

**“PJEPA CERTIFICATE OF ORIGIN SEMINAR–WORKSHOP
FOR STAKEHOLDERS”**

Dec 9th, 2021

**JETRO’ s Activity and promotion of trade
through EPA**

Tomohiro ANDO

Investment and EPA Advisor, JETRO Manila

<<Disclaimer>>

Please use the information in this material at your own discretion. While we strive to provide the highest level of accuracy to the users, neither JETRO nor author cannot be held responsible for any loss associated with the use of this material.

What is JETRO?

Japan External Trade Organization

It is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world.

Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

What are JETRO's activities?

Assisting Japanese Companies with Their Overseas Businesses

Supporting Exports of Japanese Agricultural, Forestry, and Fishery Products and Food

Facilitating Innovations Through Inward Foreign Direct Investment (FDI) in Japan and Supporting Overseas Expansions of Startups

Contributing to the Activities and Trade Policies of Japanese Companies Through Surveys and Research

JETRO's tools to promote trade development through EPA/FTA

- Seminar on PJEPA
 - Including this workshop
- Reference materials (Japanese version only)
 - Basic information on EPAs and FTAs between various partner countries, regions and Japan
- Advisory service
 - Individual meeting、

Information source in Japanese (1)

日比経済連携協定の原文(JPEPA original text)

https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/jyobun.html

日比経済連携協定の協定税率の読み方:附属書1(How to check tariff rate under preferential agreement, “Annex 1”)

https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/pdfs/fuzoku01.pdf

EPA活用マニュアル・日本フィリピンEPA版 (EPA Manual, JPEPA edition)

https://www.jetro.go.jp/ext_images/world/asia/ph/jpepa/pdf/jpepa-201712.pdf

協定税率を含む、現時点の関税率(Latest version of tariff in Japan)

<日本側> 実行関税率表

<http://www.customs.go.jp/tariff/>

Information source in Japanese (2)

ASEANの締約するFTA活用マニュアル

(Manual for FTAs related to ASEAN)

https://www.jetro.go.jp/theme/wto-fta/asean_fta.html

ASEAN・中国FTA (ACFTA edition)

ASEAN・韓国FTA (AKFTA edition)

ASEAN・インドFTA (AIFTA edition)

ASEAN・オーストラリア・ニュージーランドFTA
(AANZFTA edition)

Information source in English (1)

Agreement Between Japan and the Republic of the Philippines
for an Economic Partnership

https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/jyobun.html

Annex 1 referred to in Chapter 2: Schedules in relation to
Article 18 (Schedule of tariff reduction)

<https://www.mofa.go.jp/region/asia-paci/philippine/epa0609/annex1.pdf>

Annex 2 referred to in Chapter 3: Product Specific Rules

<https://www.mofa.go.jp/region/asia-paci/philippine/epa0609/annex2.pdf>

Other information source on EPA/FTA (1)

ACFTA outline

<https://fta.miti.gov.my/index.php/pages/view/asean-china?mid=33>

ACFTA tariff reduction schedule

https://fta.miti.gov.my/miti-fta/resources/ASEAN-China/ACFTA_AHTN_Malaysia.pdf

ACFTA Rules of Origin

<https://fta.miti.gov.my/index.php/pages/view/asean-china?mid=33>

Other information source on EPA/FTA (2)

AIFTA: Trade in Goods Agreement

https://fta.miti.gov.my/miti-fta/resources/ASEAN-India/ASEAN-India_Trade_in_Goods_Agreement.pdf

AIFTA: Rules of Origin

<https://fta.miti.gov.my/index.php/pages/view/asean-india?mid=35>

AIFTA tariff reduction schedule (in English)

https://fta.miti.gov.my/miti-fta/resources/ASEAN_India_Tariff_Lines_-_India_to_ASEAN%2b5.pdf

Case Study

Inquiry on EPA, FTA and GSP

Case 1

Increased cost of imported parts and material makes LVC lower than requirement

ABC Philippines, Inc. registered under PEZA manufacture their products using imported materials. They export the products to Japan.

