



BRIEFING PAPER

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UK-Japan Comprehensive Economic Partnership Agreement

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2. The agreement
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Summary

This note has been prepared in advance of the debate on the UK-Japan Comprehensive Economic Partnership Agreement (CEPA) in the House of Commons on 25 November 2020.

CEPA is a free trade agreement between the UK and Japan. The Government has described the deal as “[historic](#)” and “[the first trade deal that the UK has struck as an independent trading nation](#).” The signing of the agreement should also be seen in the context of the Government’s ambition to join the CPTPP – the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. This is a trade agreement between 11 countries in the Asia-Pacific region, including Japan.

Japan is an important trade and investment partner for the UK. The UK exported £14.7 billion of goods and services to Japan in 2019 (2.1% of all UK exports) and imported £15.4 billion (2.1% of all UK imports). A 2015 estimate indicated that 167,000 UK jobs were supported by exports to Japan. Japan was the 6th largest investor in the UK in 2018, with £89.2 billion invested while the UK was the 4th largest investor in Japan with £17.5 billion invested.

Trade relations between the UK and Japan are currently governed by the EU-Japan Economic Partnership Agreement (JEEPA). The UK will no longer be covered by this agreement when the Brexit transition period ends at the end of 2020. In the absence of a new agreement with Japan, UK-Japan trade would revert to World Trade Organization (WTO) terms.

The Government has presented CEPA as going further than the EU-Japan agreement in a number of areas, including digital trade and data. The Government’s Impact Assessment indicates that the agreement could lead to an increase of £15.7 billion in trade between Japan and the UK in the long-run (although the majority of this is Japanese exports to the UK) and an increase of £1.5 billion (0.07%) in UK GDP. These figures are against a baseline of trading with Japan on WTO terms rather than against the status quo of trade under JEEPA.

The House of Commons [International Trade Committee](#) (ITC) and the House of Lords [International Agreements Sub-Committee](#) have both published reports on the agreement. The ITC welcomed the signing of the agreement and the certainty and continuity it would bring. The Committee said “While the differences between CEPA and JEEPA may not be as extensive as claimed, there are notable exceptions, particularly the provisions on digital and data, and financial services.” The Committee recommended that the agreement should be debated in the House of Commons.

The International Agreements Sub-Committee’s report noted that the agreement provided “valuable continuity for businesses, consumers and other stakeholders”. The report also said that while the agreement contained some useful additional provisions compared to the EU-Japan agreement, these gains had been exaggerated by the Government.

Ratification of the agreement is governed by sections 20 to 25 of the [Constitutional Reform and Governance Act 2010](#). This provides for a statutory period of 21 days during which either House can resolve that the agreement should not be ratified. There is no statutory requirement for a vote on ratification.

1. Background

1.1 EU trade agreement with Japan

During the Brexit transition period, which lasts until the end of 2020, the UK is party to the EU's trade agreements. The EU has a trade agreement with Japan, (JEEPA – the EU-Japan Economic Partnership Agreement) which came into force in February 2019. In the absence of a UK-Japan trade agreement, UK trade with Japan would revert to World Trade Organization (WTO) rules at the end of the transition period.

1.2 Consultation and negotiations

Between 20 September and 4 December 2019, the Government ran a [consultation](#) ("Call for Input") on a possible free trade agreement with Japan. On 13 May 2020, the Government published [UK-Japan free trade agreement: the UK's strategic approach](#) which included its response to the consultation and set out the UK's negotiating objectives.

The agreement was negotiated very rapidly. Negotiations took place between June and August. On 11 September, an Agreement in Principle was announced and the agreement was signed on 23 October.

