

JAPAN-INDONESIA ECONOMIC PARTNERSHIP AGREEMENT (JIEPA)

The JIEPA was signed on August 20, 2007 and entered into force on July 1, 2008.

A. Tariff Reduction and Elimination Modality

Tariff reduction and elimination under JIEPA has two modalities, namely the general modality and the Users' Specific Duty Free Scheme (USDFS). Under the general modality, Japan and Indonesia immediately eliminated 80% and 58% of product tariff lines, respectively, upon JIEPA's entry into force. Indonesia will reduce or eliminate the remaining tariffs over 3 to 15 years, excluding the sensitive list which comprises 9% of tariff lines. Japan will reduce or eliminate most of the remaining tariffs within 3 to 10 years with some agricultural goods within 15 years. Japan's sensitive list, which includes rice, wheat, and meat, holds 10% of tariff lines equivalent to 1% of total trade value. The number of tariff lines eliminated will be 93% for Japan within 7 years and over 90% for Indonesia within 10 years after entry into force of the Agreement

Under the USDFS modality, the Indonesian government will provide a 0% duty on imported raw materials from Japan that are used in certain steel-based industries and industry drivers. These industrial sectors include (i) automotive vehicles and parts, (ii) construction machinery and heavy equipment, (iii) electricity, and (iv) energy, including oil and gas. The raw materials are under HS Chapters 28, 29, 38, 39, 40, 68, 70, 72 and 73, with a significant number of products particularly under HS Chapters 72 and 73. The goods imported into Indonesia must meet user requirements of the originating goods with respect to product specification, grade, quantity, and delivery time. In addition, the goods (i) must not compete directly with goods produced by the domestic Indonesian industry, and will be used directly in the aforementioned industries; or (ii) are imported for users who are in Bonded Zones, Bonded Piling Locations or Bonded Warehouses and Special Economic Zones. In the case of petroleum, gas and electric power, the goods must be used in a project in which Japanese or Indonesian investors hold a substantial share. The Parties will review USDFS terms and conditions for petroleum, gas and electric power in the fourth year of the agreement, *i.e.* 2012. In general, the Parties will review the list of products under USDFS after five years. The respective industries may participate in the USDFS consultations, if appropriate.

JIEPA provides for the USDFS under Schedule of Indonesia Note 2 in Section 1 of Part 3 of Annex 1 referred to in Chapter 2 in Basic Agreement and its Operational Procedures. Indonesia subsequently issued implementing regulations for USDFS under Ministry of Finance Decree No. 96/PMK.011/2008 on *Import Duties under the USDFS for JIEPA*, dated June 30, 2008, and Ministry of Industry Decree No. Decree No. 43/M-IND/PER/7/2008 on *Industry Groups that can use USDFS under JIEPA Framework Agreement*, dated July 1, 2009.

Japan eliminated all tariffs on products under HS Chapters 84, 85 and 87 upon the entry into force of the Agreement. Indonesia's tariff modality for HS 84, 85 and 87 under JIEPA provides for both immediate elimination and staged reduction of tariffs as follows:

Chapter 84	Modality	Number of Tariff Lines
A	Tariffs eliminated on entry into force (July 1, 2008).	975
B3	Tariffs reduced to 0% in 4 equal instalments (<i>i.e.</i> 2012) from base rate.	149
B5	Tariffs reduced to 0% in 6 equal instalments (<i>i.e.</i> 2014) from base rate.	16
B7	Tariffs reduced to 0% in 8 equal instalments (<i>i.e.</i> 2016) from base	19

Chapter 84 Modality		Number of Tariff Lines
	rate.	
B10	Tariffs reduced to 0% in 11 equal instalments (<i>i.e.</i> 2019) from base rate.	34
P	Tariffs determined by the notes specified in the tariff schedule.	247
X	Excluded from tariff commitments.	2

