BEYOND BREXIT: THE PROSPECT OF THE UK ECONOMY

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SUMMARY

- The UK completed the process of leaving the EU after 48 years of membership, and the relationship between the two has changed from the one within the EU's customs union and the single market to the one based on trade and cooperation agreement.
- The UK economy will feel downward pressure as its access to the EU single market is reduced. That being said, UK's post Brexit growth strategies such as Global Britain, in which the UK aims to deepen its tie with the Indo-Pacific region, as well as a new industrial strategy focused on areas including fintech, green technology, and AI where the UK has comparative advantage. UK companies, too, are developing their businesses in response to the UK government strategies.
- The main scenario is that the UK economy will continue to maintain a certain level of strength as these industries with comparative advantage strongly grow and proactively expand into Asia. Japanese companies will need to build a business strategy that combines the defensive approach and the proactive approach; the former involves reorganizing business functions in Europe and the latter involves cooperation with British companies in business development in the fast-growing Indo-Pacific region.

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1. INTRODUCTION

At 11 p.m. on December 31, 2020 (UK time), the United Kingdom completed its exit from the European Union (EU), 48 years after joining the EU in 1973 and four and a half years after the referendum at which the public voted to leave the EU.[1] This marked the change of relationship between the two sides from the one within the EU Customs Union and the Single Market to the one based on the Trade and Cooperation Agreement.

Although Boris Johnson, UK Prime Minister, declared that the Brexit presents "a remarkable opportunity for the UK" and it is up to the UK to seize it, the media is full of pessimism saying that the UK regained its sovereignty from the EU at the cost of reduced access to the single market and a major economic blow.

This report tries to comprehensively examine the medium to long-term economic prospect of the post-Brexit UK by analyzing the EU-UK Trade and Cooperation Agreement and the UK's growth strategies (trade and industrial policies).

2. THE EU–UK TRADE AND COOPERATION AGREEMENT AND ITS ECONOMIC IMPACT

The most notable facts about the negotiations for the Trade and Cooperation Agreement (TCA) are: (1) the negotiations were extremely difficult and the ratification processes on both sides were not completed until one day before the end of the transition period (provisional ratification by the EU); (2) although the objective of FTA negotiations is usually to "tighten" the relationship between the two sides, this negotiation was to "dilute" the relationship; and (3) despite the extensive and multilayered relationship between the UK and the EU (the EU account for nearly half of the UK's total trade and foreign direct investment), the negotiations were concluded in less than 10 months, thus leaving a number of unresolved issues.

The following sections will look at the main points of the TCA and its expected impact on the economy (see Figures 1, 2, and 3 on pages 4 and 5).

2-1. The EU-UK Trade and Cooperation Agreement: Main points

(1) Goods trade

The landmark agreement in the TCA was on the zero tariffs and no import quotas for all items. No other FTA has such an agreement, however, there will be customs clearance procedures (customs declaration and inspection, animal and plant quarantine, etc.), which did not exist when the UK was a member of the EU, resulting in higher costs and longer lead times for companies. In the medium to long term, there is also a risk that the supply chain established between the UK and the EU may face a major review.

(2) Services trade

Agreement on trade in services is minimal. For example, there is no automatic mutual recognition of professional qualifications (doctors, accountants, engineers, etc.).

The provision of financial services and the cross-border transfer of personal data, which had been managed under the EU's single passport system for financial institutions and the General Data Protection Regulation (GDPR) respectively, were not included in TCA. Negotiations on the equivalence in financial regulations and the adequacy decision on personal data protection were conducted separately. Negotiations are still underway for financial services. On personal data protection, the European Commission indicated its intention to grant adequacy decision on February 19, 2021, and the process is expected to be completed by June 30, 2021, when

[1] Although the UK left the EU at 11:00 p.m. (UK time) on January 31, 2020, it also simultaneously entered a transition period until the end of December of the same year, with exactly the same rights and obligations as when it was a member of the EU, except for non-participation in policy making.

the provisional adequacy decision is due to expire. The EU will reevaluate adequacy after four years and decide whether it will be renewed.

The EU has granted temporary equivalence status to U.K. clearing houses for derivatives until the end of June 2022. The EU has also granted temporary equivalence to enable Euroclear UK & Ireland, a UK-based central securities depository which offers services in respect of Irish securities until the end of June 2021. The number of jobs and assets transferred from the City, London's financial district, to the continental Europe due to Brexit has been limited so far (according to a survey by EY of 222 major financial institutions in the UK, the number of jobs transferred to the continent since the referendum has been around 7,600). That said, the talks have been difficult: While the UK desires to maintain its position as a financial hub in Europe and strengthen its international competitiveness through deregulation, the EU wants to break its dependence on the City. Depending on the direction of the negotiations, more jobs and assets may be transferred to the continental Europe.

(3) Movement of people

Brexit means the end of freedom of movement (freedom to work and reside) between the UK and the EU. There will be no distinction between EU citizens and other foreign nationals, and a new immigration rules will be adopted using a points-based system that considers factors such as skills, English level, job offer, educational level, job in a shortage occupation and annual income.

The new immigration system gives preferential treatment to high-skilled workers over low-skilled workers. Industries which are highly dependent on low-skilled workers from the EU, including manufacturing, wholesale and retail trade, hotels and restaurants, transportations, constructions, agriculture, and forestry and fishery, will need to mitigate the negative impact through securing alternative labour source and investment in labour-saving.

(4) Level playing field (fair competition)

The UK has achieved one of the main objectives of Brexit, the freedom to deviate from EU regulations. The agreement, however, gives both parties the right to take countermeasures if they believe any action taken by the other party has led to an unfair competitive advantage in areas such as subsidies, labour and social standard. Given this, the UK needs to develop its post-Brexit growth strategy while considering a balance between setting its own regulation and the risk of EU's countermeasures.

In terms of subsidies, both sides will continue with their own subsidy systems and maintain independent bodies to oversee them. If one party's industry suffers serious damage due to the other party's subsidies, it can quickly adopt countermeasures.

Both parties also have committed not to lower the overall level of labour and social protection. A panel of experts for resolving disputes will be set up and a "rebalancing mechanism" to enable both parties to propose amendments to the provisions of the TCA to the other party after a certain period of time from the conclusion of the agreement.

2-2. Negative Impact of Changes in Economic Relations with the EU

This section discusses how the changes in economic relations with the EU will have an impact on the UK economy. First, we will look at the impact of the reduced access to the EU single market.