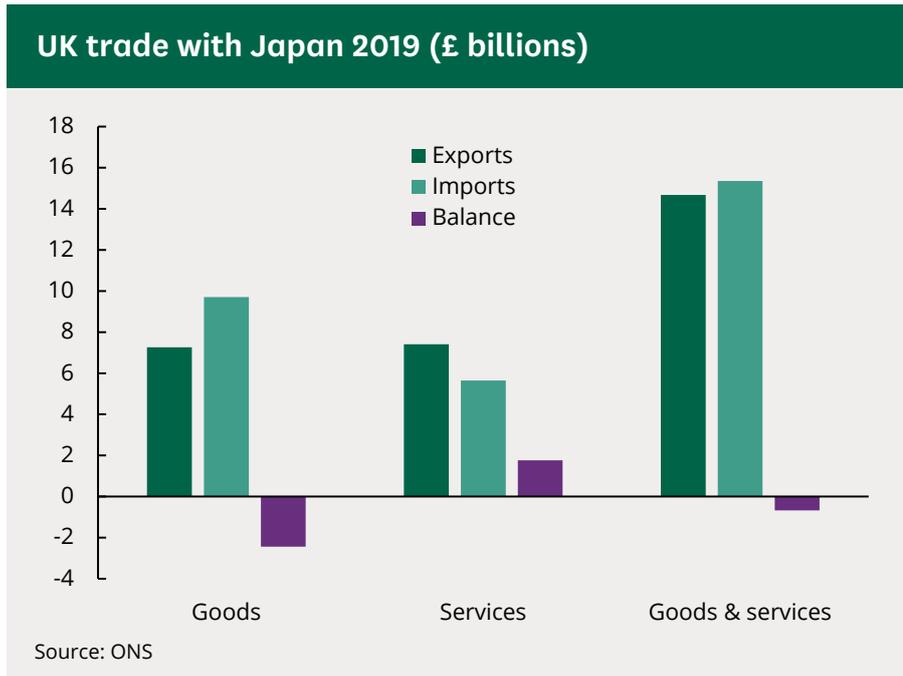
1.3 Statistics on UK trade with Japan

Trade in 2019

In 2019:

- The UK exported £14.7 billion of goods and services to Japan and imported £15.4 billion, resulting in a trade deficit of £0.7 billion; a deficit of £2.4 billion in goods was partly offset by a surplus of £1.8 billion in services.
- Japan was the UK's 11th largest export market, accounting for 2.1% of UK exports of goods and services and 11th largest source of imports, accounting for 2.1% of the UK's imported goods and services.
- Japan was the UK's 4th largest export market and 4th largest source of imports outside the European Union, accounting for 3.7% of UK non-EU exports and 4.4% of non-EU imports.
- A 2015 estimate indicated that 167,000 UK jobs were supported by exports to Japan.¹

¹ DIT, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), October 2020, p7



The UK’s single largest goods export to Japan was power generating machinery and equipment – this category is mostly made up of engines and motors, followed by road vehicles and medicinal and pharmaceutical products. Combined, these three product groups accounted for just under half of all UK goods exports to Japan.

Top ten UK goods exports to Japan, 2019

	£ billions	% total
Power generating machinery & equipment	1.2	18.4%
Road vehicles	1.1	17.5%
Medicinal & pharmaceutical products	0.7	11.3%
Professional, scientific & controlling ins & app	0.4	5.9%
Non-ferrous metals	0.4	5.9%
Electrical machinery, app & appliances	0.3	5.3%
Miscellaneous manufactured articles	0.3	5.3%
General industrial machinery & eqp.	0.3	3.9%
Beverages	0.2	2.8%
Manufactures of metal n.e.s.	0.1	2.2%

Source: HMRC, UK Trade Info

Road vehicles were the UK’s most valuable imported good from Japan in 2019, accounting for nearly a fifth of goods by value – the UK recorded an overall trade deficit in road vehicles with Japan of £0.8 billion.