Chapter 85 Modality		Number of Tariff Lines
A	Tariffs eliminated on entry into force (July 1, 2008).	272
B3	Tariffs reduced to 0% in 4 equal instalments (<i>i.e.</i> 2012) from base rate.	94
B5	Tariffs reduced to 0% in 6 equal instalments (<i>i.e.</i> 2014) from base rate.	17
B7	Tariffs reduced to 0% in 8 equal instalments (<i>i.e.</i> 2016) from base rate.	9
B10	Tariffs reduced to 0% in 11 equal instalments (<i>i.e.</i> 2019) from base rate.	30
B15	Tariffs reduced to 0% in 16 equal instalments (<i>i.e.</i> 2024) from base rate.	23
P	Tariffs determined by the notes specified in the tariff schedule.	320

Chapter 87 Modality		Number of Tariff Lines
A	Tariffs eliminated on entry into force (July 1, 2008).	35
B10	Tariffs reduced to 0% in 11 equal instalments (<i>i.e.</i> 2019) from base rate.	240
B15	Tariffs reduced to 0% in 16 equal instalments (<i>i.e.</i> 2024) from base rate.	9
P	Tariffs determined by the notes specified in the tariff schedule.	884
X	Excluded from tariff commitments.	6

B. Rules of Origin

General Rules

JIEPA uses product specific rules of origin (PSR), which include change in tariff classification (CTC) rules or a qualifying local value content (LVC) rule, which is not less than 40% of the free-on-board price (FOB) for nearly all goods.¹ Some PSRs allow a choice between (i) LVC rule, (ii) CTC rule, (iii) specific manufacturing or processing operation, or (iv) a combination of the latter three rules. The calculation of LVC is as follows:

$$\text{LVC (\%)} = \frac{\text{FOB} - \text{Value of Non-Originating Material}}{\text{FOB}} \times 100$$

¹ Where applicable, the LVC requirement is 40%, except for the 50% requirement for two sake products under HS Codes 2208.70 and 2208.90.

The specific process requirement is applied to goods in HS Chapters 38 to 40 and 50 to 63. The PSR for goods under HS Chapters 84, 85 and 87 is the choice of either a 40% LVC or a CTC at the 6-digit level. A summary of the rules of origin under JIEPA is as follows:

Method of Determining Origin	Unique Origin Criteria
<ol style="list-style-type: none"> 1. Wholly obtained or produced 2. Product-specific based on CTC, LVC, specific processing, or a combination <p>The LVC requirement is 40% for nearly all products.</p>	<p>Users' Specific Duty Free Scheme (USDFS)</p> <p>Indonesia agreed to reduce or eliminate the import duties on raw materials under used in Japanese industries in Indonesia, comprising the automotive, electronics, heavy equipment, and oil and gas industries. The goods imported into Indonesia must not compete with the Indonesian industry and must meet user requirements of the originating goods in regards to product specification, grade, quantity, and delivery time. Users must register with the surveyors appointed by the Indonesian Ministry of Industry.</p> <p>Specific process rules for Chapters 50 to 63 allows for processing in ASEAN member countries.</p>

JIEPA provides for the rules of origin under Chapter 3 of the Agreement and for the PSRs under Annex 2. The rules of origin are based on the Harmonized System as amended on January 1, 2002.

Rules on Accumulation of Inputs

An originating good of a Party, which is used as a material in the production of a good in the other Party, may be considered as an originating material of the other Party.

De Minimis

JIEPA establishes a 10% *de minimis* threshold for the value of non-originating materials used in a good's production that do not undergo the required change in tariff classification in the case of goods classified under HS Chapters 28 to 49 and HS 64 to 97. The *de minimis* threshold for goods classified under HS Chapters 50 to 63 is 7% of the weight of the goods.

C. Certification Rules

General Description

JIEPA adopts a government-certification system only. Preferential duty claims under JIEPA are based on a certificate of origin (CO), which is valid for 12 months from the date of issue. The CO applies only to a single shipment of goods. The CO is known as "Form JIEPA" for shipments from Japan and "Form IJEPA" for shipments from Indonesia. JIEPA details the CO procedures in Article 41 of Chapter 3 of the Agreement, Annex 3 of the Agreement and in greater detail in the Operational Procedures, which also include a sample CO form. JIEPA does not require a CO for shipments valued not more than USD 200, or its equivalent in Japanese yen or Indonesian rupiah.

