

UK and Japan agree historic free trade agreement

The UK has secured a free trade agreement with Japan, which is the UK's first major trade deal as an independent trading nation and will increase trade with Japan by an estimated £15.2 billion.

The UK-Japan Comprehensive Economic Partnership Agreement was agreed in principle by International Trade Secretary Liz Truss and Japan's Foreign Minister Motegi Toshimitsu on a video call this morning (Friday 11 September).

The deal is tailored to the UK economy and secures additional benefits beyond the EU-Japan trade deal, giving UK companies exporting to Japan a competitive advantage in a number of areas. It will help to create jobs and drive economic growth throughout the whole of the UK.

The deal is also an important step towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This will give UK businesses a gateway to the Asia-Pacific region and help to increase the resilience and diversity of our supply chains.

UK businesses will benefit from tariff-free trade on 99% of exports to Japan. Government analysis shows that a deal with Japan will deliver a £1.5 billion boost to the UK economy and increase UK workers' wages by £800 million in the long run.

UK manufacturers, food and drink producers and the tech sector are all set to benefit from the measures in the UK-Japan deal, which include:

- Cutting-edge digital & data provisions that go far beyond the EU-Japan deal. These will enable free flow of data whilst maintaining high standards of protection for personal data. We have also committed to uphold the principles of net neutrality, as well as introducing a ban on data localisation, which will prevent British businesses from having the extra cost of setting up servers in Japan. This will help UK fintech firms operating in Japan – like Revolut and Transferwise – to innovate and grow.
- Improved market access for UK financial services – including greater transparency and streamlined application processes for UK firms seeking licences to operate in Japan. The deal creates an annual dialogue between Her Majesty's Treasury, UK financial regulators, and the Japanese FSA that will explore ways to further reduce regulatory friction – something that would be impossible were the UK still in the EU. Financial services are our biggest export to Japan, accounting for 28% of all UK exports.

- Tariff free access for more UK goods – new and more liberal Rules of Origin will allow producers of coats, knitwear and biscuits to source inputs from around the world for their exports to Japan – making it easier and cheaper for them to sell to the Japanese market.
- New protection for more iconic UK goods – increasing geographical indications (GIs) from just seven under the terms of the EU-Japan deal to potentially over 70 under our new agreement, covering goods including English sparkling wine, Yorkshire Wensleydale and Welsh lamb. This would lead to improved recognition of key UK brands in the Japanese market.
- New protections for UK creative industries – British businesses can now be confident that their brands and innovations will be protected. We have gone beyond the EU on provisions that tackle online infringement of IP rights, such as film and music piracy.
- Improved mobility for business people – securing more flexibility for Japanese and British companies to move talent into each country, covering a range of UK skilled workers to enter Japan, from computer services to construction. This includes commitments that go beyond the EU-Japan deal, for investors, spouses and dependents, and a wider range of intra-company transfers. Requirements for visas will be clear, transparent, and with an aim that they be processed in 90 days. A worker transferring from their UK HQ to the Tokyo office will be able to bring their spouse and dependents and stay for up to five years.
- Supporting UK car and rail manufacturing – supporting major investors in the UK like Nissan and Hitachi through reduced tariffs on parts coming from Japan, streamlined regulatory procedures and greater legal certainty for their operations.
- More generous market access for malt producers – Japan has guaranteed market access for UK malt exports under an existing quota which is more generous and easier to access than the EU quota. The UK is the second biggest exporter of malt to Japan, with UK producers exporting £37m there each year.
- Strong tariff reductions for UK pork and beef exports – We have negotiated a deal that sees tariffs fall on pork, beef, salmon and a range of other agricultural exports. We will continue to benefit from access to the low tariffs for key food and drink products covered by quotas, such as Stilton cheese, tea extracts and bread mixes. This forms a pathway to further market access under CPTPP, which has been committed to by Japan as part of our agreement.

The UK and Japan have a long-shared history as free trading nations and this

deal marks an historic moment that will deepen the partnership between two democratic island nations.

International Trade Secretary Liz Truss said:

This is a historic moment for the UK and Japan as our first major post-Brexit trade deal. The agreement we have negotiated – in record time and in challenging circumstances – goes far beyond the existing EU deal, as it secures new wins for British businesses in our great manufacturing, food and drink, and tech industries.

From our automotive workers in Wales to our shoemakers in the North of England, this deal will help build back better as we create new opportunities for people throughout the whole of the UK and help level up our country.

Strategically, the deal is an important step towards joining the Trans-Pacific Partnership and placing Britain at the centre of a network of modern free trade agreements with like-minded friends and allies.

Chair of the Federation of Small Businesses, Mike Cherry said:

As we look to the UK's global trading future, trade deals we sign should be about businesses of all sizes, which is why we are delighted to see a UK-Japan trade deal today that includes a comprehensive chapter for SMEs. FSB has long campaigned for these chapters to be included in trade deals, to give UK small businesses the support and tools they need to reach new markets.

The UK-Japan trade deal therefore marks a major moment. It provides access to a major global market for the UK's small business exporters, with one in ten viewing Japan as a crucial market to tap into. With over 130,000 small businesses already exporting to Japan, this should provide small businesses looking to grow, maintain or start exporting to Japan with the certainty they need for the future.

Director General of the Confederation of British Industry, Carolyn Fairbairn said:

The signing of the UK-Japan trade deal is a breakthrough moment. It will be welcomed by businesses across the country. The Government

and business now need to work together to make the most from the deal. It's a huge opportunity to secure new Japanese investment across a wider range of sectors and UK regions.

Business will help support the Government in its efforts to secure more trade deals around the world and promote their benefits to communities. The Japan deal can be the first of many.

CEO of TechUK, Julian David said:

TechUK welcomes the conclusion of the UK-Japan Economic Partnership Agreement with its comprehensive digital trade chapter. Today's agreement improves an already flourishing relationship between the UK and Japan tech sectors and creates significant opportunities for trade and investment for both our countries.

Since 2018, in partnership with JEITA, we have run a successful UK-Japan Tech Forum to enable our members to develop a closer relationship with Japan and we look forward to working with the Government and our partners in Japan to assist the tech sector in taking full opportunity of this agreement.

Jim Walker, Managing Director of Walkers Shortbread said:

We welcome the news that a UK-Japan agreement has been agreed today. Japan remains one of Walkers' most important markets and sales have grown steadily there since first launching in Japan over 40 years ago.

This deal will help provide certainty and create more opportunities to continue building sales in the future in a market where our products already enjoy success.

Dominic Goudie, Head of International Trade, Food and Drink Federation said:

UK food and drink manufacturers are delighted to hear the UK has concluded a comprehensive new trade deal with Japan. As the world's largest net importer of food and drink, this deal with Japan improves our existing terms of trade and offers significant new growth opportunities for quality UK manufacturing. We particularly welcome the additional flexibility this deal delivers in terms of rules of origin which are so crucial for our industry.

The agreement recognises the unique challenge posed by seasonality and provides confidence for UK exporters across a wide range of product categories. This deal can make a vital contribution towards the UK's economic recovery and our industry is ready to deliver for every community across the UK.