Top ten UK goods imports from Japan, 2019

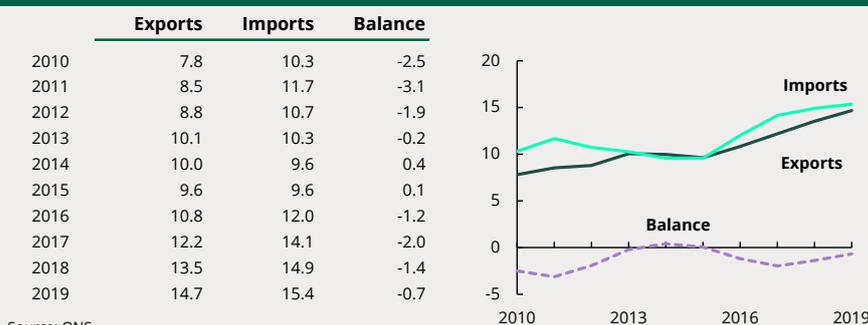
	£ billions	% total
Road vehicles	2.0	19.2%
Gold, non-monetary	1.4	13.2%
Power generating machinery & equipment	1.2	11.5%
Electrical machinery, app & appliances	1.0	9.6%
General industrial machinery & eqp.	0.5	5.2%
Machinery specialized for particular industries	0.5	5.0%
Other transport equipment	0.4	3.9%
Professional, scientific & controlling ins & app	0.4	3.8%
Metalliferous ores & metal scrap	0.3	3.0%
Non-ferrous metals	0.3	2.8%

Source: HMRC, UK Trade Info

Trends since 2010

The UK has now recorded a trade deficit in goods and services with Japan in eight of the last ten years, the largest being £3.1 billion in 2011.

UK trade in goods and services with Japan, 2010-2019 (£ billions)



Investment

Japan and the UK are also important investors in each other's economies. The Government's Impact Assessment said:

Japan was the 6th largest investor in the UK, with £89.2 billion invested in the UK in 2018. The UK was the 4th largest investor in Japan in the same year, with US\$23.3 billion (£17.5 billion) invested in Japan.²

1.4 UK accession to the CPTPP

The Government has said that the agreement with Japan is an important step towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).³ In a side letter, to the UK-Japan agreement, the Government of Japan expressed "its firm

² DIT, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), October 2020, p6

³ Explanatory Memorandum, para 3.4

determination to support the early accession of the United Kingdom to the CPTPP.”⁴ This side-letter is not legally binding.

The CPTPP is a free trade agreement between 11 countries in the Asia-Pacific region. Its members are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The Government has said that it hopes to apply for formal accession to CPTPP early in 2021.⁵

⁴ See DIT, [The United Kingdom's Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, pp36-37

⁵ PQ [HL9627](#) 9 November 2020

2. The agreement

2.1 Introduction

The Government's Explanatory Memorandum explains that the "purpose of the UK-Japan CEPA is to maintain the effects of the EU-Japan Agreement in a bilateral context and to secure enhancements that go beyond the EU-Japan Agreement to provide UK business with additional benefits."⁶

According to the Government, the agreement improves on the EU agreement with Japan in areas such as e-commerce, financial services and intellectual property.⁷

The UK-Japan CEPA covers a range of areas, including:

- trade in goods, including provisions on rules of origin, preferential tariffs and quotas
- trade in services
- investment
- electronic commerce
- intellectual property including geographical indications
- government procurement
- sustainability and the need to tackle climate change⁸

Box 1: Government publications on the UK-Japan trade agreement

The Government has published a number of documents on the agreement, including:

[The text of the agreement](#)

[An Explanatory Memorandum](#)

[A Parliamentary Report](#) (setting out the Government's view on the differences between the UK-Japan trade agreement and the EU-Japan trade agreement)

An [Impact Assessment](#). The Regulatory Policy Committee (RPC) concluded that the Impact Assessment was "fit for purpose", see RPC [The UK-Japan Comprehensive Economic Partnership Agreement](#), 21 October 2020

A [summary of the agreement](#)

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A [written statement](#) on the agreement

[UK-Japan CEPA: agri-food explainer](#)

⁶ Explanatory Memorandum, para 2.5

⁷ Explanatory Memorandum, p2

⁸ Explanatory Memorandum, para 2.4

[UK-Japan CEPA: rules of origin explainer](#)

[UK-Japan CEPA: geographical indications explainer](#)

[UK-Japan CEPA: digital and data explainer](#)

According to the Government's press release, the benefits of the agreement include:

