International Trade Centre

政策研究大学院大学
GRIPS NATIONAL GRADUATE INSTITUTE FOR POLICY STUDIES

TRADE IMPACT FOR GOOD

GTAP™
Global Trade Analysis Project

Rules of Origin in Japan EPAs:
A database assessment

GTAP Conference 2020

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Rules of origin in Japan EPAs

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GTAP Conference 2020

Access: https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=6113

Structure of the presentation

I. Overview

II. Rules of origin in Japan EPAs

III. Future work

I. Overview

I. Overview

I. Current status of Rules of Origin Facilitator database

II. Partnership with the WTO

III. Partnership with GRIPS Japan

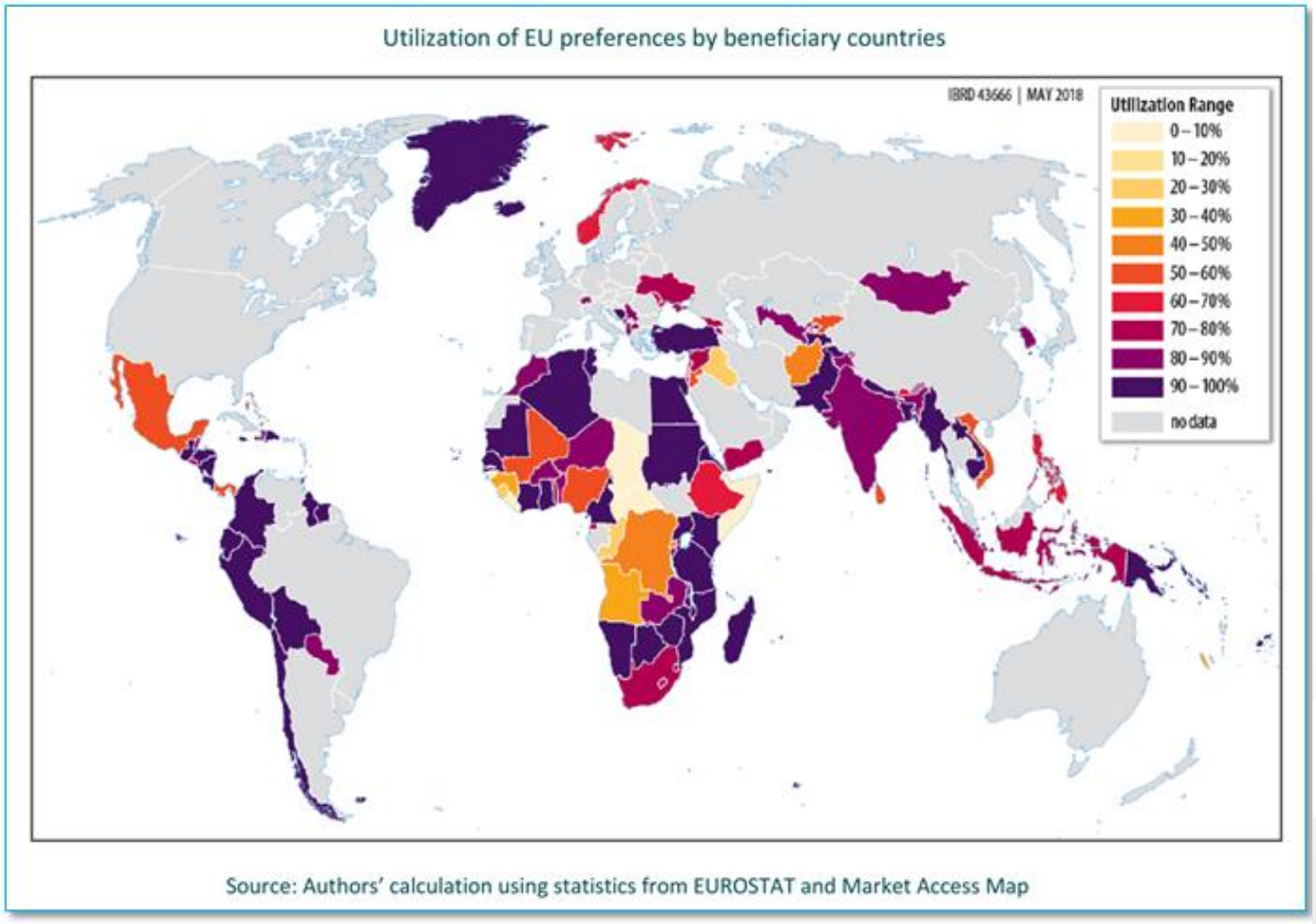
What are rules of origin?

- ROO are the criteria to determine the national source of a product
- Cover laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods
- Their importance is derived from the fact that duties and other trade policy instruments may depend upon the source of imports
- There is wide variation in the practice of governments with regard to ROO
- Preferential vs. non-preferential ROO
- Structure of ROO: origin provisions and PSR

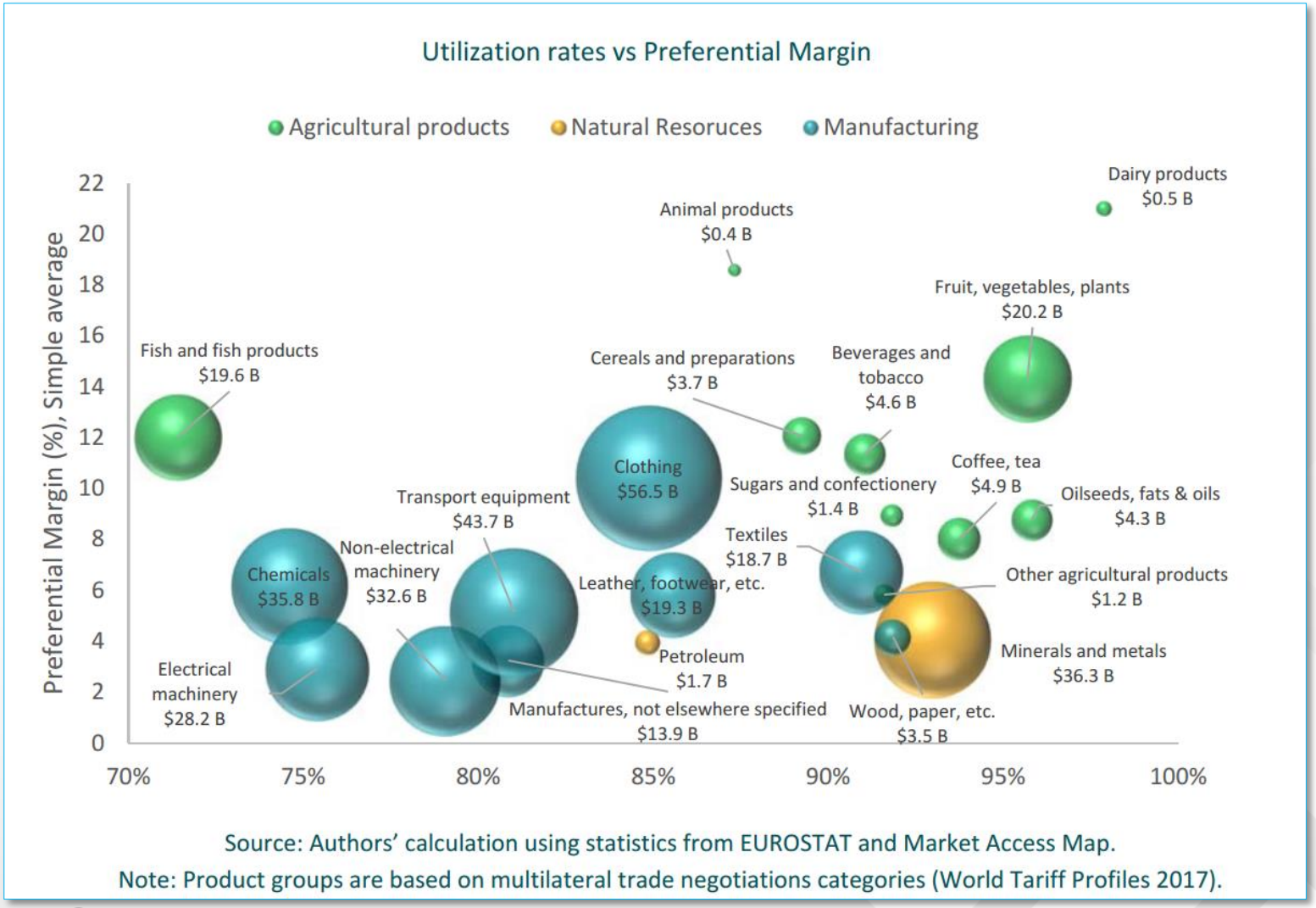
Why this initiative?

- ROO among the NTMs most commonly face by businesses
- Allow businesses to easily access trade information – increase transparency
- Help businesses better understand and comply with ROO – increase preference **utilization rates**
- Reduce trade costs, boost economic growth – SDGs
- Global database on ROO for trade negotiators, analysts and researchers

Utilization rates – Evidence from EU EPAs (2016)



Utilization rates – Evidence from EU EPAs (2016)

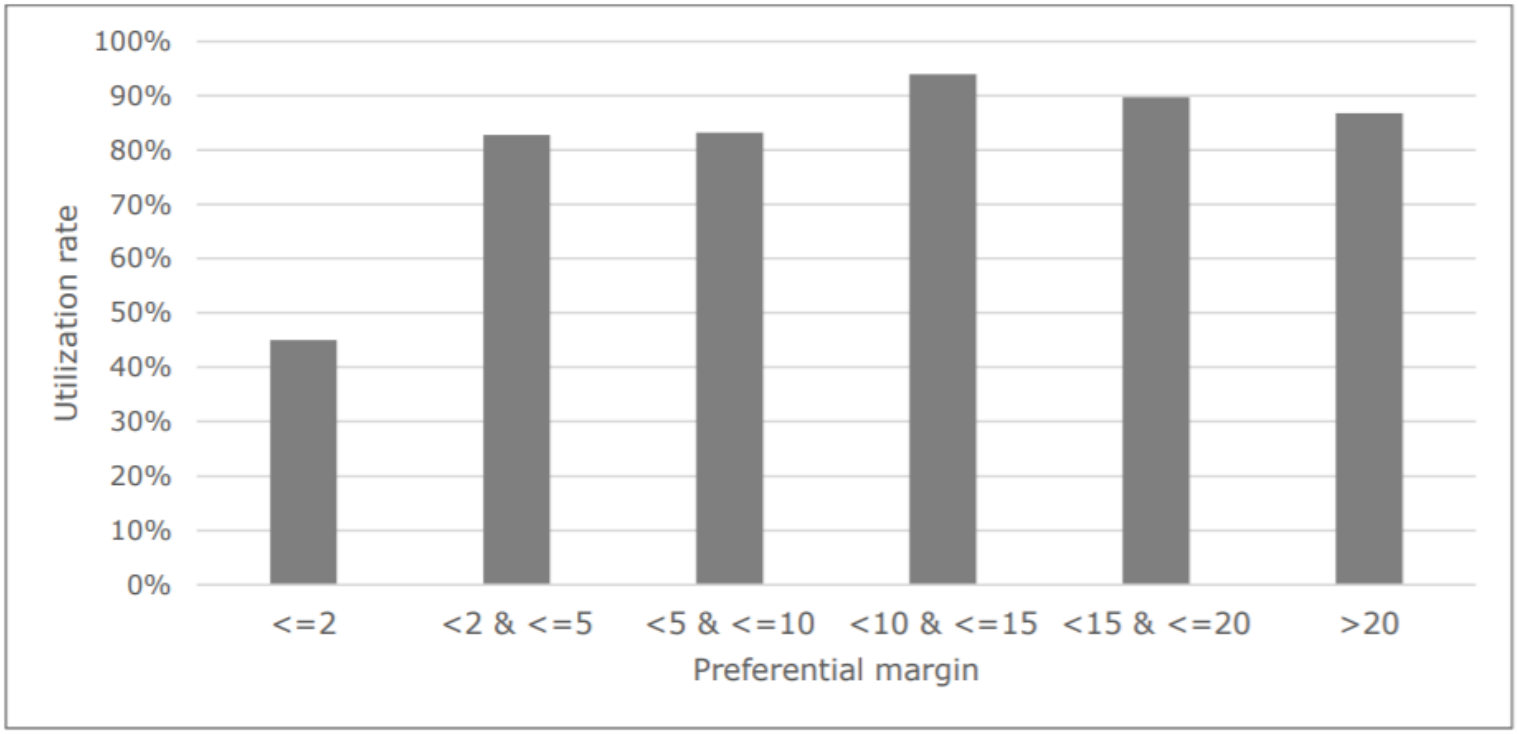


Source: Authors' calculation using statistics from EUROSTAT and Market Access Map.

Note: Product groups are based on multilateral trade negotiations categories (World Tariff Profiles 2017).

Utilization rates – Evidence from LDC preferential schemes

Graph 1: Utilization rates and preferential tariff margins (all products, all beneficiary LDCs), 2017 or latest available year[7]



Source: WTO Integrated Database, 2019.

Data: state of play

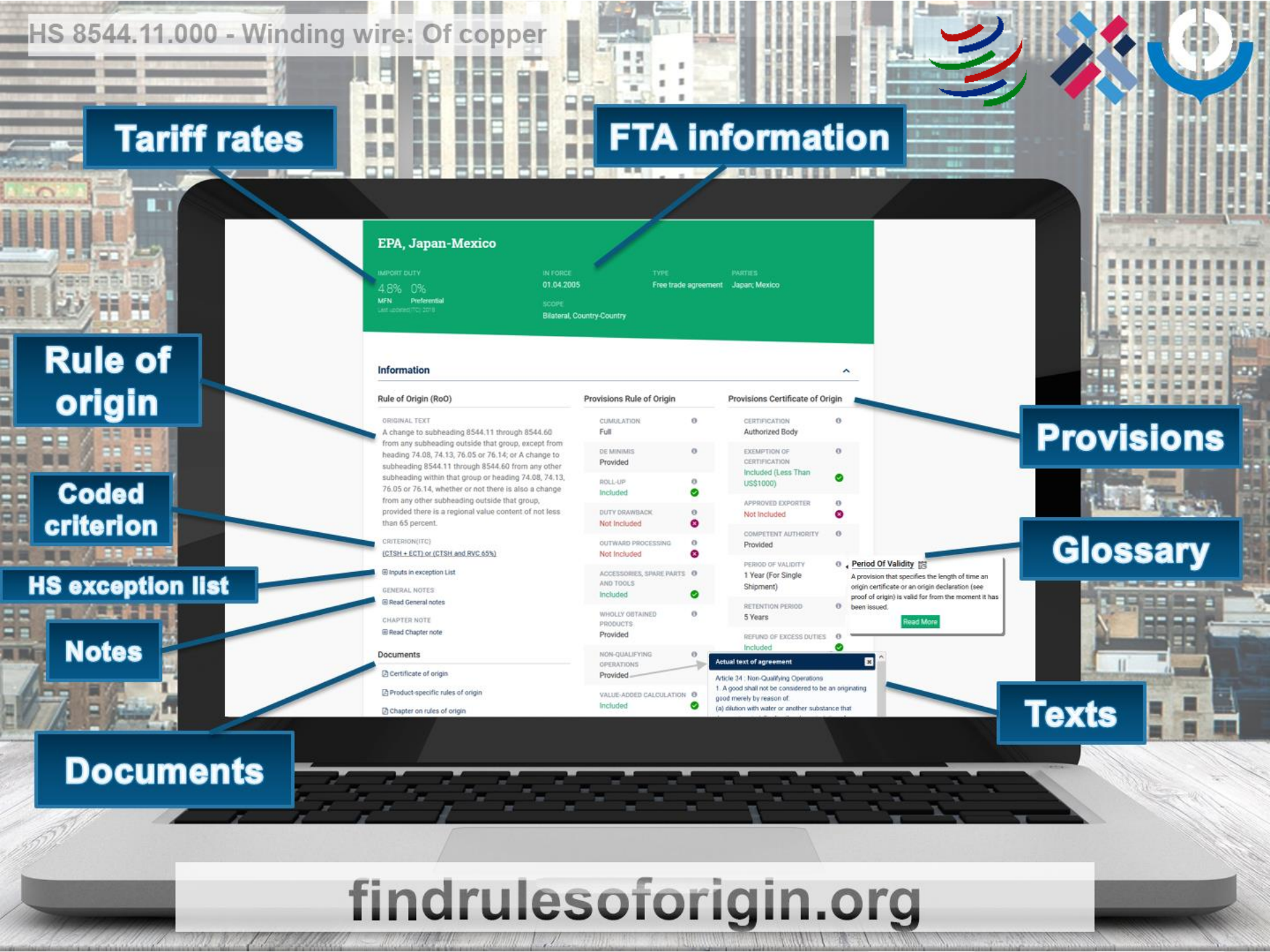
Preferential rules of origin coverage

- in 360+ trade agreements
- of which 341 are in force (or **75%** of the total in force)
- including **almost all preferential schemes for LDCs**, based on member notifications to the WTO

User access

- Access to the tool is **free** to all users in the world
- No login, no password

HS 8544.11.000 - Winding wire: Of copper



findrulesoforigin.org

WTO partners with ITC and WCO on ROF

- Joint formal launch in October 2019 at WTO's Rules of Origin Committee

News: https://www.wto.org/english/news_e/news19_e/roi_17oct19_e.htm

Collaboration

- Exchange of technical expertise with the Secretariat

https://youtu.be/L6An1e9atH8

- Maintenance of the online tool (translation, data updates)
- Validation of data with member states

https://youtu.be/D4FQkHC9lJs

- Data inputs (LDC schemes, non-preferential rules of origin)

A joint initiative of ITC, WCO and WTO

June 28, 2018 – WCO General Council

PRESS RELEASE

October 17, 2019 – WTO Committee on ROO

PRESS RELEASE

ITC collaboration with GRIPS since 2018

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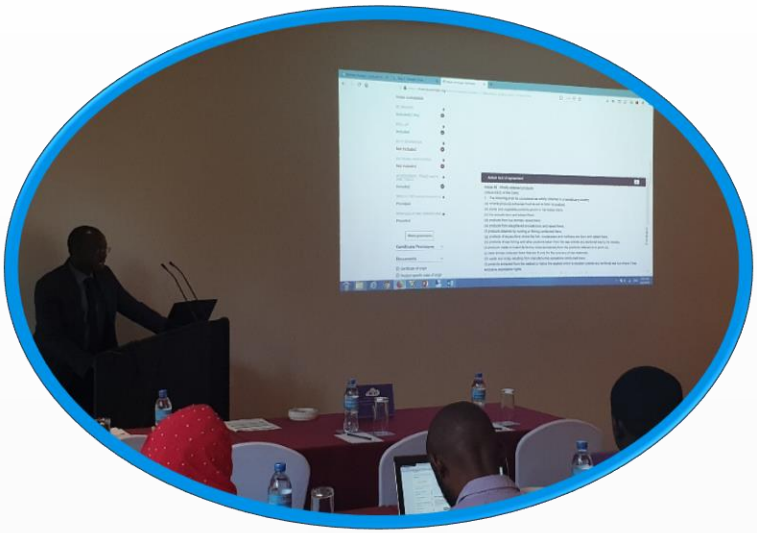
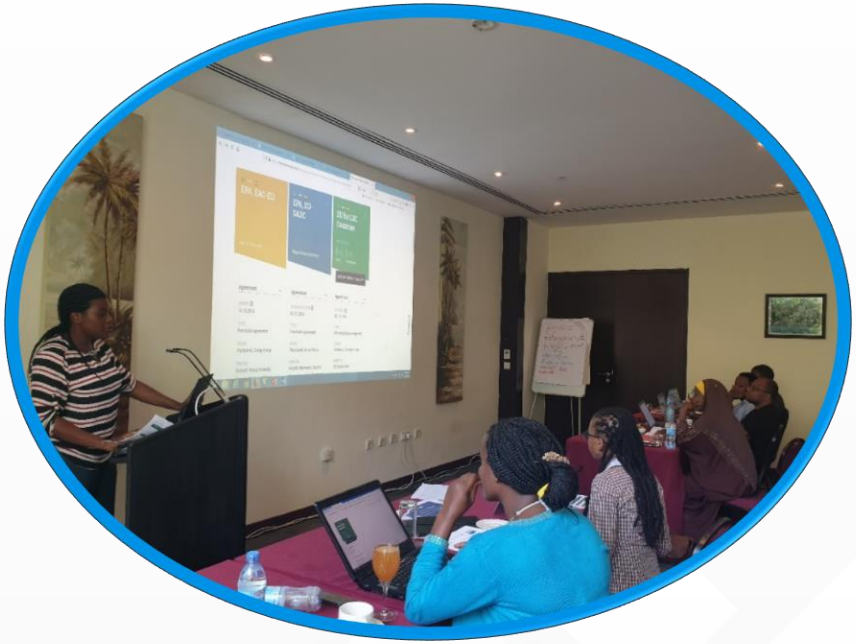
- Since 2018, ITC with support from GRIPS expanded the database by including:
  - Rules of origin in all U.S. EPAs (2019)
  - Rules of origin in all Japan EPAs (2020)
  - Rules of origin in most of EU EPAs (forthcoming 2021)

- The database will complement existing efforts to shed transparency on preferential market access, beyond tariffs and “forward-looking” tariff dismantling commitments.

Capacity-building efforts to improve preference utilization





Rules of Origin Database: Research Objectives

- Document and map Rules of Origin (RoO) across EPAs
  - Regime-Wide (RW) rules - 30 categories (origin + certification)
  - Product-Specific Rules (PSR) - Over 60,000 different PSRs collapsed to 91 and then 14 categories
- Measure differences across PTAs (to help regional harmonization efforts, such as AfCFTA)
- Propose elements to evaluate compliance costs in simulation models
  - Decomposition of compliance costs
  - Observation rule to set up ordinal rank of restrictiveness (‘R-index’ à la Estevadeordal) across PSRs at HS4 product-level or higher.

II. Rules of origin in Japan EPAs

II. Rules of origin in Japan EPAs

I. Overview of Japan EPAs
   A. Timeline and trade partners

II. Overview of Japan ROOs
   A. Motivation
   B. Data variables

III. Findings
   A. Comparison of rules of origin in Japan
   B. Restrictiveness of rules of origin in Japan

18 Japan EPAs “in force”

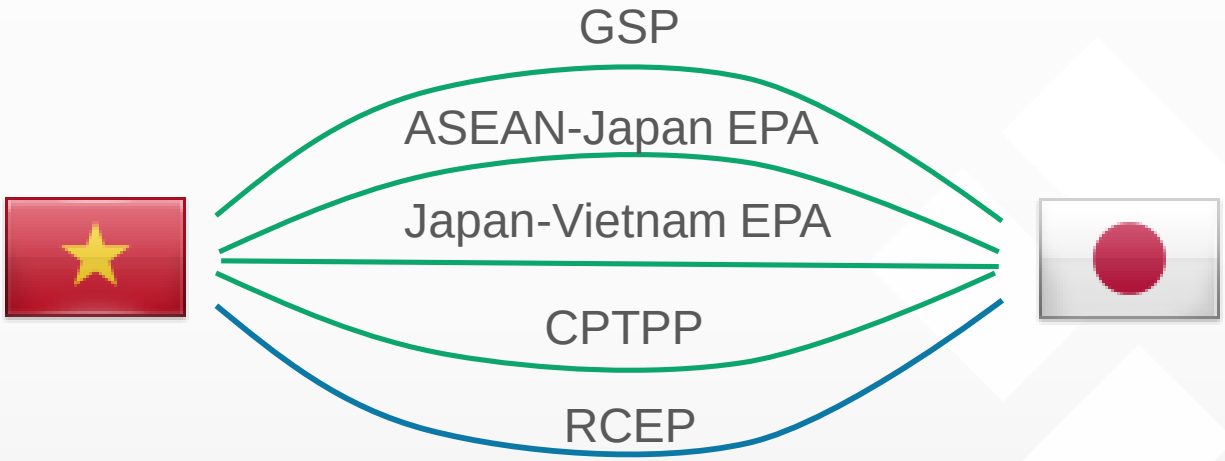
Start date	EPA abbrev.	EPA short name	EPA official name
01.02.2019	EU EPA	FTA, EU-Japan	AGREEMENT BETWEEN THE EUROPEAN UNION AND JAPAN FOR AN ECONOMIC PARTNERSHIP
30.12.2018	CPTPP	CPTPP	COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP
07.06.2016	Mongolia EPA	EPA, Japan-Mongolia	AGREEMENT BETWEEN JAPAN AND MONGOLIA FOR AN ECONOMIC PARTNERSHIP
15.01.2015	Australia EPA	FTA, Australia-Japan	AGREEMENT BETWEEN AUSTRALIA AND JAPAN FOR AN ECONOMIC PARTNERSHIP
01.03.2012	Peru EPA	EPA, Japan-Peru	AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF PERU FOR AN ECONOMIC PARTNERSHIP
01.08.2011	India EPA	EPA, India-Japan	COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF INDIA
01.10.2009	Vietnam EPA	EPA, Japan-Viet Nam	AGREEMENT BETWEEN JAPAN AND THE SOCIALIST REPUBLIC OF VIET NAM FOR AN ECONOMIC PARTNERSHIP
01.09.2009	Switzerland EPA	EPA, Japan-Switzerland	AGREEMENT ON FREE TRADE AND ECONOMIC PARTNERSHIP BETWEEN JAPAN AND THE SWISS CONFEDERATION
11.12.2008	Philippines EPA	EPA, Japan-Philippines	AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF THE PHILIPPINES FOR AN ECONOMIC PARTNERSHIP
01.12.2008	ASEAN EPA	EPA, ASEAN-Japan	AGREEMENT ON COMPREHENSIVE ECONOMIC PARTNERSHIP AMONG JAPAN AND MEMBER STATES OF THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS
31.07.2008	Brunei EPA	EPA, Brunei-Japan	AGREEMENT BETWEEN JAPAN AND BRUNEI DARUSSALAM FOR AN ECONOMIC PARTNERSHIP
01.07.2008	Indonesia EPA	EPA, Indonesia-Japan	AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF INDONESIA FOR AN ECONOMIC PARTNERSHIP
01.11.2007	Thailand EPA	EPA, Japan-Thailand	AGREEMENT BETWEEN JAPAN AND THE KINGDOM OF THAILAND FOR AN ECONOMIC PARTNERSHIP
03.09.2007	Chile EPA	EPA, Chile-Japan	AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF CHILE FOR A STRATEGIC ECONOMIC PARTNERSHIP
13.07.2006	Malaysia EPA	EPA, Japan-Malaysia	AGREEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT OF MALAYSIA FOR AN ECONOMIC PARTNERSHIP
01.04.2005	Mexico EPA	EPA, Japan-Mexico	AGREEMENT BETWEEN JAPAN AND THE UNITED MEXICAN STATES FOR THE STRENGTHENING OF THE ECONOMIC PARTNERSHIP
30.11.2002	Singapore EPA	EPA, Japan-Singapore	AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF SINGAPORE FOR A NEW-AGE ECONOMIC PARTNERSHIP
01.08.1971	GSP	Japan for GSP countries	Temporary Tariff Measures Law (extract) (General Preferential Tariff and LDC Special Preferential Tariff)