So far, percentage of LVC of the product is 40 % which is good enough to apply preferential tariff under PJEPA.

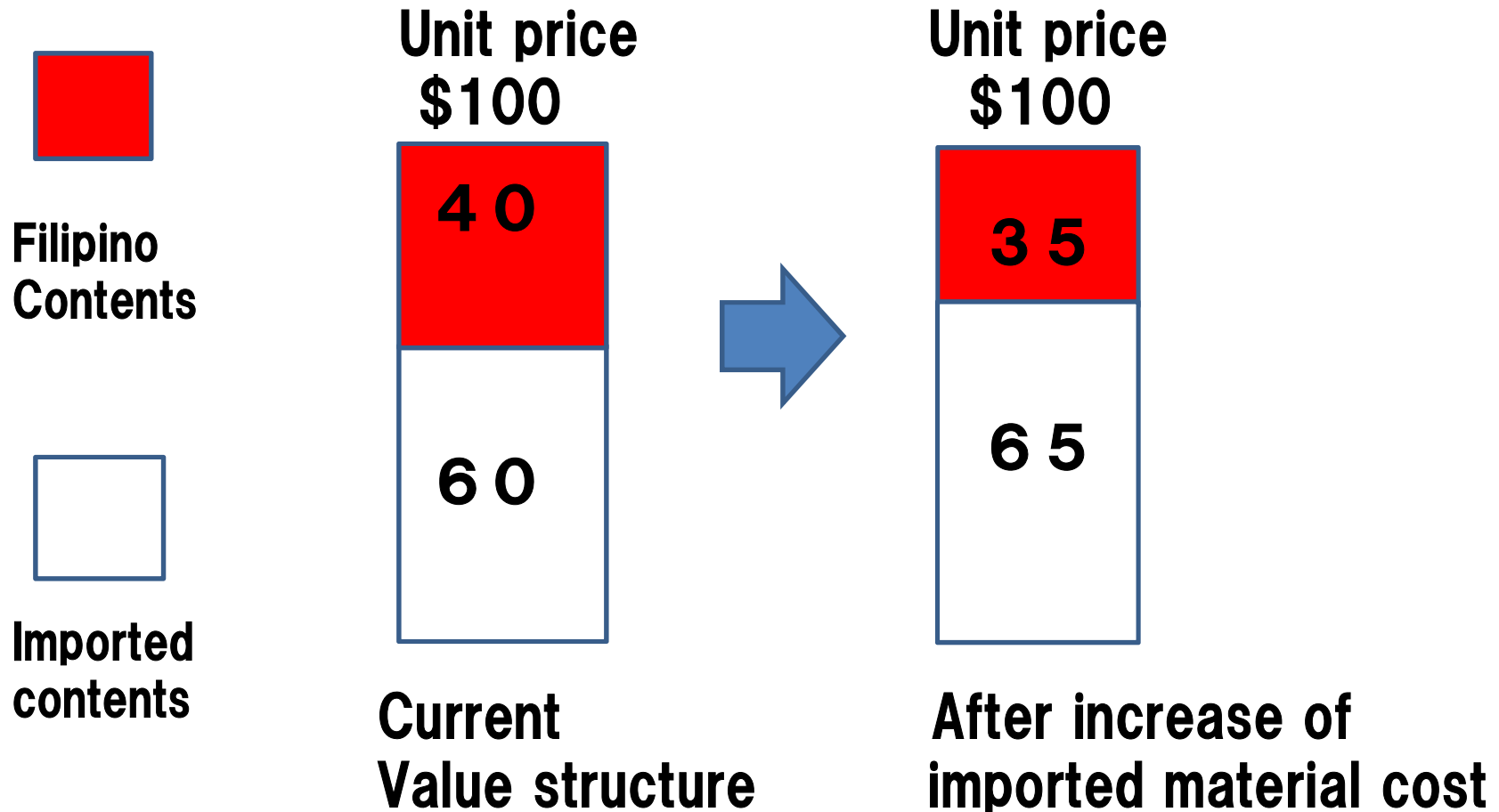
Case 1

Raw material supplier CDE K.K. in Japan recently informed that they will increase price of their products. But ABC Manufacturing cannot change their price as they have to maintain competitiveness in the world market.