- Cutting-edge digital & data provisions that go far beyond the EU-Japan deal, including enabling free flow of data, a commitment to uphold the principles of net neutrality and a ban on unjustified data localisation that will prevent British businesses from having the extra cost of setting up servers in Japan.
- Supporting UK car and rail manufacturing jobs at 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.
- Strong tariff reductions on key agricultural products like pork, beef and salmon will benefit farmers and food exporters.
- A boost for UK brands with protections for more iconic UK agricultural products, from just seven under the terms of the EU-Japan deal to potentially over 70, including English sparkling wine, Scotch beef and Welsh lamb.
- British consumers to benefit from cheaper, high-quality Japanese goods - from udon noodles to Bluefin tuna and Kobe beef.⁹

2.2 How different is CEPA compared with JEEPA?

The Government has presented CEPA as something more than a simple rollover of the EU's trade agreement with Japan. For example, in a written statement, Elizabeth Truss, Secretary of State for International Trade, said:

This British shaped deal goes beyond the existing EU agreement with major wins for all parts of the UK in areas such as digital and data, financial services, food and drink and creative industries.¹⁰

The Government's press release announcing the agreement said:

The British-shaped deal is the first agreement that the UK has secured that goes beyond the existing EU deal, with enhancements in areas such as digital and data, financial services, food and drink, and creative industries.¹¹

⁹ DIT Press Release, [UK and Japan sign historic free trade agreement](#), 22 October 2020

¹⁰ [HCWS536](#), 23 October 2020

¹¹ DIT Press Release, [UK and Japan sign historic free trade agreement](#), 22 October 2020

In evidence to the International Trade Committee, Ms Truss said:

Some people said that we would not be able to achieve a deal as good as the EU because we were smaller. In fact, we have protected the existing benefits and gone further.¹²

It has, however, been suggested that the Government has exaggerated the benefits of CEPA compared with the EU's deal with Japan. For example, the House of Lords International Agreements Sub-Committee commented:

Overall, CEPA provides valuable continuity for businesses, consumers and other stakeholders. Most of its chapters are rolled over from JEEPA, but it does secure some useful additional provisions. We do, however, have concerns about how the Government has presented the deal publicly, in some respects overselling the extent of CEPA's achievements in going beyond JEEPA. By exaggerating the gains made, including by comparing the outcome not with the status quo but with WTO terms, the Government courts unjustified scepticism about what is a respectable continuity-plus agreement.¹³

The International Trade Committee's report on the agreement said:

The Government has been keen to present CEPA as much more than a simple roll-over of the EU-Japan trade agreement. While the differences between CEPA and JEEPA may not be as extensive as claimed, there are notable exceptions, particularly the provisions on digital and data, and financial services.¹⁴

Trade news service Borderlex commented:

Whereas there are all in all very little changes on the substance of the agreement compared to the EU-Japan Economic Partnership Agreement, Tokyo and London have added provisions at the margins of the agreement that reveal the UK's real trade policy priorities and preferences post Brexit.

The UK-Japan agreement can thus be seen as an initial indication of where Britain might embark on as it devises its own trade diplomacy path independently from the European Union.¹⁵

2.3 Selected provisions of the agreement

The sections below provide a very brief commentary on some of the main provisions of the agreement. It is not exhaustive, and some important elements of the agreement, such as rules of origin, are not discussed. More detail can be found in the select committee reports, and the Parliamentary report and explainers published by the Government.

¹² International Trade Committee, [Oral evidence: The work of the Department for International Trade](#), HC 534 Wednesday 4 November 2020, Q92

¹³ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, p3

¹⁴ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 8

¹⁵ [UK-Japan trade agreement: how much tailoring compared to EU deal?](#) Borderlex, 28 October 2020

Tariffs

Tariffs are taxes on imports. Trade agreements generally reduce or eliminate tariffs on a wide range of goods.

There is very little difference between the UK-Japan agreement and the EU-Japan agreement on tariffs. The ITC report said “Tariff-liberalisation under CEPA, in terms of both scope and scheduling, differs only slightly from that under JEEPA.”¹⁶

The Government’s Parliamentary Report said:

Commitments on tariffs for the overwhelming majority of trade between the UK and Japan have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences set out in the agreement for products being traded between Japan and the United Kingdom will be almost identical to those between Japan and the EU.¹⁷

Tariff rate quotas

Under Tariff Rate Quotas (TRQs), a country allows a fixed volume of specified goods to be imported at a zero or reduced tariff. Once the quota has been used up, any further imports of those goods pay a higher tariff.