In terms of goods trade, there are concerns that the manufacturing industry, which has multilayered supply chains across the UK and the EU, will suffer from prolonged lead time due to customs clearance procedures. This is particularly true for the automotive industry, which adopts the just-in-time system and is highly dependent on the EU market for exports of finished products. As for trade in services, the loss of the EU's financial passport will put downward pressure on exports of financial services. The loss of automatic mutual recognition of professional qualifications will also put strain on exports of business services. Restrictions on low-skilled workers from the EU will lead to labour shortages and cause an increase in wages, resulting in reduced earnings in the hospitality, restaurant, and construction industries.

The UK government estimates that, with the reduced access to the EU single market, the UK's real GDP will be pushed down by 4.9 percentage points in 15 years.

On the other hand, Brexit will give the UK the freedom to develop its own trade policy and the right to set its own regulations, subsidies, and tax rates. If the UK can effectively utilize these new freedoms in concluding FTAs with non-EU countries and developing industrial strategies (to be analyzed in the next chapter), it will be possible for the UK to stimulate the economy and offset the negative effects mentioned above to some extent.

Figure 1. UK-EU Trade and Cooperation Agreement (TCA) vs EU membership / WTO model

	Participation in EU's policy making	Access to single market					Freedom of trade policy	Freedom of movement for people (labor, freedom of residence)	Schengen Agreement	Contribution to the EU budget	Compliance with EU legislations
		Goods		Services							
		Tariffs	Customs clearance		Finance	Transfer of individual data					
EU membership	Participation	No	No	Full	Full	Yes	No	Full	No participation	Yes	Full
UK-EU TCA	No participation	No	Yes	Limited	No*1	Not possible*1	Yes	No	No participation	Partially possible*2	Limited
WTO model	No participation	Yes	Yes	No	No	Not possible	Yes	No	No participation	No	No

*1 Although the TCA does not include the cross-border provision of financial services and the cross-border transfer of personal data, there are separate nagotiations on the equivalence status of financial regulations and the adequacy decision of personal data protection. Final access depends on the results of the negotiations.

*2 Participation in EU R&D programs, such as Horizon Europe, is possible by bearing the cost of participation.

Source: Prepared by Strategic Information & Research Dept., Mitsui & Co. Europe

Figure 2. UK's top import and export items with EU (goods and services)

Goods

Export				Import			
	Item	Amount (hundred million pounds)	Share		Item	Amount (hundred million pounds)	Share
1	Petroleum and petroleum products	200	11.8%	1	Motorbikes, automobiles, etc.	485	18.2%
2	Motorbikes, automobiles, etc.	173	10.2%	2	Pharmaceuticals	177	6.7%
3	Other transportation equipment	99	5.8%	3	Electronic equipment	114	4.3%
4	Other manufactured components	94	5.5%	4	Other manufactured components	105	4.1%
5	Pharmaceuticals	92	5.4%	5	General equipment	101	3.8%
6	General equipment	69	4.1%	6	Communication and recording equipment	99	3.7%
7	Electronic equipment, etc.	68	4.0%	7	Office equipment, etc.	82	3.1%
8	Power generators	67	3.9%	8	Petroleum and petroleum products	80	3.0%
9	Components for clothing, etc.	53	3.1%	9	Power generators, etc.	78	2.9%
10	applications and components	44	2.6%	10	Metals for manufacturing	76	2.8%
	Total	959	56.4%		Total	1397	52.6%

Services

Export				Import			
	Item	Amount (hundred million pounds)	Share		Item	Amount (hundred million pounds)	Share
1	Other business services	414	33.1%	1	Travel	327	32.7%
2	Finance	257	20.5%	2	Other business services	274	27.4%
3	Travel	175	14.0%	3	Transportation	178	17.8%
4	Transportation	136	10.9%	4	Informaiton and communications	58	5.8%
5	Informaiton and communications	107	8.5%	5	Finance	54	5.4%
6	Intellectual property	63	5.1%	6	Intellectual property	43	4.3%
7	Insurance and Pension	33	2.6%	7	Insurance and Pension	17	1.7%
8	Maintenance and repairs	18	1.4%	8	Construction	16	1.6%
9	Construction	15	1.2%	9	Government	14	1.4%
10	Culture, entertainment, etc.	15	1.2%	10	Manufacturing	10	1.0%
	Total	1233	98.5%			991	99.1%

Source: Prepared by Strategic Information & Research Dept., Mitsui & Co. Europe based on data from HMRC, UK Trade & Info, and ONS