However, in this case would LVC percentage become lower than requirement as the cost of imported material increases?

Case 1

Structure of value and LVC



$$35 \div (35+65) = 0.35$$

Case 1

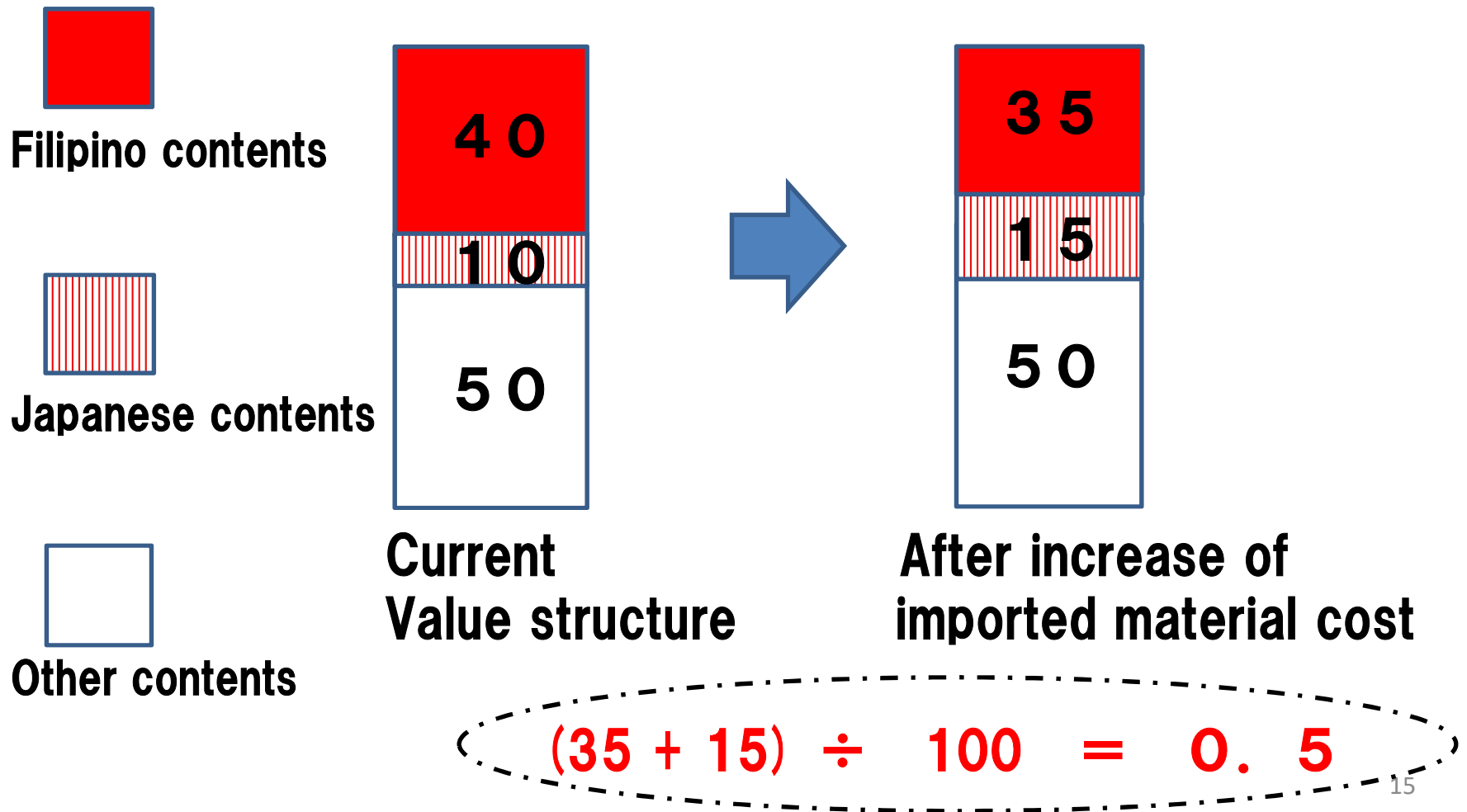
Actually imported contents “60” consist of 10 from Japan and 50 from other origin.