The EU-Japan agreement had 25 TRQs. In CEPA, the UK will continue to benefit from 10 of these if the EU has not exhausted the quota.

The Government’s Parliamentary Report said:

In the UK-Japan CEPA, the UK will continue to benefit from the same preferential tariff rate as in the EU-Japan Agreement for 10 TRQs where the UK has identified an interest, for any surplus TRQ volume not utilised by the EU in the previous year. Based on historical trade volumes, this is not expected to have a significant impact on trade flows.¹⁸

The ITC report said: “In the UK’s first agreement as an independent trading nation, its access to preferential duties under TRQs relies on the extent to which those quotas are utilised by the EU.”¹⁹ UK exporters either did not use, or used only to a minimal extent, the other 15 TRQs in the EU-Japan agreement in 2019. The International Agreements Sub-Committee report said:

... the UK’s negotiated access to tariff rate quotas (TRQs), although affecting only a small proportion of agri-food exports, does leave UK exporters at a disadvantage compared to EU exporters, with only second-order access to the preferential rate via access to unused EU quota.²⁰

¹⁶ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para12

¹⁷ DIT, [The United Kingdom’s Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, para 44

¹⁸ DIT, [The United Kingdom’s Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, para 52

¹⁹ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 20

²⁰ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, p3

Japan has also provided a side-letter setting out their intention to provide market access through the TRQs in CPTPP.²¹

Trade in services

The ITC report noted that provisions on trade in services “have been welcomed, and our evidence suggests they are likely to have a positive impact on trade in services between the two countries.”²²

The International Agreements Sub-Committee noted in its report that “there are some welcome if minor improvements to mobility provisions” in CEPA for business travellers. Regarding the mutual recognition of professional qualifications, the commitments in JEEPA were replicated and new commitments to greater transparency were included. However, it said, more could be done in the future aiming for mutual recognition in the legal and the financial and related professional services sectors.²³

On financial services, the ITC report says that there are a number of differences between CEPA and JEEPA and notes “that these improvements in relation to financial services have been welcomed by industry.”²⁴

Data and digital

Data and digital is one of the main areas where CEPA differs from JEEPA. The Government argues that e-commerce is one area where the UK agreement with Japan goes further than the EU agreement. The Parliamentary Report says:

The UK and Japan have agreed new ambitious commitments on e-commerce that reflect the fact that the UK is amongst the most forward-leaning countries on digital trade in the world. The UK-Japan CEPA includes several new commitments that enhance the EU-Japan Agreement and strengthens existing provisions on e-commerce. This cross-cutting package of measures positively impacts multiple sectors, while also helping the UK to benefit from the opportunities digitisation provides trade and the wider economy, such as by boosting and protecting innovation, a major driver of competitiveness and long-term economic growth.²⁵

The ITC heard evidence from the technology and services sectors supporting the provisions in CEPA.²⁶ Others have been more critical saying that CEPA is “an unwelcome shift away from the EU’s approach to data protection.”²⁷

²¹ DIT, [The United Kingdom’s Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, para 52

²² International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 32

²³ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, pp17-18

²⁴ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 33

²⁵ DIT, [The United Kingdom’s Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, para 111

²⁶ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 38

²⁷ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 38

Emily Jones and Beatriz Kira of Oxford University have discussed some of the implications of the UK-Japan agreement in the area of data and digital. They note that:

In the UK-Japan agreement, the UK is shifting away from the EU's approach in some key areas, towards the approach taken by the US and Asia-Pacific countries. The provisions appear to have been crafted with an eye to the UK acceding to the Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP).²⁸

The authors conclude by saying "there is an urgent need to better scrutinise provisions related to cross-border data flows and privacy, algorithm disclosure and accountability, internet regulation and online intermediary liability rules, and to understand the implications of the UK-Japan precedent for future trade agreements."

Investment

Investment protection and dispute settlement²⁹ provisions are a controversial area in trade agreements. Their critics argue that they allow foreign investors to sue governments who are pursuing legitimate public policy goals.