Figure 3. Main points and analysis of the UK-EU Trade and Cooperation Agreement

Items	Main Points	Analysis
Goods trade	➢ Zero tariffs and no import quotas on all items that meet the place of origin regulations. ➢ Full accumulation, including raw materials and production processes, between the UK and EU was adopted regarding the place of origin regulations. Extended accumulation in which each FTA partner is eligible for accumulation was not adopted. ➢ For pending issues of EVs and batteries, the government introduced easing measures, such as the gradual introduction of standard values.	➢ Zero tariffs and no import quotas for all items is a breakthrough that no other FTA has ➢ Needs customs clearance procedures (customs declaration and inspection, animal and plant quarantine, etc.). ➢ The achievement of phased introduction of the standard values for the place of origin regulations was good news for Japanese automakers producing in Europe, particularly from the perspective of maintaining the competitiveness of their production bases in the U.K., because the proportion of battery imports from Asia for EV production is high.
Services trade	➢ Ensured greater freedom than WTO rules. Promoted trade and investment in services through regulations, including eliminating restrictions, such as corporate form and foreign capital limits, on market access, abolishing the requirement to establish a base of operations, and prohibiting nationality requirements for managers and directors. ➢ There is no automatic mutual recognition for professional qualifications (doctors, pharmacists, engineers, architects, etc.). ➢ The provision of financial services and the cross-border transfer of personal information are not included in this agreement. These will be negotiated separately for the equivalence assessment of each regulation and adequacy decision. ➢ As of early March 2021, negotiations on financial services are ongoing, but the European Commission has indicated its policy of grant adequacy decision for personal data protection, and the process is expected to be completed by the end of June, which is the time until when adequacy decision has been provisionally granted. The EU will reevaluate adequacy four years after grant and decide whether it will be renewed.	➢ The agreement on trade in services is extremely limited, such as no mutual recognition of professional qualifications. ➢ As a provisional measure for financial matters, the equivalence of the UK Clearing House (central clearing house) for derivatives and the equivalence of the UK central securities depository for the settlement of Irish securities were granted until June 2022 and June 2021 respectively. ➢ It remains to be seen whether these measures will be further extended and expanded, and when and to what extent equivalence assessments of formal financial regulations will be permitted.
Digital trade	➢ The agreement includes the world's most liberal and advanced digital trade provisions. It prohibits digital localization to facilitate the transfer of data across borders. ➢ Companies are not required to disclose their source code or transfer their IP.	➢ Advanced provisions, such as the prohibition of source code disclosure requirements for companies, were incorporated. These were adopted by the Japan-UK EPA. It will be interesting to see how the UK expands this network of advanced mechanisms in its Global Britain strategy.
Energy and climate change	➢ The agreement supports and strengthens the respective ambitious energy and climate change policies of the UK and the EU. This includes trade through an international network of electricity and gas, energy security, integration of renewable energy in the respective markets, cooperation in offshore energy in the North Sea, and linkage of the UK and EU ETS.	➢ The UK and the EU are leading the world with ambitious goals in the fields of energy and climate change, and we can expect close collaboration in the future as well.
Mobility of people	➢ Freedom of movement (freedom of labor and residence) will cease. ➢ There will be no distinction between EU citizens and other foreign nationals in the UK, and a new immigration system will be adopted based on a points-based system the considers essential requirements (skills, English, job offer, etc.), educational requirements, supply and demand requirements, and annual income requirements, among others.	➢ The new immigration system is characterized by preferential treatment for high-skilled workers compared to low-skilled workers. ➢ It will be important to see how the UK prevents labor shortages and wage increases in industries that are highly dependent on low-skilled workers from the EU.
Level playing field (Fair conditions of competition)	Subsidies ➢ Both sides will maintain their own subsidy programs. They will establish and manage independent organizations to oversee the subsidy programs. If one side's industry suffers or is at risk of suffering serious damage due to the other side's subsidies, they can quickly take countermeasures. They can challenge the appropriateness of the subsidies at an arbitration body. Labor and Environment ➢ Both sides are committed not to lower the standard of protection in these fields. An expert panel has been established to resolve disputes. A "rebalancing mechanism" will be established to enable the other party to propose amendments to the provisions of the treaty after a certain period of time from the conclusion of the treaty. Both sides can take limited and short-term rebalancing measures against the other with the consent of an independent arbitration panel.	➢ The UK was forced to accept Static Alignment (no lowering of standards from the status quo) through the Non Regression Clause, instead of Dynamic Alignment (permanent alignment with the EU), which the EU initially insisted on for regulations and subsidies. ➢ Although there is a mechanism for retaliatory countermeasures, the agreement has succeeded in achieving one of the main objectives of Brexit, which is freedom for Britain to set its own regulations and deviate from EU regulations. The question now is how this tool will be applied to post-Brexit growth strategies.
Fishing rights	➢ The UK's share of fishing quotas will increase by 25% of the value of the EU catch in UK waters over a phased adjustment period of 5 years.EU fishing vessels will continue to have the current level of access to UK waters for an adjustment period of five-and-a-half ➢ After the adjustment period, the UK and the EU will conduct annual fisheries negotiations regarding the Total Allowable Catch for shared stocks.	➢ The initial claim was for a reduction in the EU's catch (UK 80% vs EU 15-18%) and a transition period (3 years for UK vs 10 years for EU). The EU won in this negotiation. British fishermen voiced strong dissatisfaction about the defeat of Prime Minister Johnson.
Participation in EU programs	➢ The UK may participate in research programs, such as Horizon Europe, Euratom Research and Training Programme and Copernics, by contributing participation fees.	➢ Being allowed to participate in the EU's research programs is good news for UK's research and development.
Modification or termination of the agreement	➢ The agreement will be reviewed by the UK and EU every five years. It can be terminated with an advance notice of 12 months.	➢ The inclusion of the clause for holding a review every five year enables both sides to periodically expand the agreement.

Source: Prepared by Strategic Information & Research Dept., Mitsui & Co. Europe based on information obtained from the European Commission's Trade and Cooperation Agreement

3. GLOBAL BRITAIN: STRENGTHENING TRADE RELATIONS WITH NON-EU COUNTRIES

3-1. Global Britain

Global Britain is the UK government's vision for the post-Brexit foreign policy, including trade and security. Its core objective is to strengthen ties with the US, the Indo-Pacific region, and the Commonwealth,[2] including India, Australia, and New Zealand. The UK government aims to conclude FTAs with trading partners accounting for 80% of its total exports within three years.[3]

2 The Commonwealth comprises 54 member states: the UK, self-governing territories and former colonies.
3 From the Conservative Party's manifesto of December 2019.

3-2. Strengthening Trade Relations with Non-EU Regions

The biggest advantage of leaving the EU is that the UK can conduct trade negotiations at its own discretion. By the end of 2020, the UK reached trade agreements with 63 countries, of which 60 were entered into force as of January 1, 2021 (including provisional). Agreements with the remaining countries, Canada, Mexico, and Jordan, are scheduled to enter into force early in 2021. Exports from the UK to these countries and regions account for about 60% of the country's total exports (Figure 4).

Figure 4. Status of FTA/EPA enforcement and negotiations and trade by country/region

Status of FTA/EPA enforcement and negotiations (export values are from 2019)

	Partner Country/Region	Export Amount (hundred million pounds)	Proportion of Total Exports
FTAs and EPAs effective as of January 1, 2021	EU, Switzerland, Norway, Iceland, Liechtenstein, Macedonia, Ukraine, Georgia, Moldova, Kosovo, Japan, Singapore, South Korea, Vietnam, Turkey, Israel, Egypt, Morocco, Lebanon, Tunisia, Andean Community (3 countries), Caribbean Forum ((13 countries), Panama, Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, Chile, Cote d'Ivoire, Southern African Customs Union and Mozambique trade bloc (6 countries), Kenya, Mauritius, Zimbabwe, Cameroon, Seychelles, Fiji, Papua New Guinea Islands, Faroe Islands, Palestine, Samoa, Solomon Islands	3,974.0	56.9%
Signed	Canada, Mexico, Jordan (enforcement expected in early 2021 for each. WTO rules will apply until enforced.)	144.7	2.1%
Negotiations underway for EU FTA and EPA succession	Ghana, Algeria, Serbia, Bosnia and Herzegovina, Montenegro, Albania	16.9	0.2%
Negotiations underway	USA, Australia, New Zealand	1,520.2	21.8%
Reference: CPTPP Member countries	Japan, Canada, Mexico, Peru, Chile, Singapore, Vietnam, Brunei, Malaysia, New Zealand, Australia	575.3	8.2%
Reference: Commonwealth (53 countries excluding UK)	Australia, New Zealand, Canada, India, Pakistan, Bangladesh, Sri Lanka, Malaysia, Singapore, Kenya, South Africa, Nigeria, etc.	617.1	8.8%