Note: US-Japan EPA (2020), which is also in force, is not part of the study

“Spaghetti bowl” with some trade partners

Example: Japan-Vietnam trade relationship

- in force
- negotiations concluded

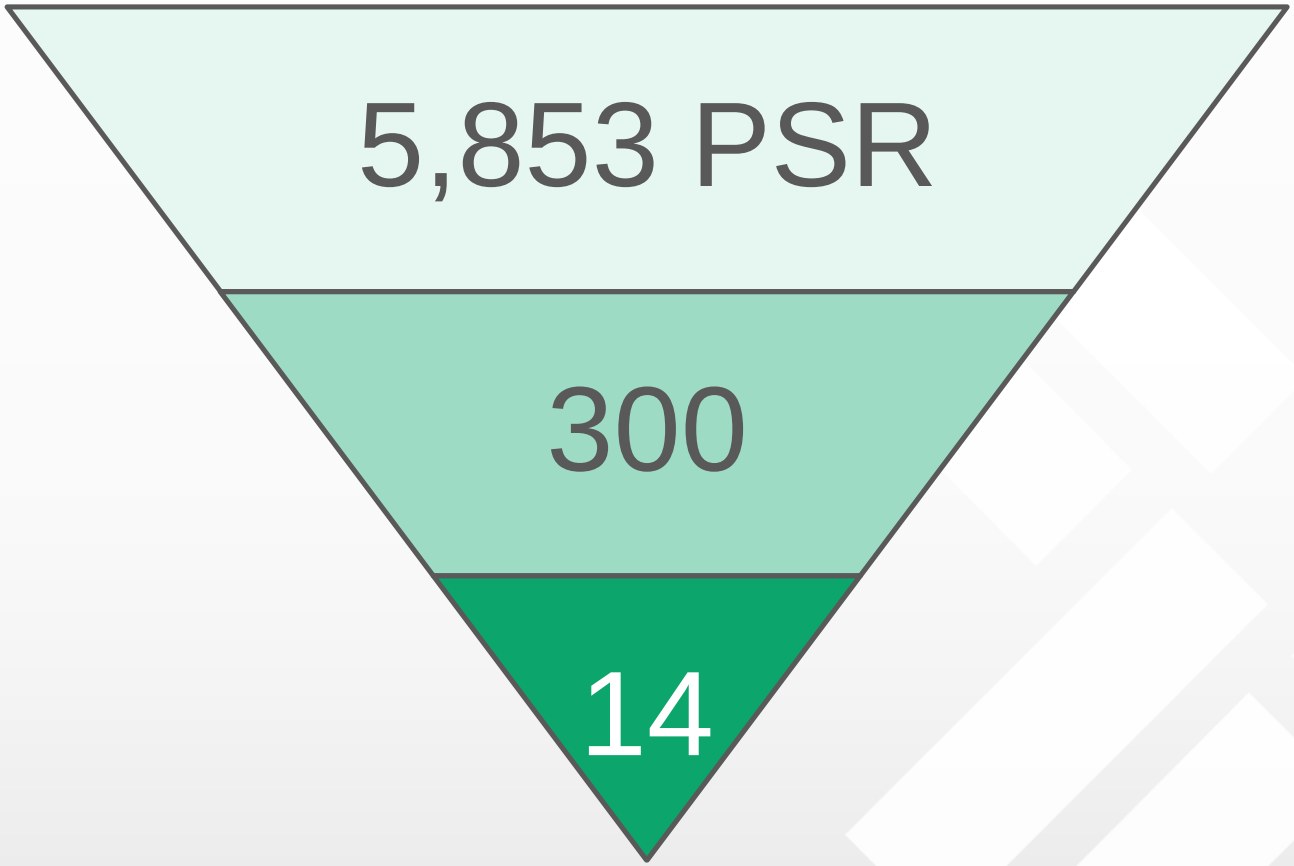


Collapsing PSR in Japan EPAs

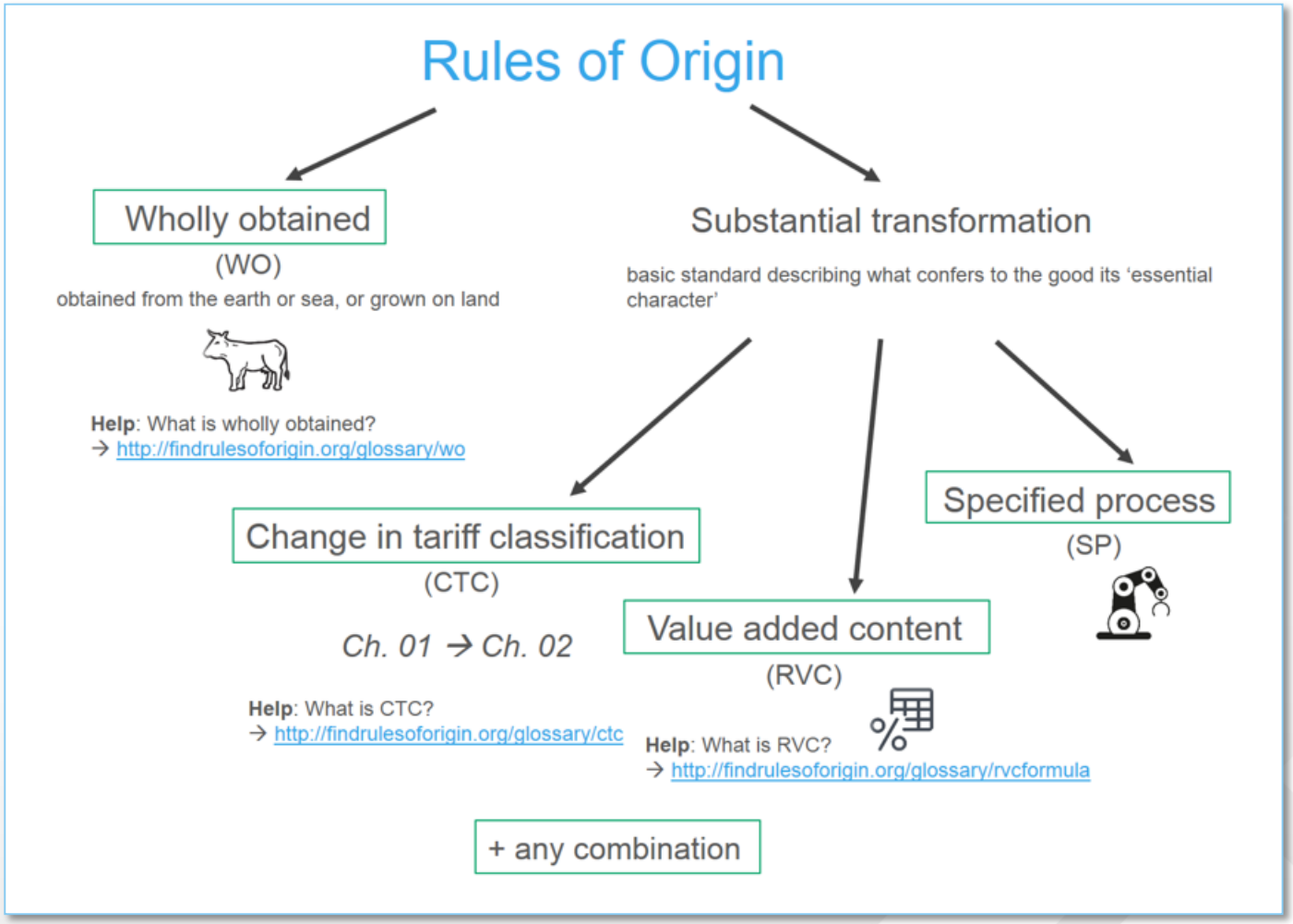
PSR – textually different product-specific rules of origin in **18** EPAs of Japan

PSR converted into a coded taxonomy by ITC

Basic types (“building blocks”)



4 main types of PSR



PSR category use: Japan vs World

WO

CTC

SP

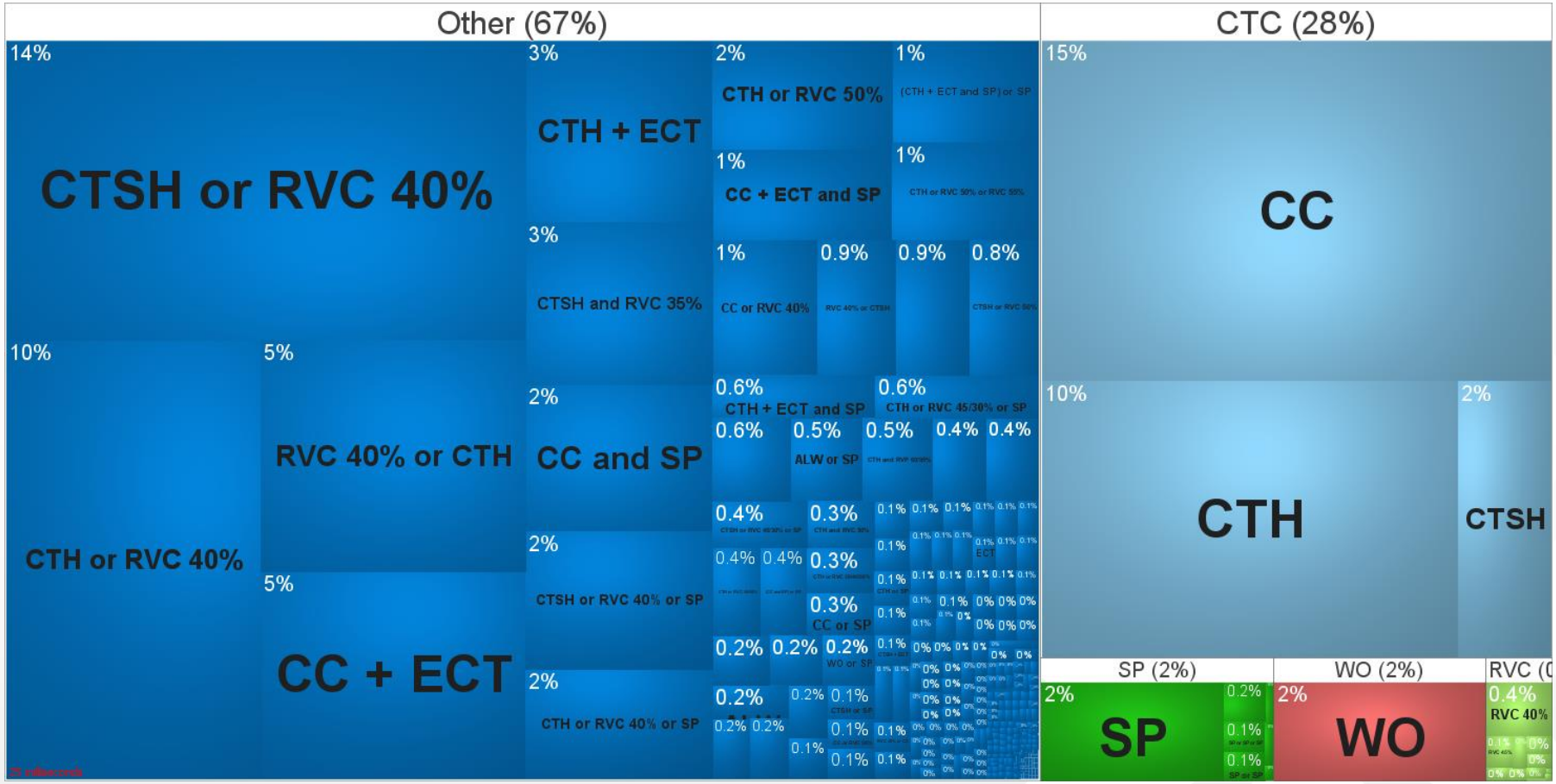
RVC

Table 2. 14 basic types of origin criteria present in 360 PTAs VS 18 Japan EPAs

Presence in 360 PTAs (World)	Presence in 18 EPAs (Japan)	Rule	Definition
5%	2%	**WO**	Good is entirely (i.e. **wholly**) obtained or manufactured in one country without using any non-originating materials.
2%	0%	**NC**	The non-originating inputs are **not required** to be classified in a different HS code than the final good to confer originating status.
9%	27%	**CC**	The originating status is conferred to a good that is classified in a different HS **chapter** than the non-originating inputs.
45%	**39%**	**CTH**	The originating status is conferred to a good that is classified in a different HS **heading** than the non-originating inputs.
8%	25%	**CTSH**	The originating status is conferred to a good that is classified in a different HS **subheading** than the non-originating inputs.
0.02%	0%	**CTI**	The originating status is conferred to a good that is classified in a different HS **tariff item** than the non-originating inputs.
5%	2%	**ALW**	The originating status is **allowed** to be conferred from non-originating inputs of specific HS codes.
7%	14%	**ECT**	The originating status cannot be conferred to a good if the non-originating inputs are from HS codes listed under **exception**.
8%	17%	**SP**	A good originates in the country where a defined technical requirement, i.e. a **specified working or processing**, has taken place.
62%	**48%**	**RVC**	A good obtains originating status if a defined **regional value content** percentage has been reached.
0.3%	0.07%	**RQC**	A good obtains originating status if a defined **regional quantity content** percentage has been reached.
1%	0.6%	**RVP**	A good obtains originating status if a defined **regional value content** percentage on **a part or parts** has been reached.
0.3%	0.6%	**RQP**	A good obtains originating status if a defined **regional quantity content** percentage on **a part or parts** has been reached.
3%	5%	**Other**	Origin criteria **other** than related to wholly obtained, CTC, value (quantity) content, or specified process.

Note: "Presence" means % of presence of the type in origin criteria across all 3 million PTA x HS6 combinations (*April 2020*)

Major PSR in 18 Japan EPAs, pooled, by HS6 count



Restrictiveness Index (RI) of rules of origin

Observation rules

- We use “observation rule” approach in which we logically order different types of PSR by their restrictiveness; they we combine elements into an ordinal RI

- Pre-existing literature: Estevadeordal and Suominen (2003), Gretton and Gali (2005), Harris (2007), Kelleher (2012)

But now:

- A wider (370 PTAs) and deeper (detailed origin criteria, 30 provisions) dataset
- Calculation and calibration done separately for each HS6

Observation rules

Examples

Restrictiveness >

(1)

change in chapter		change in tariff heading		change in tariff subheading		change in tariff item
CC	>	CTH	>	CTSH	>	CTI
00.00.00.00		00.00.00.00		00.00.00.00		00.00.00.00

HS2

(2) RVC 75% > RVC 50% > RVC 25%



PSR restrictiveness: car example in Japan EPAs

HS6 8703.23

PSR restrictiveness	Criterion	Trade agreement
52	CTH and RVC 65%	Mexico EPA
31	RVC 60%	Malaysia EPA
28	RVC 55% or RVC 60%	EU EPA
27	CTH and RVP 60/95%	GSP
23	RVC 45/55%	CPTPP
18	RVC 45%	Peru EPA
14	CTSH and RVC 35%	India EPA
14	RVC 40%	Thailand EPA
13	RVC 40%	Vietnam EPA
13	RVC 40%	ASEAN EPA
13	RVC 40%	Philippines EPA
11	RVC 45/30%	Chile EPA
11	RVC 40% or CTH	Switzerland EPA
11	CTH or RVC 40%	Mongolia EPA
11	CTH or RVC 40%	Australia EPA
5	CTSH or RVC 40%	Brunei EPA
5	CTSH or RVC 40%	Indonesia EPA
5	CTSH or RVC 40%	Singapore EPA

Note: The PSR restrictiveness for each HS6 was computed separately and scaled to [0,100] across 374 PTAs.

PSR restrictiveness: Japan EPAs, all goods

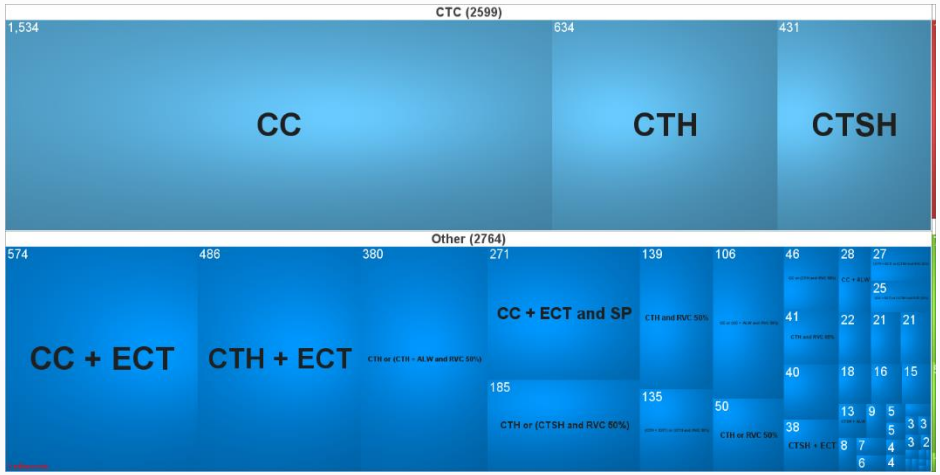
Rank (out of 374)	PSR restrictiveness	Trade agreement	Year
# 11	51	Mexico EPA	2005
# 74	45	India EPA	2011
# 96	44	GSP	1971
# 126	40	CPTPP	2018
# 143	38	Peru EPA	2012
# 159	36	Chile EPA	2007
# 176	34	EU EPA	2019
# 186	32	Philippines EPA	2008
# 217	31	Thailand EPA	2007
# 220	30	Australia EPA	2015
# 222	30	ASEAN EPA	2008
# 231	29	Switzerland EPA	2009
# 235	29	Mongolia EPA	2016
# 237	28	Indonesia EPA	2008
# 238	28	Singapore EPA	2002
# 239	28	Vietnam EPA	2009
# 243	27	Malaysia EPA	2006
# 244	27	Brunei EPA	2008

Note: PSR restrictiveness is first computed for each HS6, then aggregated to PTA level via a simple average. The PSR restrictiveness for each HS6 was computed separately and scaled to [0,100] across 374 PTAs. The average PSR restrictiveness ranges from the high of 93 (for #1 ranked PTA) to the low of 1 (for #374 ranked PTA).

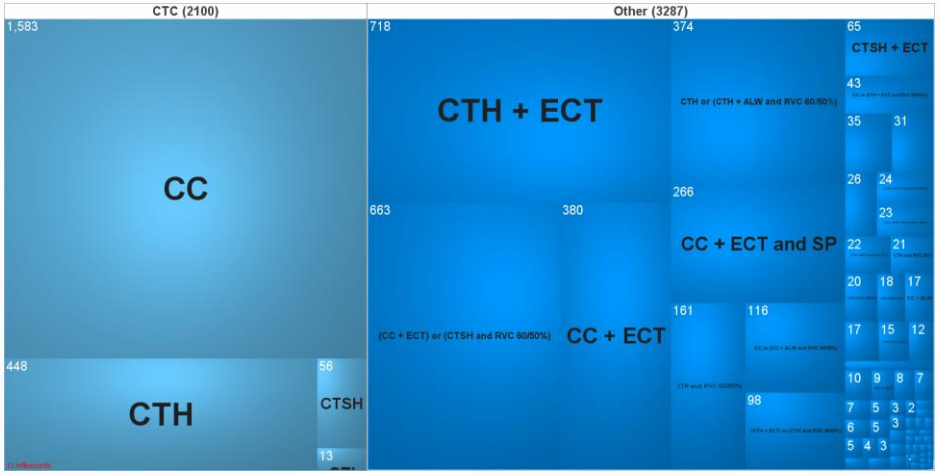
Similarity of Japan-Mexico and NAFTA PSR

Distribution of PSR across all HS6

Japan-Mexico (2005), #11



NAFTA (1994), #8



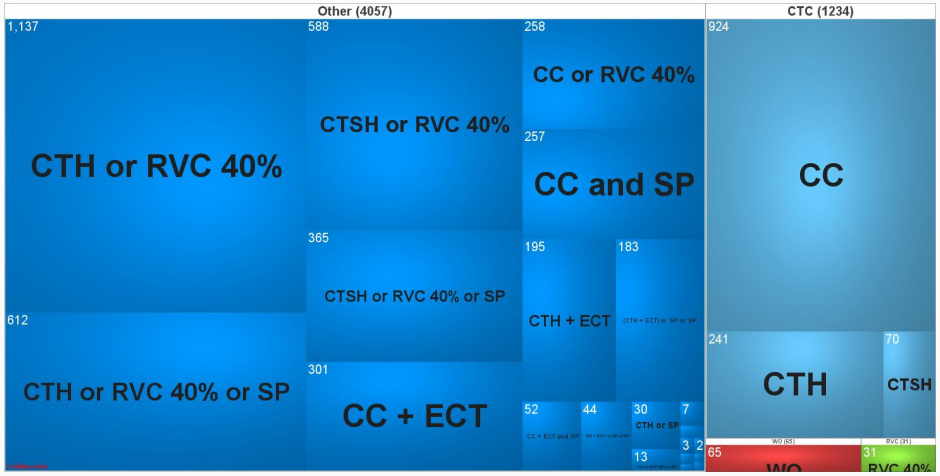
Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

One explanation could be that Japan had ambitions to accede to NAFTA, and Mexico suggested to harmonize PSR

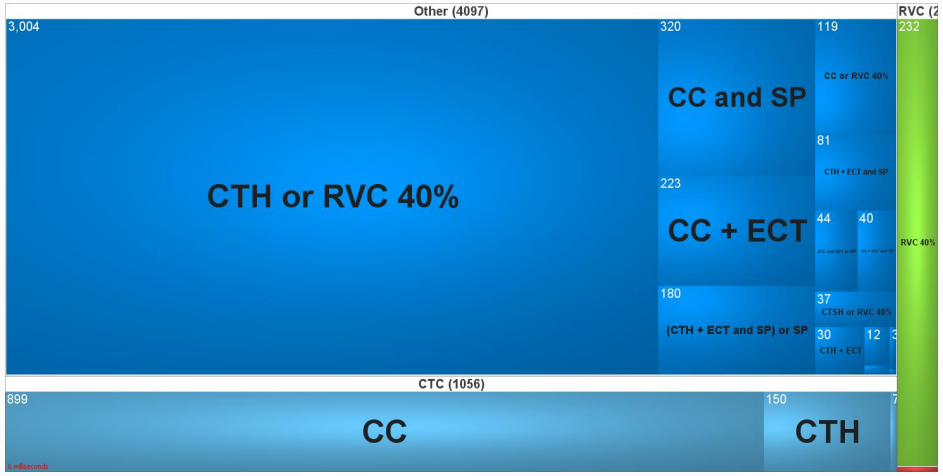
Similarity of Thailand EPA and ASEAN EPA

Distribution of PSR across all HS6

Thailand EPA (2007), #217



ASEAN EPA (2008), #222



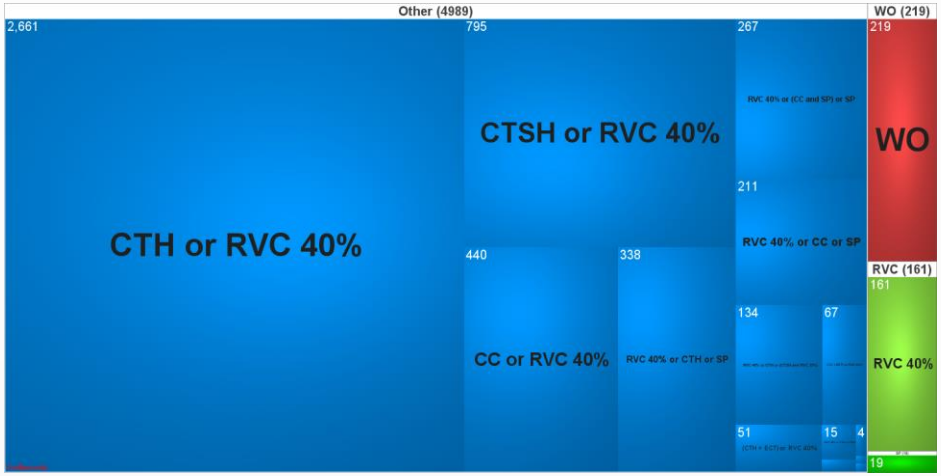
Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

Japan and ASEAN trade partners seemed to want to harmonize their PSR regionally.