Under PJEPA even Japanese input can be cumulated as a part of Regional Value Content (RVC) as Japan is also a party of PJEPA.

Correct percentage of value content to be qualified is 50% even before increase of imported raw material cost.

Case 1

If Japanese content is included in the "imported material" such portion may be cumulated as the Philippines and Japan are both parties of PJEPA



Case 2

Can any exporter apply CO with Form AI though the products will be exported to Thailand?

A PEZA registered company BCD Mfg. manufacture machine parts.

They export their products to CDE Ltd. in Thailand.

CDE Ltd. assemble finished products for overseas market. They are planing to apply AI FTA for their export to India.

Case 2

LVC (Local Value Content) of the product assembled by CDE Ltd. is only 20% of total value.

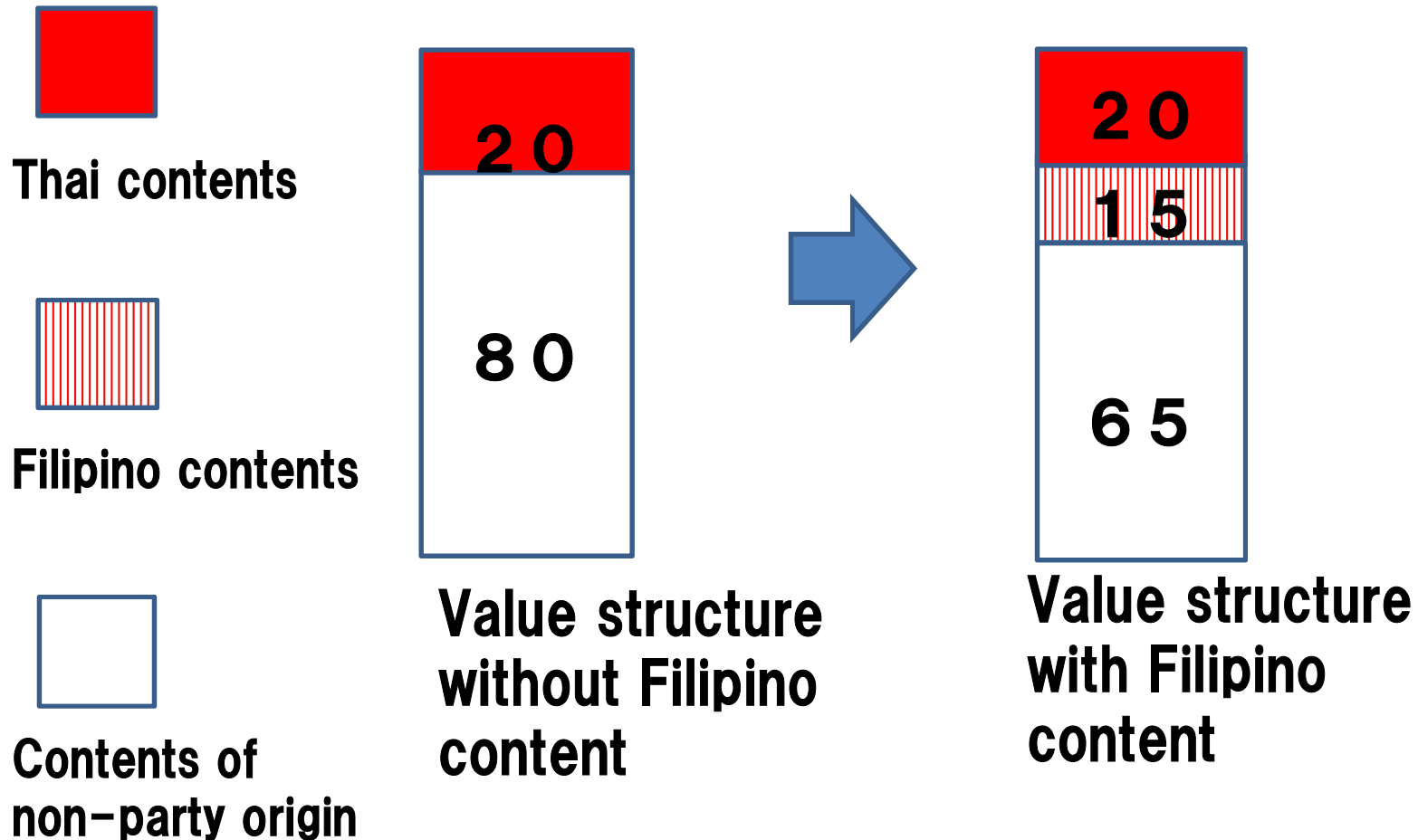
To apply AI FTA 15% has to be added .