Source: Prepared by MGSSI based on materials published by the Office for National Statistics and the Government of UK

Trade value and share by country/region

	Export			Import		
	Country/Region	Export Amount (hundred million pounds)	Proportion of the Total	Country/Region	Amount of Imports (hundred million pounds)	Proportion of the Total
1	EU27	3,003.5	43.0%	EU27	3,722.0	51.4%
2	USA	1,387.1	19.9%	USA	915.9	12.6%
3	China	449.0	6.4%	China	596.0	8.2%
4	Switzerland	250.3	3.6%	Norway	178.2	2.5%
5	Japan	152.3	2.2%	Japan	162.1	2.2%
6	UAE	121.2	1.7%	India	160.4	2.2%
7	Australia	116.0	1.7%	Switzerland	140.9	1.9%
8	Canada	114.8	1.6%	Turkey	109.2	1.5%
9	Singapore	107.7	1.5%	Canada	108.5	1.5%
10	Saudi Arabia	87.2	1.2%	Russia	97.7	1.3%
11	India	79.8	1.1%	Singapore	67.1	0.9%
12	Turkey	79.5	1.1%	Australia	64.5	0.9%
13	Norway	74.7	1.1%	UAE	63.0	0.9%
14	South Korea	67.3	1.0%	South Africa	62.8	0.9%
15	Russia	58.1	0.8%	South Korea	49.8	0.7%
	Others	837.9	12.0%	Others	747.2	10.3%
	Total	6,986	100%	Total	7,245.2	100%

Source: Prepared by MGSSI based on ONS data

Almost all of the FTAs and EPAs follow, with some exceptions, what the EU has already concluded with those countries and regions. The Comprehensive Economic Partnership Agreement (CEPA, EPA with Japan) inherits many parts of the EU-Japan Economic Partnership Agreement (EU-Japan EPA). CEPA, however, is more advanced and a higher level than the EU-Japan EPA in some areas, such as the introduction of more advanced rules in e-commerce and other fields.

3-3. Future Challenges

Yet, future FTA negotiations will need to start from scratch, meaning that the UK's true negotiating skill is put to the test.

The biggest challenge will be the FTA with the US. The US is the UK's second largest trading partner after the EU, and strengthening relations with the US, including concluding an FTA, is extremely important to the vision of Global Britain. FTA negotiations with the US proceeded to the fifth round in 2020, but the negotiations have been halted due to disagreements over food safety standards and the medical field.

On February 1, 2021—one year after leaving the EU, the UK applied for membership of the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP). Joining the CPTPP is the core strategy for the UK to strengthen relationships with the Indo-Pacific region. The UK has already agreed or has been negotiating trade agreements with nine of the eleven CPTPP countries; therefore, it is assumed that those countries will support the UK's application for the CPTPP membership. Japan, the chair of the CPTPP in 2021, has agreed to support the UK's early entry into the CPTPP, and the UK intends to further strengthen the UK-Japan relationship in a wide range of fields, including cooperation toward the realization of a free and open Indo-Pacific region.

As for the Commonwealth, the conclusion of an FTA with India is likely to be particularly important. UK Export to India is not significant, accounting for only about 1% of the UK's total exports, but the scale of Indian market is huge and will play an important role in the UK's Indo-Pacific strategies. UK PM Boris Johnson's visit to India was postponed from the end of January 2021, due to COVID-19. That said, future developments should be closely monitored, as there are growing expectations that a memorandum of understanding for the conclusion of an FTA will be exchanged when the UK PM meets Indian PM Narendra Modi.

4. INDUSTRIAL POLICY AND FOCUS SECTORS

4-1. Post-Brexit Industrial Policy

Since the UK voted to leave the EU in the 2016 referendum, the country has drawn up a range of industrial strategies to support growth and improve the UK's competitiveness and productivity post-Brexit.

The White Paper on Industrial Strategy released in November 2017 identified key areas to address: AI and the data revolution, clean technology, future mobility, and aging society. In November 2020, the UK announced the Green Industrial Revolution which aims to achieve net-zero greenhouse gas emissions by 2050 and economic recovery from the COVID-19 pandemic. The 10 point plan for Green Industrial Revolution (Figure 5) includes promoting clean energy (offshore wind, nuclear power, hydrogen energy, etc.) and decarbonizing the transportation sector (automotive, aircraft, ships, etc.). The plan is to invest a total of 12 billion pounds and create up to 250,000 jobs.

Figure 5. The UK's 10 point plan for Green Industrial Revolution

1	Offshore wind	Producing enough offshore wind to power every home, quadrupling how much the UK produces to 40GW by 2030, supporting up to 60,000 jobs.
2	Hydrogen	Working with industry aiming to generate 5GW of low carbon hydrogen production capacity by 2030 for industry, transport, power and homes. Pioneering hydrogen heating trials, where all the electricity for heating equipment will be supplied through hydrogen power, scaling up to a potential "hydrogen town" heated entirely by hydrogen by 2030. Supporting industry to begin hydrogen heating trials in a local neighbourhood by 2023 and in a large village by 2025, and scaling up to a town with a population of a few thousand by 2030. The investment scale is £500 million, of which £240 million will go to hydrogen production facilities.
3	Nuclear power	Advancing new nuclear power programs, ranging from large-scale reactors to the development of advanced small modular reactors (SMR). In particular,
4	Electric Vehicles (EV)	Accelerating the transition of the automotive industry to EVs throughout the UK and transferring infrastructure to support this. Ending the sale of new petrol and diesel cars and vans by 2030. The UK will invest £1.3 billion to accelerate the roll out of charging infrastructure, targeting support on rapid charge points on motorways, major roads and near homes.
5	Public transport, cycling, walking	Introducing green buses, bicycle lanes and other means to make cycling and walking more attractive ways to travel and investing in zero-emission public transport of the future.
6	Jet zero and green maritime	Supporting difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships. The UK will invest £20 million in the development of green shipping technology.
7	Homes and public buildings	Making homes, schools and hospitals greener, warmer and more energy efficient, whilst creating 50,000 jobs by 2030, and a target to install 600,000 heat pumps every year by 2028.
8	Carbon capture	Investing up to £1 billion to support the establishment of a world-leading industrial cluster in carbon capture technology in Northern Ireland, Wales and Scotland, with a target of reducing CO_2 emissions by 10 million tons by 2030, supporting 50,000 jobs.
9	Nature	Protecting and restoring the natural environment, planting 30,000 hectares of trees every year, whilst creating and retaining thousands of jobs.
10	Innovation and finance	Developing the cutting-edge technologies needed to reach these new energy ambitions and make the City of London the global centre of green finance.

