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WORLD EXPO
2025
OSAKA

KANSAI, JAPAN
PROGRAMME

UNLOCKING
OPPORTUNITIES:

HOW BUSINESS CAN
LEVERAGE THE TRADE
AGREEMENTS TO SUCCEED
IN JAPAN

12TH SEPTEMBER 2024 - VIRTUAL





Hosts Introduction

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Department for
Business & Trade

Unlocking Opportunities: How Businesses Can Leverage the Free Trade Agreements to succeed in Japan

Free Trade Agreement Utilisation team, September 2024

This sessions will cover:

1. The Japanese Market
2. The UK- Japan Trade Relationship
3. Opportunities for businesses (including case studies)
4. How can DBT support?



The Japanese Market

The Japanese Market: Economic overview



- Japan is the 3rd largest global economy. The UK's total trade in goods and services (exports plus imports) between the UK and Japan was £27.6 billion in the four quarters to the end of Q4 2023.*
- Japan is home to over 126 million people, and its wealthy and discerning consumers have significant purchasing power. For businesses, this presents a lucrative market to target, particularly for high-end and luxury goods.
- Japan has a highly developed, modern infrastructure of roads, highways, railroads, subways, airports, harbours, warehouses, and telecommunications for the distribution of all types of goods and services.
- Japan was the UK's 14th largest trading partner in the four quarters to the end of Q4 2023 accounting for 1.6% of total UK trade.*

*(Source: [ONS UK total trade: all countries, seasonally adjusted](#) Last updated: April 2024)

The Japanese Market: Business culture



- Japanese companies are extremely loyal and open to long-term business relationships. Regular engagement and personal relationships is highly valued. It's important for British companies to return commitment and loyalty in these business relationships.
- Japanese consumers are more likely to buy products they are familiar with, so it's important to get your products seen in the right channels you want to sell through.
- Punctuality is highly valued – being on time is a necessity!
- Marketing is key. Having a well-presented story behind your brand and products can make a big difference, especially when highlighting 'Britishness' where possible.
- Most British companies find working with a local partner in Japan is advantageous.



