA might generate over JEEPA. Instead the IA considers only one alternative scenario: trading on WTO terms with Japan (in effect, a 'no deal' option). We note that the Government's IA of CEPA projects lower increases in GDP, imports and exports than its previous assessment of JEEPA's benefits for the UK, and would have welcomed more information to help explain this change.**
- 79. While we appreciate that the Government is constrained by the availability of data, and the fact that JEEPA only recently came into force, its IA leaves many questions unanswered. In particular, in the context of CEPA's new chapter on women's economic empowerment, we welcome the inclusion of statistics about the impacts of CEPA on women in the workforce, but note that the IA fails to answer fully the question of whether CEPA will actively promote women's economic empowerment in the UK or in Japan.**

Government Response

Impact of the CEPA relative to the EPA

80. Our economic modelling does not compare the impact of the UK-Japan Agreement (CEPA) with the impact of UK membership of the EU-Japan Agreement. Our economic modelling compares the impact of CEPA against a situation where we do not have an agreement with Japan (trade on MFN terms).
81. This is because continued membership of the EU-Japan agreement is not an option and at the end of the transition period. In the absence of the agreement the only alternative to CEPA in terms of trade would have been trading with Japan on MFN terms.
82. Our economic modelling has been scrutinised by independent experts at the RPC, who rated the impact assessment as 'fit-for-purpose'.

Comparability of the 2018 Impact Assessment for the EU-Japan EPA and the 2020 Impact Assessment for the UK-Japan CEPA

83. The Impact Assessment on the EU-Japan agreement published in 2018 is out-of-date and major methodological differences in approach mean that it is not comparable with the recently published 2020 UK-Japan Impact Assessment. The 2018 Impact Assessment received a Green Rating from the Regulatory Policy Committee and was deemed fit for purpose at the time of seeking Parliaments approval of the EU-Japan EPA.
84. The analysis presented in the 2020 Impact Assessment is different from the 2018 impact assessment, including in the following significant ways:
85. The model structure used in the 2018 analysis is based on the world economy in 2007 (GTAP version 8), whereas the 2020 Impact Assessment is based on the world economy in 2014 (GTAP version 10).
86. The 2018 Impact Assessment is based on modelling where the UK is an EU member state, whereas the 2020 Impact Assessment assumes the UK-EU future trading relationship is based on an FTA relationship.
87. The methodology used in the 2018 Impact Assessment is based on apportioning an external estimate of the overall impact of the EPA (to the EU as a whole) to the UK. In contrast the estimated impacts in the 2020 Impact Assessment are based on more recent CGE modelling of the impact of the agreement on the UK itself, better reflecting the structure of the UK economy.
88. Due to the different methods employed, a comparison of the estimates does not give the difference in impacts between the EPA and CEPA.
- 89. Comment 19 (pg. 33, para. 116) We note that while the full environmental impacts of CEPA are hard to assess, and there is uncertainty about some of the potential benefits and disbenefits, overall it may result in a small increase in greenhouse gas emissions. We urge the Government to set out more detail, in future Impact Assessments or other explanatory documents, on how trade deals will support environmental goods.**

Government Response

90. DIT's published impact assessment presents the implications of the UK-Japan CEPA on the UK environment, including an assessment of the implications on Greenhouse gas emissions (CO₂ and Non-CO₂), energy usage, trade-related transport emissions and wider environmental impacts on areas such as air quality, biodiversity and water use/quality. An overview of current environmental policy in the UK and Japan can be found in the environment section of the Japan scoping assessment.¹
91. As set out in our published impact assessment, the analysis suggests very marginal increases in emissions and fossil fuel usage linked to this agreement. The agreement is unlikely to affect the UK's ability to reach its legally binding emissions targets, including Net Zero.

¹ UK-Japan Free Trade Agreement: The UK's Strategic Approach
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885176/UK_Japan_trade_agreement_negotiations_approach.pdf

92. The analysis does not factor in policy measures taken over the coming years to deliver net zero greenhouse gas emissions by 2050. These measures include the phasing out of coal fire power stations in the UK by 2024, one year ahead of schedule, and the shift away from conventional petrol and diesel vehicles.
- 93. Comment 20 (pg. 36, para.128-129) - The UK Government and we in Parliament are still developing our own processes for treaty scrutiny, and we will need to keep these under review to ensure that Parliament is able to provide effective scrutiny in practice.**
- 94. We recommend that in future the Government should provide a detailed table of planned implementing legislation, including the powers being used for secondary legislation and the expected timetable for that legislation to be introduced and to come into force. This should also indicate where the devolved legislatures will need to legislate in areas of devolved competence.**