Source: Prepared by MGSSI based on materials published by the Government of UK

The UK's financial sector - which has one of the biggest global financial hub, the City - is an important industry accounting for 7% of the UK's total GDP. The government is actively supporting the sector, particularly fintech, in terms of investment and taxation, regulatory environment, digital infrastructure, and attraction of inward investment (Figure 6).

Figure 6. Key support packages for fintech sector in UK

Regulatory environment	Open banking
	• With the consent of customers, make bank-owned customer data available to other companies, including fintech companies, through open APIs. This scheme was launched in 2017.
	Regulatory sandbox
	• Launched in 2016. Under an environment where the Financial Conduct Authority (FCA) controls time flame and other conditions, private businesses can experiment with new services and technologies. Moreover, in response to the COVID-19 pandemic, the FCA is trying to accelerate the introduction of a digital sandbox which enable testing, training and validation of prototype technology solutions in a digital environment, and is currently implementing pilot projects.
	Access to payment systems
	• In April 2015, Payment Systems Regulator (PSR) was newly established to regulate and oversee the payments system, ensuring that challenger banks and fintech companies have access to payment systems under fair conditions. This enabled direct access to the payment system by non-banking payment service providers in 2017.
	Innovation hub
	• Established by the FCA to provide direct support to innovative firms. In addition to providing support, advice, and organizing events for businesses, it also engages in international collaboration with financial and non-financial institutions as well as regulators in other countries.
	BOE's fintech hub
	• (1) Accelerator: In 2016, the Bank of England (BOE) launched a program to collaborate with the private sector on experimental projects. (2) Data collaboration through an open data platform: An initiative to fill the financing gap for small and medium-sized enterprises through data sharing between banks and other financial businesses. (3) AI public-private forum: The purpose of this forum is to understand and share information among the BOE, FCA and financial businesses on the challenges and risks of introducing AI and machine learning into financial services.
Taxation system Incentives	• R&D capital deductions and R&D tax breaks.
	• Patent box system: Tax rate on profits from patented technology reduced to 10%.
	• Innovative Finance ISA introduced in 2016. This is a personal savings account that incorporates investments in P2P lending, and makes income from interest tax-free.

Source: Prepared by MGSSI based on materials published by FCA and BOE

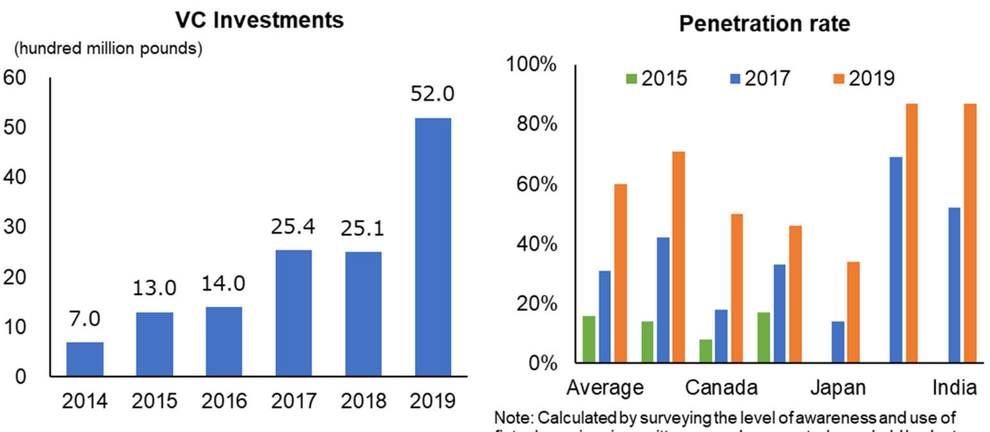
4-2. Focus Sectors

(1) Fintech and green finance

London is one of the largest global financial hub. It is also a global centre for fintech which adds extra value to the city as a financial market. The UK government has been actively supporting the fintech industry since 2014, when the then Chancellor of the Exchequer, George Osborne, declared "I want the UK to be the global centre of fintech."

The strength of the UK's fintech sector lies in its well-established ecosystem. In addition to the well-developed regulatory environment mentioned above, the country's high level of education, including the presence of four of the world's top 10 universities, attracts both domestic and foreign talent. Its easy access to capital as well as high demand from businesses and consumers for fintech (Figure 7) are driving growth. It has also produced a number of unicorn companies[4] including Monzo, a challenger bank; TransferWise, an international money transfer service that is also expanding into Japan; and Revolut, a money transfer and foreign exchange app (partnering with Sompo Japan Insurance to provide insurance on its app). OakNorth, a credit analysis company, has formed a capital alliance with Sumitomo Mitsui Banking Corporation and plans to collaborate in overseas markets (Figure 8).

Figure 7. VC investment in UK fintech companies and fintech penetration among consumers



Source: Prepared by MGSSI based on data from Tech Nation

Note: Calculated by surveying the level of awareness and use of fintech services in remittances and payments, household budget management, savings and investment, borrowing, and insurance.
Source: Prepared by MGSSI based on Earnst&Young's date on Global FinTech Adoption Index

[4] Tech Nation Report 2020 "UK Tech for a changing world" https://technation.io/report2020/

Figure 8. Case studies of UK companies entering Japan, Japanese companies' collaboration and/or investment with UK companies