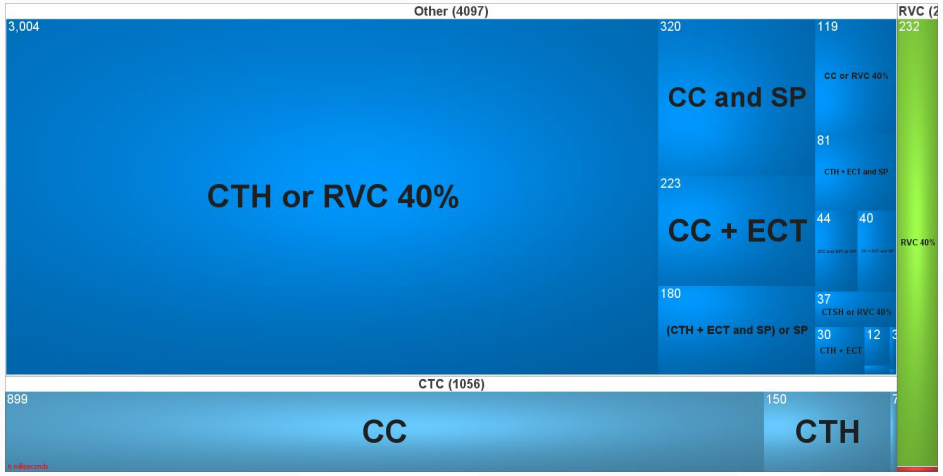
Similarity of ATIGA and ASEAN EPA

Distribution of PSR across all HS6

ATIGA (2010), #346



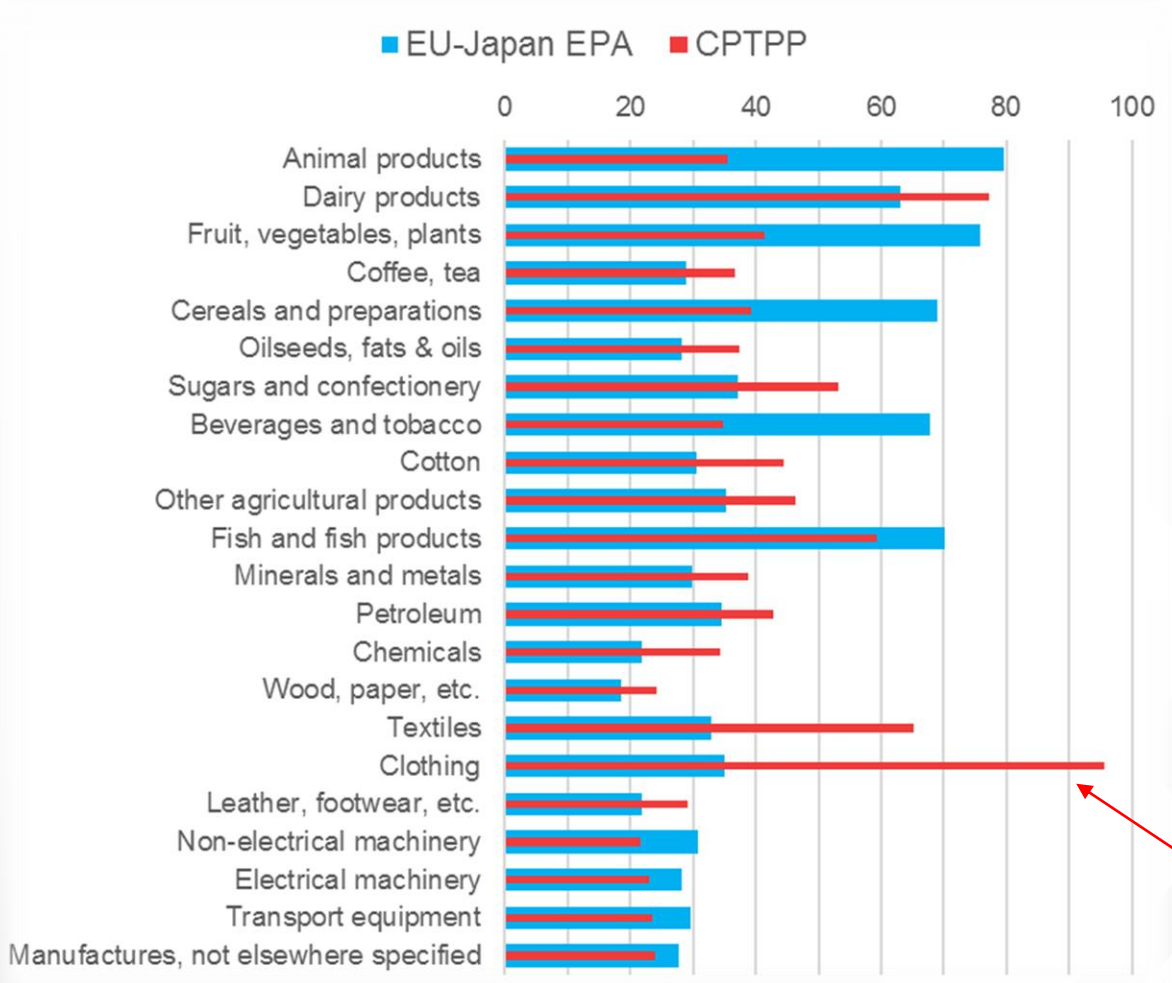
ASEAN EPA (2008), #222



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

ASEAN trade partners seemed to want to harmonize their PSR intra-regionally and with external trade partners

PSR restrictiveness comparison by sector



Note 1: PSR restrictiveness is first computed for each HS6, then aggregated to sector level via a simple average. The PSR restrictiveness for each HS6 was computed separately and scaled to [0,100] across 374 PTAs.
Note 2: Product sectors are defined in World Tariff Profiles 2019.

Capturing origin provisions

	Origin Provision	Values
1	Cumulation	Bilateral/Diagonal/Cross-cumulation/Full (and combinations)/Not included/Not provided
2	De Minimis	Included (x%)/Not included
3	Roll-up	Included/Not included
4	Duty drawback	Included (Allowed/Prohibition)/Not included
5	Outward processing	Included/Not included
6	Accessories, Spare Parts and Tools	Included/Not included
7	Wholly obtained products	Provided/Not provided
8	Non-qualifying operations	Provided/Not provided
9	Value-added calculation	Included [Value-added content (build-up/build-down)/Import content/Net cost/Focused value (and combinations)]/Not included
10	Indirect materials	Included/Not included
11	Direct transport	Included/Not included
12	Principle of Territoriality	Included/Not included
13	Packaging	Included/Not included
14	Fungible materials	Included (materials only/materials & final products)/Not included
15	Sets	Included (RVC x%)/Not included
16	Exhibitions	Included/Not included

Capturing certification provisions

	Certification Provision	Values
17	Certification	Provided [Authorized body/Self-certification (or combinations)]/Not provided
18	Exemption of certification	Included (less than x USD or other currency)/Not included
19	Approved exporter	Included/Not included
20	Competent authority	Provided/Not provided
21	Period of validity	Provided [x years/months/days (for single/multiple shipments)]/Not provided
22	Retention period	Provided (x years/months)/Not provided
23	Refund of excess duties	Provided (up to x years/months/days)/Not provided
24	Supporting documents	Provided/Not provided
25	Third party invoicing	Provided/Prohibition/Not provided
26	Verifications	Provided/Not provided
27	Penalties	Provided/Not provided
28	Advance rulings	Provided/Not provided
29	Minor errors	Provided/Not provided
30	Appeals	Provided/Not provided

RW provisions in 18 Japan EPAs

- more liberal

- less liberal

restrictiveness →

#	Provision	CPTPP	EU	Australia	Peru	Switzerland	Mongolia	Brunei	Mexico	Malaysia	Vietnam	Thailand	Philippines	Indonesia	Chile	ASEAN	India	Singapore	GSP
1	Cumulation	diagonal + fu	diagonal + fu	bilateral	bilateral + full	bilateral	bilateral + full	bilateral	bilateral + full	bilateral	bilateral	bilateral	bilateral	bilateral	bilateral	bilateral	bilateral	bilateral + full	bilateral (but diagonal
2	De Minimis	10%	10%	10%	10%	7 or 10%	chapter-speci	chapter-speci	10%	chapter-speci	7 or 10%	chapter-speci	chapter-speci	chapter-speci	chapter-speci	7 or 10%	7 or 10%	chapter-speci	10% for textile
3	Roll-up	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No
4	Duty drawback	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
5	Outward processing	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
6	Accessories, Spare Parts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
7	Wholly obtained products	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8	Non-qualifying operations	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9	Value-added calculation	BU / BD / focused valu	No	BD	BD	MC	BU / BD	BD	BD	BD	BD	BD	BD	BD	BU / BD	BD	BU / BD	BD	MC
10	Indirect materials	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
11	Direct transport	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Principle of Territoriality	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Packaging	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
14	Fungible materials	materials & final goods	materials onl	materials & final goods	materials & final goods	materials & final goods	materials & final goods	materials & final goods	materials & final goods	materials & final goods	materials onl	materials & final goods	materials & final goods	materials & final goods	materials & final goods	materials onl	materials & final goods	materials & final goods	No
15	Sets	RVC 90%	RVC 85%	No	RVC 90%	No	No	No	RVC 90%	No	No	No	No	No	Yes	No	No	No	No
16	Exhibitions	No	No	No	No	No	No	Yes	No	No	No	No	No	No	Yes	No	No	No	Yes
1	Certification	self-certification/author	self-certificatior	authorized body/self-ce	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc	authorized bc
2	Exemption of certification	< US$100	< EUR 500/ JPY	< 1,000 AUD or 100,0	< USD 15	value not specif	< USD 15	< USD 20	< US$100	< USD 10	< JPY 200,000 for Jap	< US$200	< USD 20	< US$200	< USD 10	< JPY 200000 or USD	No	< JPY 2000(	< 200,000 y
3	Approved exporter	Yes	No	No	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No
4	Competent authority	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
5	Period of validity	1 year (multip	12 months (mult	1 year (single	12 months (sing	12 months (sing	12 months (sing	12 months (sing	1 year (single	12 months (sing	1 year (single	12 months (sing	6 months (sin	12 months (sing	1 year (single	1 year (single	12 months (sing	12 months	1 year
6	Retention period	5 years	3 years	5 years	5 years	3 years	5 years	3 years	5 years	5 years	3 years	5 years	5 years	5 years	5 years	3 years	5 years	No	No
7	Refund of excess duties	within 1 yea	No	within 12 mor	within 1 yea	Yes	within 12 mor	within 12 mor	Yes	within 1 yea	within 12 mor	within 12 mor	within 12 mor	within 12 mor	within 1 yea	within 12 mor	within 9 mon	No	No
8	Supporting documents	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
9	Third party invoicing	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
10	Verifications	Direct	Yes	Direct	Indirect	Indirect	Indirect	Yes	Combined	Yes	Indirect	Yes	Yes	Yes	Indirect	Indirect	Indirect	Indirect	Yes
11	Penalties	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
12	Advance rulings	within 150 da	Yes	within 30 day	Yes	No	within 30 day	Yes	No	Yes	No	Yes	No	No	No	No	No	within 30 day	No
13	Minor errors	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
14	Appeals	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	Yes	No	Yes

RW restrictiveness: Japan EPAs

Rank (out of 374)	RW restrictiveness	Trade agreement	Year
# 95	62	GSP	1971
# 118	56	Singapore EPA	2002
# 135	53	India EPA	2011
# 139	52	ASEAN EPA	2008
# 145	50	Chile EPA	2007
# 158	48	Indonesia EPA	2008
# 163	47	Philippines EPA	2008
# 167	46	Thailand EPA	2007
# 176	45	Vietnam EPA	2009
# 186	43	Malaysia EPA	2006
# 187	43	Mexico EPA	2005
# 190	42	Brunei EPA	2008
# 193	41	Mongolia EPA	2016
# 212	37	Switzerland EPA	2009
# 285	26	Peru EPA	2012
# 300	23	Australia EPA	2015
# 332	17	EU EPA	2019
# 364	6	CPTPP	2018

Note: RW restrictiveness is first computed for each of 30 provisions, then aggregated to PTA level via a weighted average, where weights are the relative "importance" of the provision for MSMEs. The RW restrictiveness was then scaled to [0,100] across 374 PTAs. The average RW restrictiveness ranges from the high of 100 (for #1 ranked PTA) to the low of 0 (for #374 ranked PTA).

III. Future work

Future work

Complete all preferential rules of origin

- Complete all 450+ trade agreements in force
- Extend to non-preferential rules of origin

Activities

- Capacity building programs and video tutorials
- Data support for regional negotiations on rules of origin
- Functionality (multi-language, cumulation map, download module, flagging presence of trade remedy/TRQ)
- Automated origin determination tool for companies (“self-assessment” module)
- Improve *ex ante* restrictiveness index and other analytical work

Limitations and Improving the database (1/2)

Weaknesses of the database and possible solutions

I. General
   1. Incomplete texts of rules of origin, or language barrier (for remaining 25%)
   2. Updates in rules of origin (HS revision, amendments)

II. PSR
   1. Not knowing precise input-output relationships for some HS products → limits CTC calibration
   2. How to calibrate distinct types of rules: RVC vs. CTC?
   3. How to convert SP rules into CTC equivalent?
   4. How to account for a wider cumulation area?

Limitations and Improving the database (2/2)

III. Regime-wide rules
   1. Ambiguity due to lack of explicit text in provisions
   2. Provisions missing in agreements may be found in domestic law
   3. Difficulty in assessing the interaction among provisions

IV. Beyond legal texts
   1. Implementation: Procedural obstacles on the ground (see next slide)
   2. Lack of awareness about preferences and other factors affecting utilization of preferences

Most common complaints on rules of origin

From NTM surveys by ITC

1. Delays in issuance of certificates of origin (CoO)
2. Unusually high fees and charges for CoO
3. Large number of documents
4. Informal payments
5. Arbitrary behavior of officials
6. Numerous administrative bodies

Examples of rules of origin complaints

Exporters from Thailand to Japan (2013)

“The company faces difficulties about HS code as Thailand and Japan have different codes. Apart from this, the companies in Japan requires to tell the difference of HS code which causes difficulties during the documentation process. The company did not produce the product and this causes difficulties in informing the actual production cost and there are no factories that are willing to tell us. Getting the required document is very difficult.”

“Requesting for the JTEPA Form takes a long time (2-3 days) and the cost is high (2,000 Baht) per shipment.”

“The validity of the production cost that the export company have to submit to get JTEPA is also 2 years. The company will have to make sure to extend on time so it will not affect the exporting process.”

“The conditions in getting the JTEPA Form is too strict as well as declaring the HS code. This makes us have to revise the documents all over again.”

“Getting the JTEPA form takes a lot of time and cost a lot of money. The officers consider HS code differently which causes delay.”

Examples of rules of origin complaints

"As an exporter, we are required to comply with a lot of documents including Certificate of Origin and Phytosanitary Certificate. Complying with all these documents is easy for us but the problem is in the release of the certificates by the Bureau of Customs. It took them 2 weeks to release all the certificates needed. Another concern is the Bureau of Customs' deadline. Three days to comply with all the requirements is too short for us so we end up paying penalty for late submission."

Exporters from Philippines to Japan (2014)

"Each shipment needs Certificate of Origin, Phytosanitary Certificate and ISPM 15 -marking for packaging applied separately. It is hard for the company to obtain all these documents in time for the shipment to go out as planed. This causes delays to shipments."

Exporters from Finland to Japan (2015)

"A certificate of origin is required in order to export. The issues are that a lot of statistic specifications are required, a lot of information is often not available. Moreover, if an error occurs, the certificate form must be filled out completely new. In the end the procedure is complex and laborious."

Exporters from Germany to Japan (2015)

"Japan demands for a certificate of origin that attests the origin of goods exported from Italy. As for all the other companies, the procedure is costly and lengthy."

Exporters from Italy to Japan (2015)

Conclusion

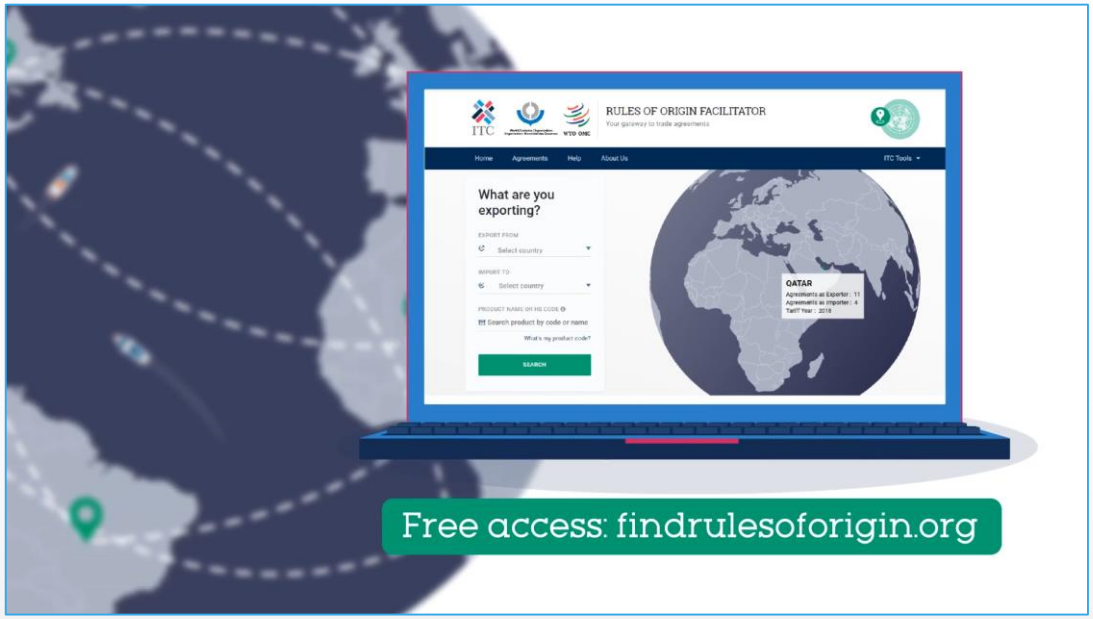
- 18 Japan EPAs show some diversity in rules of origin
  - Diversity of origin provisions
  - Diversity of PSR
  - Diversity across sectors
- 18 Japan EPAs show difference in restrictiveness Index
  - PSR restrictiveness
  - RW restrictiveness
- Business and policy implications

International Trade Centre

GTAP™
Global Trade Analysis Project

TRADE IMPACT FOR GOOD

Thank you for your attention!



International Trade Centre

Mr. Duy Dinh

Quantitative analyst

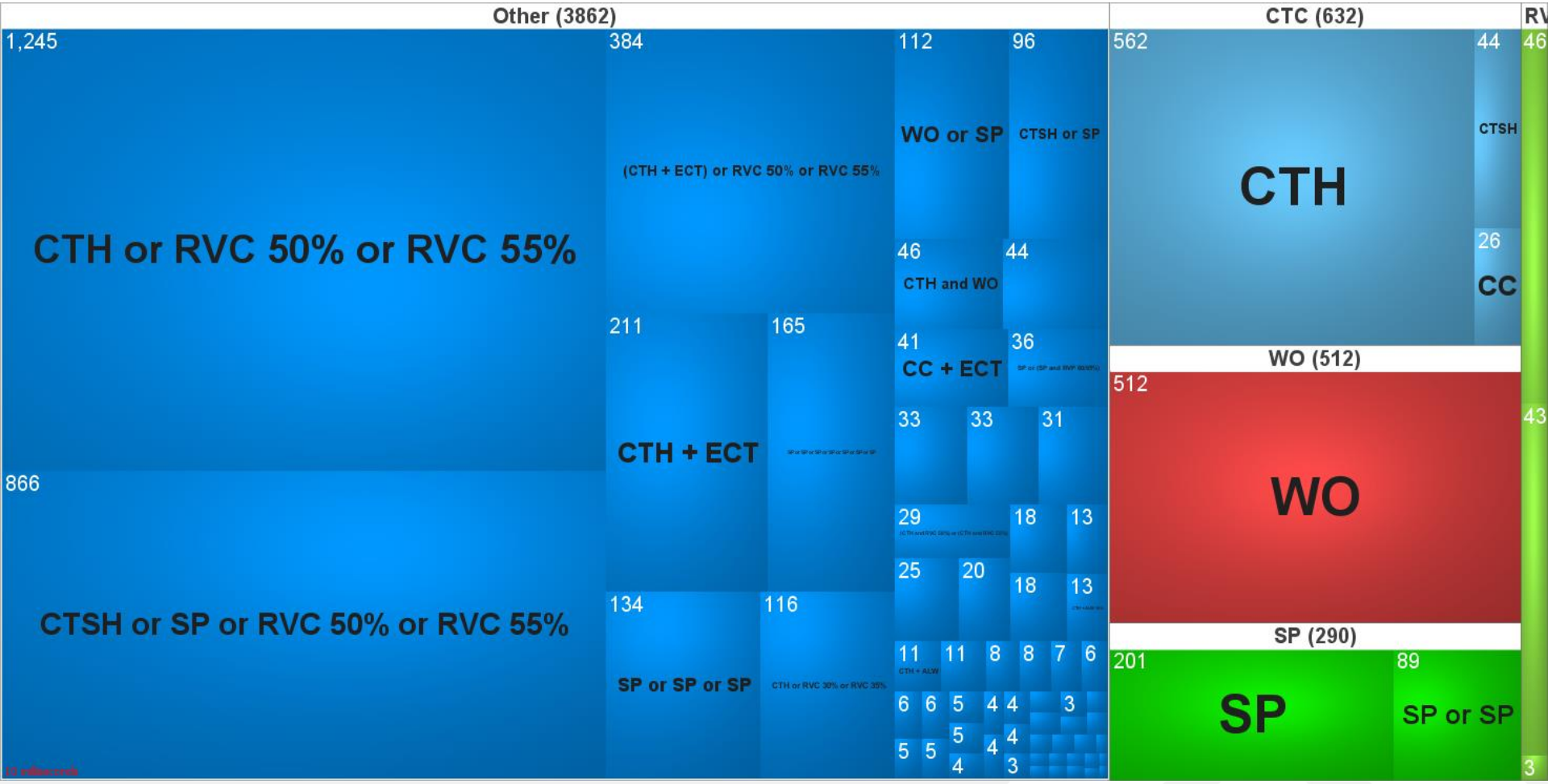
Trade and Market Intelligence section (TMI)

International Trade Centre

marketanalysis@intracen.org

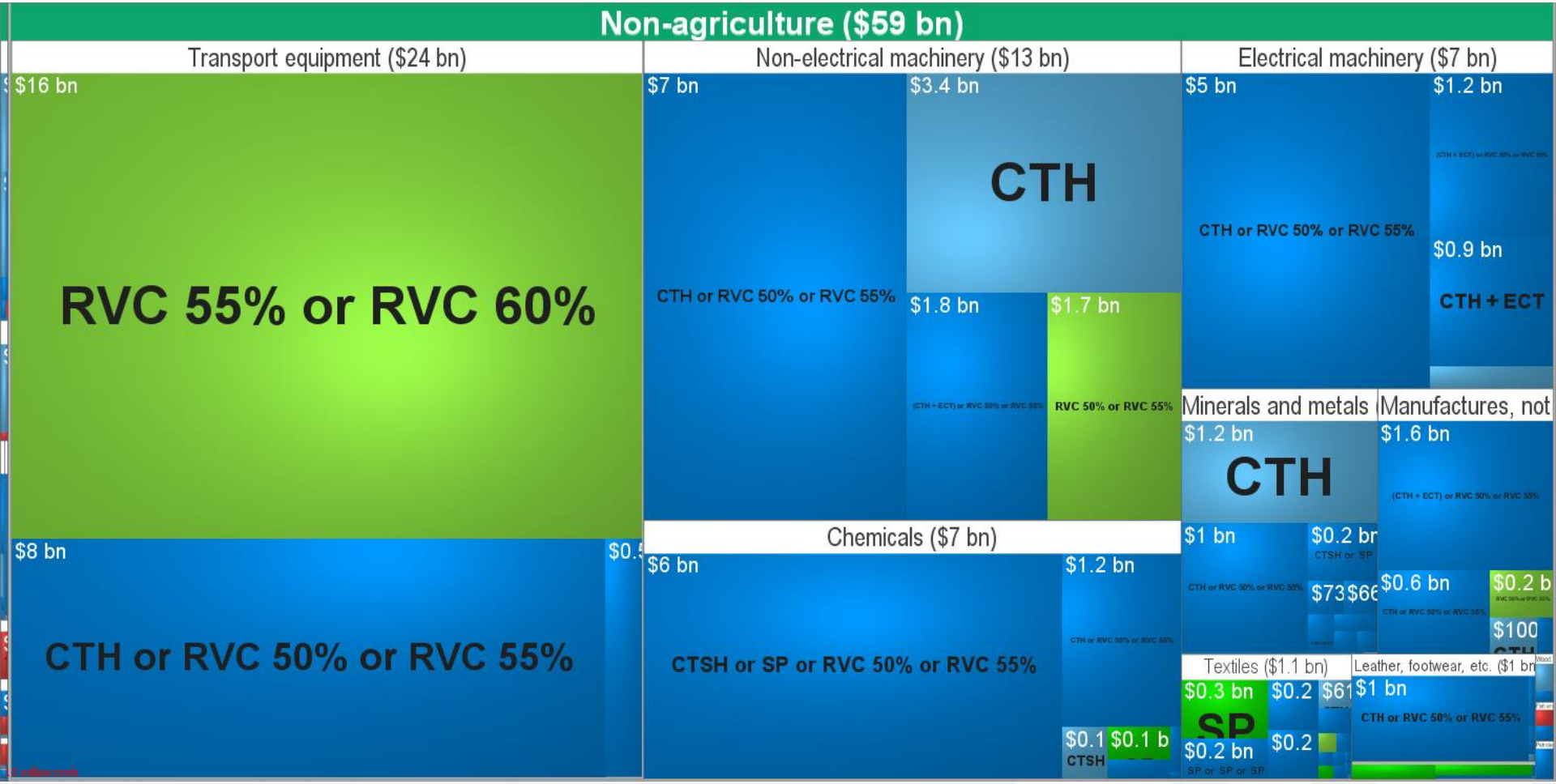
Appendix

PSR in EU-Japan EPA, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in EU-Japan EPA, by eligible imports



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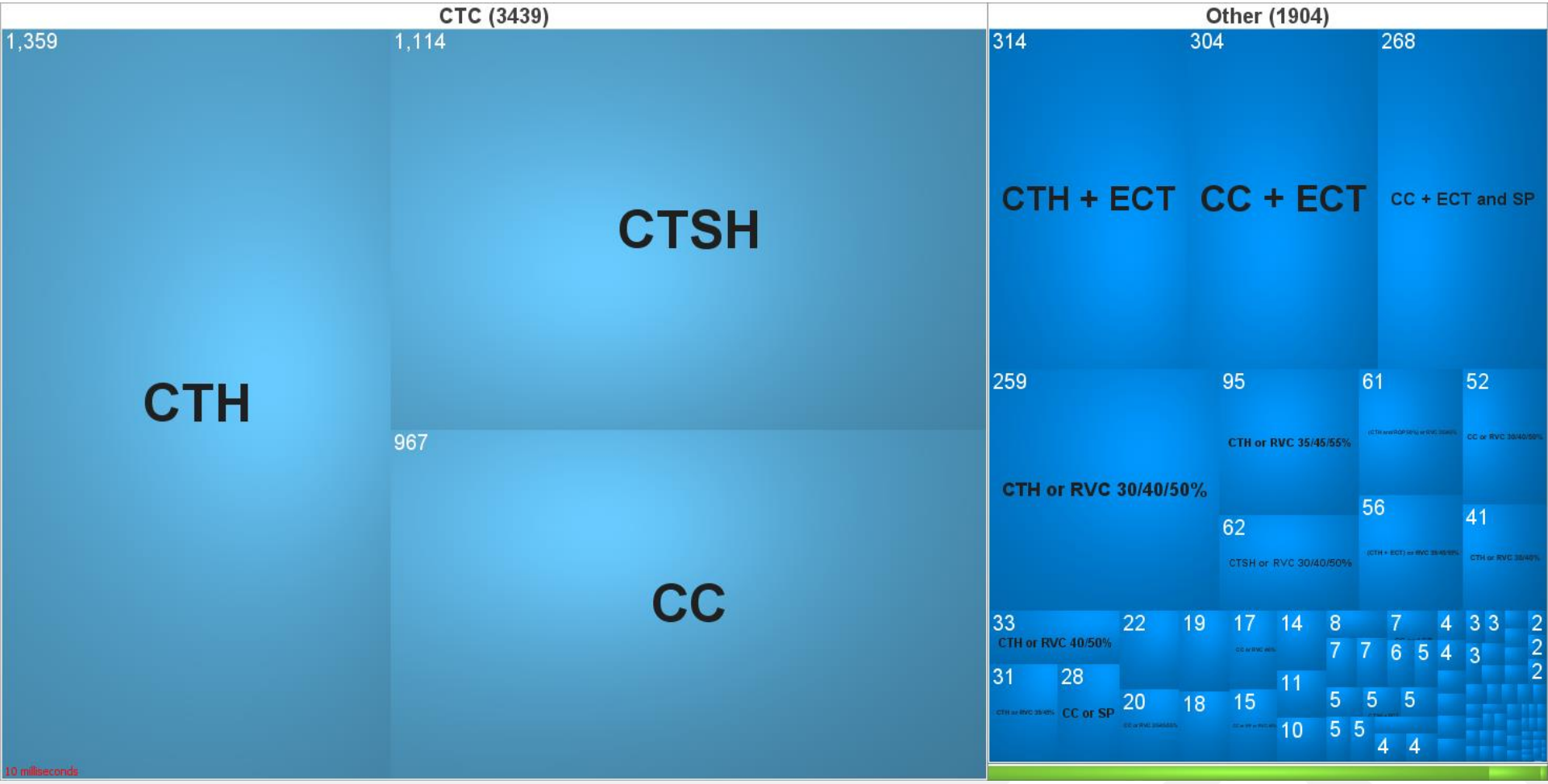
Note 2: Product sectors are defined in World Tariff Profiles 2019.
Note 3: Trade and tariff data are based on the latest available year.