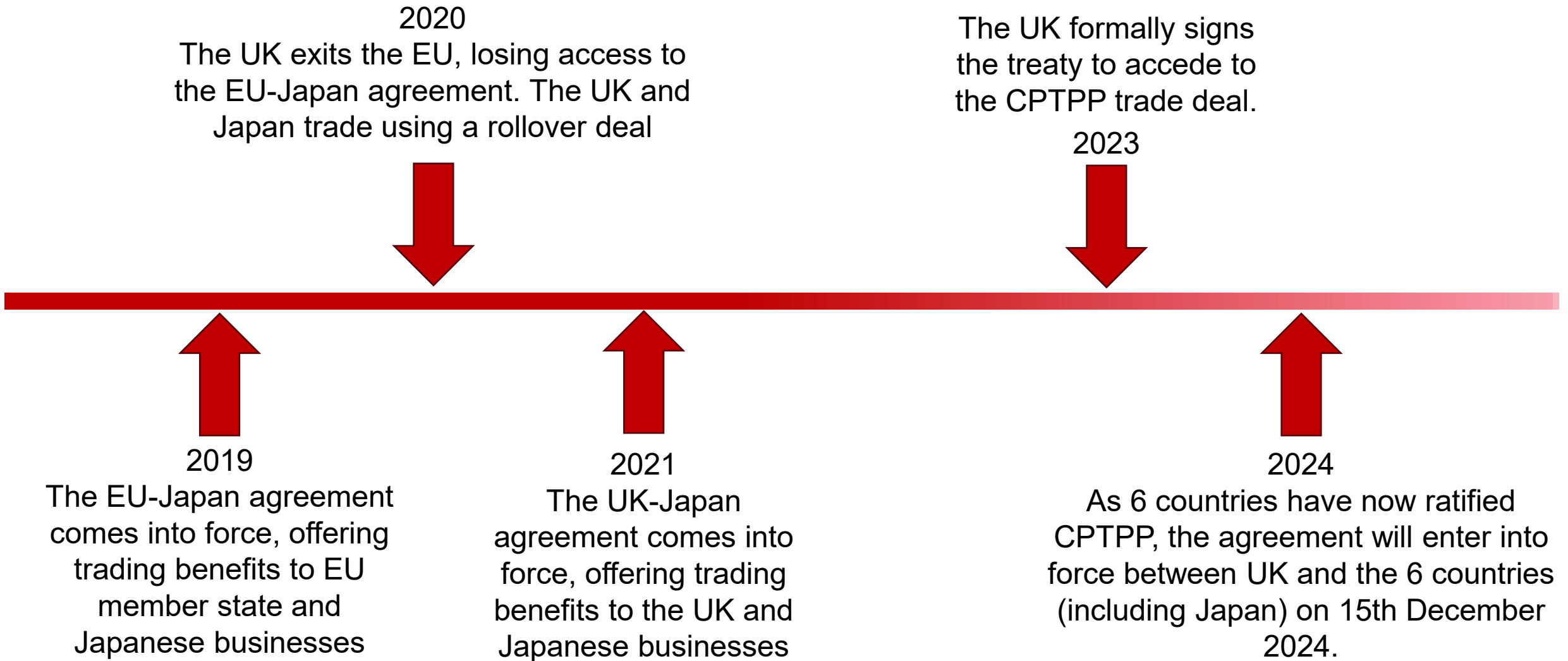
The UK-Japan Trading Relationship

Before we start: What is an FTA?

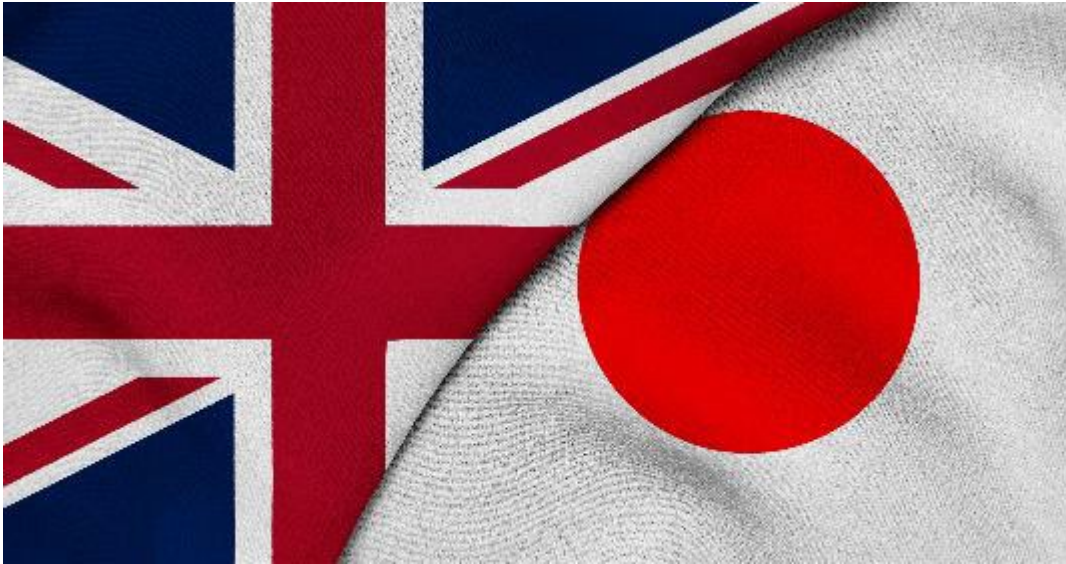


- A Free trade Agreement (FTA) is an agreement between two or more countries setting out the rules that cover their trade in goods and services.
- It reduces restrictions on imports and exports and secures market access, which can make trading easier and cheaper.
- As an independent trading nation, the UK now has over 70 trade agreements in place.

The UK-Japan Trade Relationship



The UK-Japan Comprehensive Economic Partnerships Agreement (CEPA)



- The UK-Japan Comprehensive Economic Partnerships Agreement (CEPA) builds on the EU-Japan agreement while offering further benefits.
- The agreement ensures the continuity of the existing UK-Japan trading relationship following UK exit from the European Union, ensuring existing trading relationships have been maintained and strengthened.
- The provisions of the UK-Japan CEPA offer substantial reductions in tariffs and the removal or reduction in non-tariff measures affecting trade in goods and regulatory restrictions applying to services trade.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)



Other formal applicants: *China, Taiwan, Ecuador, Costa Rica, Uruguay, Ukraine*

Expressed interest: *Republic of Korea, Thailand, Philippines*

- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement between 12 economically diverse countries:
 - ***Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam... and now the UK***
- **Joining CPTPP is a gateway to growth:**
 - The wider Indo-Pacific region will account for majority of global growth in coming decades;
 - CPTPP covers over 500 million people in some of the fastest-growing economies, where middle-class consumers' demand for UK goods and services is growing rapidly, like Vietnam and Malaysia.