Sector	UK Company	Description
Fintech	TransferWise	Overseas remittance service. TransferWise entered the Japanese market in 2016, and in January 2021, it expanded its business by announcing its entry into the debit card business, which allows customers to pay for products and services directly from their yen or foreign currency balances and withdraw cash at ATMs in different countries.
	Revolut	App for overseas remittance, foreign exchange, and cashless payment. Entered Japan in 2018. Partnered with Sompo Japan Insurance Inc. to enable users to purchase overseas travel insurance through the app.
	OakNorth	OakNorth provides a credit analysis model using a new AI-based credit analysis method. In November 2020, SMBC acquired shares worth 23 million pounds in the company for business collaboration. The company plans to promote the advancement of corporate lending and the efficiency of loan asset monitoring using AI and machine learning in overseas markets.
Green technologies	Storegga Geotechnologies	Storegga Geotechnologies is developing its Acorn CCS project through its wholly owned subsidiary, Pale Blue Dot Energy, to capture, transport and store CO2 emitted from the UK and surrounding countries. It is also working on commercializing Direct Air Capture technology, which captures CO2 directly from the atmosphere. Mitsui & Co., Ltd. announced its stakes in Storegga Geotechnologies (15.4%) in March 2021. The company aims to develop its global CO2 capture , utilization, and storage (CCUS) businesses, providing solutions to reduce CO2 using the Storegga Geotechnoligies's knowledge gained in the UK and Europe, where regulations and systems for CCUS is most advanced.
	Octopus Energy	Electricity Retailer. Octopus Energy supplies 100% renewable energy-derived electricity using a supply chain platform that harnesses data and machine learning to optimize and streamline power supply. In addition to the UK, the company has expanded its business to Australia, Germany, and the United States. In December 2020, Tokyo Gas announced an investment of approximately 20 billion yen in the company and the establishment of a joint venture company to provide plans specializing in renewable energy in Japan.
	OVO	OVO provides electricity and gas-related services by utilising AI, IoT and other digital technologies. It aims to achieve net zero greenhouse gas emissions by 2030, mainly by supplying electricity derived from renewable energy sources. Mitsubishi Corporation acquired a 20% stake in the company in 2019.
	Highview Power	Sumitomo Heavy Industries announced an investment of 46 million dollars in Highview Power in February 2020. Highview Power and Sumitomo Heavy Industries will promote the commercialization of energy storage systems using LAES technology, which stores energy in the form of liquefied air and extracts it as electricity when needed, with the aim of expanding the business in Europe, the US, and Asia.
	Zenobe	Zenobe is a storage battery startup. TEPCO Power Grid and JERA invested approximately 3 billion yen in the company in 2019 to accumulate know-how on how to deal with supply and demand fluctuations using storage batteries and to improve the operational efficiency of power plants.
AI	Secondmind	Uses AI technology to support the calibration of parameters for Mazda's internal combustion engines. It contributes to shortening the development period and improving the performance of engines.
	Ocado	Ocado is a major online supermarket company in the UK. It leverages cutting-edge technologies such as AI and robotics for inventory management and logistics. The company entered an exclusive partnership agreement with Aeon in 2019 to provide its Ocado Smart Platform.

Source: Prepared by MGSSI based on press releases and news coverages

Securing human resources will perhaps be the biggest challenge in the future. According to the UK government, there are 76,000 workers in the UK fintech sector, 40% of whom are foreign nationals.[5] The number of workers needed in the sector is expected to increase to 100,000 by 2030, making it essential to attract foreign talent. Competition is intensifying for digital talent, however, as global demand increases. As mentioned above, new immigration system gives preferential treatment to high-skilled workers, but the UK may need to take further preferential measures to attract talent while promoting human resource development domestically.

One of the main focus of the Green Industrial Revolution is to make the City of London the global center of green finance through the development of cutting-edge technologies. London is ranked third in the world in the green finance market ranking,[6] and the City will use fintech to further enhance its position in the field of green finance.

(2) Green technology: decarbonization in the transportation and energy sectors

The UK government brought forward the ban on the sale of new gasoline and diesel vehicles to 2030. The key for the UK automotive industry to survive, therefore, will be whether they can accelerate their shift to increase production of Electric Vehicles. To support this, the government plans to invest 500 million pounds by 2024 to expand domestic production of EV batteries. In December 2019, British startup Britishvolt announced that it would build a large battery production plant near Nissan's Sunderland plant, with plans to start production in 2023 and produce 300,000 batteries per year by 2027. Another challenge is the procurement of battery materials. In Cornwall, southwest England, a pilot project to recover lithium from geothermal water is underway with government support. The region also received approval for offshore lithium exploration in January 2020.

[5] Department for International Trade, UK (2019) "UK FinTech State of the Nation" https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801277/UK-fintech-state-of-the-nation.pdf

[6] Z/Yen Group (2020) "The Global Green Finance Index 6" https://www.longfinance.net/media/documents/GGFI_6_Full_Report_2020.10.27_v1.0_0LqwjOb.pdf

The use of hydrogen fuel cells in aircrafts and ships is also gaining momentum. In September 2020, the public and private sectors established the Jet Zero Council (JZC) to promote efforts to achieve net zero emissions in the airline industry. In the same month, Zero Avia, a British aircraft venture with 5.3 million pounds support from the government successfully completed the world's first test flight of a small aircraft powered by hydrogen fuel cells. EasyJet, a major British LCC, is also working with Airbus of France to produce hydrogen fuel cell powered passenger planes by 2035.

Energy storage, an essential technology for decarbonization, is a field that requires technological innovation. Innovate UK, a non-governmental public body funded by the UK government, provides funding support to projects. One of the companies receiving support is energy storage solutions company Highview Power. It began construction of a liquid air energy storage facility using liquefied air energy storage technology (LAES) in Manchester in June 2020 (with a storage capacity of 250MWh, scheduled for completion in 2022). The company, together with Carlton Energy, a British power plant developer, plans to build four more energy storage facilities in the UK to increase the storage capacity to 1GWh. In February 2020, Sumitomo Heavy Industries announced a 46-million-dollar investment in Highview Power, and plans to collaborate with the company in operations in Europe, the United States, and Asia (see Figure 8 above).

(3) AI

AI was one of the four key areas in the Industrial Strategy published in 2017. Venture capital investments in the UK's AI sector increased from 250 million pounds in 2015 to 1.3 billion pounds in 2019, ranked third in the world after the US and China.[7] With the University of Oxford and the University of Cambridge housing world-class AI research institutions, the UK is ranked third in the world by the number of academic papers on AI and the number of AI engineers.[8]

In terms of AI policy, the UK was ranked second out of 172 countries in the Government AI Readiness Index (evaluation based on the degree of development of AI-related policies and data infrastructure) by Oxford Insight, a policy consultancy. In 2018, the government and industry agreed on the AI Sector Deal, in which they build a public-private partnership, aiming to jointly contribute one billion pounds to train the next generation of AI talent and develop data infrastructure.

In healthcare, the use of AI in National Health Service (NHS) has already been promoted for a while, for example, the British startup Babylon Health provides a chatbot-based AI-powered symptom checker app to the NHS. Furthermore, the extent of use of AI in medicine is increasing in response to COVID-19. BenevolentAI, an UK company in the development and application of artificial intelligence for drug discovery and development, discovered the efficacy of the arthritis drug Baricitinib in treating COVID-19. The NHS also uses AI technology to support early diagnosis of the COVID-19 and analysis of adverse reactions to vaccines.