If value of the Filipino parts could be cumulated as "ASEAN contents" they can meet LVC requirement of rules of origin under AI FTA.

*** Note that AI FTA requires both minimum 35% of LVC and commodity classification change on HS 6 digit basis.**

Case 2

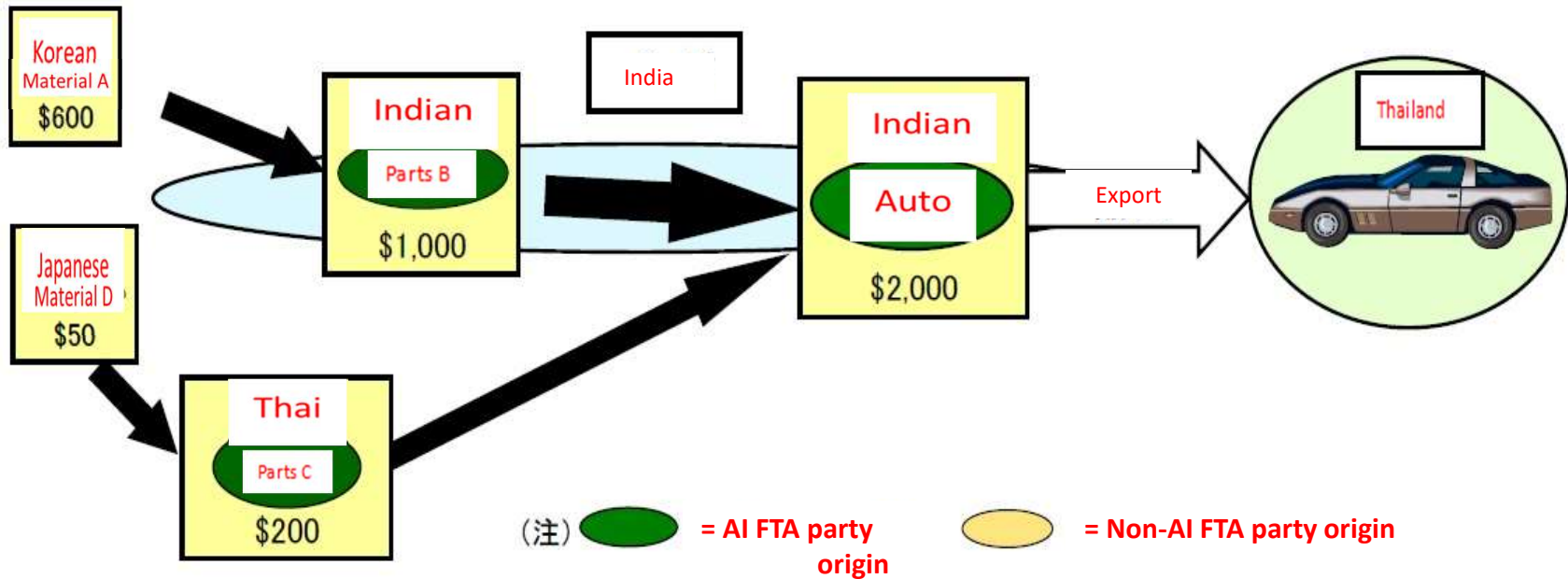
Value structure of Thai product by origin of input