PSR in CPTPP, across all HS6



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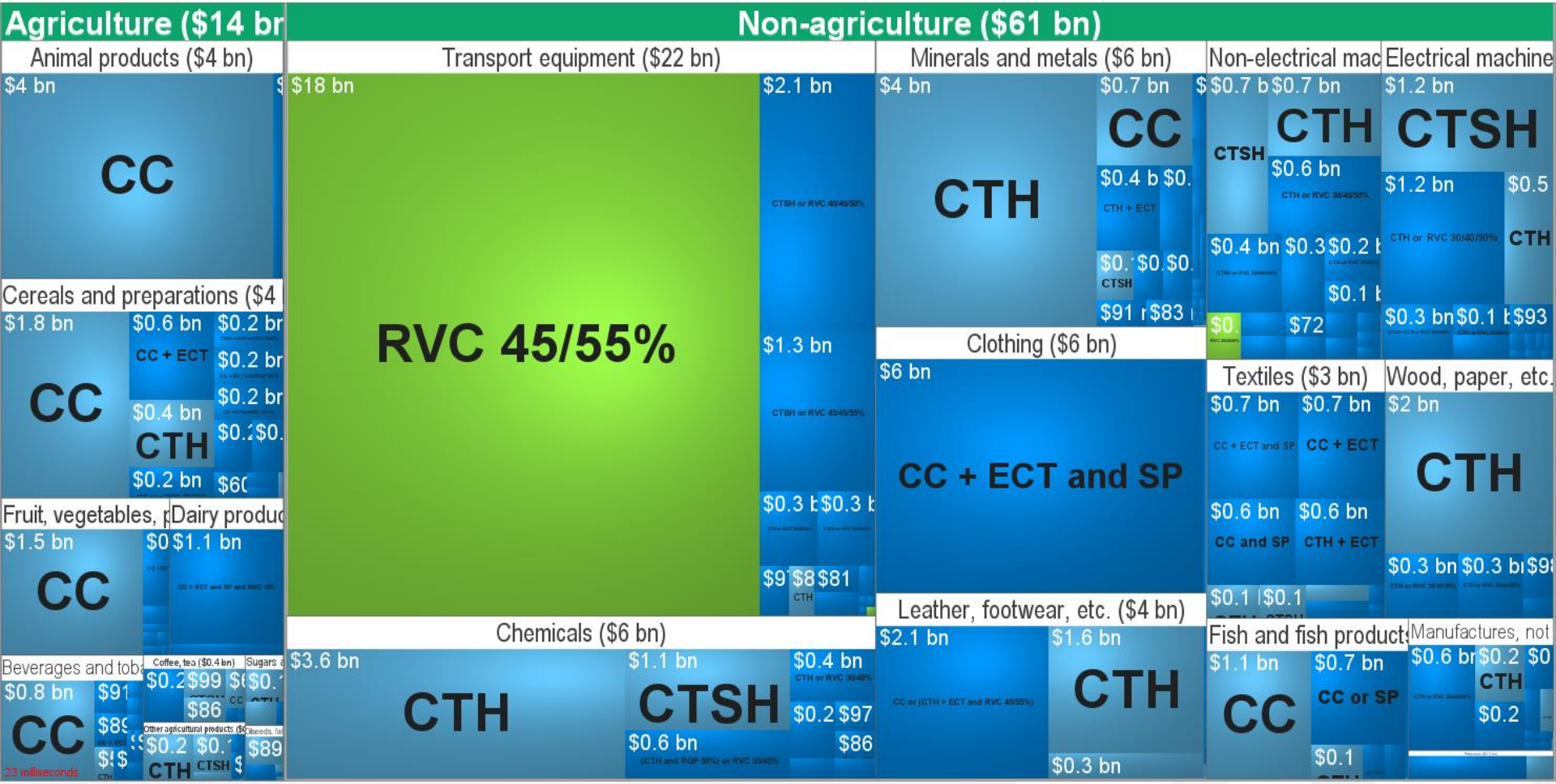
PSR in CPTPP, by eligible imports



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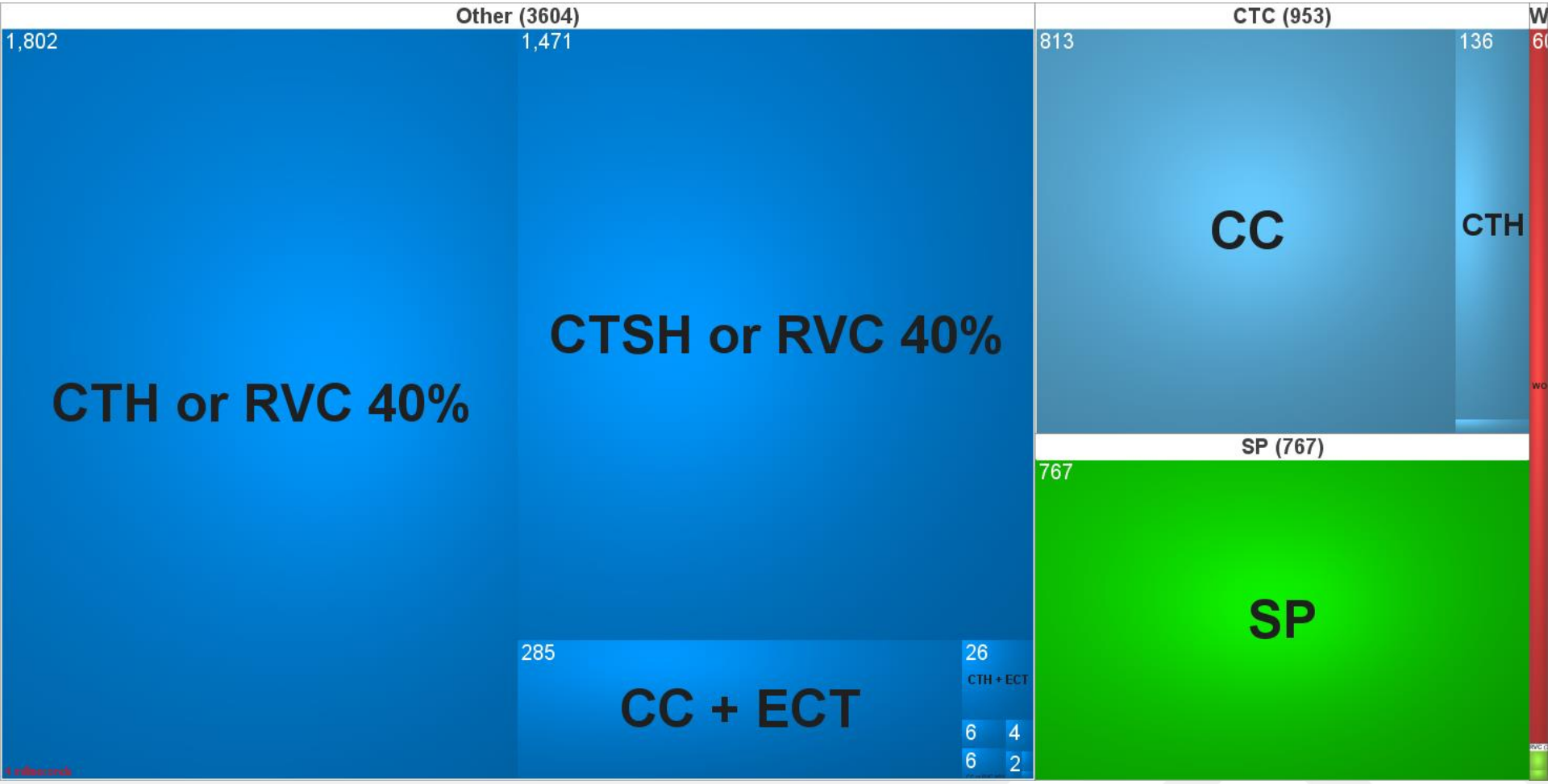
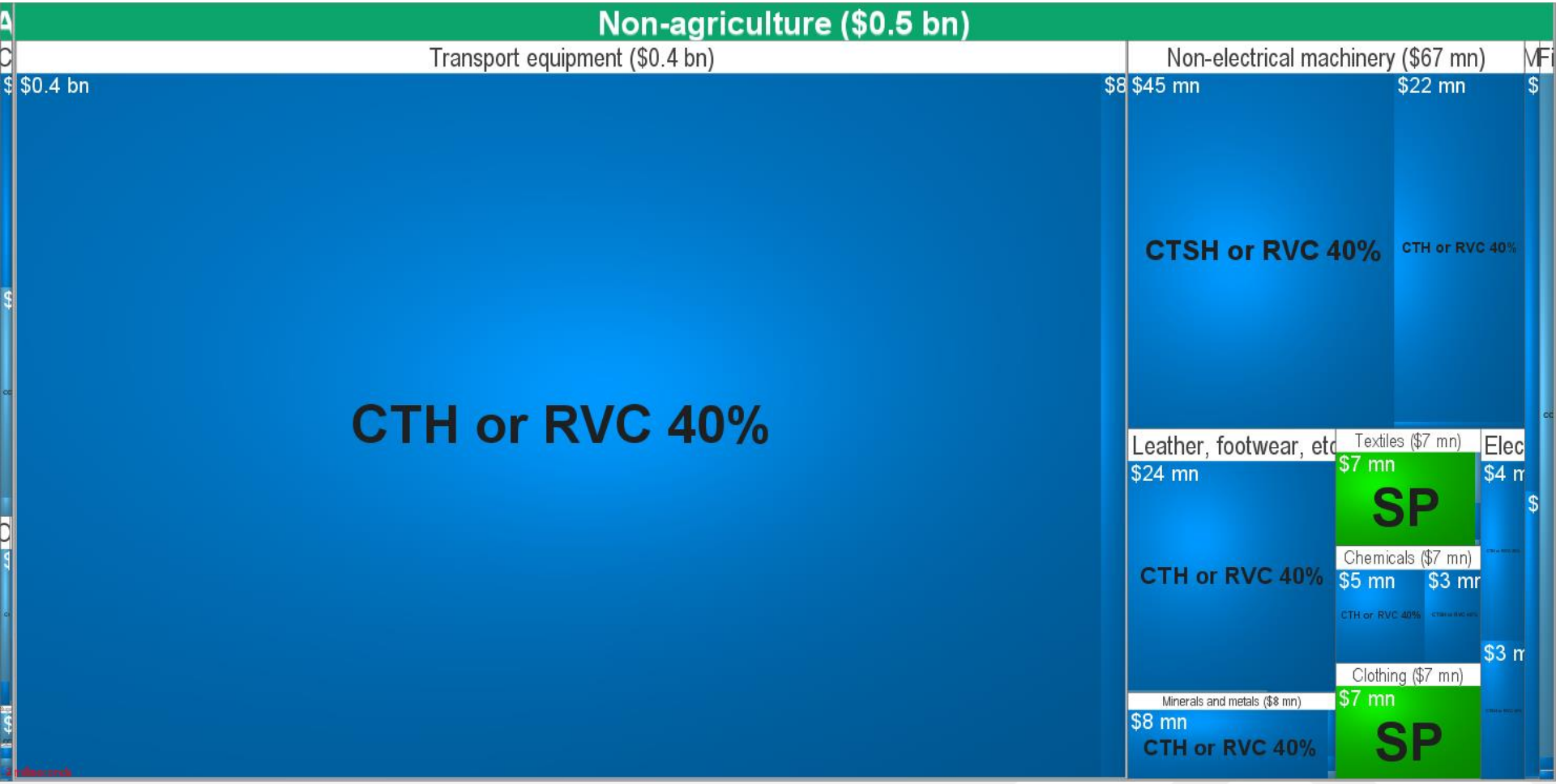
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Mongolia EPA, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Mongolia EPA, by eligible imports



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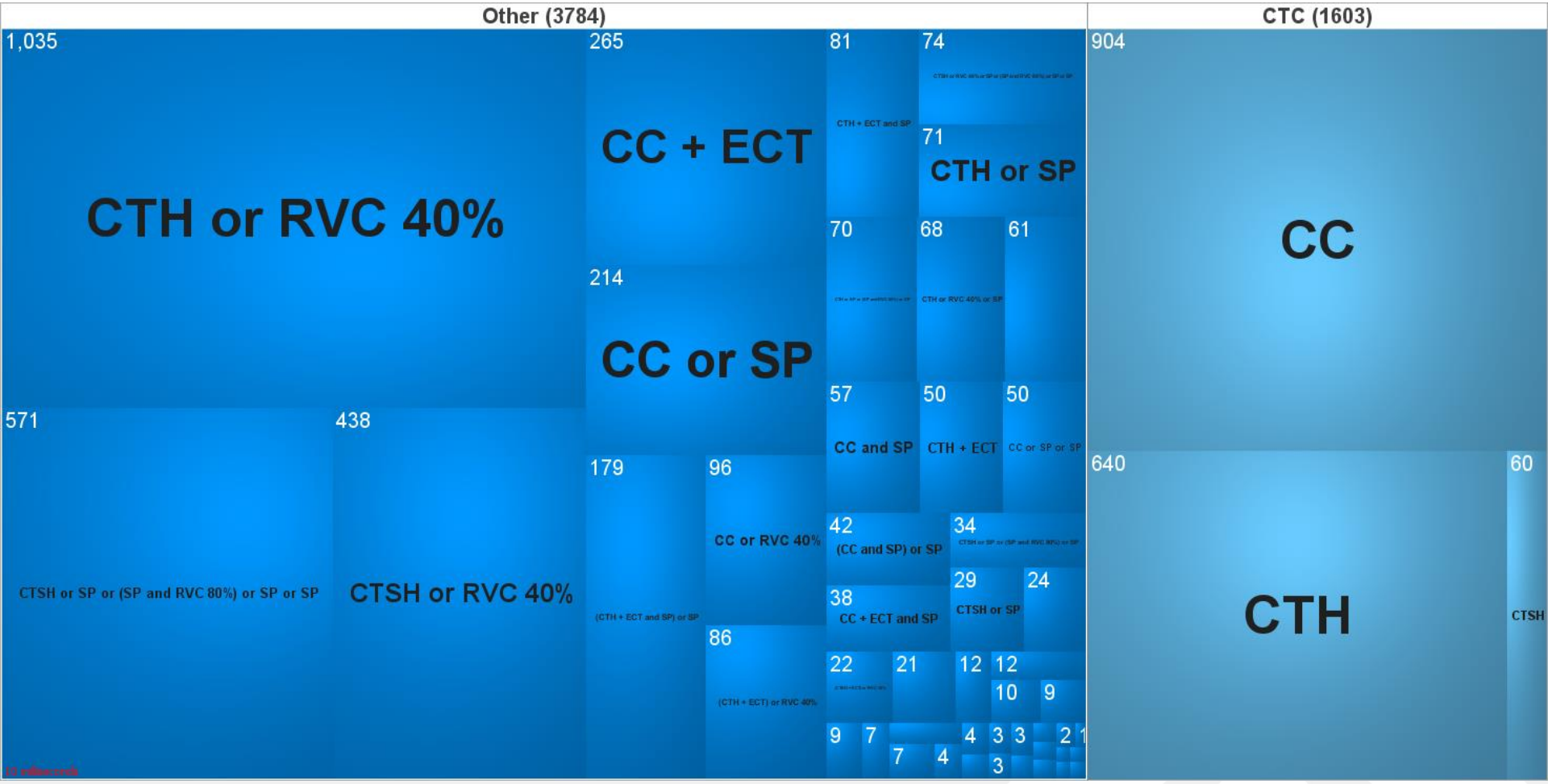
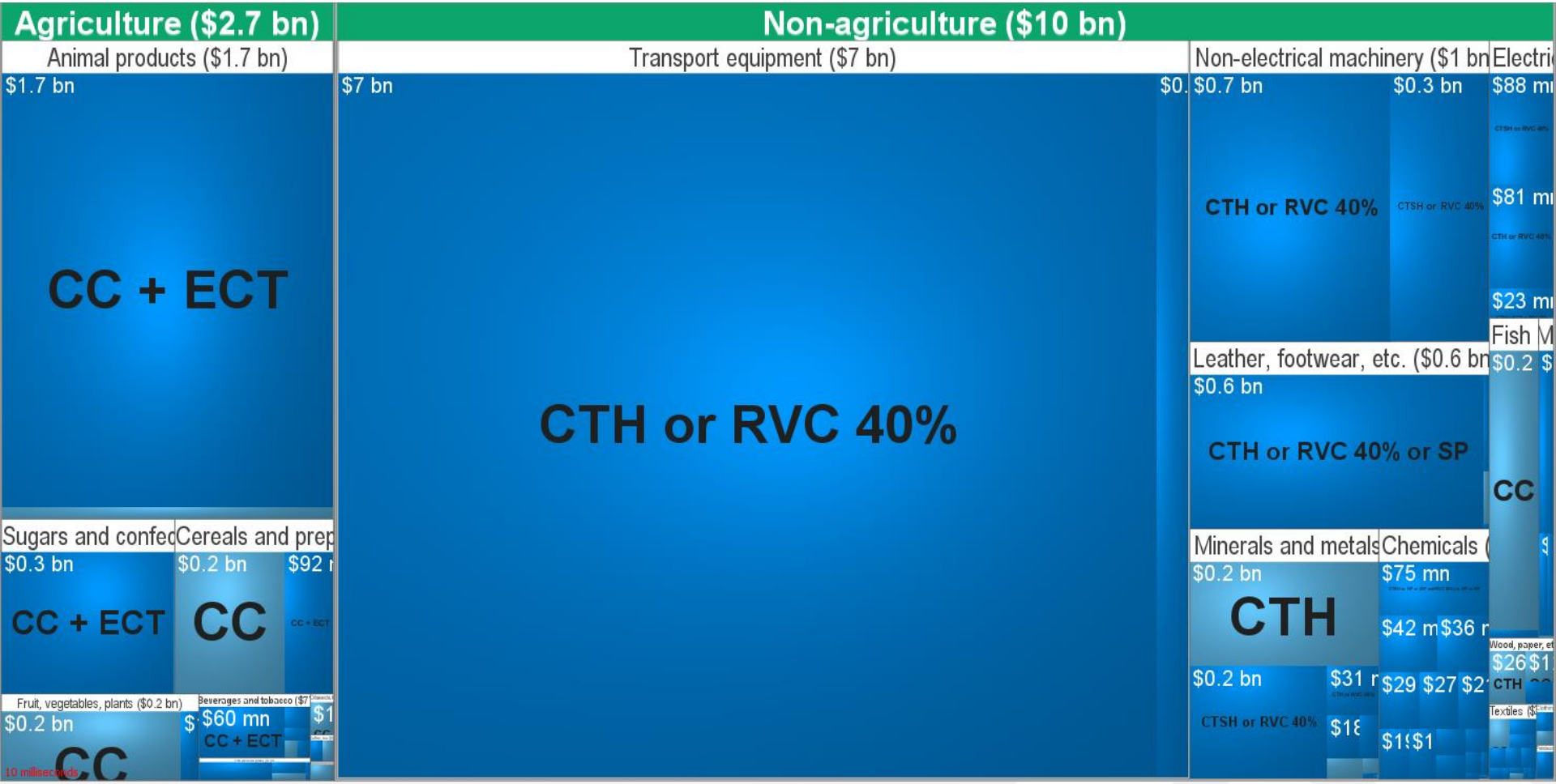
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Australia EPA, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Australia EPA, by eligible imports



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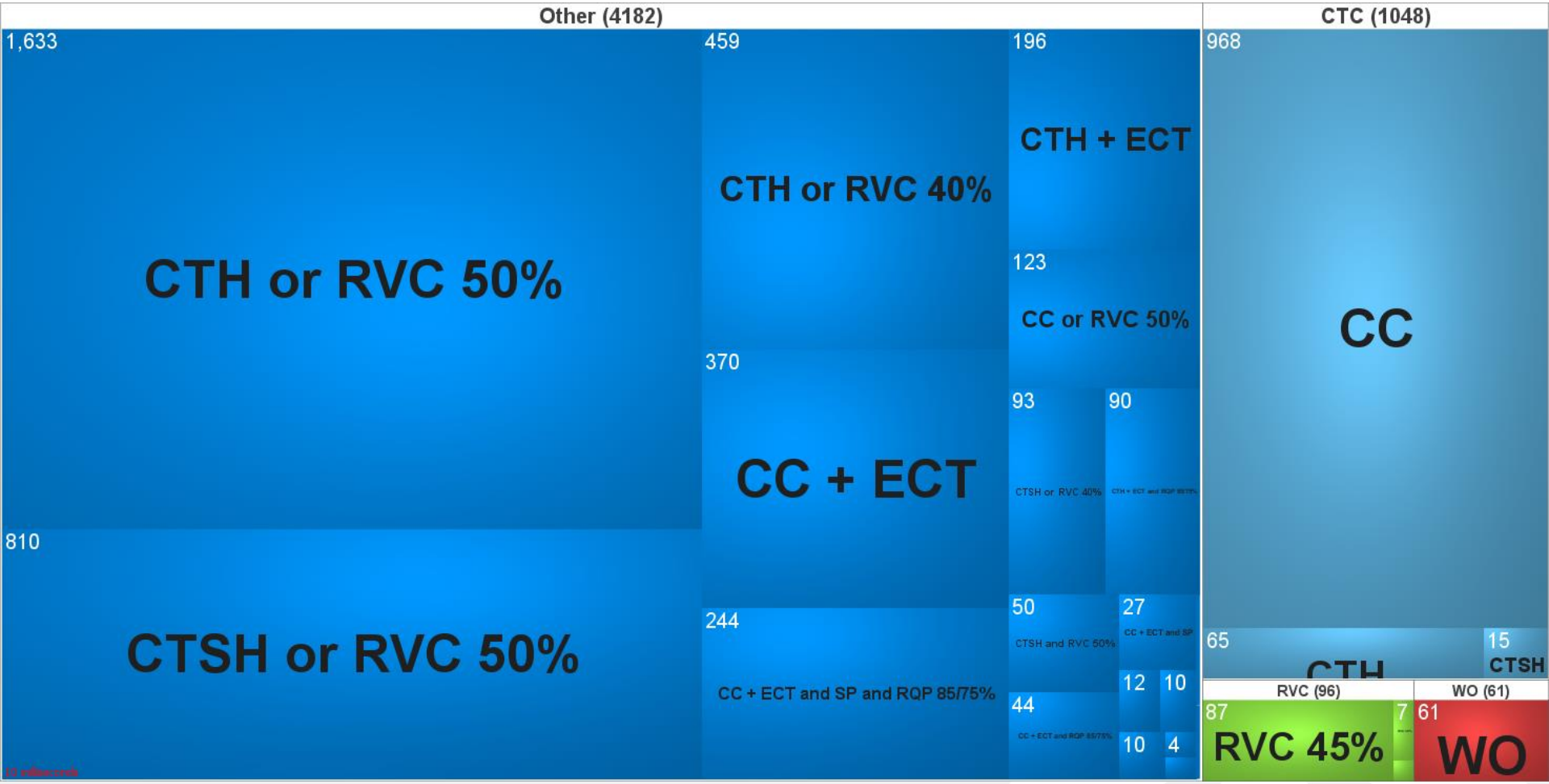
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Peru EPA, across all HS6