5. POST-BREXIT SCENARIOS

In the medium to long term, the following three scenarios can be envisaged for the UK economy post-Brexit.

5-1. Main Scenario (Probability: High)

An "open middle power": maintaining its economic strength boosted by the UK's highly competitive and innovative industries expanding into the growing Asian market

Against the backdrop of the economic downturn caused by the pandemic, UK Prime Minister Boris Johnson has shifted his policy focus to the economy, making Chief of Staff Dan Rosenfield and Cabinet Office Minister Michael Gove more influential in his cabinet. However, the recent appointment of David Frost, former chief Brexit negotiator for trade with the EU, as a cabinet minister in charge of the UK's future relationship with the

[7] Tech Nation Report 2020 "UK Tech for a changing world" https://technation.io/report2020/#21-global-innovation
[8] Element AI, Canada, "Global AI Talent Report 2020" https://jfgagne.ai/global-ai-talent-report-2020/

EU shows that a certain level of influence will also be maintained by Eurosceptics who want to regain sovereignty from the EU, diverge from EU regulations, and curb immigration.

This scenario envisages that the UK government cooperates with the EU – this may be restricted to a certain extent as influence of Eurosceptics remains in the cabinet – in terms of the extent of deregulation and provision of subsidies in the industrial strategy. This attracts foreign investment and enables innovation in Fintech, green technology, AI and other fields, driving a strong economic growth.

Meanwhile, the immigration system is managed with some flexibility, but the decrease in low-skilled workers from the EU cannot be completely compensated by the increase from other regions, resulting in a negative impact on some industries such as hospitality, restaurant, and construction. Some of the manufacturing companies that have considered the EU as their main market also experience a slowdown due to longer lead times and lower cost competitiveness.

The EU's policy toward the UK becomes pragmatic. This is because the agreement on the Next Generation EU, an economic recovery policy package which allocates funds to EU countries putting particular focus on southern European countries which suffered a deep economic downturn during the COVID-19 pandemic, shows solidarity amongst EU countries. Negotiations on financial regulations remain difficult. In the medium to long term, however, the EU grants equivalence status to the UK in a wide range of areas, and countermeasures over erosion of level playing field are limited to a certain extent as the UK's stance toward the EU softens.

In the area of trade policy, under the strong leadership of UK International Trade Minister Liz Truss and with support from Japan, the UK successfully joins the CPTPP and actively develops its comparative advantage industries. Negotiations for an FTA with India proceeds quickly, with a view to concluding mutually beneficial agreements first in the areas of pharmaceuticals, fintech, chemicals, petroleum, and food. As for relations with China, as tensions ease, trade and investment relations between the UK and China improve to a certain degree. On the other hand, any move toward conclusion of FTA with the US is not materialized before the US midterm elections in 2022 as the Biden administration prioritizes "rebuilding labour competitiveness with domestic investment before starting trade negotiations" and the Trade Promotion Authority (TPA) is due to expire in June 2021.

On the whole, the negative effects of the weaker ties with the EU are felt in varying degrees in different industries and cannot be completely offset. The UK economy, however, continues to maintain a certain level of strength by dynamically expanding into Asia, the world's growth center, driven by industries with comparative advantages.

The key factors that will influence the direction of the UK economy in the medium to long term are (1) the balance of power between Eurosceptics and economically-minded pragmatists in the UK Conservative Party: this will determine the direction of policies on subsidies, regulatory divergence from the EU, and the approach to the EU; (2) how seriously both the UK and the EU work to streamline and facilitate customs clearance procedures, and whether it is technically feasible: these will have an impact on the restructuring of manufacturing supply chains; (3) EU's solidarity and the trend of anti-EU sentiment in EU countries: these, as well as (1) above, will have an impact on implementation of countermeasures over an erosion of level playing field; and (4) the UK's position over the US-China rivalry: this will affect the FTA with the US, as well as trade and investment relations with China. These factors will decide the possibility of the pessimistic or optimistic scenario described below.

5-2. Pessimistic Scenario (Probability: Medium)

From Great Britain to Little Britain—The economy weakens putting a strain on UK's Union.

This scenario envisages that Eurosceptics hold overwhelming power in the Conservative Party and continue to press Boris Johnson to deviate from EU regulations. As a result, the UK unilaterally pushes for deregulation and gives out subsidies when implementing its industrial strategy without cooperating with the EU. This seriously damages the mutual trust with the EU.

As the new immigration system fails to work and a less-than-welcoming atmosphere for migrants develops in the UK, the country fails to attract not only the low-skilled workers, but also the high-skilled workers. This causes even more severe labour shortage, which hinders the growth of industries such as fintech and AI of which have comparative advantages.

On top of the above, the UK puts blame on the EU for delays in logistics, and no serious efforts are made to streamline and facilitate customs clearance procedures, resulting in serious damage to the manufacturing supply chain.

EU's economic recovery from the pandemic lags behind compared to other regions, causing further widening of economic disparities within and between member states. This will harm EU's solidarity and give a boost for Eurosceptics. This, combined with the erosion of trust with the UK mentioned above, will increase UK-EU friction. The EU does not grant financial equivalence status to the UK, and also takes hardline cross-sectoral retaliatory measures against the UK over an erosion of level playing field.

In the area of trade policy, negotiations for accession to the CPTPP move slowly due to domestic adjustments over agricultural issues, food safety, and ISDS, while negotiations for an FTA with India stalls due to the immigration issue. An FTA with the US is not expected to be concluded at an early stage due to the Biden administration's domestic-oriented policies. With China, as a result of continued tension, little progress is made in strengthening trade relations with non-EU countries.

To conclude, this scenario envisions that the UK economy stagnates as a result of the UK's failure to implement compensative measures for reduced access to the EU single market, such as conclusion of FTAs with non-EU countries and effective implementation of its industrial policy. The failure of the post-Brexit strategy reignites the pro-EU Scottish independence movement, forcing Boris Johnson to agree to hold a legally binding referendum on Scottish independence.

5-3. Optimistic Scenario (Probability: Low)

Rising from the crisis—Minimizing negative impacts and maximizing benefits through expansion of UK's global network

This scenario envisages that the Eurosceptics, who caused the confusion during and after the Brexit negotiations, lose support within the Conservative Party. The UK puts a high value on cooperation with the EU when implementing deregulation and subsidies for its industrial strategy. Mutual trust between the EU and the UK, which was damaged during the Brexit negotiations, is rebuilt.

