

# UK-Japan trade agreement

Submission to the House of Commons International Trade Committee

November 2020

## Introduction

*The TUC exists to make the working world a better place for everyone. We bring together more than 5.5 million working people who make up our 48 member unions.*

1. On 23 October the UK government published the text of the UK-Japan trade agreement. Parliament has until 27 November to consider the agreement. Under the Constitutional Reform and Governance Act, MPs and Lords do not have the power to vote against the agreement. Parliament only has the power to vote for a motion against the agreement which would delay it entering into force by 21 days.
2. The TUC is concerned that trade unions were not consulted or able to provide input on the text of the UK-Japan trade agreement as it was being negotiated.
3. The TUC is also concerned that parliament was not given the ability to scrutinise the text of the agreement as it was being negotiated.
4. The lack of trade union and parliamentary scrutiny in the UK-Japan agreement has resulted in an agreement that poses threats to workers' rights, public services and good jobs.
5. The TUC calls for the Trade Bill to ensure trade unions and Parliament are involved in the process of trade negotiations and for all trade agreements are debated and voted through a positive resolution process.
6. The TUC works closely with RENGO, our sister trade union centre in Japan. The TUC and RENGO released a joint statement in June asserting that the UK government must prioritise securing a good deal with the EU to protect good jobs and workers' rights in the UK and ensure trade deals do not lead to a race to the bottom on rights.<sup>1</sup> The joint statement also stated any UK-Japan trade deal

must contain enforceable protections on workers' rights and public services and not contain any form of Investor-State Dispute Settlement.

## Key concerns

### *Importance of a good UK-EU deal*

7. The TUC is clear that the UK-Japan agreement is not a substitute for a good UK-EU deal that provides tariff free trade in goods and low-barrier trade in services and dynamic alignment with the EU on workers' rights. This is needed to protect millions of jobs in the UK and protect workers' rights.
8. In trade volumes, Japan cannot replace the EU: Japan currently makes up just 2.2 per cent of UK current global trade compared to the EU which makes up 47 per cent of UK global trade.
9. While the UK-Japan trade agreement will reduce tariffs on most car components to zero after five years, the benefits to the UK supply chain will only be felt if the UK secures tariff free access to the EU as its biggest market to sell these cars.
10. The UK-Japan agreement, meanwhile, risks displacing some jobs from the automotive sector. The agreement will reduce tariffs on cars imported from Japan to zero after seven years. The Department of International Trade's impact assessment showed the trade deal would reduce Gross Value Added (GVA) in manufacturing of motor vehicles and manufacturing machinery.<sup>12</sup>

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<sup>1</sup> TUC (2020) 'UK and Japanese unions call for an EU trade deal that protects investment and jobs', online at:  
<https://www.tuc.org.uk/news/uk-and-japanese-unions-call-eu-trade-deal-protects-investment-and-jobs>

<sup>2</sup> UK government (2020), 'UK's approach to negotiating a free trade agreement with Japan', online at:  
<https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with->

The TUC would want government to explain how they plan to mitigate these impacts which threaten jobs in automotive and connected sectors and ensure that workers are not displaced from good unionised jobs into precarious employment.

*Threats to workers' rights*

11. The TUC has long campaigned for enforceable commitments to protect workers' rights in trade agreements. In contrast to the EU's proposals for a trade agreement with the UK which contains enforceable commitments to high standards of workers' rights, the UK-Japan agreement contains no enforceable commitments to uphold labour standards. The agreement replicates the provisions in the EU-Japan trade deal where violations of labour standards do not lead to any sanction or penalty.
12. Trade unions' experience of agreements with the same provisions, such as the EU-Andean agreement, have shown that such commitments do not lead to breaches of labour rights being addressed. Despite the killings of at least fourteen trade union leaders in Colombia in the last year, no sanctions have been levied against the Colombian government through the EU-Andean trade deal.
13. The UK-Japan agreement also contains weaker provisions on civil society dialogue than the EU-Japan trade agreement. The UK-Japan trade agreement requires countries to consult civil society, including trade unions, on the extent to which commitments to labour and environmental standards are being upheld after two years. The EU-Japan trade deal required this consultation after one year.
14. Furthermore, the UK-Japan agreement poses threats to workers' rights and other social regulations through the commitments in article 18.1b that governments reduce 'unnecessarily

burdensome' regulatory requirements that might impede exports. This enables businesses to pressure the UK and Japanese governments to challenge regulations that protect workers' rights and social standards but threaten their profits as 'unnecessarily burdensome'. This may lead to these regulations being scrapped.

### *Threats to public services*

15. The UK-Japan agreement puts public services under threat as it contains no general exemption for public services and takes a 'negative list' approach to its commitments on services. This means any services not explicitly listed as protected can be subject to further privatisation through the agreement. Any part-privatised services not explicitly exempted in Annexe 1 (which the government has not yet published) could thus be subject to increased privatisation. Meanwhile any part-privatised services would not be able to be renationalised under articles 8.6 – 8.12 of the agreement. These articles contain 'standstill' and 'ratchet' commitments which lock in levels of liberalisation. This would mean government moves to renationalise part privatised sections of the NHS could be challenged by the Japanese government or, if Investor-State Dispute Settlement is included at a later stage, foreign investors. Article 8.5.3 in the agreement would allow Investor-State Dispute Settlement (ISDS) court system to be added at a later stage if the UK or Japan agrees to this in subsequent trade deals. The risk of this is high as the UK has stated an intention to join the Comprehensive Transpacific Partnership which involves ISDS between most countries.

## **Rules of Origin**

16. There are more generous rules of origin requirements in the UK-Japan agreement than the EU-Japan trade deal. The UK-Japan agreement will allow goods assembled in the UK with 50% content from non-UK countries to be counted as UK produced and eligible for tariff free access to the Japanese market<sup>3</sup> - this will benefit cars produced in the UK which contain significant amounts of EU content.

## State aid

17. Despite the government stating it cannot commit to restrictions on its state aid spending in EU-UK negotiations, it has committed to some restrictions in the UK-Japan agreement that go in the same direction as those the EU is asking the UK to follow.
18. These include requirements in chapter 12 that the UK does not provide subsidies without limitation on amount or duration and does not provide subsidies to restructure an insolvent enterprise without the enterprise having prepared a credible restructuring plan. The agreement also requires that the UK notify the Japanese government about any subsidies it plans to provide, except those that are provided for public policy purposes or are provided in the case of 'temporary national or global economic emergency'.
19. The TUC recently published a report on state aid outlining the key principles a future UK subsidies regime should follow to support employment and a levelling up agenda.<sup>4</sup> It sets out how this agenda can be pursued while maintaining a level playing field with the EU.

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<sup>3</sup> UKTPO (2020) 'Japan-UK free trade agreement – what's missing?', online at:

<https://blogs.sussex.ac.uk/uktpo/2020/10/22/japan-uk-fta-what-is-missing/>

<sup>4</sup> TUC (2020) 'Levelling up: the role of UK state aid', online at: <https://www.tuc.org.uk/research-analysis/reports/levelling-uk-role-state-aid>

