

## **JAPAN-PHILIPPINES ECONOMIC PARTNERSHIP AGREEMENT (JPEPA)**

The JPEPA was signed on September 6, 2006 and entered into force on December 11, 2008.

### **A. Tariff Reduction and Elimination Modality**

Japan and the Philippines agreed to eliminate tariffs on 94% of product lines under JPEPA. The Philippines excluded 6 tariff lines for rice and salt and eliminated 66% of 5,968 tariff lines upon entry into force of the Agreement. The Philippines will eliminate the remaining tariffs over 11 years. Japan excluded 522 tariff lines, including rice, cigarettes, beef, pork, starches, fishery products under import quota, and eliminated tariffs on 95% of agricultural and industrial products, including tariffs on almost all textiles and industrial products upon entry into force. Japan will reduce the remaining tariffs to zero over 16 years. The Philippines will eliminate tariffs on most industrial products, including automotive parts, electrical and electronic appliances, and their parts within 10 years. Tariffs on high value-added products, such as plasma televisions, were eliminated upon entry into force. For Japan, tariffs on most industrial products were eliminated upon entry into force.

#### **Tariff Reduction Modality: HS 84, 85, 87**

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

<b>Chapter 84</b>	<b>Modality</b>	<b>Number of Tariff Lines</b>
A	Tariffs eliminated on entry into force (EIF).	516
B4	Tariffs reduced to zero percent in equal annual instalments from the base rate to free as from the EIF, according to 1) The reduction for the first year shall take place on EIF; 2) The subsequent annual reductions shall take place on April 1 of each following year. 3) The final reduction shall take place 4 years after the EIF.	16
B5	Tariffs reduced to zero percent in 6 equal annual instalments from base rate.	23
B5*	MFN rates applied on EIF and reduced to zero in 5 equal annual instalments from the MFN rate to free.	6
B10	Tariffs reduced to zero percent in 11 equal annual instalments from base rate	25
B10*	MFN rates applied on EIF and reduced to zero in 10 equal annual instalments from the MFN rate to free.	15
S (Note 4)	MFN rates applied as from EIF and free 4 years after the EIF.	5

<b>Chapter 85</b>	<b>Modality</b>	<b>Number of Tariff Lines</b>
A	Tariffs eliminated on EIF.	278
B4	Tariffs reduced to zero percent in equal annual instalments from the base rate to free as from the EIF, according to 1) The reduction for the first year shall take place on EIF. 2) The subsequent annual reductions shall take place on April 1 of each following year.	10

Chapter 85	Modality	Number of Tariff Lines
	3) The final reduction shall take place 4 years after the EIF.	
B5	Tariffs reduced to zero percent in 6 equal annual instalments from base rate.	6
B5*	MFN rates applied on EIF and reduced to zero in 5 equal annual instalments from the MFN rate to free.	8
B10	Tariffs reduced to zero percent in 11 equal annual instalments from base rate.	76
B10*	MFN rates applied on EIF and reduced to zero in 10 equal annual instalments from the MFN rate to free.	26
S (Note 4)	MFN rates applied as from EIF and free 4 years after the EIF.	8

Chapter 87	Modality	Number of Tariff Lines
A	Tariffs eliminated on EIF.	32
A (Note 3)	Tariffs eliminated on EIF. The Philippines may apply import duties on used products in this category.	9
B4	Tariffs reduced to zero percent in equal annual instalments from the base rate to free as from the EIF, according to <ol style="list-style-type: none"> <li>1) The reduction for the first year shall take place on EIF;</li> <li>2) The subsequent annual reductions shall take place on April 1 of each following year.</li> <li>3) The final reduction shall take place 4 years after the EIF.</li> </ol>	21
B4(Note 3)	Tariffs reduced to zero percent in equal annual instalments from the base rate to free as from the EIF, according to <ol style="list-style-type: none"> <li>1) The reduction for the first year shall take place on EIF;</li> <li>2) The subsequent annual reductions shall take place on April 1 of each following year.</li> <li>3) The final reduction shall take place 4 years after the EIF.</li> </ol> <p>The Philippines may apply import duties on used products in this category in addition to the above modality.</p>	1
B5	Tariffs reduced to zero percent in 6 equal annual instalments from base rate.	2
B10	Tariffs reduced to zero percent in 11 equal annual instalments from base rate.	1
S (Note 3,6)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 29% as from EIF.</li> <li>2) 23% as from the second year.</li> <li>3) 20% as from the third year.</li> <li>4) In the third year and every three years thereafter, Parties shall negotiate on further reduction and agree on schedule of such reduction or elimination.</li> </ol> <p>The Philippines may apply import duties on used products in this category in addition to the above modality.</p>	6
S(Note 3,7)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 30% as from EIF.</li> <li>2) Free after three years.</li> </ol>	2