There are no investment protection or dispute settlement provisions in either CEPA or JEEPA. The UK and Japan have agreed to continue discussions on these topics when appropriate, through a review clause.³⁰

Geographical Indications

Geographical indications (GIs) are "place names ...used to identify products (for example, "Champagne", "Tequila" or "Roquefort") which have a particular quality, reputation or other characteristic because they come from that place."³¹ Trade agreements often protect GIs to prevent imitations marketed as if they originate from the relevant place.

The seven UK GIs protected under JEEPA will continue to be protected under CEPA. These are: Stilton Blue Cheese, Stilton White Cheese, West Country Farmhouse Cheddar, Scotch Whisky, Scottish Farmed Salmon, Irish Cream, and Irish Whiskey.³² CEPA contains a process for further GIs to be added.

The ITC report says:

The Government states that this arrangement is "significantly better" than the GI provisions under JEEPA. However, there has been some dispute as to how far this is actually the case. Some communication by the Government on the provisions relating to GIs has not been sufficiently clear, giving the inaccurate impression that CEPA automatically and immediately provides protection to additional GIs.³³

²⁸ Emily Jones and Beatriz Kira, [It's time to talk digital trade](#), UK Trade Policy Observatory blog, 13 November 2020

²⁹ ISDS or Investor State Dispute Settlement provisions

³⁰ DIT, [The United Kingdom's Future Trading Relationship with Japan \[Parliamentary Report\]](#), October 2020, para 120

³¹ WTO glossary

³² [HL9620 9 November 2020](#)

³³ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 44

14 UK-Japan Comprehensive Economic Partnership Agreement

The International Agreements Sub-Committee report comments:

CEPA offers a potential extension of Geographical Indications (GIs) for unique British products. The value of these provisions will only become clear in the light of the success or otherwise of applications for additional GIs, and Japanese approval may take longer than anticipated, but this seems to be at least a potential victory for the Government.³⁴

³⁴ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, p3

3. Economic impact

The Government's Impact Assessment of CEPA said:

In the long run, the trade costs reduced by the UK-Japan CEPA are estimated to drive an increase in UK exports to Japan by 17.2% or £2.6 billion and UK imports from Japan by 79.9% or £13 billion when compared to 2019 levels. Therefore, in the long run overall bilateral trade between the UK and Japan is estimated to increase by 50% or £15.7 billion when compared to 2019 levels.³⁵

In terms of GDP and wages, the Impact Assessment found:

The UK-Japan CEPA is estimated to increase the UK's long run GDP by 0.07%. Compared to UK GDP in 2019 (£2.2 trillion) this represents a £1.5 billion increase in GDP. The long run is generally assumed to represent around 15 years from implementation of the agreement. The increases in GDP derive from a more efficient reallocation of resources across the economy. Higher returns to capital can increase investment and productivity, which also contribute to higher long run GDP.

The reshaping of the economy, changes in prices and **long run increases in productivity drive long run increases in real wages for UK workers of around 0.09%, worth £0.8 billion when compared to 2019 levels.** From labourers to managers, all occupation types are estimated to benefit from higher wages as a result of the UK-Japan CEPA.³⁶

The estimated gains from the agreement are measured against a baseline of no deal between the UK and Japan. This is what the UK-Japan trading relationship would default to if no deal had been agreed. The Impact Assessment says:

The impacts of the agreement are assessed against a baseline where the UK and Japan do not have a free trade agreement, as this represents the default situation (that is, what would happen without ratification).³⁷

Both the ITC and the International Agreements Sub-Committee commented that analysis of the economic gains from CEPA compared with those from JEEPA would have been helpful. The ITC report says:

In relation to the core baseline (measured against WTO trading), which assumes there will be a future relationship agreement between the UK and the EU, the Impact Assessment estimates that CEPA will have the effect of increasing UK annual GDP by 0.07% in the long run. However, measured against the current largely similar JEEPA arrangement, no GDP gain figure has been provided in the Impact Assessment.

³⁵ DIT, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), October 2020, p7. The "long-run" is taken to be 15 years from implementation of the agreement.

³⁶ DIT, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), October 2020, p10

³⁷ DIT, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), October 2020, p6

[...]

