

Call for evidence

UK-Japan trade negotiations inquiry

The new House of Lords EU International Agreements Sub-Committee (IAC), chaired by Lord Goldsmith, has launched an inquiry into the ongoing UK-Japan trade negotiations towards a free trade agreement.

This is a public call for written evidence to be submitted to the Committee. The Committee's scrutiny of these negotiations will consider a wide range of issues, and we expect this call for evidence to remain open during the course of the negotiations, and that the Committee's scrutiny of these negotiations will consider a wide range of issues, but we would be grateful for submissions on one, some or all of the points set out below by Monday 31 August, in the first instance.

A revised call for written evidence may be issued in due course, as negotiations progress, and all those who have previously made written submissions will be notified of this and invited to make an additional submission, if they wish.

When preparing your response, please bear in mind that short, concise submissions are preferred, and responses must not be any longer than six sides of A4. Bullet points are acceptable. You do not need to address every question below. Equally, if there are any crucial issues not captured by the questions we pose, please highlight what they are and explain their salience.

The process for making submissions is set out in Annex 1, but if you have any questions or require any adjustments to enable you to respond, please contact the staff of the Committee at HLIntlAgreements@parliament.uk.

Background

The Government has made agreeing a comprehensive free trade agreement ("FTA") with Japan an early priority. Japan is the UK's 4th largest non-EU export market, accounting for just over 2% of the UK's total exports in 2018. Total UK trade with Japan was worth over £29.5bn in 2018. The UK is currently a part of the EU-Japan Economic Partnership Agreement (EPA), which entered into force on 1 February 2019, but will leave the agreement when the transition period ends on 31 December 2020. The Government aims to agree an ambitious and comprehensive Free Trade Agreement (FTA) with Japan that builds on the EU-Japan EPA.

Trade negotiations between the UK and Japan were officially launched on Tuesday 9 June 2020. The UK Secretary of State for International Trade,

Liz Truss, and Japanese Foreign Affairs Minister, Toshimitsu Motegi, began the first round of negotiations.

The International Agreements Committee is responsible for scrutinising how the Government conducts international agreements, including trade treaties, and the final content of those agreements. The UK-Japan trade deal is one of the first major trade agreements pursued by a post-Brexit UK, and the Government seeks to build on the EU-Japan EPA. This inquiry will focus on the Government's aims and objectives, the progress of negotiations, and the possible impacts of a final deal for people and businesses across the UK. It is not yet known when the talks will conclude, but this inquiry will run for the duration of those talks.

Inquiry focus

The Committee is interested in submissions on any and all aspects of a new UK-Japan trade agreement, but the inquiry will focus at first on some key areas that have been raised as priority areas by the UK and Japan. In the first instance, the Committee is particularly seeking evidence on the impacts of a potential deal on the automotive industry and digital goods and services trade, as well as the implications for other areas including the agriculture and food sectors and possible UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The Japanese Government and businesses have made clear that one of its priorities is the early elimination of UK import tariffs on Japanese automobiles and auto parts. The inquiry will seek evidence on the impact of a trade deal with Japan on the UK automotive industry.

The inquiry will also seek evidence on digital goods and services in the trade negotiations, including the consequences the negotiations may have for UK rules – such as data protection, copyright, and consumer protection– and how any deal might affect the UK's digital goods and services industries, including but not limited to FinTech, games, and other innovative digital products.

Although both countries have expressed aspiration for reaching a comprehensive FTA, they face significant time constraints in concluding an agreement before the end of the Brexit transition period. This inquiry will consider what a limited version of a trade agreement might include and what the implications of a limited agreement might be for UK stakeholders.

Additionally, evidence is sought on the potential impacts of a trade deal on regions in the UK and how different areas, regions and nations across the country might either benefit from the deal or miss out.

The Sub-Committee seeks evidence on the following areas of interest, which are phrased as questions for the ease of respondents. Submissions need not address all questions.

Areas of interest

General

We welcome broad responses to these general questions, as well as specific responses in relation to one or more of the key themes set out below (for example, covering the DIT's objectives on automotive or digital trade specifically).

1. Does the Department for International Trade (DIT)'s strategic approach, published on 13 May 2020, set out the right objectives for negotiations? How effectively does that strategic approach represent the interests of different groups and regions across the country, including the devolved nations, businesses, civil society, and individuals?
2. How reliable do you find the DIT's assessment of the potential impacts of the proposed agreement with Japan, either as set out in the strategic approach or elsewhere?
3. Although both countries have expressed their aspiration for reaching a comprehensive FTA before the end of the Brexit transition period, they face significant time constraints. Japan has suggested that both sides would need to limit their ambitions in negotiations. In what circumstances might the UK and Japan pursue a limited version of a trade agreement, which covers only a handful of industries, instead of a comprehensive FTA? What areas are most likely to be included in any initial 'mini-deal'?
4. What are some of the major points of disagreement that have emerged in Japan's recent trade negotiations that the Committee should be aware of when scrutinising UK-Japan negotiations?
5. What effect could a UK-Japan trade deal have on the UK's future ability to negotiate deals with other countries?
6. The UK Government has expressed a strong interest in using a potential FTA with Japan as a stepping stone to joining to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). How might a trade deal with Japan help the UK to join the CPTPP and what benefits would there be in joining?
7. How might Japanese investment in the UK be impacted by a UK-Japan trade agreement? What provisions should be included in order to maintain or attract Japanese investment?

