

JAPAN-THAILAND ECONOMIC PARTNERSHIP AGREEMENT (JTEPA)

JTEPA was signed on April 3, 2007 and entered into force on November 1, 2007.

A. Tariff Reduction and Elimination Modality

Japan and Thailand agreed to eliminate tariffs on 95% of all products lines within 10 years from the entry into force of the Agreement. Japan will eliminate 92% of tariffs on imported goods from Thailand by 2017. Tariffs on most industrial products were eliminated immediately upon entry into force of the Agreement. In return, Thailand agreed to eliminate tariffs on 97% of imported goods from Japan by 2017. Both sides agreed to discuss further liberalization of tariffs after the entry into force of JTEPA. The Agreement specifies a timeframe when both sides can renegotiate to further improve market access conditions for particular products.

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. Thailand's tariff modality for HS 84, 85 and 87 under JTEPA 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 (EIF)	254
B2	Tariffs reduced to 0% in 3 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 2 years after the EIF.	2
B3	Tariffs reduced to 0% in 4 equal annual instalments from the base rate to free, 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 3 years after the EIF.	119
B5	Tariffs reduced to 0% in 6 equal annual instalments from the base rate to free, 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 5 years after the EIF.	126
B8	Tariffs reduced to 0% in 9 equal annual instalments from the base rate to free, 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.	4

	3) The final reduction shall take place 8 years after the EIF.	
P	Tariffs will be kept at MFN rates or reduced but not eliminated after ten years.	14
P (Note 13)	Tariffs shall be reduced to zero as from the sixth year in case of AFTA completion ¹ not later than March 31, 2010 or as from one year after AFTA completion in case of AFTA completion after March 31, 2010.	3
P (Note 14)	Tariffs shall be reduced to zero as from the eighth year in case of AFTA completion not later than March 31, 2010 or as from three years after AFTA completion in case of AFTA completion after March 31, 2010.	8

Chapter 85	Modality	Number of Tariff Lines
A	Tariffs eliminated on EIF.	85
B2	Tariffs reduced to 0% in 3 equal annual instalments from the base rate to free as from the EIF, according to <ol style="list-style-type: none"> 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 2 years after the EIF. 	9
B3	Tariffs reduced to 0% in 4 equal annual instalments from the base rate to free, according to <ol style="list-style-type: none"> 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 3 years after the EIF. 	71
B5	Tariffs reduced to 0% in 6 equal annual instalments from the base rate to free, according to <ol style="list-style-type: none"> 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 5 years after the EIF. 	107
B8	Tariffs reduced to 0% in 9 equal annual instalments from the base rate to free, according to <ol style="list-style-type: none"> 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 8 years after the EIF. 	27

¹ AFTA completion means the tariff eliminations by ASEAN-6 (Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand) on all products in their respective Inclusion Lists as specified in the Agreement on the Common Effective Preferential Tariff (CEPT) scheme for the ASEAN Free Trade Area (AFTA).

P	Tariffs will be kept at MFN rates or reduced but not eliminated after ten years.	5
P (Note 13)	Tariffs shall be reduced to zero as from the sixth year in case of AFTA completion not later than March 31, 2010 or as from one year after AFTA completion in case of AFTA completion after March 31, 2010.	5

Chapter 87	Modality	Number of Tariff Lines
A	Tariffs eliminated on EIF.	19
B10	Tariffs reduced to 0% in 11 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 10 years after the EIF.	17
P	Tariffs will be kept at MFN rates or reduced but not eliminated after ten years.	50
P (Note 13)	Tariffs shall be reduced to zero as from the sixth year in case of AFTA completion not later than March 31, 2010 or as from one year after AFTA completion in case of AFTA completion after March 31, 2010.	14
R(Note 15)	These tariff lines shall be subject to re-negotiations for improving market access conditions after specified period of time.	11

B. Rules of Origin

General Rules

JTEPA follows a product specific approach to rules of origin. 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); (iii) have a qualifying value content (QVC) of no less than 40% of the free-on-board price (FOB)²; or (iv) undergo specific manufacturing or processing operation (for chemical and textile products).

The calculation of qualifying local value content is as follows:

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

The rules of origin are based on the 2002 Harmonized System.

² Free-on-Board (FOB) Price = Total Cost of Raw Materials + Direct Labor Cost + Direct Overheads + Profits + Inland Transportation Costs.

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

Method of Determining Origin	Unique Origin Criteria
<ol style="list-style-type: none"> 1. Wholly obtained or produced 2. Calculation of value content <i>All products</i> – Allowable cost to manufacture is not less than 40% FOB of the good 3. Change in tariff classification (CTC) 	<ol style="list-style-type: none"> 1. For chemical products (HS Chapters 28-40), exporters can choose to use either a CTC test or QVC test. No tests are required if non-originating materials used undergo a chemical reaction, purification, isomer separation or biotechnological processes in a Party. 2. For textile (HS Chapters 50-60, and 63), and garments (HS Chapters 61 and 62), two process rules are applied where exporters have to meet both CTC or RVC tests and certain processing requirements.

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

JTEPA establishes *de minimis* thresholds for non-originating materials used in a good's production that do not undergo the required change in tariff classification. The *de minimis* percentages are 7% of the value of the good for HS 19 to 24, 10% of the value of the good for HS 28 to 49 and HS 64 to 97, and 10% of the weight of the good for HS 50 to 63.

C. Certification Rules

General Description

JTEPA adopts a government-certification system only. Preferential duty claims under JTEPA 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 and is known as "Form JTEPA." JTEPA details the CO procedures in Article 40 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. JTEPA does not require a CO for shipments valued not more than USD 200.

Back-to-Back Certificate of Origin

Not applicable to JTEPA.

Third-party Invoicing

In accordance with Rule 7 of Section II 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 JTEPA.

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 Thai Ministry of Commerce (MOC), specifically its Department of Foreign Trade.

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 three 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 two 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/thailand/pdfs/mokuji.pdf (Japanese)
<http://www.mofa.go.jp/region/asia-paci/thailand/epa0704/agreement.pdf> (English)
- Tariff Schedules, Annex 1:
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/thailand/pdfs/fuzoku01.pdf (Japanese)
<http://www.thaifta.com/trade/jtepa/en-annex1-jpn.pdf> (English)
<http://www.thaifta.com/trade/jtepa/en-annex1-tha.pdf> (English)
- Product-Specific Rules of Origin, Annex 2:
<http://www.thaifta.com/trade/jtepa/en-annex2-psr.pdf> (English)
http://www.mofa.go.jp/mofaj/gaiko/fta/j_asean/thailand/pdfs/fuzoku02.pdf (Japanese)
- Operational Procedures, including Sample Certificate of Origin:
<http://www.mofa.go.jp/region/asia-paci/thailand/epa0704/op.pdf> (English)