Back-to-Back Certificate of Origin

Not applicable to JIEPA.

Third-party Invoicing

In accordance with Rule 7 of the Operational Procedures, the Customs Authority of the importing Party may accept a CO in cases where the sales invoice is issued either by a company located in a third country or by an exporter for the account of that company, provided that the goods meet the rules of origin requirements.

Advance Rulings

Not applicable under JIEPA.

Users' Specific Duty Free Scheme (USDFS)

Under the Operational Procedures, manufacturers and steel service centers using the raw materials imported under USDFS ("users") must register with surveyors appointed by the Indonesian Ministry of Industry. The surveyor will conduct an on-site inspection upon receipt of the application and issue a Letter of Verification upon approval. The Letter of Verification is valid for 12 months from its issuance date.

Authorized Bodies

The CO issuing authorities are (i) the Japanese Ministry of Economy, Trade and Industry (METI), specifically its Origin Certification Policy Office of the Trade Administration Division under the Trade and Economic Cooperation Bureau, and (ii) the Indonesian Ministry of Trade (MOT), specifically its Directorate Export and Import Facilitation.

Post-Exportation Examination

The importing customs authority may request information to verify the origin of a good on the basis of the CO, provided that such request is made to the competent authority of the exporting Party. The competent authority of the exporting Party must provide the information within six months of the request. Where the importing customs authority considers as necessary to require further information, the competent authority of the exporting Party is required to provide the information within four months from the date of receipt of the request for additional information. If the importing customs authority is not satisfied, it can take steps to verify the eligibility of goods by: (i) collecting information on visits to the factory or premises of the manufacturer or exporter of the goods; and (ii) requesting for records relating to the production, manufacture or export of the goods from the exporting Party's competent authority. The importing customs authority must submit a written request to the exporting Party at least 40 days in advance of the proposed date of the visit.

Document Retention Requirements

Exporters and producers must maintain records relating to the goods origins for at least five years from the CO issuance date.

D. Relevant FTA Provisions

- Legal Text:
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/indonesia/pdfs/mokuji.pdf (Japanese)
<http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/agreement.pdf> (English)
- Tariff Schedules, Annex 1
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/indonesia/pdfs/fuzoku01.pdf (Japanese)
<http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex1.pdf> (English)

- Rules of Origin, Annex 1
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/indonesia/pdfs/fuzoku01.pdf (Japanese)
<http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex1.pdf> (English)
- Product-Specific Rules of Origin, Annex 2
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/indonesia/pdfs/fuzoku02.pdf (Japanese)
<http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex2.pdf> (English)
- Operational Procedures, including Sample Certificate of Origin
<http://www.mofa.go.jp/region/asia-paci/indonesia/agree0807.pdf> (English)
- USDFS Implementing Regulations – Decree No. 96/PMK.011/2008 on Import Duties under the USDFS for the JIEPA, dated June 30, 2008
<http://ditjenkpi.depdag.go.id/Umum/IJEP/Peraturan%20Menteri%20Keuangan%20tentang%20Penetapan%20Tarif%20Bea%20Masuk%20dalam%20J-EPA/2008PMK96PMK11.pdf> (Bahasa Indonesia)
- USDFS Implementing Regulations – Decree No. 43/M-IND/PER/7/2008 on Industry Groups that can use USDFS, dated July 1, 2009
http://www.jetro.go.jp/world/asia/idn/iejpa/pdf/k_04.pdf (Japanese)
<http://ditjenkpi.depdag.go.id/Umum/IJEP/Peraturan%20Menteri%20Perindustrian%20Tentang%20Verifikasi/Permen%20Verifikasi43.pdf> (Bahasa Indonesia)