8. What rules of origin and cumulation requirements are necessary in a UK-Japan trade agreement, and how might they play into the UK's trading arrangements with the EU?

Impact on the devolved nations and UK regions 9. Do the devolved nations of the UK have any specific interests that need to be protected as part of the negotiation of a UK-wide trade deal with Japan?

10. What are the costs and benefits of a UK-Japan trade deal to the various regions of the UK? We would be especially interested in detailed economic analyses on this point.

11. The Department for International Trade (DIT) has conducted a preliminary impact assessment that outlines the gross value added (GVA) of a UK-Japan trade deal on regions in the UK, as part of its negotiating objectives. How do you evaluate the economic analysis behind the DIT's the impact assessment? The impact assessment suggests that the trade deal could increase GVA in London, the East Midlands, and Scotland in particular. How do you evaluate this assertion? We would particularly welcome evidence specifically from representative bodies in London, the East Midlands and Scotland, and any case studies considering the impacts on those regions.

12. The impact assessment does not take into account the dynamic effects of a UK-Japan trade deal on the regions. What are some possible economic assessments of the dynamic effects of the trade deal, over time, on regions or on the UK as a whole?

13. Japan is a part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which includes an investor-state dispute settlement (ISDS) mechanism. What ISDS arrangements do you think would be appropriate in this deal? What are the possible risks or opportunities for the UK in negotiating any ISDS arrangements?

Automotive sector

Under the EU-Japan EPA, tariffs on automotive imports from Japan to the EU will gradually be reduced from 10% prior to the implementation of the agreement, to zero in the eighth year of implementation. The Japanese Government has made clear that it wishes to go beyond the EU-Japan EPA and seeks an early elimination of tariffs on Japanese automobile and auto part imports to the UK.

The UK Government has not stated its position on removing tariffs on Japanese automotive imports. It has stated in its negotiating objectives, "Cars are one of our top goods exports to Japan, worth around £1.1bn. Our automotive exporters could benefit from reduced non-tariff barriers in an FTA", and "the UK-Japan FTA should retain the EPA automotive annex."

14. How might an early removal of tariffs on Japanese automobile and auto part imports, which is faster than the timescale agreed in EU-Japan EPA, impact the UK automotive industry? How might the UK automotive industry approach any new competition that might arise? We would be particularly interested in any detailed economic analyses on these points.

15. Considering the important role of supply chains in the automotive sector, what rules of origin and cumulation requirements should be included in a UK-Japan trade agreement? How might they play into the UK's trading arrangements with the EU?

16. Would there be a significant economic benefit to UK consumers if there was an early removal of tariffs on Japanese automotive imports? How large would the economic benefit be?

17. How might negotiated provisions on reducing tariff and non-tariff barriers for UK automotive exports to Japan benefit UK businesses?

18. Should electric and hybrid vehicles be differentiated from other motor vehicles when setting tariff rates in a UK-Japan trade agreement?

Digital goods and services

The Government has indicated both its intention to maintain the UK's high standards in data protection and protection against online harms and its ambition to "promote a world leading eco-system for digital trade that supports businesses of all sizes across the UK".

19. How might negotiated digital trade provisions serve as enablers for businesses in the UK? What provisions would bring the most benefit and so should be the highest priority in this area?

20. What might be the trade-offs for the UK in agreeing ambitious digital trade provisions with Japan? How might the UK's data protection standards and provisions for protecting users from online harms be affected by any deal?

21. Japan and the US signed a 'mini-deal' on digital trade last year. Considering that the UK is negotiating trade deals with both the US and Japan at the same time, how might this impact the UK's negotiating leverage in this area?

Agriculture and Food

The UK Government's scoping assessment suggests that UK agriculture could benefit from an FTA with Japan through a combination of reduced tariffs and red tape for food and drink exports.

Meanwhile, Japanese agriculture groups have strongly opposed further access to its markets and agriculture was one of the most challenging

areas in negotiations leading up to the EU-Japan Economic Partnership Agreement.

22. Japan is an important market for the UK agriculture and food export industry. The Japanese agriculture industry has expressed concerns regarding granting additional access to its market if the provisions in the EU-Japan EPA on agriculture and food are rolled over in an FTA with the UK. If such provisions are not included in a UK-Japan trade deal, what consequences might there be for the UK agriculture and food industries?

23. If the UK and Japan agreed a limited version of a trade deal, which either eliminated or reduced provisions related to agriculture and food, what might be some of the impacts on UK agriculture and food industries?

ANNEX 1: GUIDANCE FOR SUBMISSIONS

Written submissions should be made online using the written submission form available.

We expect this call for evidence to remain open throughout the course of the UK-Japan negotiations, but we would be grateful for submissions by close of play on 31 August, in the first instance. A revised call for evidence may be issued as negotiations progress, and those who have already made written submissions will be notified of this and invited to make any additional submission, should they so wish.

For any questions, please contact the Committee staff at HLIntlAgreements@parliament.uk or by telephoning 020 7219 4840.

Short submissions are preferred. A submission longer than six pages should include a one-page summary.

Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically by email.

Evidence that is accepted by the Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions that have been previously published will not be accepted as evidence.

Once you have received acknowledgement that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication but will be retained by the Committee Office and used for specific purposes

relating to the Committee's work, for instance to seek additional information.

Substantive communications to the Committee about the inquiry should be addressed through the clerk of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

You can follow the progress of the inquiry at:

<https://committees.parliament.uk/committee/448/eu-international-agreements-subcommittee/>