

techUK response to the UK Parliament Inquiry on UK-Japan Comprehensive Economic Partnership Agreement

November 2020

About techUK

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. The tech industry is creating jobs and growth across the UK. More than 850 companies are members of techUK. Collectively they employ more than 700,000 people, about half of all tech sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of our members are small and medium sized businesses.

While there is a wide range of issues that techUK members have been following throughout the negotiations and since the conclusion and signature of the UK-Japan Comprehensive Economic Partnership Agreement, for the purpose of this inquiry, we are focusing on two key areas: ways in which UK-Japan CEPA benefits the UK tech sector and way in which it differs from the EU-Japan EPA.

1. How does UK-Japan CEPA benefit the UK tech sector

1.1 Japan represents a significant market for the UK tech sector. In 2018 it accounted for over £321 million in telecommunications, computer and information services exports, and £56 million in imports. The total value of the services exports to Japan in 2018 was £675m.

1.2 The conclusion and signature of the UK-Japan Comprehensive Economic Partnership Agreement provides much needed legal certainty and reassurance for businesses on both sides beyond the end of the transition period.

1.3 As part of the assessment of the newly-agreed deal, techUK and JEITA will be hosting a UK-Japan Tech Forum on 26 November, to explore how companies in the UK and Japan can make the most of the newly introduced provisions in this agreement.

1.4 While UK-Japan CEPA is largely a roll-over agreement, meaning that a large majority of the provisions are identical to the EU-Japan Economic Partnership Agreement, there are significant additions in Chapter 8, especially on digital trade.

2. How the UK-Japan CEPA differs from EU-Japan EPA

2.1 The UK-Japan agreement goes further than the EU-Japan EPA in a number of modified or additional provisions in Chapter 8 - Trade in Services, Investment Liberalisation and Electronic Commerce.

2.2 Below are some of the key provisions added in the UK-Japan CEPA that techUK has advocated for in its January [A Vision for UK Digital Trade Policy](#) report:

- Provisions on cross-border free flow of data that allow data to be transferred freely between the two countries. Data flows are the essential bedrock of digital trade and barriers to data flows are a high cost particularly for smaller companies.

- Commitment on upholding high standards of data protection to underpin the data flows regime. This is essential to ensure trust in the digital economy, as well as in the trading relationships that the UK is developing.
- A ban on data localisation, including for financial services. This will significantly reduce the barrier to entry for smaller companies in the tech – and particularly fintech – sector, allowing them to test demand and start to provide services in the Japanese market slowly, without having to first invest in local infrastructure.
- Agreement on open government data, committing parties to opening government data sets in machine-readable format. This will allow innovative UK AI companies to develop and train their products and deploy them readily in the Japanese market.
- An expansion of the source code provisions, to include algorithms, meaning that neither party can require such information as a condition for market access. This will be reassuring for innovative UK tech companies.
- Protection for encryption technologies by prohibiting either country from unnecessarily requiring encryption service providers to transfer details about their software, or other proprietary information, to state authorities before entering the market.
- A commitment to net neutrality.
- Regulatory cooperation on emerging technology. Regulatory divergence is the main barrier to digital trade, so this framework of dialogue and cooperation is particularly valuable for the emerging tech sector.
- Commitment to encourage the use of interoperable electronic authentication and electronic signatures. This provision will help to significantly reduce cost and red tape for businesses trading with Japan.

2.3 Overall, the digital trade additions will benefit the UK tech sector, especially the small and medium-sized enterprises as they look to serve the Japanese market. As a first fully-fledged digital trade chapter in a UK trade agreement, techUK believes this is an important step towards developing similarly successful agreements for digital trade with other like-minded countries and thus providing increased opportunity for the innovative UK tech sector.