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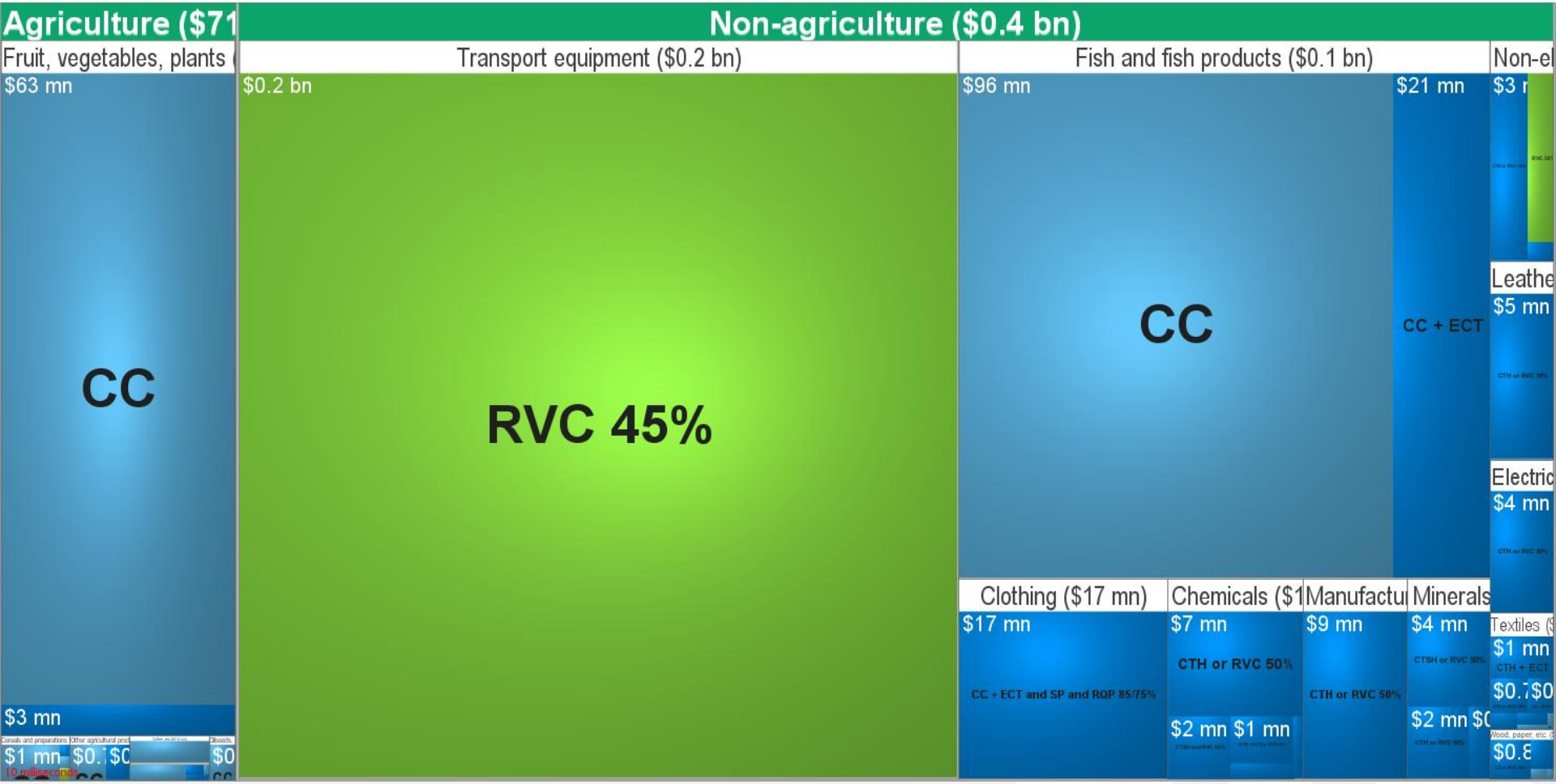
PSR in Japan-Peru EPA, by eligible imports



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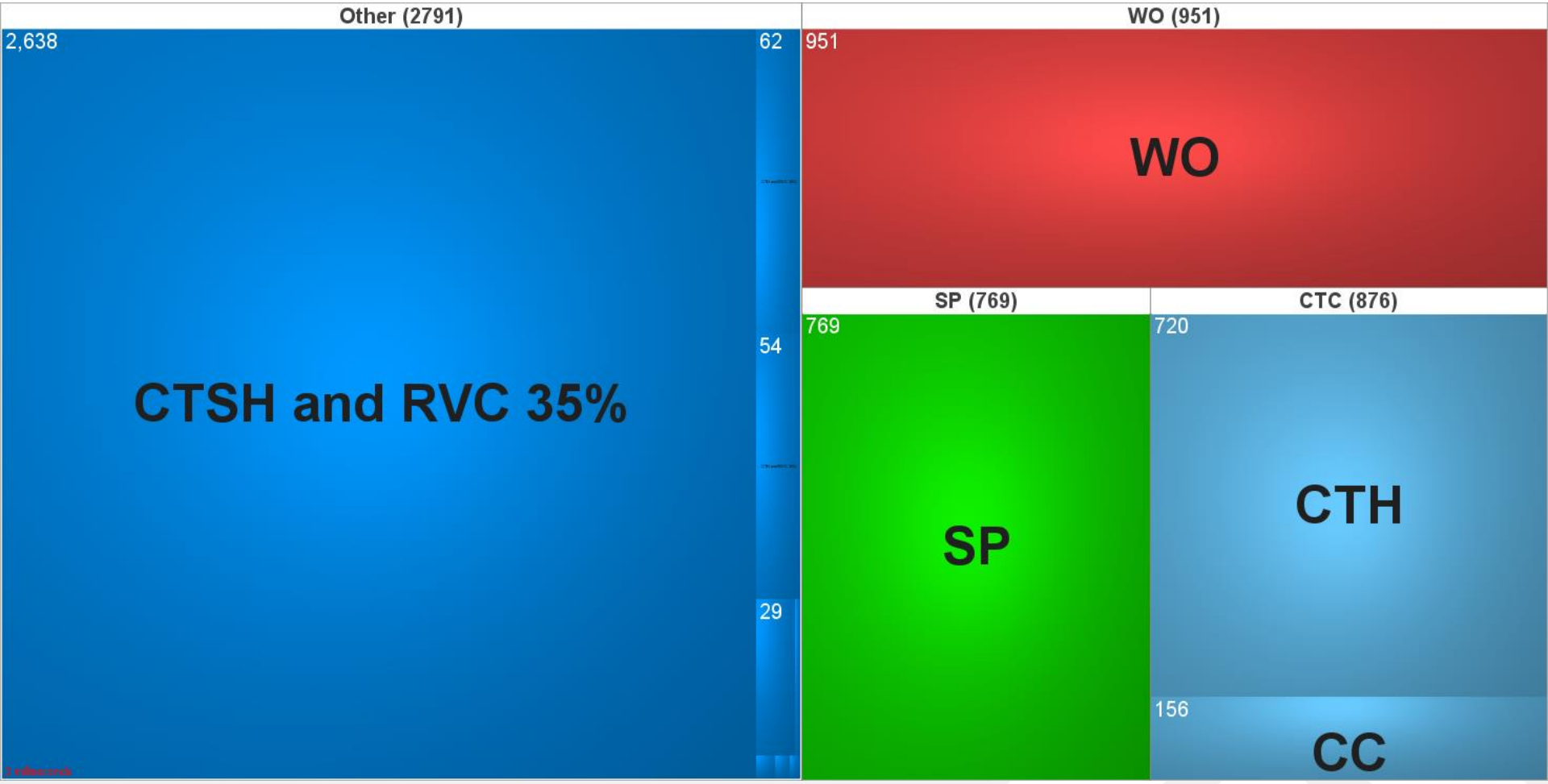
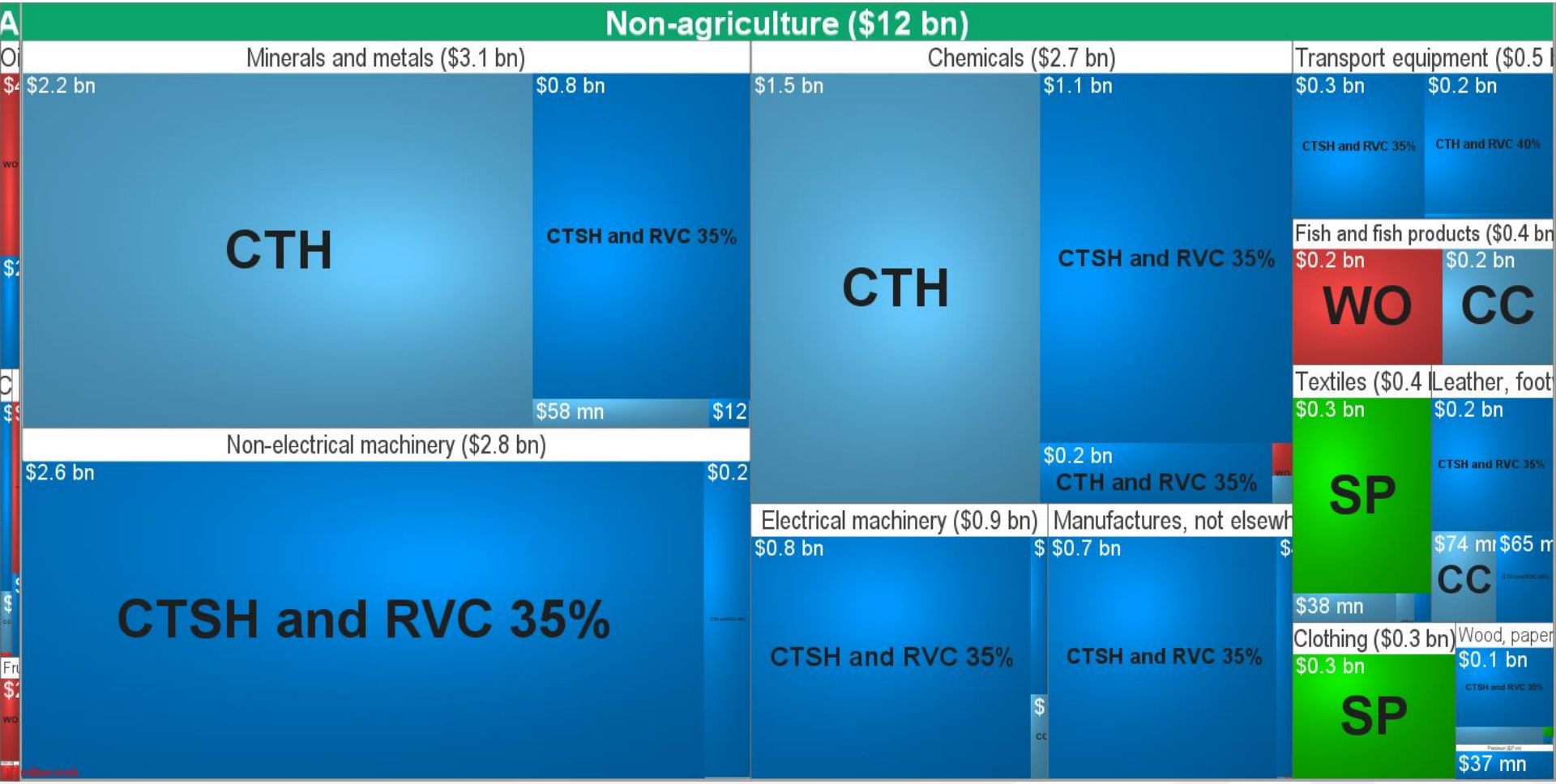
PSR in Japan-India EPA, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-India EPA, by eligible imports



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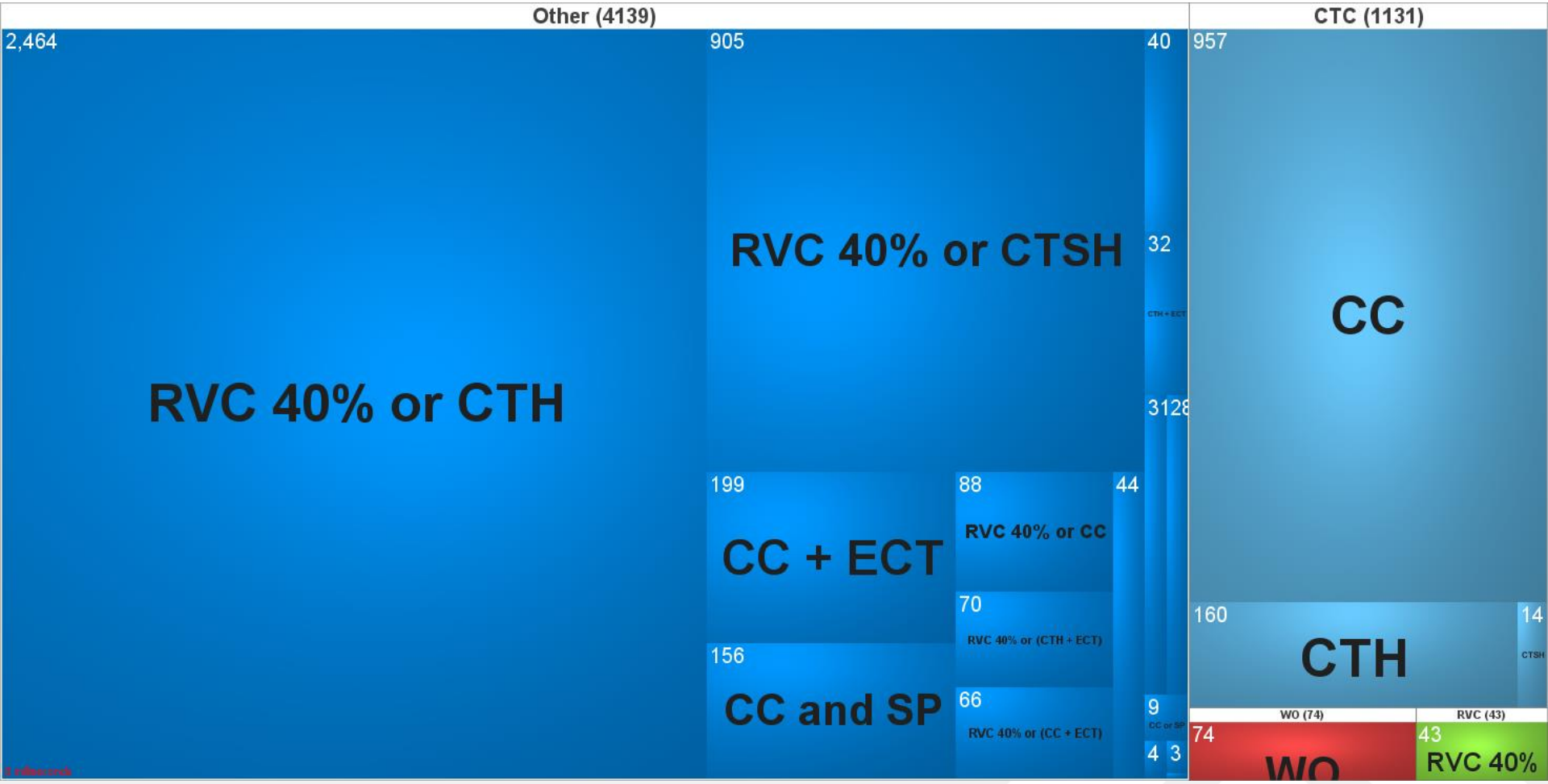
PSR in Japan-Vietnam EPA, across all HS6



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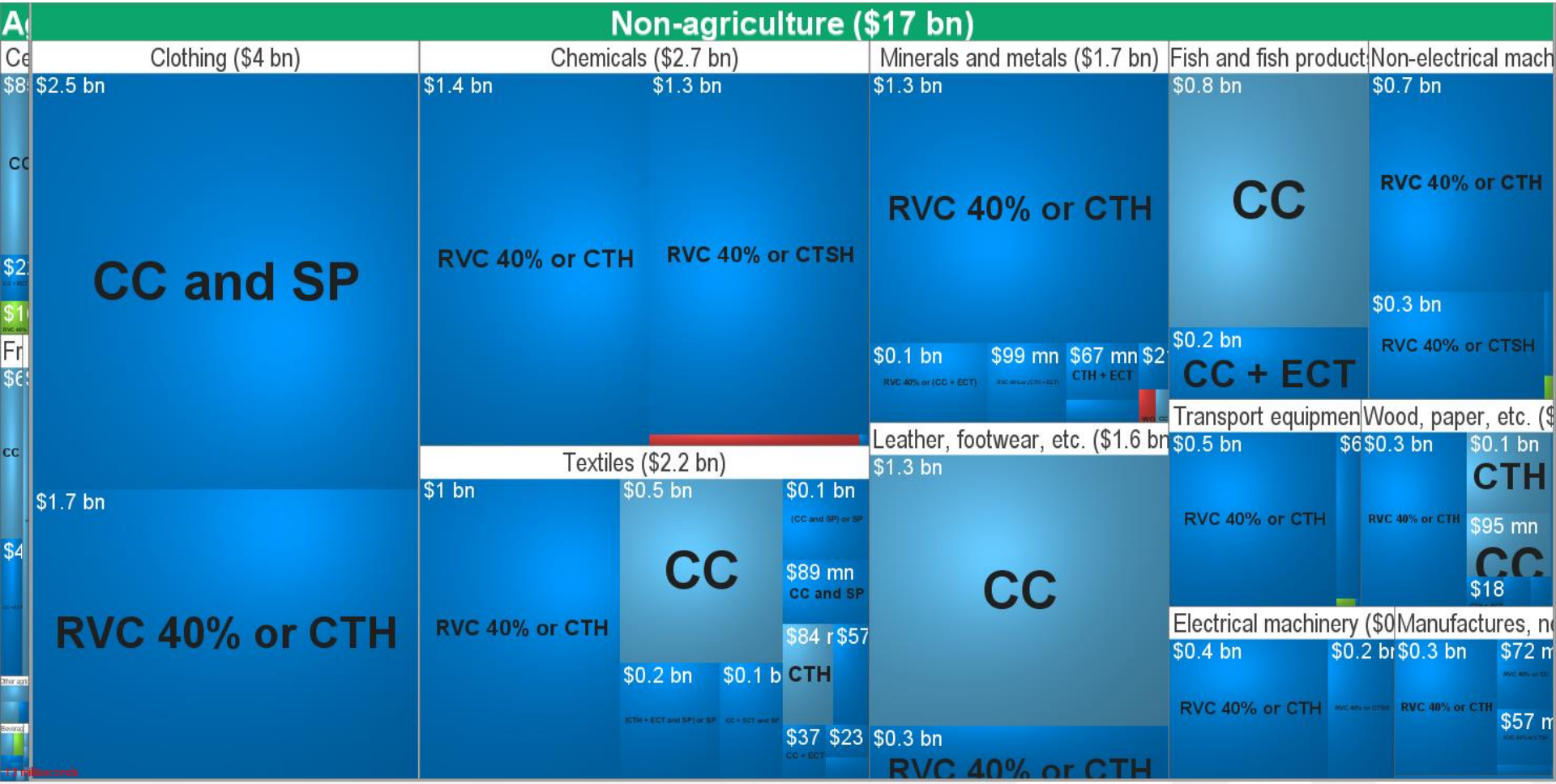
PSR in Japan-Vietnam EPA, by eligible imports



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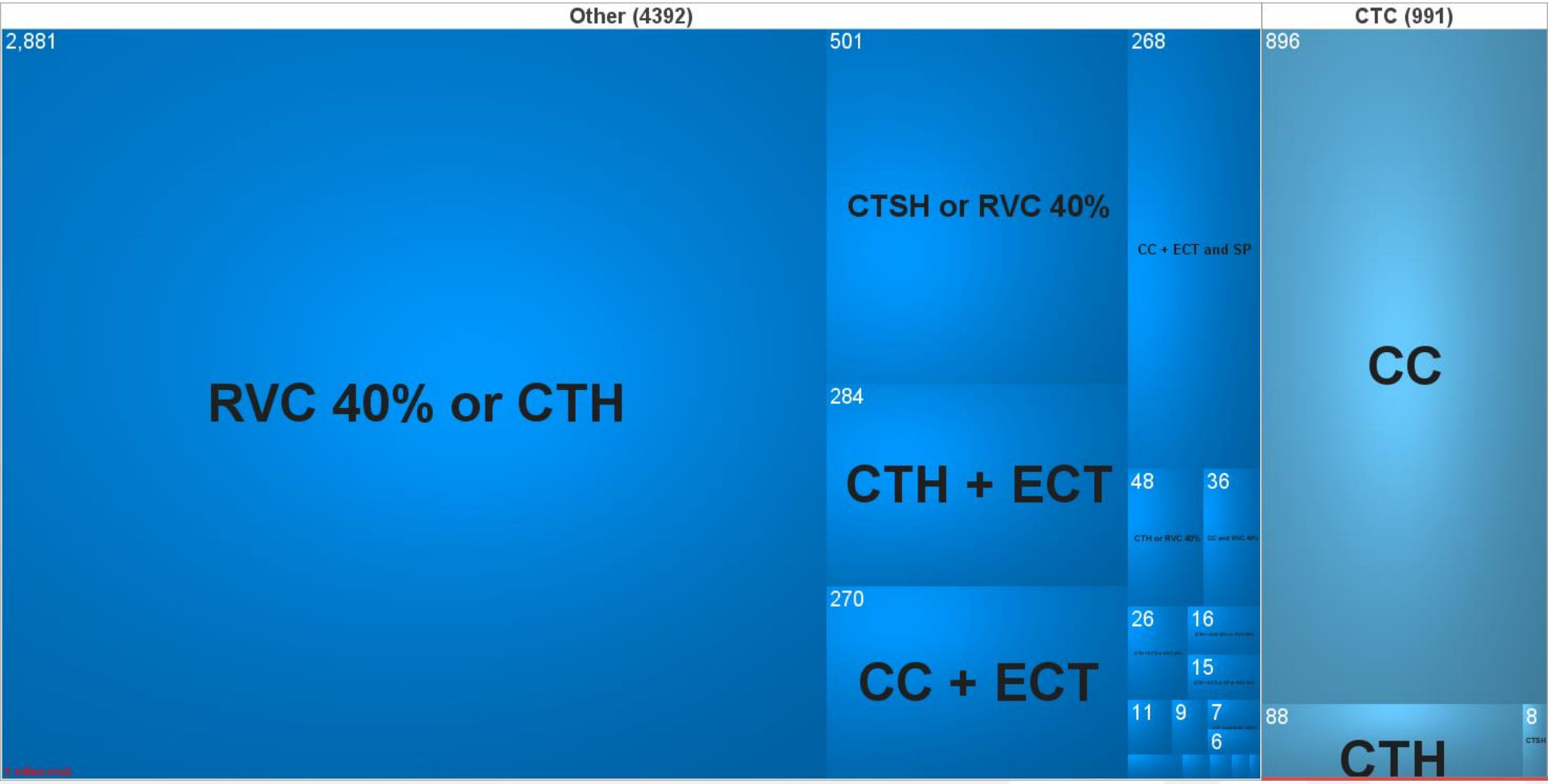
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Switzerland EPA, across all HS6



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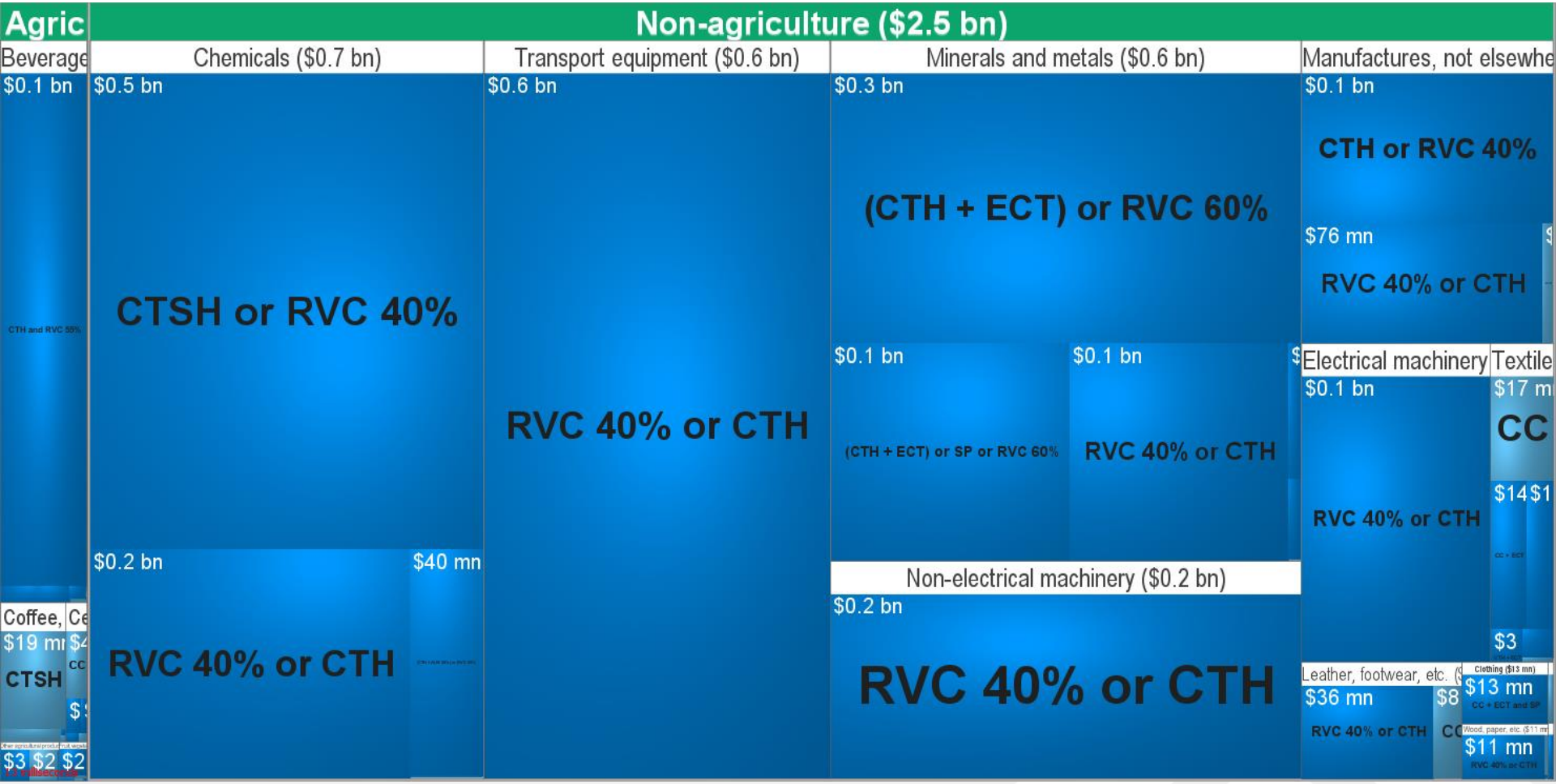
PSR in Japan-Switzerland EPA, by eligible imports