Given that the Government has stated that CEPA secures benefits for the UK above and beyond those conferred under JEEPA, it is regrettable that DIT has not provided any assessment of the value of those additional benefits. We do, though, appreciate that carrying out such a comparison could have been difficult to achieve, given the limitations of the available data and the current modelling approach. *In producing its Impact Assessments on future Free Trade Agreements, the Government should give consideration as to whether using a variety of modelling scenarios would provide helpful information to experts, stakeholders and parliamentarians seeking to understand the impact of an agreement.*³⁸

This issue was also raised by the International Agreements Sub-Committee:

The Impact Assessment also does not help us judge the full benefit of CEPA, or whether the Government has successfully negotiated a more bespoke deal better suited to UK interests, as it takes as its baseline the UK and Japan trading on WTO terms and does not consider how the UK would have fared under JEEPA. We recognise that the policy choice facing the Government is between trade with Japan on WTO terms or trade under CEPA, as the UK cannot remain a party to JEEPA after the end of the transition period. Nevertheless, the relative merits of CEPA and JEEPA are important context. The Government previously published an Impact Assessment of JEEPA that predicted larger GDP, export and import growth than those predicted in its Impact Assessment of CEPA, for example a £2.1–3bn per annum GDP increase in the long term, versus the £1.5bn per annum GDP increase in the long term estimated for CEPA. It would have been useful if the Government's explanatory materials had addressed this fact to better explain CEPA's consequences. We also would have welcomed analysis of respective gains that the UK and Japan have won through renegotiating. We note, for example, that the Government's Impact Assessment estimates that UK exports to Japan will increase by 17.2% long term under CEPA, while Japanese exports to the UK will increase by 79.9%.³⁹

³⁸ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, paras 59-60

³⁹ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, p4

4. Parliament's role in scrutiny, ratification and implementation of the agreement

4.1 Scrutiny by Select Committees

The agreement has been scrutinised by the House of Commons International Trade Committee and the House of Lords International Agreements Sub-Committee. Both have published reports. To help with their scrutiny of the agreement, the Department for International Trade gave the committees early sight of the agreement prior to it being formally laid before Parliament. This was in recognition of the tight timetable for Parliamentary scrutiny under the *Constitutional Reform and Governance Act 2010* (see section 4.3 below).⁴⁰

International Trade Committee

The Committee published its report on 19 November 2020, welcoming the signing of the agreement:

We welcome the signing of the Agreement and we congratulate DIT on its work to achieve this. Our evidence from a range of business sectors suggests that the Agreement has generally been welcomed as it brings much needed continuity and certainty to UK businesses involved in trade with Japan through the replication of many of the provisions in the EU-Japan Agreement. Of course, CEPA is only one factor affecting the future of UK-Japan trade and investment. We are conscious that that future will also be significantly influenced by whether or not the UK and EU succeed in concluding a trade agreement, and the terms of any such agreement.

The Government has been keen to present CEPA as much more than a simple roll-over of the EU-Japan trade agreement. While the differences between CEPA and JEEPA may not be as extensive as claimed, there are notable exceptions, particularly the provisions on digital and data, and financial services.⁴¹

International Agreements Sub-Committee

The International Agreements Sub-Committee of the House of Lords published its report on CEPA on 20 November 2020.⁴² The Chair of the Committee, Lord Goldsmith QC, commented:

CEPA is a respectable continuity-plus deal that provides many UK businesses exporting to Japan with the certainty they desperately need and avoids reverting to WTO terms for trade. But in some

⁴⁰ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 6

⁴¹ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, paras 7-8

⁴² International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020

areas, it will require the UK to agree further provisions with the EU for it to be a success.

[...]

In trying to promote CEPA as a new deal, the Government has oversold many of its provisions. We hope that that does not undermine the important continuity for businesses and consumers that has actually been achieved.⁴³

4.2 Debates in Parliament

There will be a debate in the House of Commons on 25 November and in the House of Lords Grand Committee on 26 November.