With the declining influence of Eurosceptics who advocated tighter immigration control, the new immigration system becomes more flexible. Decrease in low-skilled workers from the EU is compensated by an increase in workers from non-EU countries, preventing negative impacts in labour-intensive industries.

As a result of active investments in both digital and physical infrastructure to streamline and facilitate customs clearance procedures and minimizing non-tariff barriers, the decline in competitiveness of the manufacturing industry due to Brexit stays minimum, and the supply chain networks between the EU and the UK escape a full-scale restructuring and largely remain unchanged.

The EU's policy toward the UK becomes favorable, and financial equivalence status is granted smoothly in a wide range of fields in the short term from the perspective of maintaining efficiency by avoiding fragmentation of the European market. Also, countermeasures against the erosion of a level playing field are very limited.

In terms of trade policy, as in the main scenario, participation in the CPTPP and the FTA with India are pursued. With regard to China, the UK takes a "cold politics and a hot economy" policy, leading to a good economic relations similar to the one during the "golden age". The UK also concludes an FTA with the US at a relatively early date, assuming that disagreement on issues such as food safety standards and the medical field are resolved, and that the US economy quickly recovers from the pandemic.

To sum up, the UK economy can use the crisis as a springboard by successfully minimizing the impact of reduced access to the EU single market, and tapping into the growing Indo-Pacific region through expansion of UK businesses in the region, particularly with the sectors with comparative advantage such as fintech, green technology, and AI.

6. CONCLUSION: BEYOND UNNECESSARY PESSIMISM

Whichever the path the UK takes, it is undeniable that Brexit will reduce the UK's access to the EU single market and weaken the UK's position as a gateway to the EU market (a production, sales, and logistics base for the EU).

However, the UK has a number of advantages, including: (1) an ability to leverage its global network and link the people, goods, money, and information it has gathered, creating added value through its engineering capabilities; (2) a business-friendly tax system, including relaxed and transparent regulations and low corporate tax rates, the fund-raising power of the City, and an outstanding business environment, including a concentration of the world's best higher education and research institutions; (3) a flexible labour market and a high level of talents from around the world; (4) the world's leading capacity for innovation; and (5) an English-speaking environment and the UK law as the governing law for international transactions. It is necessary to correctly recognize that these strengths continue to exist even after Brexit (Figure 9).

In addition, the UK has some new advantages obtained as a result of Brexit, such as (1) an ability to develop agile policies by freeing itself from the spell of EU bureaucracy, (2) freedom to set regulations, subsidies, and tax rates, and (3) freedom to develop trade policies, including the conclusion of FTAs. In fact, the UK government is using these advantages to launch post-Brexit growth strategies, including Global Britain and various industrial strategies. British companies are responding to the UK governments policies by expanding into the Indo-Pacific region, the new frontier for growing industries.

Japanese companies need to take "defensive" measure by reorganizing their functions in the greater European region in response to the weakening of the UK's position as a gateway to the EU market. At the same time, they need to have "offensive" business strategies such as targeting the Indo-Pacific region, including Japan, in cooperation with British companies in these promising fields, as well as meeting the new demands generated in the UK.

Brexit is both a risk and an opportunity for Japanese companies operating in Europe. They need to keep a close eye on the developments in the UK's post-Brexit growth strategies and the UK businesses that embrace these strategies and be ready to react quickly and flexibly to the changes brought about by Brexit.

Figure 9. What the UK can gain, lose, or see no change post-Brexit

1. UK's losses	
(1)	Reduced access to the EU single market (non-tariff barriers, loss of financial passports, etc.) and weakening of its position as a gateway to the single market (production, sales, and logistics hub targeted at the market).
(2)	Decline in bargaining power in diplomatic and trade negotiations (loss of bargaining power backed by the relative size of the EU).
2. UK's gains	
(1)	Freedom to deregulate, set subsidies and tax rates. Expansion of growth strategies through deregulation, subsidies, and tax reductions.
(2)	Quick and flexible policy making. Freedom from EU bureaucracy and slow, consensus-based policy making.
(3)	Liberal trade policy (with top priority to the US, Japan, Australia, and New Zealand, and eyeing participation in the CPTPP).
(4)	No need to contribute to the EU budget (UK's net contribution to the EU budget in 2019 was 6.8 billion euros).
3. UK's characteristics see no change or remain advantageous despite Brexit	
(1)	The ability to link people, products, money, and information gathered through the Commonwealth and other global networks rooted in the history of the British Empire to create added value through engineering capabilities.
(2)	The capital-raising power of the international financial center the City. The City aims to be a world leader in green finance (Brexit-related exodus of financial institutions was smaller than expected. London maintained its second place in the ranking of international financial cities in September 2020 survey, behind New York. London is also ranked 4th in the world in the FinTech rankings.
(3)	The ability to attract investment regardless of where the capital is originated (the Wimbledon effect). The ability to regenerate continuously (tech companies such as GAFA accelerated their investment in the UK even after the Brexit decision, citing the concentration of high-level human resources, excellent research institutions and universities in the country).
(4)	World-class innovation (the UK leads the world in fintech, AI, life science, green technologies, and cybersecurity, supported by a technology ecosystem, government support, and some of the world's best universities and research institutions).
(5)	Inclusiveness: cosmopolitanism and tolerance for different cultures (Prime Minister Boris Johnson himself is a "one-man melting pot". His family tree includes a connection to royal family, Turkey, Russia amongst others.; Chancellor of Exchequer Rishi Sunak's parents are both Indian origin.)
(6)	Thorough pragmatism (putting national interests first in foreign policy, emphasising CCUS in the green industrial revolution, consideration of blue and yellow hydrogen as low-carbon hydrogen, and promotion of nuclear power as a base power source).
(7)	A "special relationship" with the US based on history, culture, language, legal system, and security.
(8)	Highly transparent and relaxed regulations. Greater flexibility as a result of Brexit.
(9)	A hub of highly skilled legal, accounting, tax, finance and intelligence functions in and around London.
(10)	Low corporate tax rate (to be raised from the current 19% to 25% after FY2023, but still the lowest among the G7 countries), an attractive tax system for conducting business.
(11)	A flexible labour market that attracts the best and brightest talents from all over the world (after Brexit, high-skilled workers will have preferential treatment).
(12)	A concentration of the world's top institutions in higher education, such as Oxbridge, and the best and brightest human resources they produce.
(13)	Adequate infrastructures such as medical care, communication, and transportation.
(14)	English as official language.
(15)	English law as the governing law for international transactions.

Source: Prepared by Strategic Information & Research Dept., Mitsui & Co. Europe