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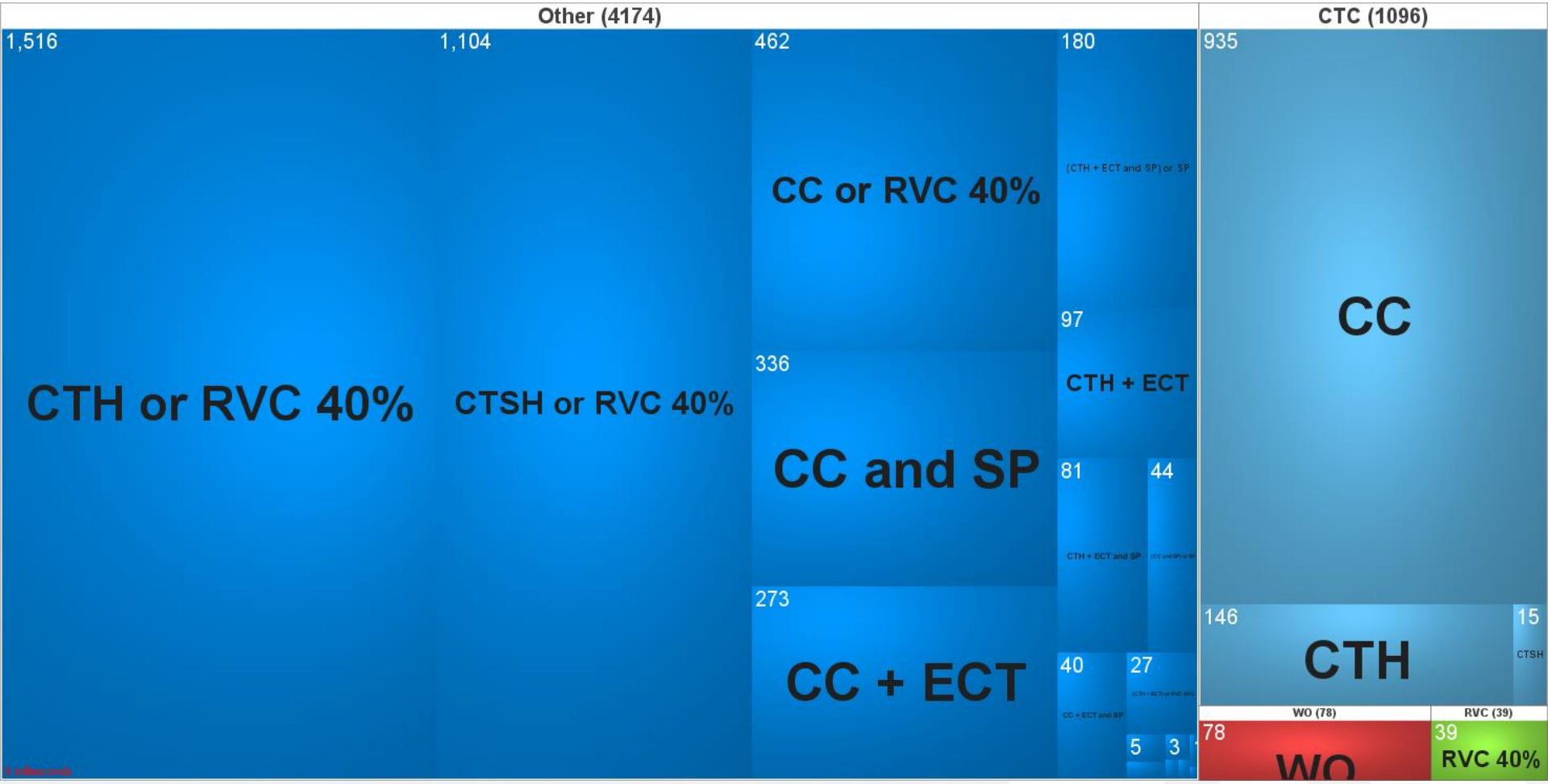
PSR in Japan-Philippines EPA, across all HS6



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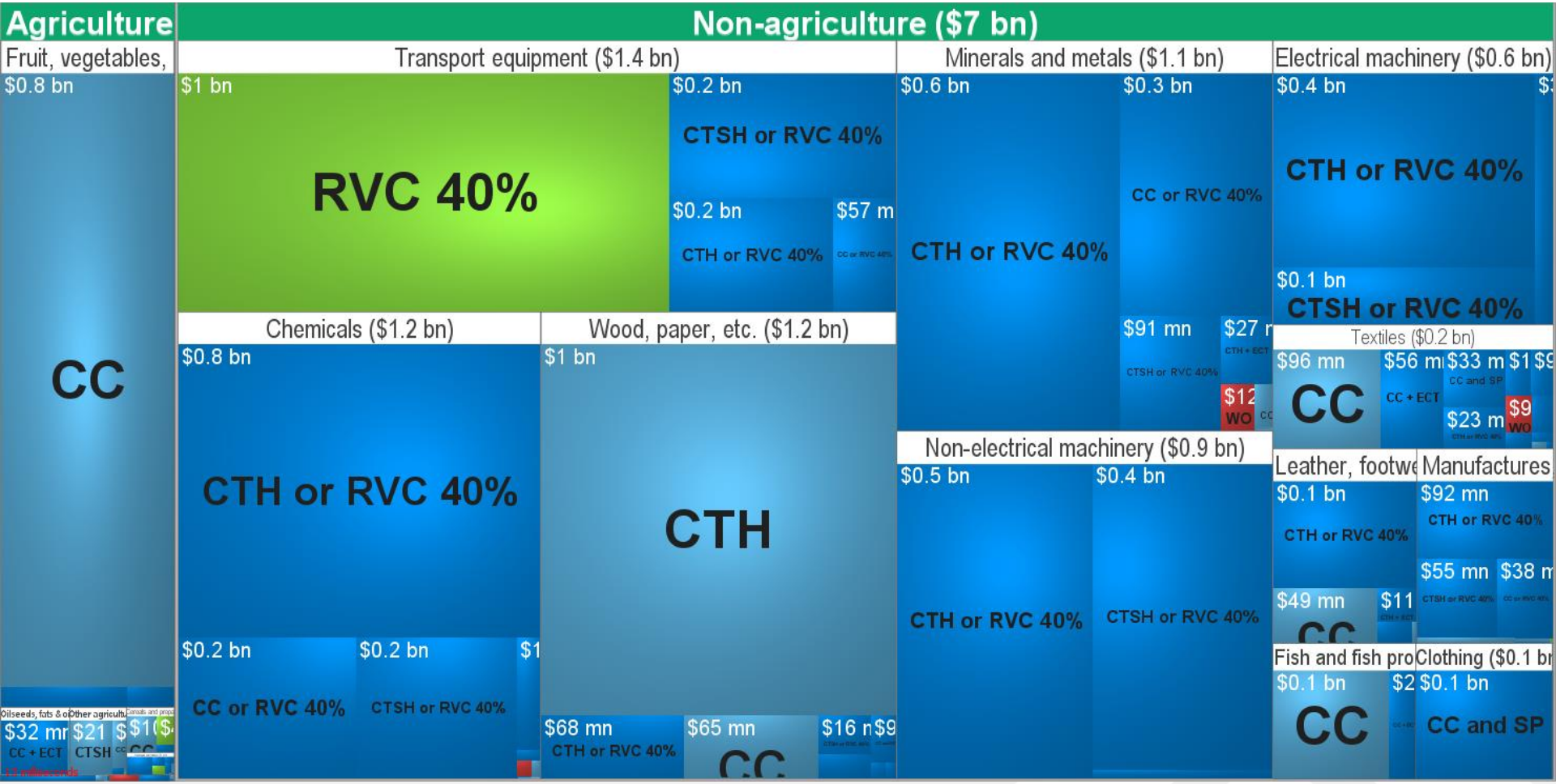
PSR in Japan-Philippines EPA, by eligible imports



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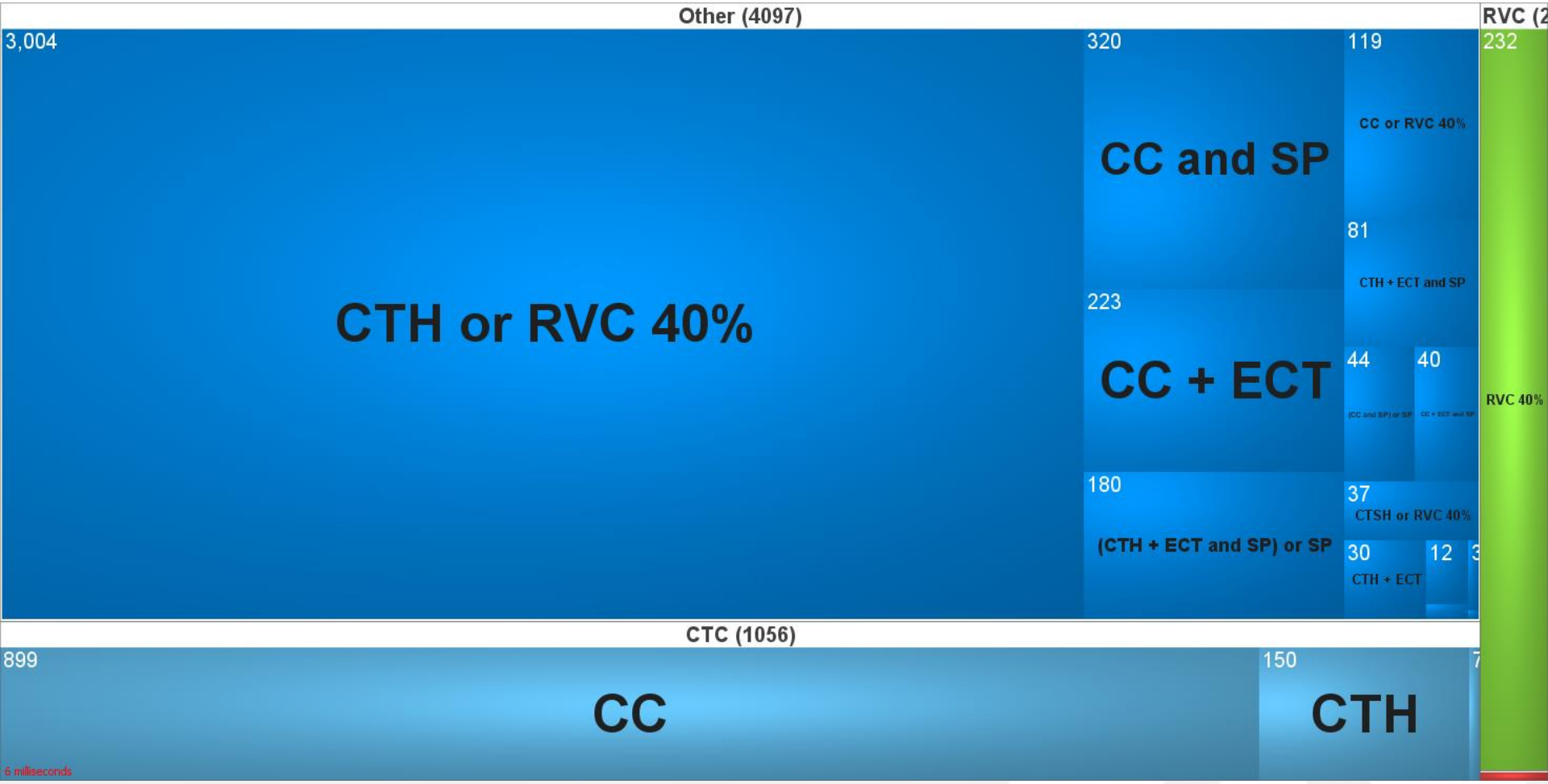
PSR in Japan-ASEAN EPA, across all HS6



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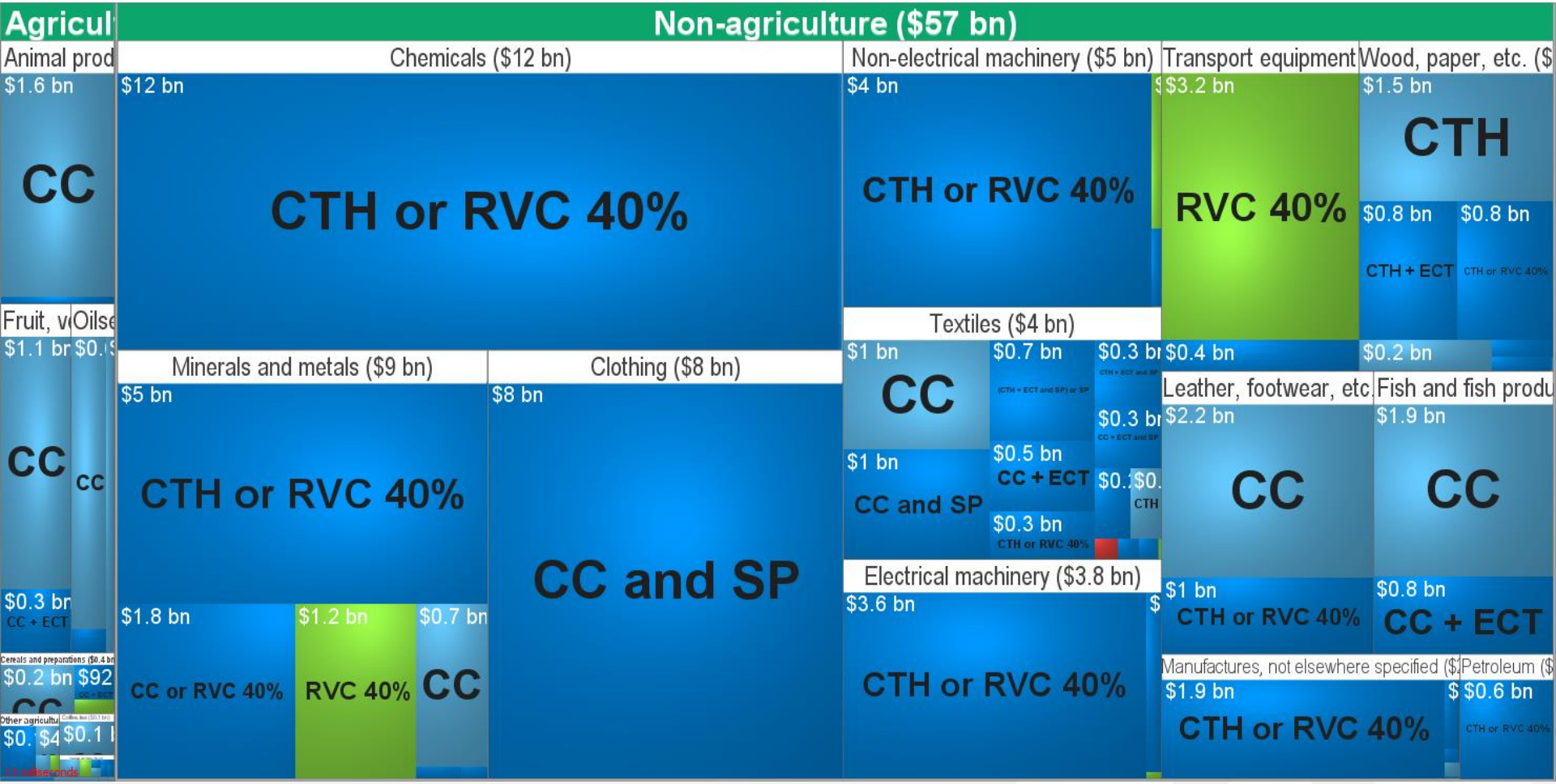
PSR in Japan-ASEAN EPA, by eligible imports



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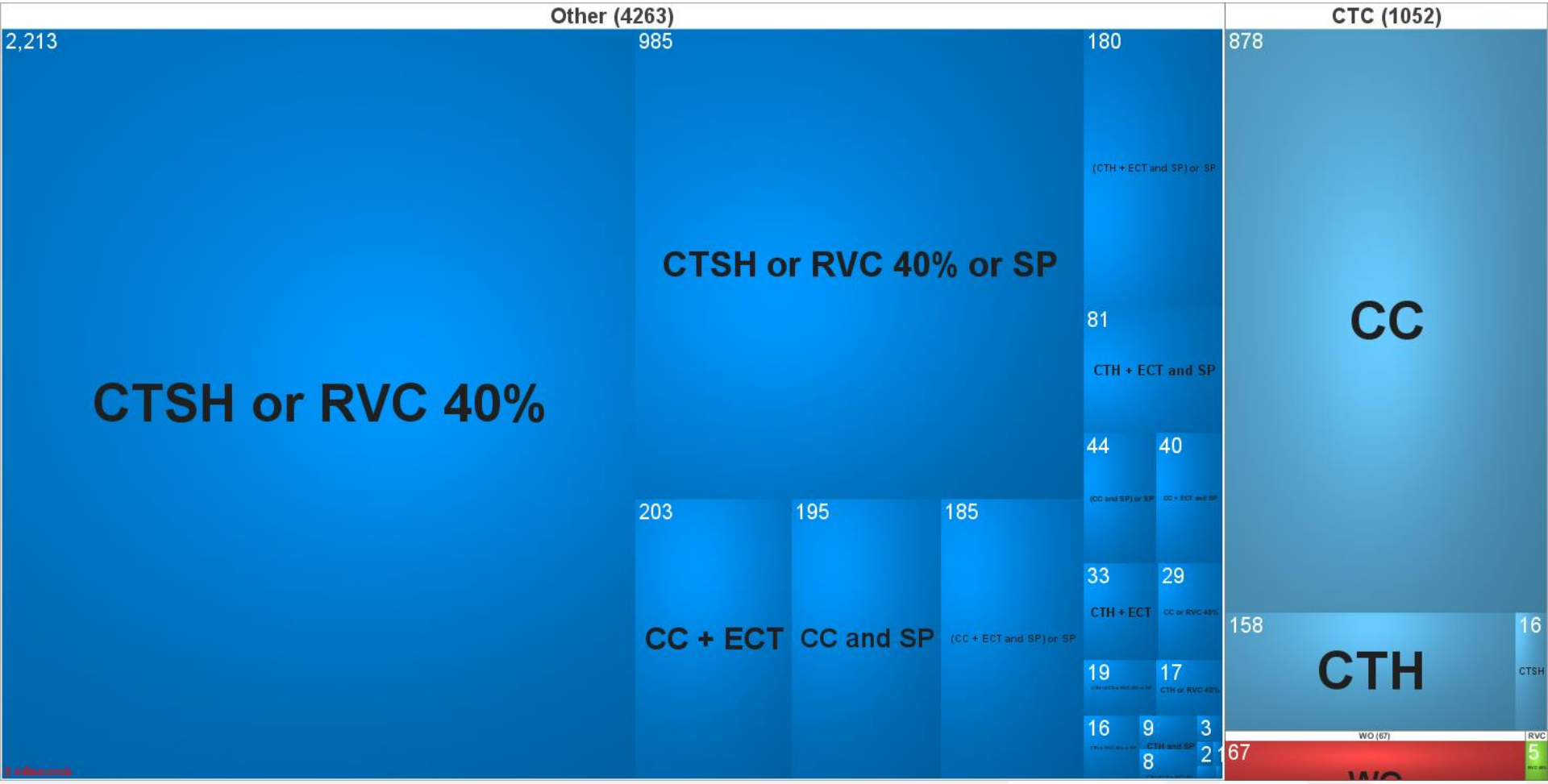
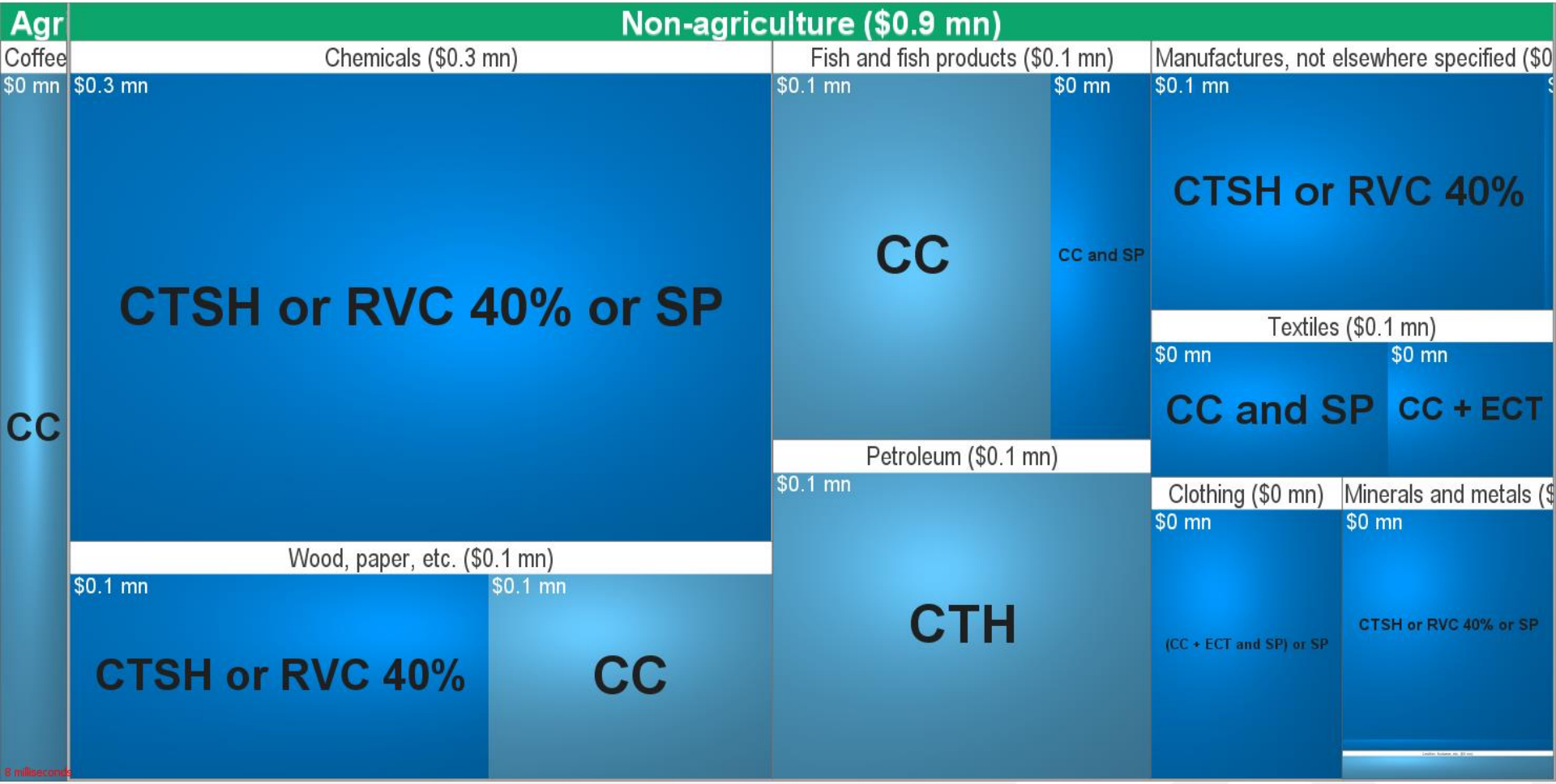
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Brunei EPA, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Brunei EPA, by eligible imports



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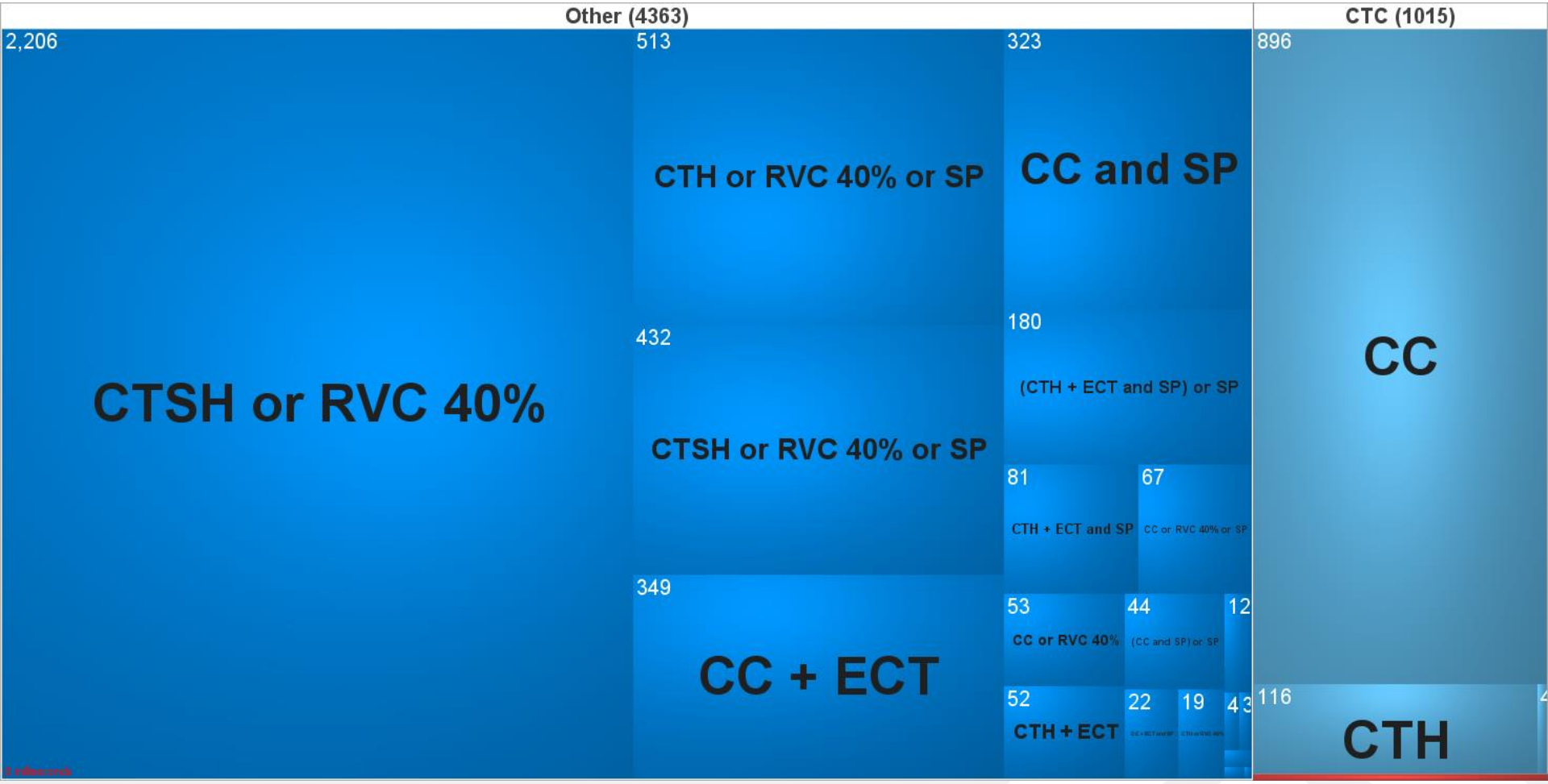
PSR in Japan-Indonesia EPA, across all HS6