While there is no statutory requirement for a debate to be held on the agreement, the Government said in October that it would “endeavour to provide time for the text of the Japan agreement to be debated in the Commons and the Lords, subject to Parliamentary time, should the Committees recommend one.”⁴⁴

The International Trade Committee recommended that such a debate should take place in the Commons:

*On the basis of the analysis we provide in this Report, we recommend that the House should be given the opportunity to debate the Agreement before the expiry of the period of 21 sitting days provided for under Section 20 of the Constitutional Reform and Governance Act 2010. As the Government has said, CEPA is the “first deal that the UK has struck as an independent trading nation”; we consider that it is therefore critical that the House has the opportunity to debate it. We hope that this Report, and the evidence we have taken in our inquiry, is a helpful resource to the House in respect of this debate.*⁴⁵

The International Agreements Sub-Committee noted that the agreement was “politically important” and gave “rise to issues of public policy that the House may wish to debate prior to ratification.”⁴⁶

4.3 Ratification: *The Constitutional Reform and Governance Act 2010*

Parliament’s formal role on treaties is governed by part 2 of the [Constitutional Reform and Governance Act 2010](#) (CRAG).

This does not require Parliament’s approval for the Government to ratify treaties. Instead, it gives any parliamentary objection to ratification (or similar processes like accession) a limited statutory effect:

⁴³ International Agreements Sub-Committee, [UK-Japan deal provides continuity but lacks ambition](#), report finds, 20 November 2020

⁴⁴ [Letter](#) from Elizabeth Truss MP, Secretary of State for International Trade, to Angus Brendan MacNeil MP, Chair of the House of Commons International Trade Committee, 12 October 2020

⁴⁵ International Trade Committee, [UK-Japan Comprehensive Economic Partnership](#), HC 914, 19 November 2020, para 8

⁴⁶ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, para 13

- The Government must lay the treaty and an Explanatory Memorandum before Parliament.
- The Government may not ratify the treaty for 21 “sitting days” (ie days when both Houses were sitting) after it was laid before Parliament⁴⁷
- If within those 21 sitting days either House resolves that the treaty should not be ratified, by agreeing a motion on the floor of the House, the Government must lay before Parliament a statement setting out its reasons for nevertheless wanting to ratify
- If the Commons resolves against ratifying the instrument – regardless of whether the Lords did or not – a further 21 sitting day period is triggered from when the Government’s statement is laid. During this period the Government cannot ratify the treaty
- If the Commons again resolves against ratification during this period, the process is repeated. This can continue indefinitely, in effect giving the Commons the power, in theory, to block ratification.

There is no statutory requirement for a debate or vote on the agreement in Parliament. Parliament cannot amend the agreement, it can only object to ratification of an entire treaty. The Library briefing [Parliament’s role in ratifying treaties](#) has more information. Parliament’s role in ratifying treaties has been the subject of debate with some arguing that it should have a greater role (see section 6 of the [Commons Library briefing](#) on the *Trade Bill*).

4.4 Implementing legislation

Trade agreements may require legislation to implement them. While Parliament has limited power over ratification of trade agreements, implementing legislation must be passed by Parliament in the usual way.

The Explanatory Memorandum sets out the Government’s view on the implementing legislation required for CEPA. In general, implementation will be carried out through the *European Union (Withdrawal) Act 2018* which “ensures that existing laws which implement the EU-Japan Agreement continue to have effect, or are incorporated in UK law.”⁴⁸ The Government will also use powers under the *Taxation (Cross-border Trade) Act 2018* and under the [Trade Bill](#).

The International Agreements Sub-Committee’s report said:

We recommend that in future the Government should provide a detailed table of planned implementing legislation, including the powers being used for secondary legislation and the expected timetable for that legislation to be introduced and to come into force. This should also indicate where the devolved legislatures will need to legislate in areas of devolved competence.⁴⁹

⁴⁷ CEPA was laid before Parliament on 23 October, but the CRAG timetable did not start until 2 November (after recess). [HCWS536](#), 23 October 2020

⁴⁸ Explanatory Memorandum, para 5.1

⁴⁹ International Agreements Sub-Committee, [Scrutiny of international agreements: UK-Japan Comprehensive Economic Partnership Agreement](#), HL Paper 175, 20 November 2020, para 129

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