Government Response

- 95.** This Government is committed to transparency and scrutiny of future Free Trade Agreements by Parliament and other stakeholders. The approach we have developed goes beyond the legal requirements set out in the Constitutional Reform and Governance Act 2010 and is at least as strong as any other Westminster-style democracies such as Canada, Australia and New Zealand. We appreciate the International Agreements Sub-Committee having worked closely with us to establish and test these processes through the Japan agreement.
96. On 7 December we laid a Written Ministerial Statement clarifying our current arrangements and publicly committing to continue our work with the IAC, and the International Trade Committee, to further review and refine scrutiny arrangements. This will include a review of how the government makes information publicly available on the legislation needed to implement Free Trade Agreements.
- 97. Comment 21 (pg. 37, para. 136 and 137) - The governance procedures established under CEPA are largely as expected, following those already established in the EU-Japan deal. While the operation of CEPA is a matter for the parties' respective governments, we would urge the UK Government to be transparent about the deal's operation and impacts on the UK. In particular, we encourage the Government to produce and publish detailed monitoring and evaluation reviews, to assess the economic and other impacts of CEPA post-implementation. These should include details of the steps it has taken domestically to support UK businesses and stakeholders to realise fully the benefits of CEPA's provisions, as well as steps that have been taken in cooperation with Japan.**
- 98. Both the UK and Japan have committed to working together to review and enhance CEPA wherever possible through its governance structure. We welcome this commitment to achieving enhancements post-implementation.**

Government Response

99. As part of the agreement, the UK and Japan will meet each year in a Joint Committee, which will oversee the implementation of the agreement, and provide an opportunity to discuss key issues. The Joint Committee shall hold its first meeting within one year of the date of

entry into force of this Agreement. Thereafter, the Joint Committee shall, unless otherwise agreed by the representatives of the Parties, meet once a year, or in urgent cases on request of either Party. There are further sub-committees and working groups sitting under this Joint Committee which will be a forum for discussion of more specific issues, bringing together appropriate specialists from each party.

100. As part of DIT's transparent and inclusive approach to monitoring and evaluation, the Department will be conducting ongoing monitoring and evaluation of the UK-Japan Comprehensive Economic Partnership Agreement. As set out in the impact assessment, DIT will publish a monitoring report every two years following entry into force of the agreement and a comprehensive ex-post evaluation within 5 years of entry into force of the agreement.

101. Comment 22, (pg. 37 para.138. As we recommended in our report on Treaty scrutiny: working practices earlier this year, the Government should ensure that amendments to CEPA are notified to Parliament even when they fall below the threshold for activating the scrutiny process of the Constitutional Reform and Governance Act 2010. We are grateful to officials for confirming that this is the Government's intention and look forward to hearing soon how this will be delivered in practice. (Para. 138)

102. Amendments to treaties that require ratification are laid before Parliament, alongside an Explanatory Memorandum, in accordance with CRaG. It is the Government's intention that the majority of important treaty amendments will be subject to ratification and therefore will be submitted to Parliament for scrutiny in accordance with CRaG.

103. However, some amendments to treaties do not require ratification and would therefore not trigger CRaG. It is usual for such amendments to make technical changes to treaties, for example, to technical annexes within FTAs.

104. Where technical amendments may be made in the course of implementation of a relevant trade treaty, DIT, in consultation with the IAC, will decide how best to notify Parliament, including whether to include explanatory material.

105. Comment 23 (pg. 38, para. 141) We will follow closely the Government's bid to accede to the CPTPP, which we expect to be launched in the new year. We note the Government's focus on some bilateral talks—including with Japan, and the ongoing talks with Australia and New Zealand for new FTAs—as stepping-stones to CPTPP membership. In preparing for, and then conducting, accession negotiations, we hope the Government will engage constructively with all other members of the CPTPP. (Para. 141)

Government Response

106. The Department has engaged with all eleven member countries at both ministerial and official level, an approach that aligns with the accession process for new CPTPP members, and all CPTPP members have welcomed our interest in accession.

107. DIT's Secretary of State convened Ambassadors and High Commissioners from all CPTPP countries to discuss the UK's potential accession on 10th July, and on 9th September 2020 she introduced the first UK-CPTPP Senior Officials' Meeting, to discuss preparations for the UK's application to join the group.

108. We continue to have discussions on CPTPP accession with member countries at official level as this is part of the preparatory engagement expected of aspiring economies before applying to accede.

109. Comment 24 (pg. 39, para. 145, 146) We welcome the Secretary of State's commitment to ensuring that we and other scrutiny committees can review final deals in confidence. We recommend the following process for the Government sharing confidential documents with Parliament before laying them formally in accordance with the provisions of the Constitutional Reform and Governance Act 2010: (a) That staff of the relevant scrutiny committees be provided with documents by the Department to disseminate to members, in numbered hard-copy or electronic form, as appropriate; (b) That password-protection be used to secure electronic documents; and (c) That numbered hard copies be collected and destroyed after the final deal has been published, in line with Parliament's existing process for handling confidential waste.

110. None of this should detract from the constructive work relationship we have experienced with the Department so far. We look forward to working constructively on scrutinising future deals.

111. When working to review and refine our scrutiny arrangements we will, of course, review the processes for the sharing of confidential information with the relevant scrutiny committees. It is important that we maintain some flexibility in these arrangements. In the case of the Japan agreement, for example, the complexities of the Covid-19 Pandemic made it necessary for us to share documents with the Committee in electronic form. We look forward to continuing to work constructively with both the IAC and the International Trade Committee on optimising arrangements for information sharing to facilitate the Committee's important scrutiny role.