

JAMA - SMMT Joint Position Paper

UK-Japan Free Trade Agreement Negotiations

July 2020

Introduction

1. The UK and Japan have well-established trading relations that have been strengthened in recent decades by significant Japanese investment into the UK automotive sector. Several Japanese companies have established major manufacturing sites in the UK to supply the whole European market, as well as investing heavily in R&D and future technology areas and employing a substantial percentage of the UK automotive workforce.
2. UK and Japanese manufacturers and suppliers have been contributing significantly to the development of the respective automotive markets, generating more than ¥400 billion or £3 billion in bilateral trade exchanges of vehicles, engines and components in 2019.

Importance of UK-EU FTA

3. Given the Japanese investment into automotive manufacturing in the UK to support the wider European market, agreeing an ambitious deal with the EU is an essential precondition to fully benefit from a bilateral agreement between the UK and Japan. **JAMA and SMMT urge the UK and the EU to ensure that a UK-EU free trade agreement is in force before the UK-EU transition period ends on 31 December 2020.** This free trade agreement should ensure that tariffs are not applied to trade in automotive parts and finished vehicles between the UK and the EU and allow cumulation with common preferential trading partners for components and parts which are relevant for automotive production when level playing field conditions are met.

UK-Japan FTA priorities

4. JAMA and SMMT support the following priorities in UK-Japan free trade agreement negotiations:
 - i. **Timing** – Both parties should aim to secure a bilateral trade deal before the end of the transition period. Negotiations between the UK and Japan should progress in parallel to negotiations with the EU, recognising the strategic importance and impact the future UK-EU agreement will have on both the UK and Japan's trade with other markets.

- ii. **Tariffs** – Duties should continue to be progressively removed on all automotive products, including finished vehicles and parts. The automotive industry is keen to avoid any scenario where WTO tariffs would apply, such as would occur in the absence of a deal at the end of the transition period.
- iii. **Regulatory barriers** – The UK-Japan negotiations must prioritise maintaining key elements of the existing automotive annex in the EU-Japan EPA and possibly upgrading it where appropriate.
- iv. **Rules of Origin** – The UK-Japan trade agreement should maintain the basic conditions of existing EU-Japan EPA rules of origin and facilitate cumulation of EU inputs of production in future UK-Japan automotive trade and to provide business continuity. For further trade facilitation, rules of origin processes should be as simple and user-friendly as possible.
- v. **Retroactive claims for preferential tariff treatment** – As manufacturers and importers are not always able to demonstrate preferential origin at the moment of import, we request that a UK–Japan free trade agreement has clear provisions allowing for retroactive application of duty reimbursement.
- vi. **Trade facilitation** – UK and Japanese mutual recognition of Authorised Economic Operators (AEO's) must be guaranteed.
- vii. **Investment** - The automotive industry wishes to maintain the privileged position the UK currently enjoys for Japanese investment. A future UK-Japan trade agreement should therefore include investment protection clauses to help strengthen investor confidence.
- viii. **Labour mobility** – The automotive industry would welcome measures to further facilitate movement of personnel, professionals and business visitors.
- ix. **Digital trade** – Equivalent recognition of data protection systems and bilateral free flow of data should be maintained, while more ambitious commitments should be achieved on e-commerce and digital trade.