Explanatory chart from JETRO's reference material on "Cumulative Rule of Origin" of AI FTA

Rule 5 Cumulative Rule of Origin 累積規定

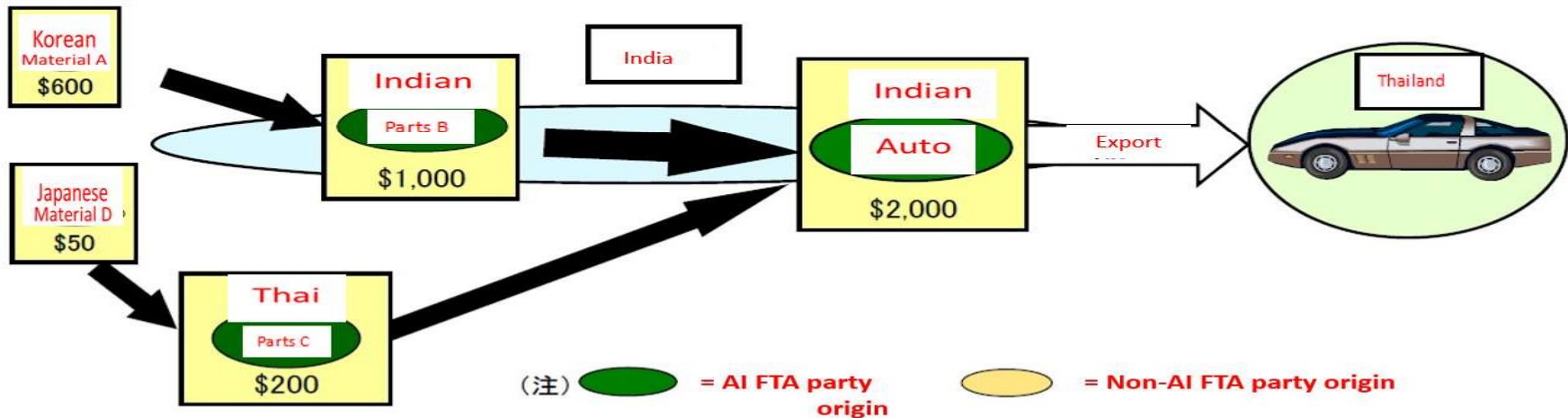
Unless otherwise provided for, products which comply with origin requirements provided for in Rule 2 and which are used in a Party as materials for a product which is eligible for preferential treatment under the Agreement shall be considered as products originating in that Party where working or processing of the product has taken place.



Explanatory chart from JETRO's reference material on "Cumulative Rule of Origin" of AI FTA

Rule 5 Cumulative Rule of Origin 累積規定

Unless otherwise provided for, products which comply with origin requirements provided for in Rule 2 and which are used in a Party as materials for a product which is eligible for preferential treatment under the Agreement shall be considered as products originating in that Party where working or processing of the product has taken place.



