

To: House of Commons International Trade Committee,  
House of Lords EU International Agreements Sub-Committee (IAC)  
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## NFU Consultation Response

The NFU represents 55,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life.

### NFU evidence on UK-Japan Comprehensive Economic Partnership Agreement (CEPA).

#### Introduction

1. The NFU welcomes the opportunity to provide evidence on the recently concluded UK – Japan CEPA. Japan is the largest net importer of agri-food products worldwide, it lacks sufficient agricultural land to feed its population and relies on imports for around 60%<sup>1</sup> of the food it consumes. It is the fourth largest export destination for EU agricultural products. In addition, Japan's food-and-drink market is one of the largest globally, with high per capita spending and consumption levels<sup>2</sup>. As a result, the Japanese market represents a genuine opportunity for UK farmers and growers to export more great British food and drink.
2. Overall, this agreement is to be welcomed, it represents an important step to ensuring some continuity in our existing trading relationships before the end of the transition period. With the EU-Japan EPA being in force since February 2019, there are British businesses already enjoying preferential access to the Japanese market. This agreement ensures that these trading relationships are preserved.

#### Market Access

3. **Tariffs** - the UK-Japan CEPA replicates the tariff reductions granted in the EPA and over the same timescales. The "phase in" periods will apply retrospectively so the UK will remain in step with the access already afforded to the EU since its agreement came into force last year. This is welcomed by the NFU.
4. **Tariff Rate Quotas (TRQs)** –. There are twenty-five TRQs in the EU-Japan EPA for products such as skimmed milk powder (SMP), butter, cheese and malt. The UK has secured access to ten of these TRQs that are relevant to UK farmers and growers. Access to the TRQs secured will be aggregated across the EU and UK, with the EU having priority. In summary this means that any volumes "left over" in the relevant TRQs after the EU makes use of them will be assigned to the benefit of UK exporters. Currently this should not pose a problem as all the TRQ's are significantly underfilled, meaning there is plenty of volume left for the UK. However, there is a question mark over how future proof this approach is, should trade to Japan from the EU and UK continue to grow, we could see UK exports squeezed out of the Japanese market. The UK has secured a streamlined import licence application procedure for accessing the TRQ's in comparison to the rules set out for the EU, but it cannot initiate this improved procedure until the goods arrive in the Japanese port. It is positive that administrative

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<sup>1</sup> [https://projectblue.blob.core.windows.net/media/Default/News/AHDB%20CountryFocusReportJapan2320\\_181217\\_WEB.pdf](https://projectblue.blob.core.windows.net/media/Default/News/AHDB%20CountryFocusReportJapan2320_181217_WEB.pdf)

<sup>2</sup> [https://projectblue.blob.core.windows.net/media/Default/Market%20Insight/Horizon\\_MeatDairy\\_2018-01-31.pdf](https://projectblue.blob.core.windows.net/media/Default/Market%20Insight/Horizon_MeatDairy_2018-01-31.pdf)

procedures are simplified for UK exporters, but the lack of certainty on the prevailing duty may overshadow this benefit.

5. There are a number of TRQs relevant to UK farming whose roll-over has not been secured, specifically covering wheat, barley, malt, butter, SMP, butter milk powder, whey and condensed milk. The UK-Japan CEPA does not provide for other preferential means of these products entering the Japanese market (i.e. they see no tariff reduction elsewhere in the agreement), this means it will be difficult for UK exports of these products to compete on the Japanese market against equivalent EU product which is able to utilise quotas. This issue is particularly acute in the dairy sector where out of quota tariffs are significant, for example on SMP they are 29.8% + 396yen/kg for consumption (i.e. entry under EU TRQ 23) and 25.5% + 612 yen/kg if used as an ingredient for chocolate (i.e. EU TRQ 24). Out of quota tariffs on butter depend on fat content and are either 29.8% +1,159 yen/kg or 29.8% + 985 yen/kg.
6. There is a side letter<sup>3</sup> to the agreement which relates to the export of agrifood goods. In this letter the Japanese government commits to keeping the specific TRQ for cheese under review. The letter states that if UK exports drop against the previous year, the UK and Japan will review quota volumes and Japan will increase the quota volume, if the drop in trade is proven to be because of insufficient space in the quota. This is something the NFU welcomes.
7. **Special safeguards (SSGs)** - the CEPA replicates the SSGs in place in the EPA. These are in place for: beef, pork and processed pork, racehorses, whey protein concentrate and whey powder and fresh oranges. For the products covered there is a trigger level set and if imports to Japan exceed the trigger then tariffs are re-introduced. The NFU understands that the safeguard measures (applying higher rate tariffs) will be triggered for UK exporters when the combined quantity of EU plus UK imports to Japan reach the level. Meanwhile the safeguard would only come into effect for the EU, once the EU volumes alone trigger the safeguard threshold. This means there is much less “headroom” for UK exporters to increase volumes before the safeguard tariffs are applied.
8. **Malt** - the malt TRQ in the EU – Japan EPA will not be available for UK exporters. The UK-Japan agreement contains a side letter<sup>4</sup> that guarantees that the UK will be able to access an existing Japanese Autonomous TRQ (ATRQ) for malt. This ATRQ is more generous and is reported to be easier to access than the TRQ in the EPA. However, it is worth noting that this existing quota is autonomous, meaning it is operated by Japan and it sits outside of its WTO schedule of concessions. Hence, this ATRQ is already operated erga omnes (i.e. the UK can already access it on the same terms as given by this agreement) and it could theoretically be withdrawn by Japan. The UK is the second largest exporter of malt to Japan and outside of quota the Japanese charge an import tariff of 21.3yen/kg, which equates to around £156/t (based on exchange rate on 21/10/2020)