What happens next with CPTPP?

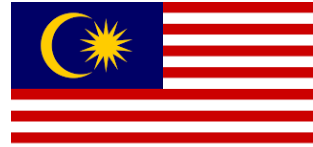


- The UK signed its Accession Protocol to join CPTPP on 16th July 2023.
- The CPTPP Bill was announced in the King's Speech on 7th November 2023 and was introduced to Parliament on 8th November. It received royal assent on 20th March 2024.
- Six countries have now ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and it will enter into force on 15th December with those countries.

Which CPTPP countries have ratified UK accession?



Australia



Malaysia



Brunei

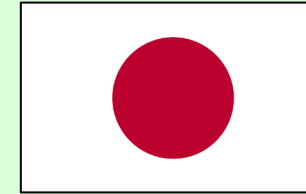


Mexico



Canada

Ratified



Japan



Singapore



Chile



New Zealand



Vietnam



Peru

How will CEPA & CPTPP interact?



- **Existing agreements will not be replaced by CPTPP:** CEPA & CPTPP will work alongside each other
- **Automatic benefits:** Many of the non-tariff benefits CPTPP brings will benefit UK businesses without them having to "opt in", for example, temporary entry provisions.
- **Goods exports - businesses choose:** For the 9 CPTPP markets we already have an FTA with, businesses will have to decide which agreement to use when importing or exporting goods to and from CPTPP markets. This includes Japan.

DBT is not in the position to advise on which agreement to use, though we are committed to providing detailed information to help businesses navigate the agreements.



Opportunities for Businesses

Tariffs - Current opportunities

- Under the CEPA agreement many tariffs have been reduced, meaning savings for your business when exporting to or importing from Japan. Many tariffs were reduced when the FTA entered in force, while others will be reduced over time.
- Tariff rates can be found using codes corresponding to the products to be exported.
- Examples of tariff liberalisation:
 - *When exporting to Japan*
 - Beef (HS 0201.10) – MFN tariffs of around 38.5% will be reduced down to 9% by 2033.
 - Men's Coats (HS 6101.90) – MFN tariffs of 10.9% have been eliminated.
 - Suits (HS 610910) – MFN tariffs of 10.9% have been eliminated.
 - *When importing from Japan*
 - Diesel engines (HS 8408.9041) – MFN tariffs of 4% have been eliminated.
 - Silk fabric (HS 5007.2011) – MFN tariffs of 6% have been eliminated.
 - Cotton t-shirts (HS 6109100010) – MFN tariffs of 12% have been eliminated.

CPTPP – Future opportunities

The UK has guaranteed access to various CPTPP tariff rate quotas which will provide improved access to CPTPP markets for UK exporters, including dairy and cereals with Japan.

Rules of Origin-Current opportunities

Rules of Origin:

The means by which we determine where a good **originates**, to determine whether a good can qualify for preferential tariff rates. Rules of Origin are used to determine where a good is deemed to have been produced or manufactured.

- There are three ways a good can qualify as “originating”
 1. **Wholly obtained** – goods that have been exclusively produced in the UK, Japan or both countries.
 2. **Produced entirely from originating materials** - goods that have been produced entirely in the territory of the UK, Japan, or both countries, exclusively from originating materials.
 3. **Produced from non-originating materials** – goods that have been produced entirely in the territory of the UK, Japan, or both countries using “non-originating materials” – from outside the UK and Japan – provided the good satisfies the applicable requirements of the Product-Specific Rules of the agreement.
- CEPA also allows for EU cumulation for a significant majority of products – so EU materials used in these products can still count towards being UK originating.