RVC of Parts B: 40% $(100 \times (1000 - 600) / 1000)$

RVC of Parts C: 75% $(100 \times (200 - 50) / 200)$

RVC of Automobile: 60% $(100 \times (1000 + 200) / 2000)$

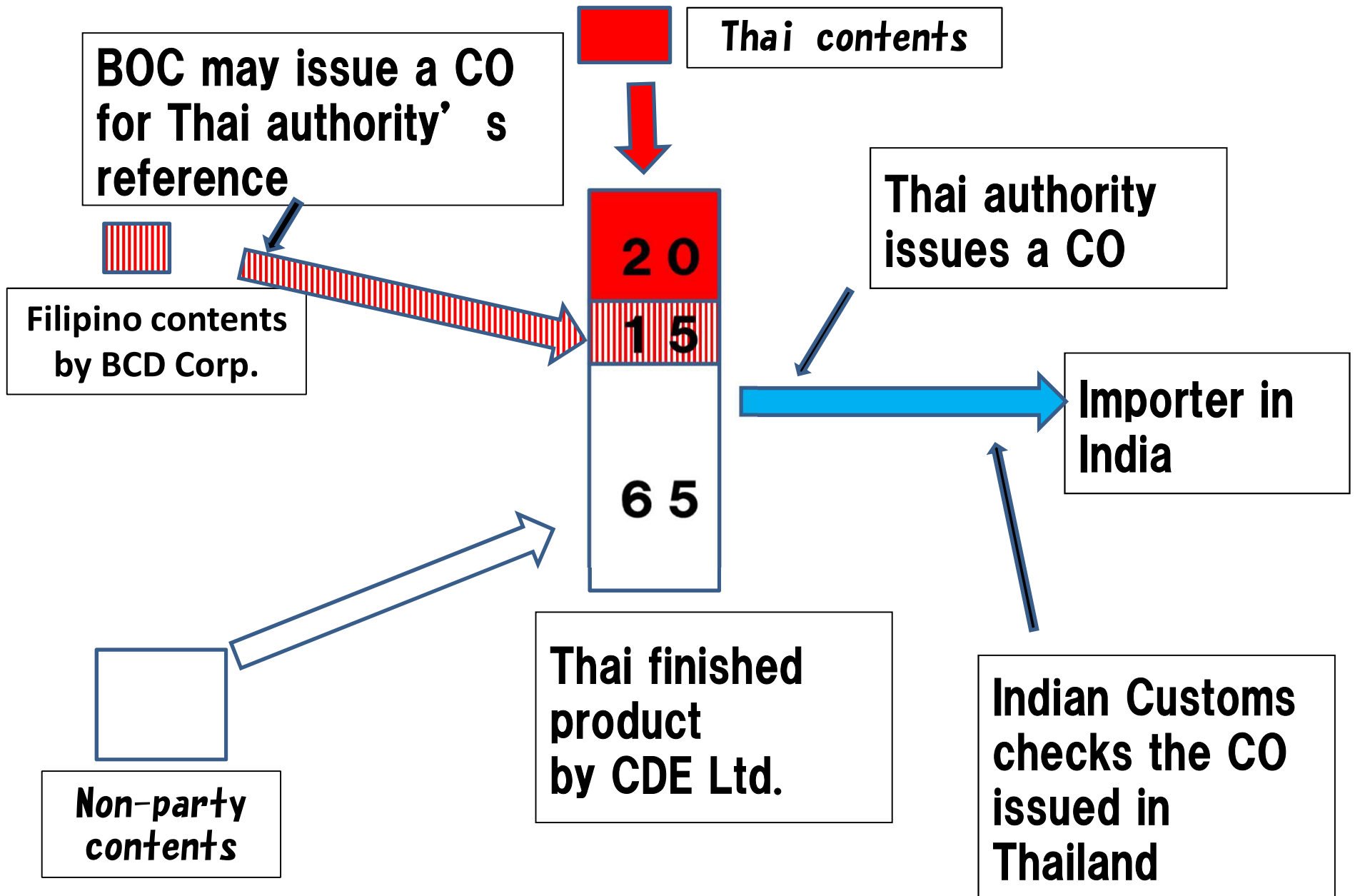
Case 2

In principle AI FTA allows cumulation of value content if the input is produced in any country of the party as far as it can meet the rules of origin.

Thai authority is in the position to issue a CO with "Form AI" if the transaction is between any exporter in Thailand and any importer in India.

In customs procedure in India, only CO issued by Thai authority is required. You may feel that there is nothing to do with any CO issued in the Philippines in this trade.

However, Thai authority may request the applicant exporter in Thailand to submit any supportive document by which the authority can make it sure that the Filipino input really meets ROO of AI FTA.