Chapter 87	Modality	Number of Tariff Lines
	The Philippines may apply import duties on used products in this category in addition to the above modality.	
S(Note 3,8)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 29% as from EIF.</li> <li>2) 26% as from the second year.</li> <li>3) 23% as from the third year.</li> <li>4) 20% as from the fourth year.</li> <li>5) Free as from the fifth year.</li> </ol> The Philippines may apply import duties on used products in this category in addition to the above modality.	4
S(Note 3,9)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 19% as from EIF.</li> <li>2) 18% as from the second year.</li> <li>3) 17% as from the third year.</li> <li>4) 15% as from the fourth year.</li> <li>5) Free as from the fifth year.</li> </ol> The Philippines may apply import duties on used products in this category in addition to the above modality.	7
S (Note 3,10)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 14% as from EIF.</li> <li>2) 13% as from the second year.</li> <li>3) 12% as from the third year.</li> <li>4) 10% as from the fourth year.</li> <li>5) Free as from the fifth year.</li> </ol> The Philippines may apply import duties on used products in this category in addition to the above modality.	1
S (Note 4)	MFN rates applied as from EIF and free 4 years after the EIF	16
S (Note 6)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 29% as from EIF.</li> <li>2) 23% as from the second year.</li> <li>3) 20% as from the third year.</li> <li>4) In the third year and every three years thereafter, Parties shall negotiate on further reduction and agree on schedule of such reduction or elimination.</li> </ol>	1
S (Note 8)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 29% as from EIF.</li> <li>2) 26% as from the second year.</li> <li>3) 23% as from the third year.</li> <li>4) 20% as from the fourth year.</li> <li>5) Free as from the fifth year.</li> </ol>	1
S (Note 9)	Tariffs shall be reduced to: <ol style="list-style-type: none"> <li>1) 19% as from EIF.</li> <li>2) 18% as from the second year.</li> <li>3) 17% as from the third year.</li> <li>4) 15% as from the fourth year.</li> <li>5) Free as from the fifth year.</li> </ol>	2

According to official sources, the Philippines has initiated negotiations with Japan to delay tariff elimination from 2010 to 2013 for automotive parts and components and CBUs for

sports utility vehicles or vehicles with engine displacement of three litres c.c. and above. Several paragraphs in Part 3 of Section 1 of the Notes for the Schedules of the Philippines in Annex 1 to the JPEPA (clauses under Articles 4a<sup>ii</sup>, 5a<sup>ii</sup>, 7a<sup>ii</sup>, 8v, 9v, and 10v) allow for the Philippines to initiate negotiations to delay the tariff elimination of certain goods; however, the tariff for such goods must be eliminated no later than January 1, 2013.

## B. Rules of Origin

### *General Rules*

JPEPA follows a product specific rules of origin (PSR) approach. For products to be eligible for duty-free access into the other market, they must be: (i) wholly obtained; (ii) include a change in tariff classification (CTC) as set forth in product specific rules in Annex 2; or (iii) have a qualifying value content (QVC) rule of no less than 40% of the free-on-board price (FOB). The rules of origin are based on the 2002 Harmonized System.

The calculation of the QVC is as follows:

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

A summary of the rules of origin under JPEPA is as follows:

Method of Determining Origin	Unique Origin Criteria
1. Wholly obtained or produced	Specific process rules for HS Chapters 18, 20, 50 to 63 allows for processing in ASEAN member countries.
2. Calculation of local content <i>All products</i> – Allowable cost to manufacture is not less than 40% FOB of the good.	
3. Change in tariff classification (CTC)	

### *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*

JPEPA 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*

JPEPA adopts a government-certification system only. Preferential duty claims under JPEPA are based on a certificate of origin (CO), which is valid for six months from the date of issue. The CO applies only to a single shipment of goods and is known as "Form JPEPA." JPEPA 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 includes a sample CO form. JPEPA does not require a CO for shipments valued not more than USD 200.

### *Back-to-Back Certificate of Origin*

Not applicable to JPEPA.

### *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 JPEPA.

### *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 Philippine Bureau of Customs (BOC), specifically its Export Coordination Division.

### *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 two 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 three 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 origin 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/philippines/pdfs/mokuji.pdf](http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/pdfs/mokuji.pdf) (Japanese)  
<http://www.mofa.go.jp/region/asia-paci/philippine/epa0609/main.pdf> (English)
- Tariff Schedules, Annex 1:  
[http://www.mofa.go.jp/mofaj/gaiko/fta/j\\_asean/philippines/pdfs/fuzoku01.pdf](http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/pdfs/fuzoku01.pdf) (Japanese)  
<http://www.mofa.go.jp/region/asia-paci/philippine/epa0609/annex1.pdf> (English)
- Product-Specific Rules of Origin, Annex 2:  
[http://www.mofa.go.jp/mofaj/gaiko/fta/j\\_asean/philippines/pdfs/fuzoku02.pdf](http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/philippines/pdfs/fuzoku02.pdf) (Japanese)  
<http://www.mofa.go.jp/region/asia-paci/philippine/epa0609/annex2.pdf> (English)
- Operational Procedures and Sample Certificate of Origin:  
<http://www.mofa.go.jp/region/asia-paci/philippine/agree0812.pdf> (English)