Rules of Origin- Future opportunities

- **Single set of rules of origin:** Businesses can use the same rules of origin for exporting to all CPTPP members when trading under CPTPP.
- **CPTPP Cumulation:** Businesses can consider materials and ingredients imported from CPTPP members as originating when exporting to a CPTPP country

Customs - Current opportunities

- Custom procedures should be predictable, consistent, and transparent to facilitate trade and minimise financial and administrative burdens for businesses. This includes:
 - enabling traders to submit information electronically prior to the physical arrival of goods
 - enabling goods to be released without temporary transfer to warehouses
 - allowing the release of goods prior to the final determination of customs duties, taxes, fees, and charges.
- Several steps required for declaring the importation of products have become simplified under CEPA.
- This can reduce the time and costs involved for businesses exporting products to Japan, particularly for small to medium sized enterprises (SMEs).

Customs - Future opportunities

- Advanced ruling: This is a legally binding decision from a customs authority that a trader can request before importing or exporting their goods.
- Under CPTPP, Japan has agreed to offer advance rulings on the tariff classification of the good, the origin of the good, and the value of the good. Japan has agreed to issue these rulings within 150 days and once issued, these rulings will be valid for a minimum of 3 years.
- Advance rulings can save businesses time and money by giving them legal certainty over the tariff classification, origin, or value of their good before they move their good internationally.

Conformity Assessment – Current opportunities

What is conformity assessment?

- Demonstrating that what is being supplied meets the requirements of a country's technical regulations, and can be applied to a product, a process, a management system, a body or persons and includes activities such as testing, inspection and certification.
- Most low-risk products can be assessed in-house (known as "Self-Declaration of Conformity"), but higher-risk products such as chemicals and pharmaceuticals must be assessed by independent third-party conformity assessment bodies (CABs).
- The UK's FTAs with Japan focus on reducing barriers caused by third-party conformity assessment requirements.

What is available under CEPA?

- UK-Japan CEPA includes a protocol on mutual recognition of conformity assessment, which replicates the effect of the EU-Japan MRA and aims to simplify the conformity assessment process for specific sectors.
- This allows products to be **tested to Japanese regulations in the UK**, without shipping samples to Japan and therefore saving time and costs.
- The MRA is currently active for testing against Japanese **regulations in the following sectors only**:
 - telecommunication and radio equipment ([The Radio Equipment Regulations 2017](#))
 - GMP of pharmaceuticals ([The Human Medicines Regulations 2012](#))
 - GLP of chemicals ([The Good Laboratory Practice Regulations 1999](#))
- Search the [UK Market Conformity Assessment Bodies \(UKMCAB\) database](#) to source UK government appointed CABs.

Conformity Assessment – Future opportunities

- Currently, UK based conformity assessment bodies (CABs) are eligible to apply to carry out conformity assessments against Japanese regulations, but Japanese accreditation bodies may discriminate on the basis that UK CABs may not have a legal presence in Japan.
- CPTPP includes commitments which ensure Japanese accreditation bodies treat UK CABs no less favourably than Japanese CABs, which could make it easier for UK CABs to become accredited against Japanese regulations.
- UK CABs which have been accredited to conduct conformity assessments against Japanese regulations can do so in the UK, enabling UK manufacturers to have their products assessed in the UK prior to export – avoiding the additional costs of having conformity assessments conducted overseas.

Services- Current guarantees

- UK-Japan CEPA secures market access for UK services suppliers.
- UK services suppliers should be treated the same as domestic competitors and at least as favourable as competitors from third countries in Japan.
- Professional bodies in the UK and Japan are encouraged to jointly recommend mutual recognition of professional qualifications (MRPQ) to the UK-Japan Joint Committee.
- No limitations on the number of services suppliers, the total value of transactions, total number of operations or outputs.
- No restriction or requirements for specific type of legal entity or joint venture through which a UK business might supply a service.
- Licensing and qualification requirements and procedures should be clear, made public in advance and applications should be dealt with objectively and impartially.

Services- Future guarantees

- No limitations to the number of employees in a particular services sector or at a particular business and are necessary for the supply of a service.
- No requirement for a UK business to establish or maintain a representative office or business in order to provide a service.
- No requirement for UK services suppliers to be resident in Japan in order to provide a cross-border service.

What is temporary entry?

- It covers movement of business persons into another country for the purposes of doing business (i.e to deliver a service, negotiate the sale of goods or services, for investment purpose) without intending to establish permanent residence.
- It supports economic growth, innovation, and collaboration.
- Business persons are still subject to meeting the relevant immigration requirements and local laws.