## Geographical Indications (GIs)

9. The seven UK GIs which receive protection in the EPA will continue to be protected in the CEPA. These GIs are: Irish Whiskey/Uisce Beatha Eireannach/Irish Whisky, Irish Cream, Scotch Whisky, Scottish Farmed Salmon, West Country farmhouse Cheddar Cheese and Blue Stilton Cheese / White Stilton Cheese. In turn the UK will protect the same Japanese GIs as in the EU- Japan EPA. There will be an opportunity for both sides to add to the list of GIs which

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<sup>3</sup> Page 38 - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/929175/UK-Future-Trading-Relationship-with-Japan-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929175/UK-Future-Trading-Relationship-with-Japan-accessible.pdf)

<sup>4</sup> Page 34 - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/929175/UK-Future-Trading-Relationship-with-Japan-accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929175/UK-Future-Trading-Relationship-with-Japan-accessible.pdf)

receive protection when the agreement enters into force. The NFU supports maintaining a system that protects current GIs and develops new ones, ensuring strong protection in third countries when trade agreements are negotiated. We therefore welcome the GI provisions in the CEPA and look forward to further UK food and drink products qualifying for protection in the future.

### **Rules of Origin**

10. The CEPA allows UK businesses to count EU raw materials as originating and hence the subsequent finished product would qualify for preferential access into the Japanese market. We note that there is still uncertainty as to how this would work in the context of UK/EU trade, the decision over whether the EU will allow UK goods produced using Japanese raw materials to count as originating – a concept called diagonal cumulation - is still subject to EU-UK negotiations. For the majority of unprocessed agri-foods goods there is a requirement for goods to be wholly obtained i.e. there is no doubt they originated from the market (e.g. cereals grown and harvested, or animals raised and slaughtered), this is something the NFU welcomes. However, we note that the rules related to baked goods, breakfast cereals and sugar confectionery will now allow food manufacturers more freedom on where they source their raw ingredients (primarily flours, starches, and sugar) from. The NFU supports an approach to rules of origin that preserves the established supply chains that already exist between the UK and the EU, but that does not enable the substitution of UK raw materials for imported materials more than is encouraged today.

### **Comprehensive and Progressive Trans Pacific Partnership (CPTPP)**

11. As part of the deal Japan has formally agreed to support the UK's application to join the CPTPP. This is significant given Japan is the largest economy in the group and is the chair of the trading block next year. While the NFU supports the multi-lateral phased reduction of average tariff levels for agricultural products, notwithstanding the issue of production standards mentioned above, we believe that the protection of sensitive goods on a global market should be a priority when negotiating trade deals. As such, CPTPP includes major agricultural exporting countries who already enjoy preferential access to the UK market in the form of Tariff Rate Quotas (TRQs) for certain key commodities – these include beef, sheep meat, sugar and certain dairy products. This preferential access is provided for in the UK WTO schedule and will be maintained. As a result, the NFU is concerned that in becoming a partner in the CPTPP, the UK Government will be asked to further increase market access for sensitive agricultural products. This would be in addition to the concessions already granted to Japan and that could form part of FTAs or roll over agreements with other CPTPP members including: Australia, New Zealand, Canada and potentially the USA if it were to seek re-entry to the CPTPP .
12. UK agricultural producers could benefit from increased access to the CPTPP market. Areas in which there is potential to expand exports of high-quality UK produce include the beef, sheep and dairy sectors. However, further exploratory work of the potential benefit gained from exporting to these markets through joining the CPTPP would need to be undertaken in order to give a comprehensive overview of the potential for UK agricultural exports.