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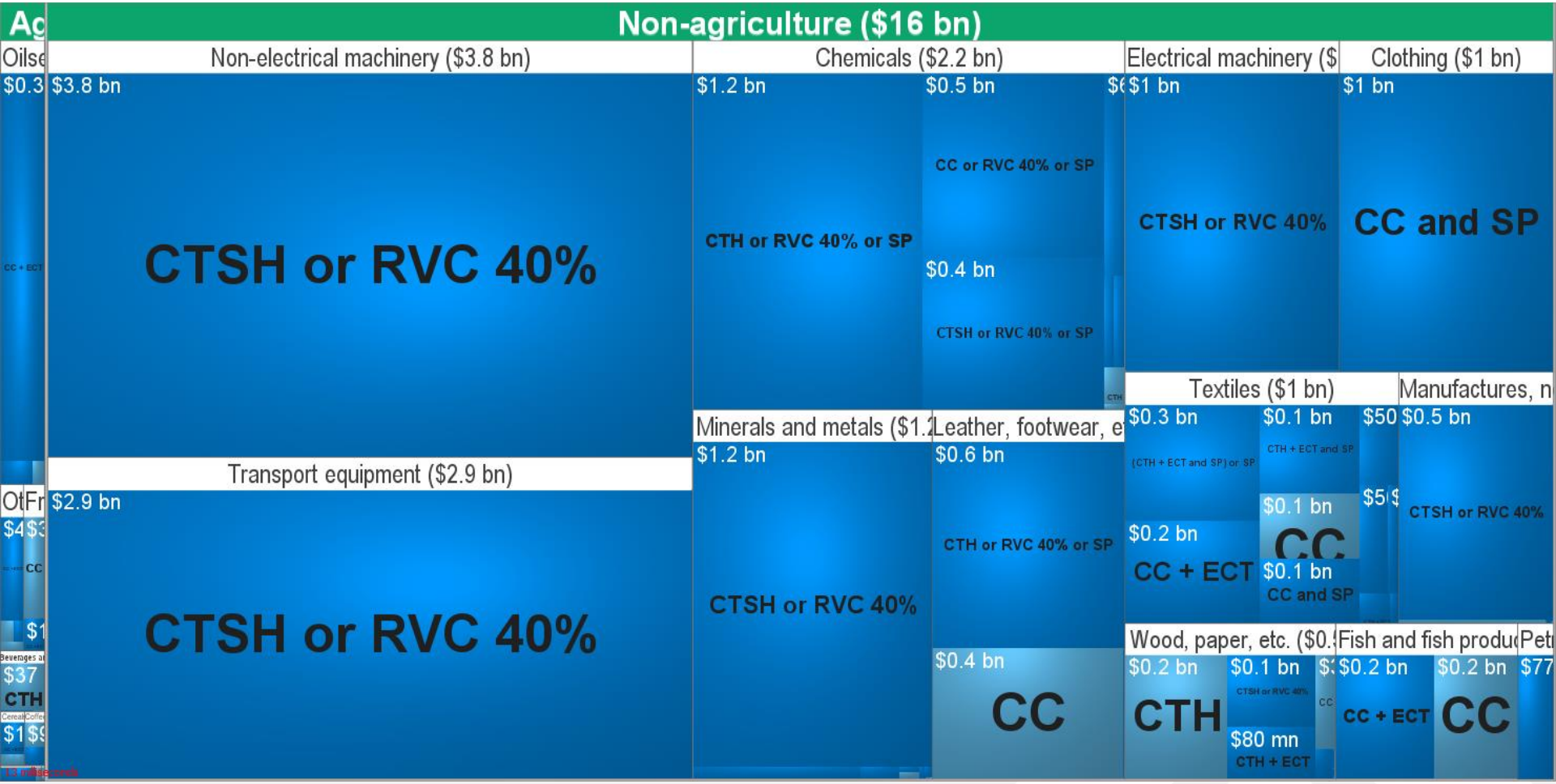
PSR in Japan-Indonesia EPA, by eligible imports



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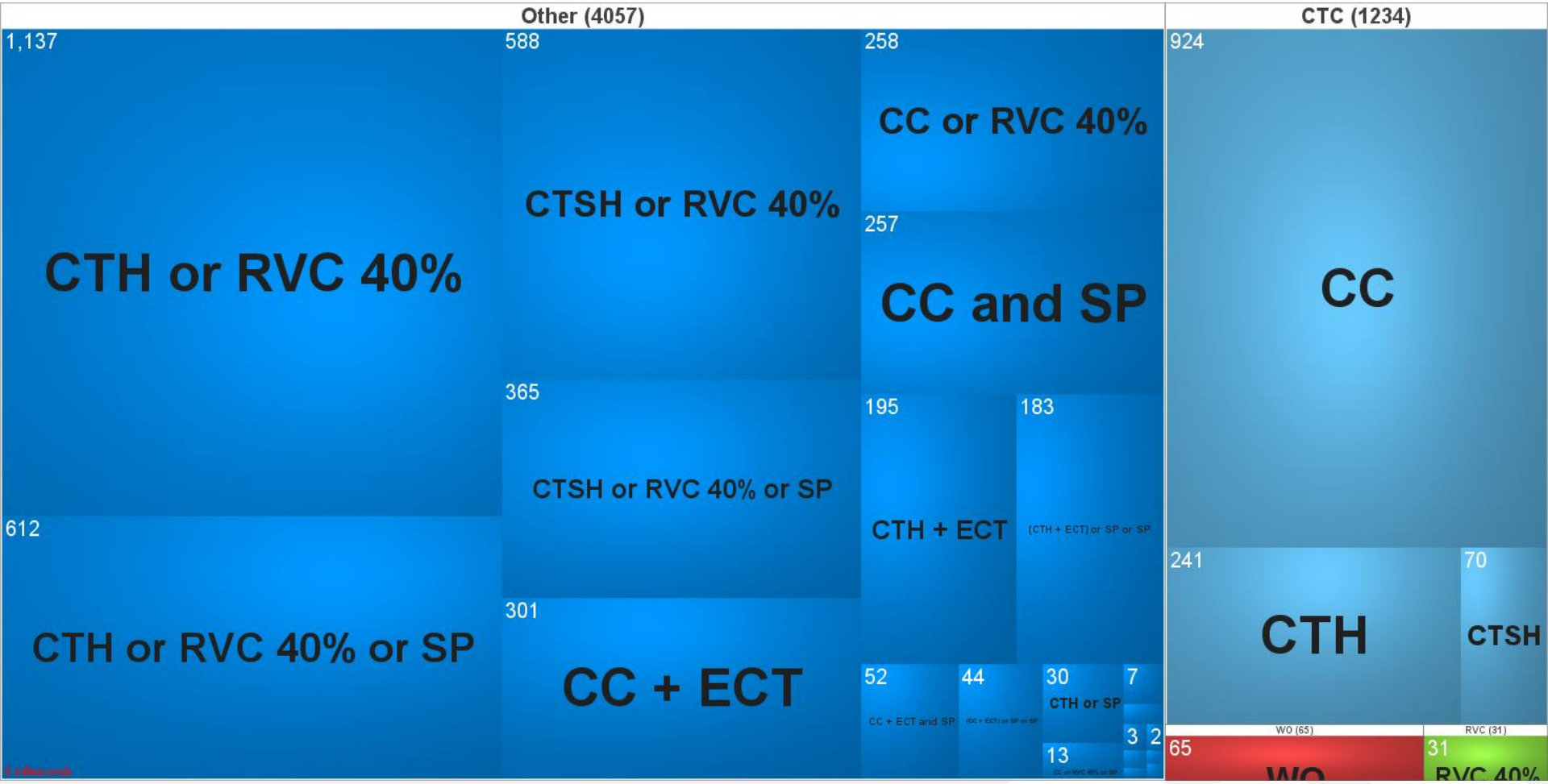
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Thailand EPA, across all HS6



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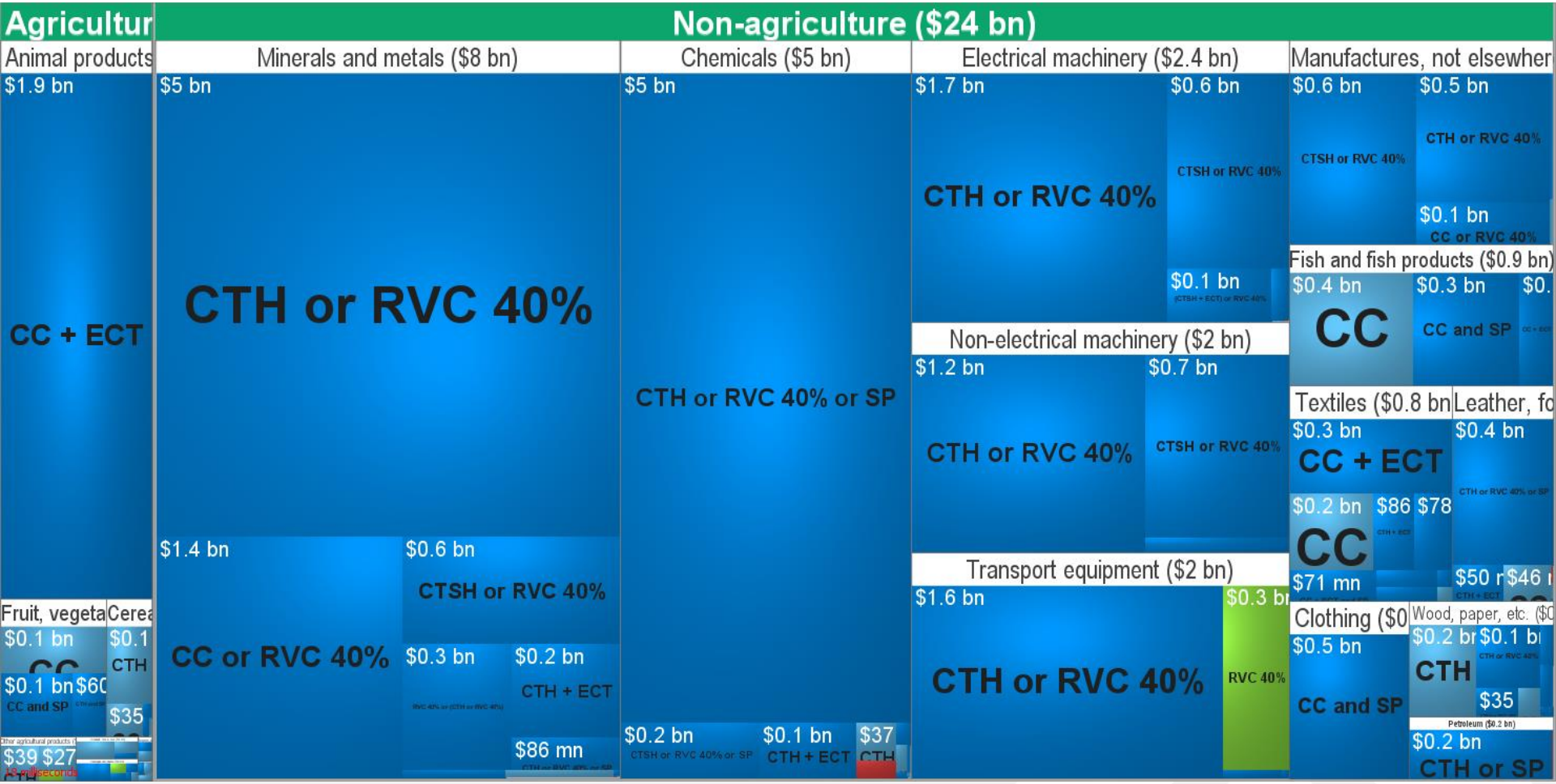
PSR in Japan-Thailand EPA, by eligible imports



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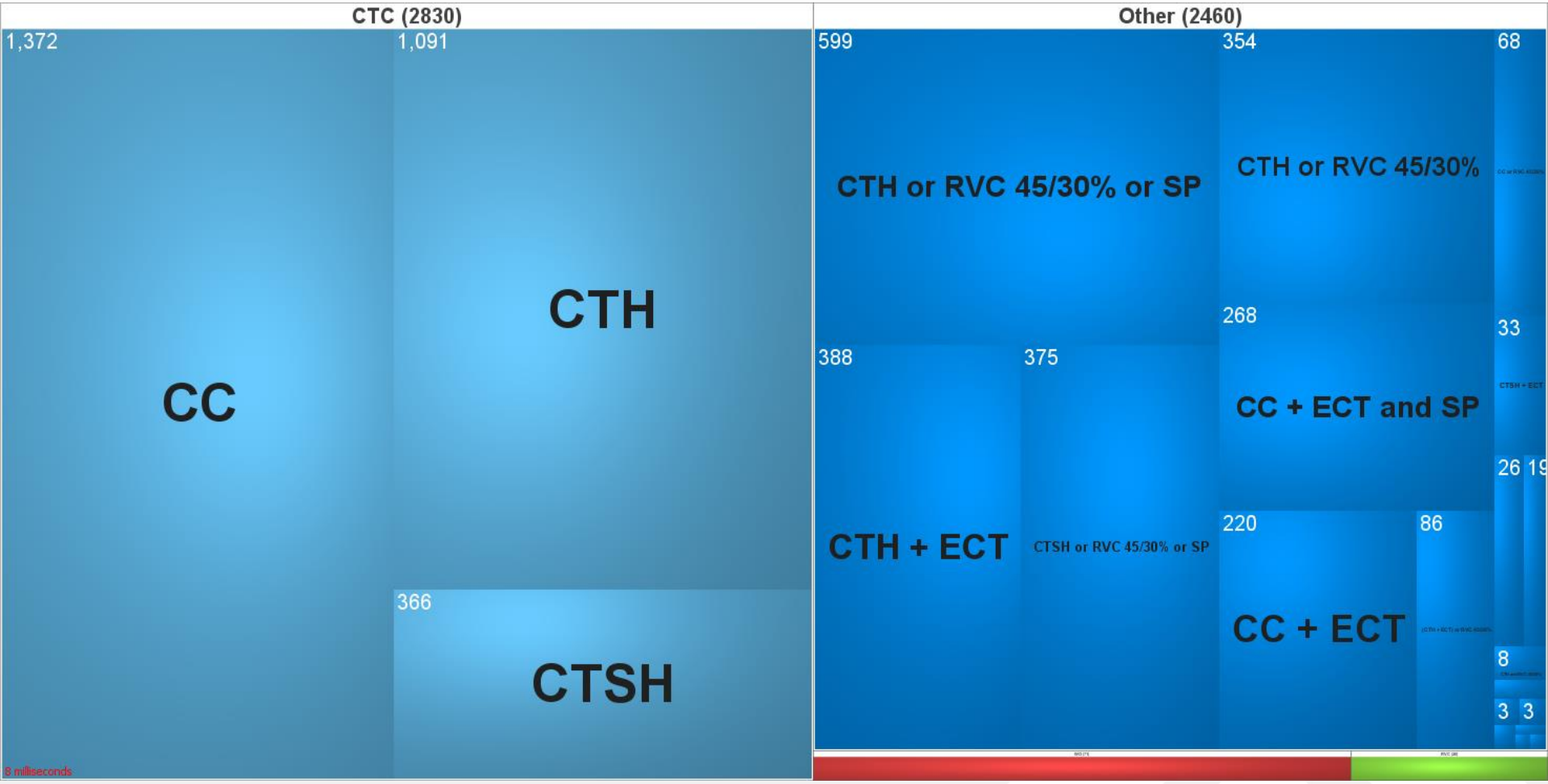
PSR in Japan-Chile EPA, across all HS6



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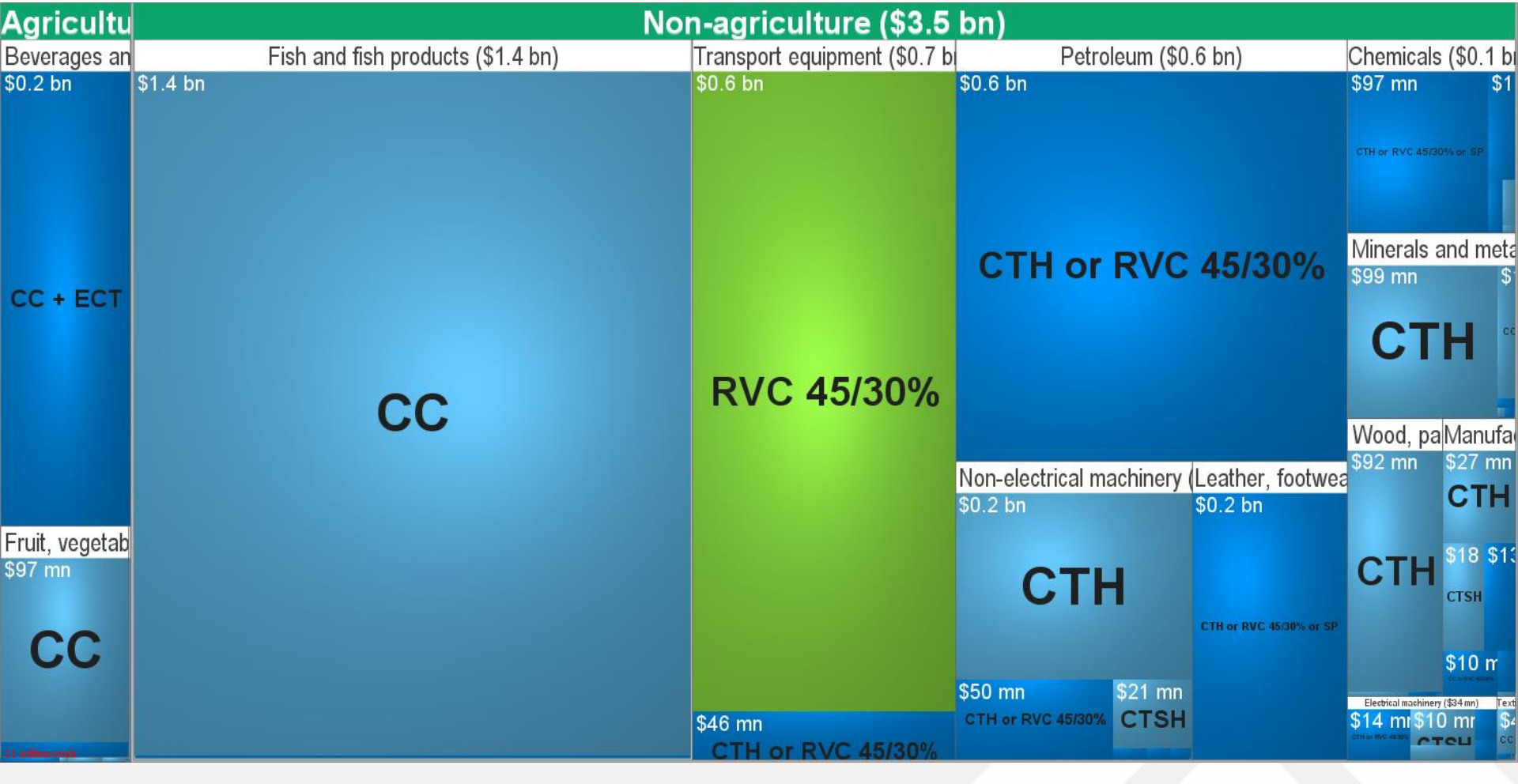
PSR in Japan-Chile EPA, by eligible imports



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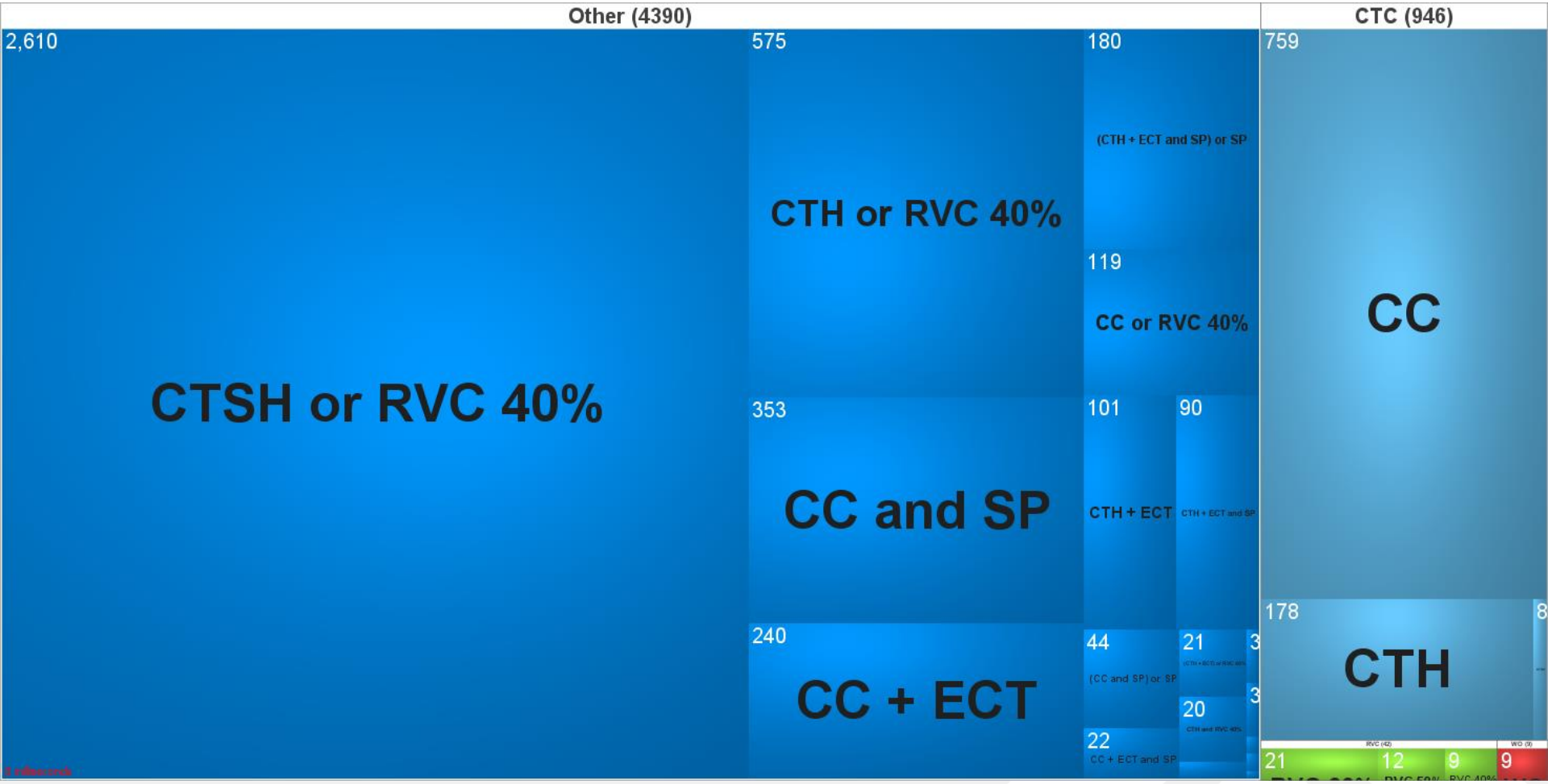
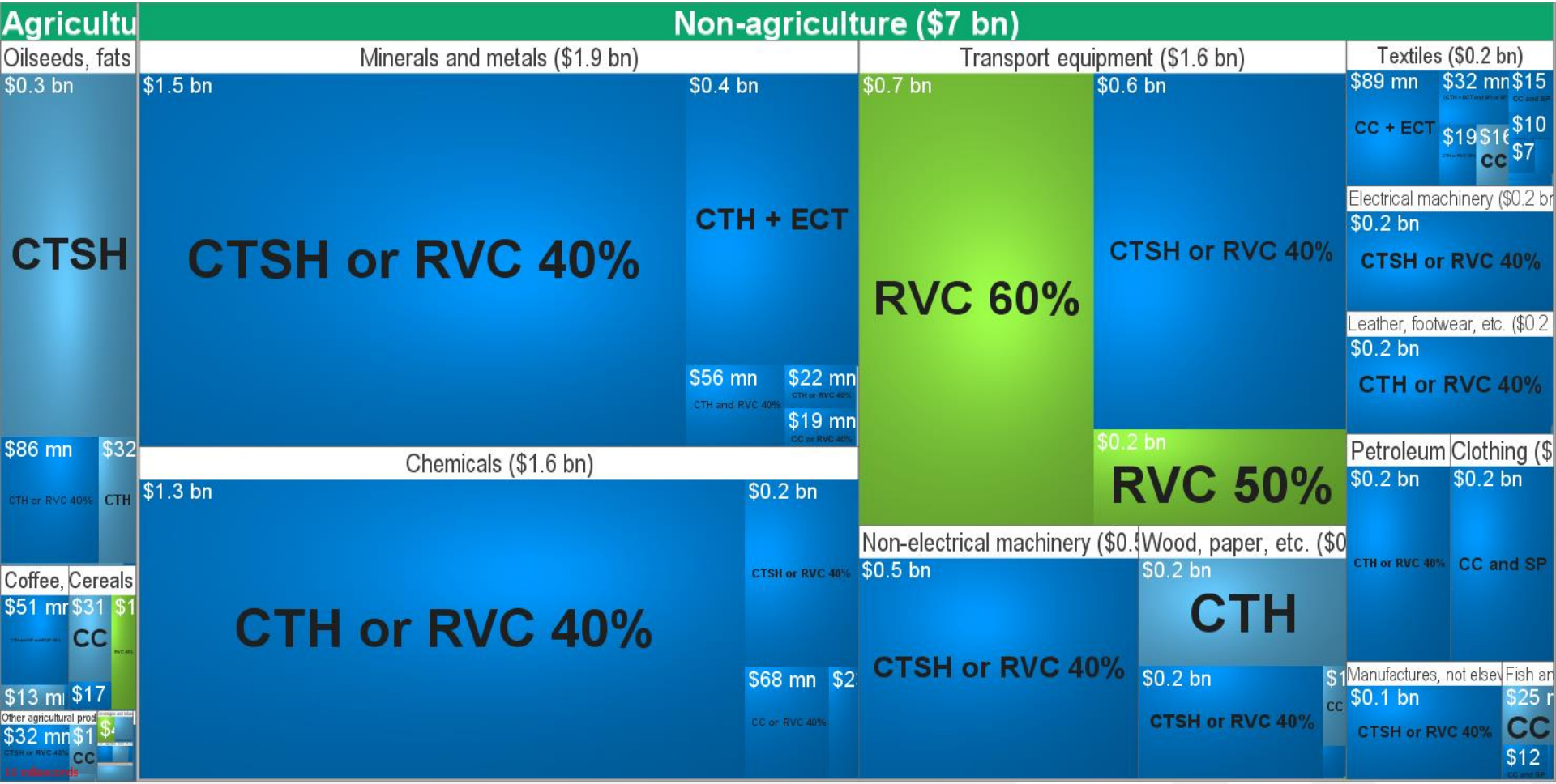
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Malaysia EPA, across all HS6