Temporary Entry-Current opportunities

	Short-Term Business Visitors	Intra- Corporate Transferees	Contractual Service Suppliers	Investors	Independent Professionals
Length of stay	Up to 90 days	Up to 5 years	Up to 5 years	Up to 5 years	Up to 5 years
Conditions	Paid from a source outside of Japan.	Employed by a UK enterprise for at least 1 year and transferred to a branch or subsidiary in the Japan	UK business person engaged in a specialty occupation and employee of an enterprise which has no commercial presence in Japan.	UK individual or business seeking to invest in Japan	Self-employed business persons to fulfil a contract in Japan.

Note: These are all subject to meeting the relevant immigration requirements. Also, please check the agreements' annex for further details of the requirements

Temporary Entry-Future opportunities

	Qualified Professionals (CPTPP Only)
Length of stay	Up to 5 years
Conditions	UK business person who is a legal, accounting or taxation service supplier qualified in Japan and who will engage in the activity during his or her temporary stay in Japan

Note: This is subject to meeting the relevant immigration requirements. Also, please check the agreements' annex for further details of the requirements

Digital Trade – Current guarantees

- The digital provisions in CEPA covers trade and services across all sectors of the economy.
- CEPA strengthens the legal validity of electronic contracts and signatures at the same level as paper-versions. You can use electronic contracts, electronic signatures without fearing that they will be rejected because they are electronic.
- Businesses can choose their preferred method for electronic authentication.
- No requirement to share source code or cryptography.
- No unjustified restrictions on data flow and no unjustified data localisation requirements.
- It prohibits customs duties on products that are transmitted electronically, such as e-books, music downloads and films.
- It upholds world-leading standards for protection of personal data.

CPTPP – Future guarantees

- Joining CPTPP will make it the first time we have commitments on digital trade with many countries
- The UK and Japan have committed to **paperless trading**, meaning trade administration documents such as customs forms will be available in electronic form and to accept electronic submission of those documents.

Government Procurement- Current opportunities

- Government procurement refers to anything and everything that government and public bodies buy. This is not sector specific.
- UK businesses should be treated the same as Japanese businesses when bidding for government contracts.
- UK businesses can request an explanation when their tender has not been selected.
- For construction and design of public works, businesses must undergo the 'Business Matters Evaluation' or 'Keishin'. CEPA sets out a system of technical standards for this evaluation procedure, ensuring non-discriminatory assessment for UK businesses.
- No requirement to have prior experience in Japan or been awarded procurement contracts in Japan before.
- Opportunities are published online on [JETRO](#).
- Japan's Ministry of Foreign Affairs (MOFA) has published an overview on [Suggestions for Accessing the Government Procurement Market of Japan](#).

Government Procurement – Current opportunities

- CEPA covers public procurement contracts in [Japan's Local Administrative Agencies and Core Cities](#), such as:
 - Central government entities. For example, Ministry of Land, Infrastructure and Transport or Ministry of the Environment
 - Japan's two largest cities. Tokyo and Yokohama
 - Utilities. For example, a range of universities and hospitals
- Some of the sectors included covered are:
 - Packaging services
 - Financial management consulting services (except business tax)
 - Insurance (including reinsurance) and pension fund services (except compulsory social security services)
 - Placement services of office support personnel and other workers

CPTPP – Future opportunities

- CPTPP covers three additional service categories not already covered in CEPA:
 - Land transport services (except mail transportation by land)
 - Air transport services (except mail transportation by air)
 - Motion picture and video tape production and distribution services (except motion picture or video tape production services)

Investment – Current guarantees

- Current levels of market access are protected, with provisions to prevent future barriers to trade being introduced.
- No limitation on number of enterprises, total value of transactions or assets, total number of operations or output, total number of employees or percentage of foreign capital participation.
- The UK and Japan commit to non-discriminatory treatment, meaning that UK investors should be treated the same as domestic investors or investors from any other country.
- Free movement of capital and returns (profits), increasing the openness of markets, providing certainty for any current or future investment projects.
- No requirement to appoint individuals of any particular nationality as executives, managers or members of boards of directors.
- No condition on performance requirements, including requirements on the minimum export threshold, minimum domestic content and transfer of technology to domestic industry.