Case 3

Can any import material be regarded as local content if it undergoes certain manufacturing process in LVC calculation to apply CO for US GSP?

Guidebook on US GSP issued by USTR says "Yes, if the imported material undergoes a double substantial transformation. To be considered as double substantial transformation, the imported material must undergo a substantial transformation in the BDC, which means that the imported material is transformed into a new and different constituent material with a new name, character and use".

(P11, Guidebook,

https://ustr.gov/sites/default/files/gsp/GSPGuidebook_0.pdf)

Case 3

But there is no explanation on numerical definition of "double substantial transformation" in the same guidebook.

Even in other sources, it is advised that inquirers should

1) refer to many examples of ruling in the past which may be applicable or informative.

2) request new ruling by US authority.

(<https://www.customsmobile.com/rulings>)

Case 3

In one of the rulings, HQ H303773 (Jun 13, 2019), we can find a sentence saying " In order to determine whether a substantial transformation occurs when components of various origins are assembled into completed products, CBP considers the totality of the circumstances and makes such determinations on a case-by-case basis. "

(https://www.customsmobile.com/rulings/docview?doc_id=HQ%20H303773&highlight=double%20substantial%20transformation%20GSP)

Case 3

HQ 555189 (Jun 12, 1989) says " Umbrella tops produced in the Philippines from imported continuous lengths of nylon fabric and assembled into umbrellas are substantially transformed constituent materials of the umbrellas for purposes of the GSP where the imported fabric is cut into panels and sewn together to form umbrella tops, which are then joined with an umbrella frame and other components to form the completed umbrellas in the above described operations."

Case 3

“However, your office may deny the importer’s claim for exemption from duty under the GSP, or may require presentation of additional verifying evidence, if you are not satisfied that the cost data presented to support the claim is sufficient.”

(https://www.customsmobile.com/rulings/docview?doc_id=HQ%2055189&highlight=double%20substantial%20transformation%20philippine)

Case 4

How can I check whether “De minimis” is applicable to any particular item under PJEPA?

PJEPA Annex 2 (Product Specific Rule), Section 1

(f) Specific percentages referred to in Article 31, which relate to the total value or the total weight of non-originating materials used in the production of a good that do not undergo an applicable change in tariff classification, are as follows:

https://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/jyobun.html

Case 4

- (i) in the case of a good provided for in chapter 28 through 49 and 64 through 97 of the Harmonized System, 10 percent in value of the good; and**
- (ii) in the case of a good provided for in chapter 50 through 63 of the Harmonized System, 7 percent by weight of the good;**

Note 1: The term “value of non-originating materials” means the value determined in accordance with paragraph 6 of Article 29.

Note 2: The term “value of the good” means the free-on-board value of the good referred to in subparagraph 4 (b) of Article 29 or the value set out in paragraph 5 of that Article.

Case 4

(1) If the item is classified under any chapter from HS28 to HS49 or from HS64 to HS97

>>> 10 percent in value of the good

(2) If under any chapter from HS50 to HS63

>>> 7 percent by weight of the good;

(3) Other items

>>> De minimis is not applicable under PJEPA.

CTH (change of tariff heading) cannot be applied if the exporter cannot show evidence for any small portion of input

Case 5

Where can any Japanese exporter apply CO for PJEPA?

Some offices of the Japan Chamber of Commerce and Industry can issue COs for PJEPA.

As of today there are 26 offices can issue it and 8 of them can assess local value content of goods.

No local chambers have function to issue COs for preferential treatment.

List of JCCI regional offices which issue COs;

https://www.jcci.or.jp/gensanchi/office_list.html

Salamat Po !

ご静聴ありがとうございました

Inquiry to JETRO Manila
MLA@jetro.go.jp
Phone: 02-8892-4376

<<Disclaimer>>

Please use the information in this material at your own discretion. While we strive to provide the highest level of accuracy to the users, neither JETRO nor author cannot be held responsible for any loss associated with the use of this material.