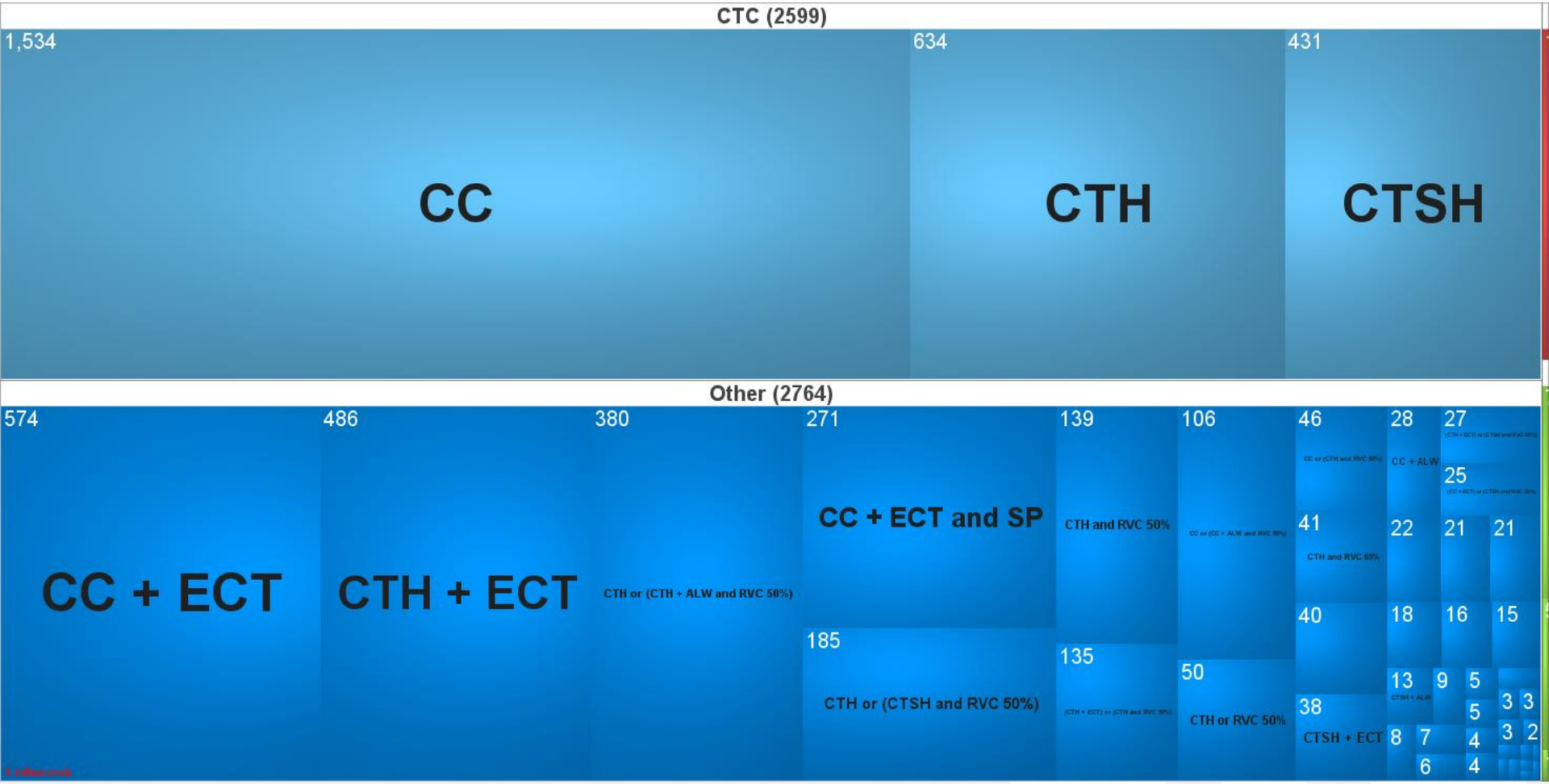
Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Malaysia EPA, by eligible imports



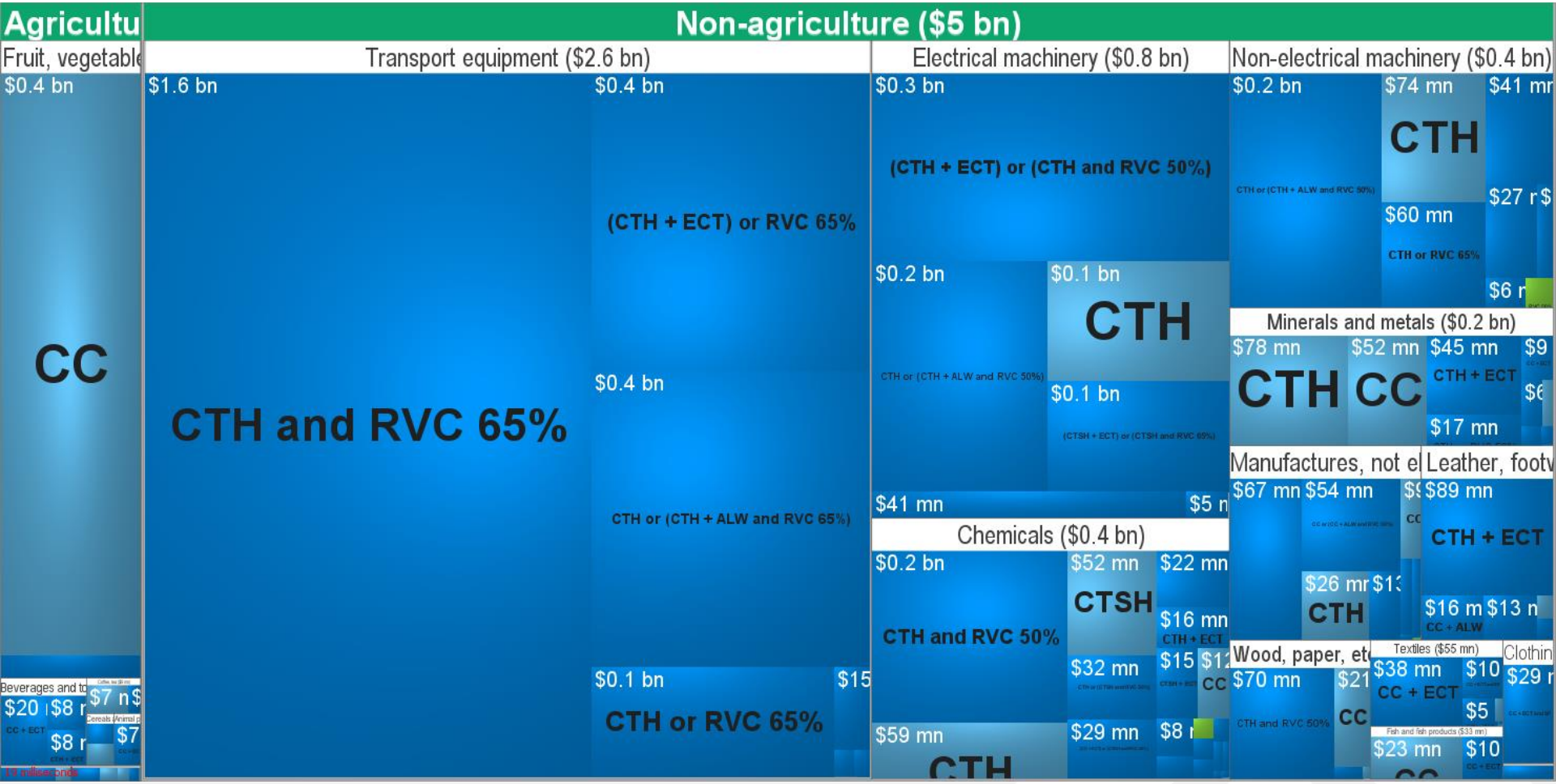
Note 1: HS6 codes were aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1. Intra-PTA imports at the tariff line level are eligible if the preferential margin is non-zero.
Note 2: Product sectors are defined in World Tariff Profiles 2019.
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Mexico EPA, across all HS6



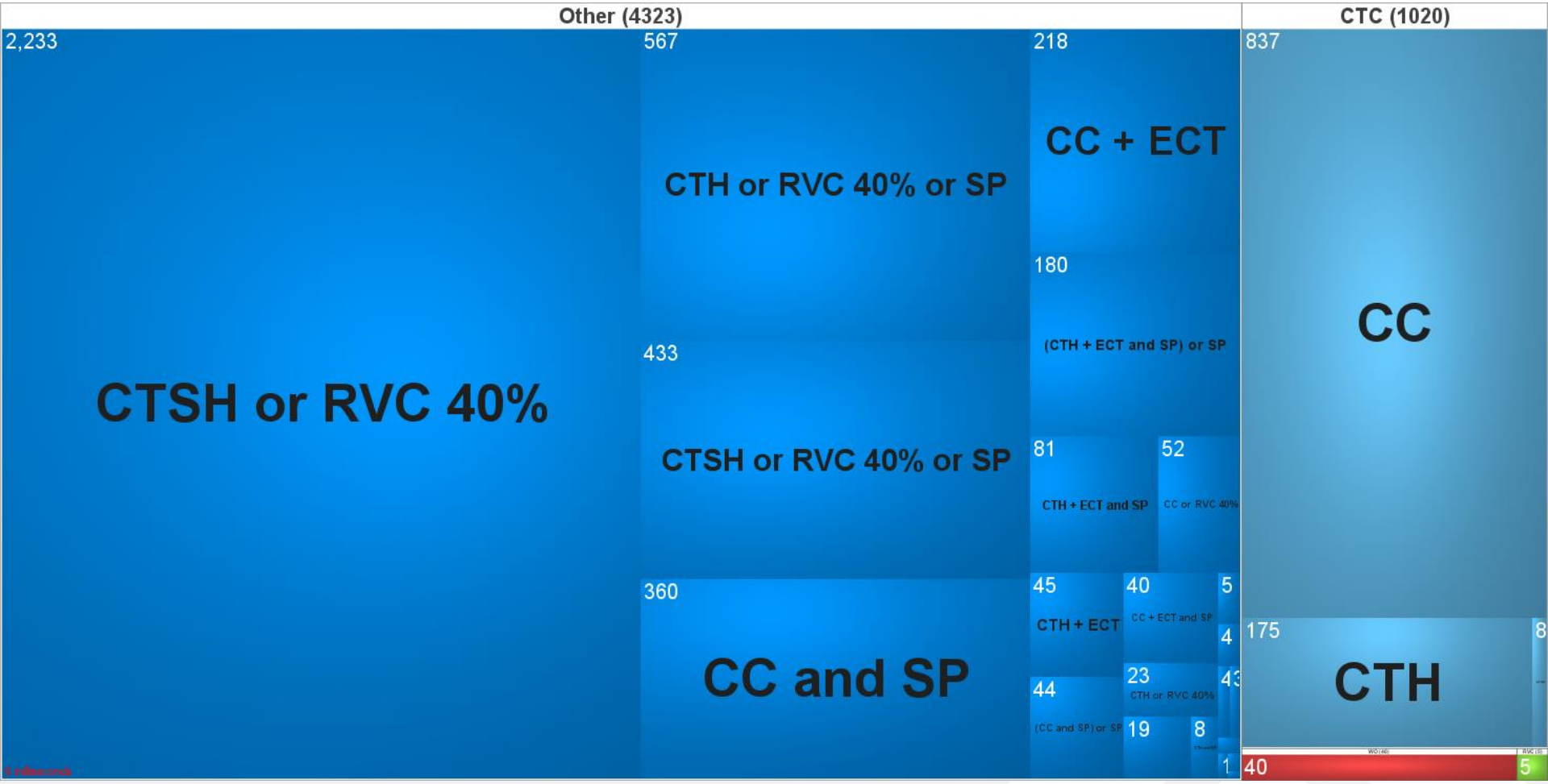
Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Mexico EPA, by eligible imports



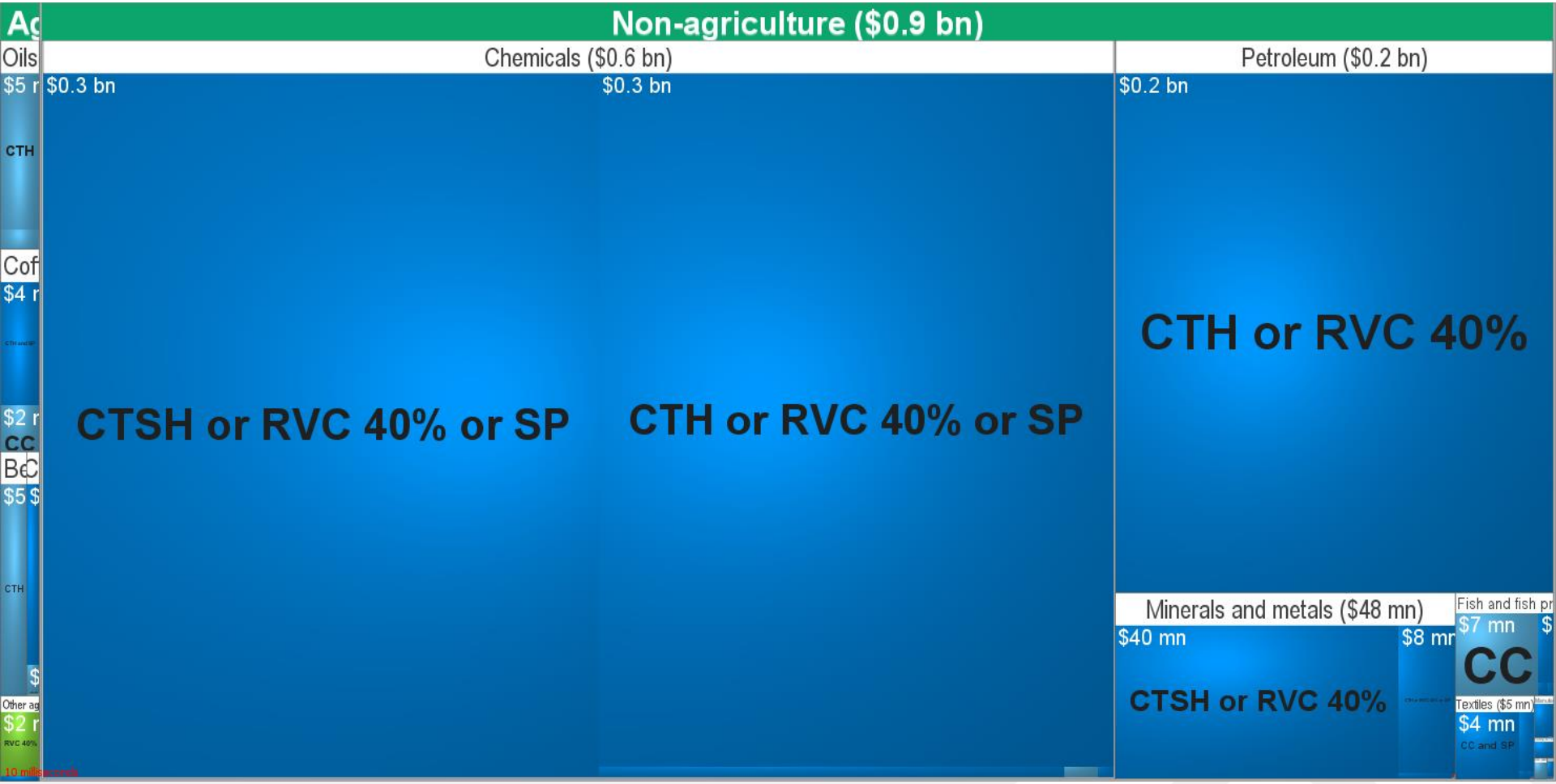
Note 1: HS6 codes were aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1. Intra-PTA imports at the tariff line level are eligible if the preferential margin is non-zero.
Note 2: Product sectors are defined in World Tariff Profiles 2019.
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan-Singapore EPA, across all HS6



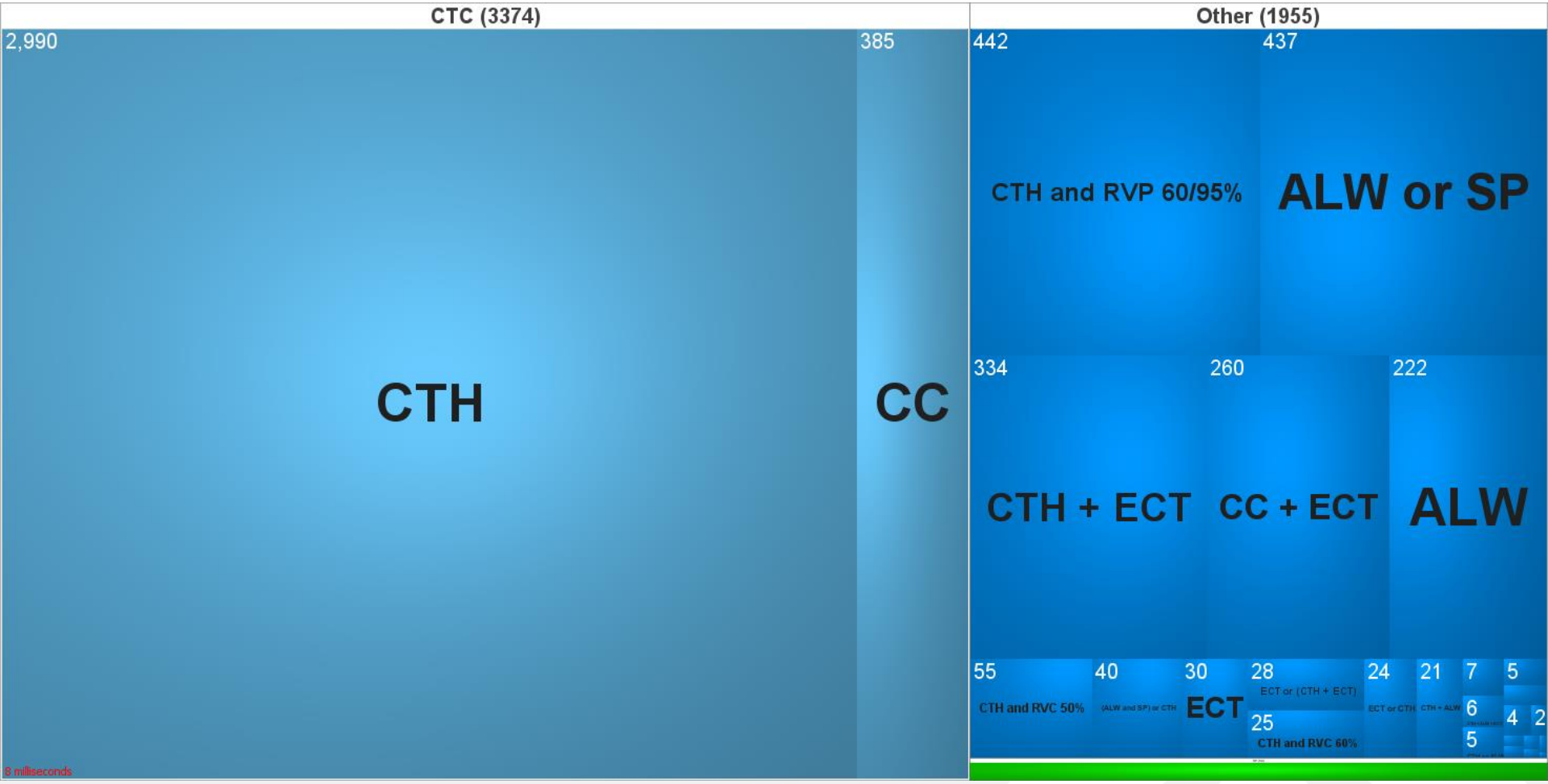
Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan-Singapore EPA, by eligible imports



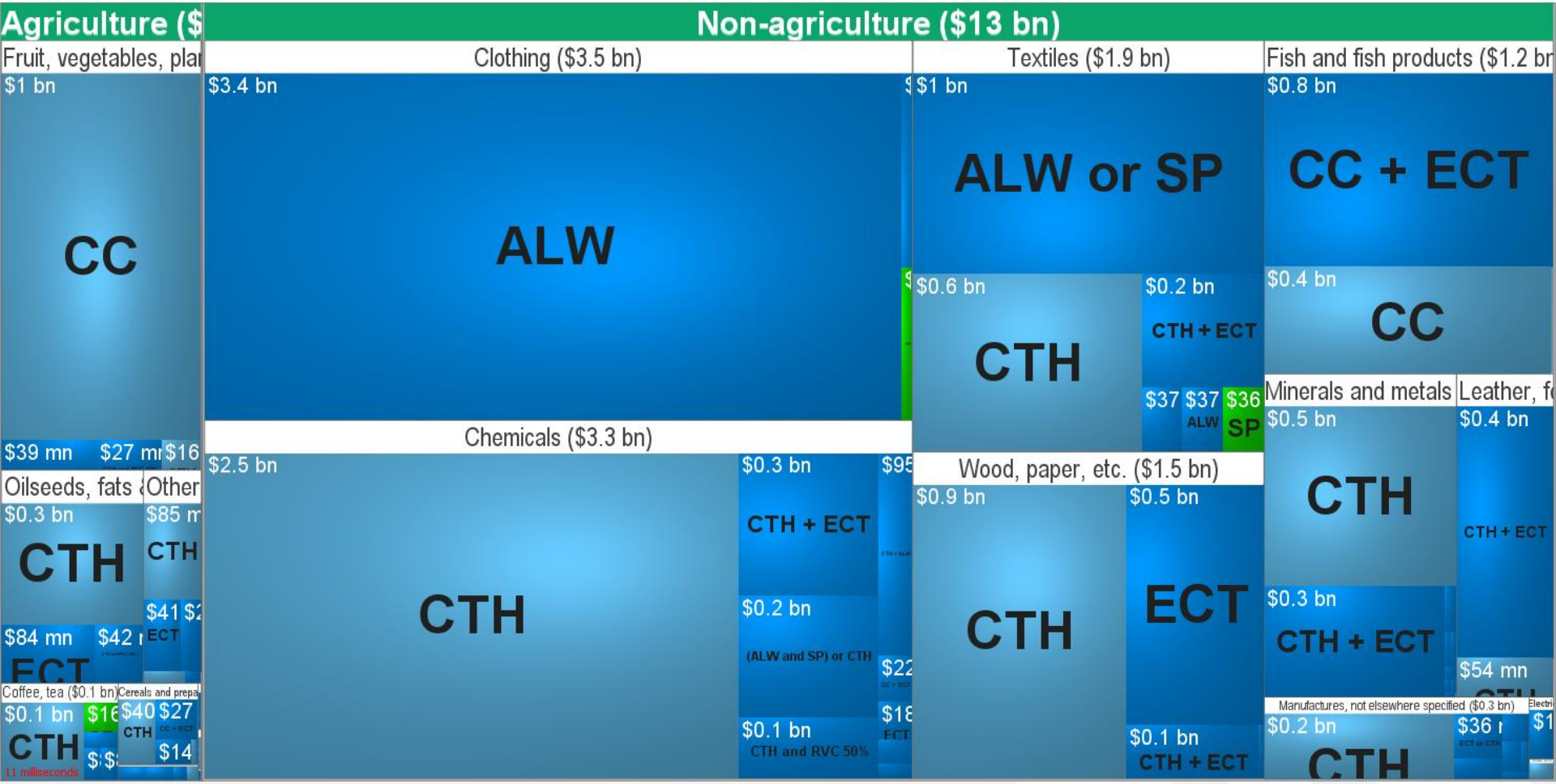
Note 1: HS6 codes were aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1. Intra-PTA imports at the tariff line level are eligible if the preferential margin is non-zero.
Note 2: Product sectors are defined in World Tariff Profiles 2019.
Note 3: Trade and tariff data are based on the latest available year.

PSR in Japan GSP, across all HS6



Note: HS6 have been aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1.

PSR in Japan GSP, by eligible imports



Note 1: HS6 codes were aligned with HS2017. Split headings within a single HS6 code were normalized to add up to 1. Intra-PTA imports at the tariff line level are eligible if the preferential margin is non-zero.
Note 2: Product sectors are defined in World Tariff Profiles 2019.
Note 3: Trade and tariff data are based on the latest available year.