CPTPP – Future guarantees

- CPTPP guarantees protection from loss, if due to armed conflict or civil unrest.
- It prevents parties from nationalise a private asset, unless for a legitimate purpose.
- A modern and transparent Investor-State Dispute Settlement (ISDS) mechanism which provides UK investors with an independent form of legal.



How can DBT support?

Resources available



Search [Great.Gov.UK](#) for information on Exports



Search [Great.Gov.UK – Learn to Export](#) for a step-to-step guide on how to export



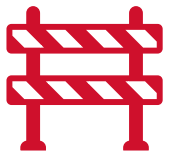
Search [Great.Gov.UK/Markets/Japan](#) for market specific information on Japan



Search [Great.Gov.UK/support/get-in-touch](#) if you need more assistance



Search [UK Export Academy](#) for online training sessions, from the basics of exporting to masterclasses in specific sectors or markets. All Free!



Search [Great.Gov.UK/report-trade-barrier](#) if you are facing a barrier to trade

FTA Implementation

- To continue to make a success of these agreements and secure the longer-term value to businesses, the UK government relies on the pro-active input and feedback from businesses on the ground.
- We rely particularly on businesses to understand:
 - Where FTA provisions are not working in practice or are being implemented incorrectly.
 - Barriers to trade that are being encountered in utilising the FTA and more broadly in doing business with the market.
 - Areas in which the FTA provisions do not go far enough to fully facilitate trade and investment with the market.
- We have set up an inbox to monitor and collate business feedback on the areas outlined:
Japan.FTAfeedback@businessandtrade.gov.uk
- For barriers not covered under the FTA, businesses can use the online [Report a Barrier Tool](#) if they encounter a new trade barrier or have an issue with an existing trade barriers.

Sound Leisure

Overview

Sector: Consumer and Retail

Company Profile: Based in Leeds, Sound Leisure is one of only two remaining classic jukebox manufacturers in the world. Founded in 1978, this family-owned business manufactures and exports their products to over 30 different countries. More than 70% of its production is sent overseas.

Presence in Japan: Japan is one of Sound Leisure's top export markets, consistently selling 40+ machines a year to Japan. In 2023, Sound Leisure is expecting their exports to Japan to be worth £200,000.

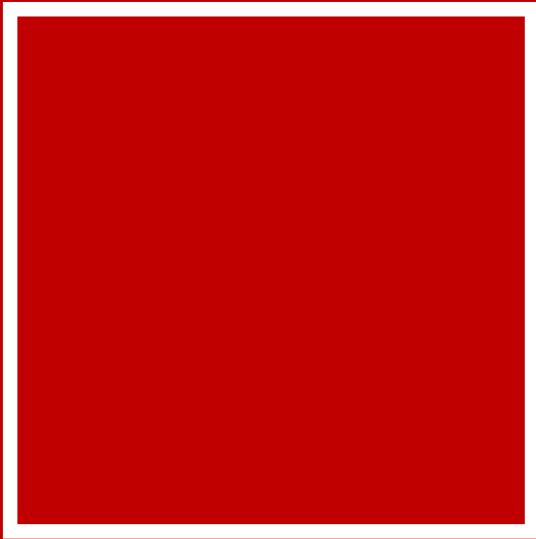
Company Size: SME

Story

It was with DBT's support that Sound Leisure secured its first export order to Japan. DBT helped Sound Leisure conduct an international communications review which helped the company develop a web strategy. Expanding into Japan has helped to protect British jobs.

Sector opportunities available

- Electronic contracts, signatures and authentication cannot be rejected purely for being in electronic form under CEPA.
- CEPA also allows for EU cumulation for a significant majority of products – so EU materials used in these products can still count towards being UK originating.
- Under CEPA customs processes have been simplified, allowing for the faster release of goods.
- Under CEPA, new business mobility provisions make business trips to Japan easier. Short-term business visitors may visit for up to 90 days in order to negotiate the sale of goods to other businesses.



Any Questions?

For more information: Contact
Japan.FTAfeedback@businessandtrade.gov.uk;
Ibiteit.Fiberesima@businessandtrade.gov.uk and
Valeria.Vigilante@businessandtrade.gov.uk



Next Webinar: 25th September 2024, 9.30 - 10.30 am

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How do you find out more?

Contact the National Co-Ordinator

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Or alternatively

Speak to Your Local Chamber of Commerce

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