

CHAPTER 1

ISSUES ON TRADE IN GOODS

The economic partnership agreements that have been entered into by Japan are unique in nature for their comprehensiveness. The provisions on trade in goods alone provide, in addition to commitments by the parties to eliminate tariffs, rules of origin to determine the nationality of goods, disciplines on antidumping measures, standards and conformity assessment procedures and bilateral safeguard measures as the safety valve for liberalization undertaken pursuant to the EPAs/FTAs.

A. TARIFFS

Upon entering into an EPA/FTA each country commits to trade liberalization in goods by either an immediate elimination of the tariffs on the goods of the counterparty country upon the entry into force of the agreement or a reduction of the present tariff rate over a certain number of years. In this day where industrial products are often manufactured through cross-border supply chains, it is important to deepen understanding about tariff elimination and reduction commitments by both Japan and foreign countries under their EPAs/FTAs.

The elimination of tariffs in EPAs/FTAs is regulated by Article XXIV of GATT, which states that tariffs concerning substantially all the trade between the constituent territories should be eliminated within a reasonable length of time. Details of this requirement are contained in Part II, Chapter 16 of this Report.

1. METHODS OF ELIMINATING TARIFFS

The method of eliminating tariffs in each EPA/FTA is determined by the tariff elimination period, the tariff rate that serves as criteria for elimination (base rate), and the tariff elimination formula set forth for each item. These elements are, generally, stipulated in the tariff schedule, which is an annex of EPA/FTA.

1) THE TARIFF ELIMINATION PERIOD

(1) For Regional Trade Agreements among Developed Countries and Between Developed and Developing Countries

In EPAs/FTAs among developed countries and between developed and developing countries, such as in the Singapore-New Zealand FTA (effective 2001), tariffs for all items are immediately eliminated upon the entry into force. In many cases, Periods for tariff elimination range from immediate elimination (as in the case of many agreements), to ten (10) years (the permitted upper limitation under Article XXIV of GATT), and additional medium-term elimination periods are set at, for example, three (3); five (5); or seven (7) years.

(2) For Regional Trade Agreements between Developing Countries

The tariff elimination period is generally longer in EPAs/FTAs between developing countries based

on the Enabling Clause (described in previous Chapters). The China-ASEAN agreement, under which the Trade in Goods Agreement came into effect in 2005 (early harvest -- described below-- has been implemented since 2004 for some items), sets the period of tariff elimination for China and the original 6 members of ASEAN at four (4) years (if the tariff rate is under 10%); or five (5) years (if the tariff rate is 10% or higher) or seven (7) years for some items. In the case of CLMV (Cambodia, Laos, Myanmar and Viet Nam), the period is ten (10) years in principle and thirteen (13) years for some items. As to CLMV, up to approximately 4.8% of the number of items of each country are permitted as tariff elimination items exceeding ten (10) years. While the specific number of years for tariff elimination is different for the original 6 members of ASEAN than it is for the CLMV, AFTA (effective 1992) sets the range of tariff rates at between 0-5% in approximately 10 years, and provides that tariff elimination commitments should be effectuated in the next 10 years or so.

2) BENCHMARK FOR TARIFF ELIMINATION (BASE RATE)

Although most-favored-nation (MFN) tariff rates at the time of negotiations are usually applied as the base rates that serve as criteria for elimination, there are cases where MFN tariff rates at the time of negotiations are not used as base rates. For instance, in the EPAs that Japan has concluded, if the other parties are countries that have adopted a generalized system of preferences (GSP), GSP tariff rates are used as base rates for items covered by the GSP with some exceptions (in principle, these items are removed from the list of items covered by the GSP after the EPA comes into effect). There are also cases where the sensitivity of a product is reflected in the base rate. In the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) and the Japan-Viet Nam EPA, tariff rates higher than MFN tariff rates, but not exceeding the WTO bound rates, are used as base rates on such items as steel, steel products, automobile parts, and chemicals in regard to Viet Nam. This is because Viet Nam insisted on the importance of inviting investment in and protecting investment plans for such industries.

Although EPAs/FTAs represent bilateral or multilateral preferential relations, signatory countries in some cases may voluntarily reduce the most-favored-nation (MFN) tariff rates below the EPA/FTA preferential tariff rates for some items. Therefore, there may be cases where MFN tariff rates are lower than EPA preferential tariff rates. Anticipating such cases, some of Japan's EPAs/FTAs provide that EPA/FTA preferential tariff rates shall be at the same rates as MFN tariff rates when MFN tariff rates are lower than EPA/FTA preferential tariff rates (e.g. Article 2.4, paragraph 4, etc. of the Japan-Australia EPA). On the other hand, based on the view that EPA/FTA tariff rates are preferential and therefore should be always lower than MFN tariff rates, some FTAs such as the EU Chile Association Agreement and the Singapore-India FTA call for an EPA/FTA preferential tariff rate of an item to be reduced or eliminated when its MFN rate is lowered so that the preferential tariff rate always is lower than the MFN tariff rate.

3) THE TARIFF ELIMINATION FORMULA

Basic tariff elimination methods are: (i) the immediate elimination upon the entry into force of the agreement; (ii) phased elimination by equal reductions; (iii) one-time elimination after the maintenance of present tariff rates for several years from the entry into force or until the elimination deadline; and (iv) the phased elimination with a substantial reduction in the first year, followed by equal reductions (as was applied to the tariff on automobiles of Thai origin under the Australia-Thailand agreement). In many regional trade agreements, the tariff elimination formula and period are generally based on the sensitivity of a product. NAFTA's tariff elimination periods basically fall into the following four categories: (i) immediate elimination; (ii) four years; (iii) nine years; and (iv) fourteen years. It also provides a tariff elimination method for exceptional items individually. In some agreements, the applicable tariff elimination periods and formulas are automatically determined by base rates. For

example, the Australia-New Zealand Closer Economic Relations Trade Agreement (“ANZCERTA”) determined to eliminate tariffs within five years if the base rate exceeded 5% and to eliminate them immediately if the base rate was 5% or less. The China-ASEAN FTA sets five methods of tariff elimination, depending on the base rate. In addition, there are methods unique to regional trade agreements between developing countries that include an early harvest of tariff elimination and reduction partially in advance. For instance, in the India-Thailand FTA, an early harvest (tariff reductions prior to completion of negotiations) has been in effect since September 2004 in regard to 82 items, such as home electric appliances and automobile parts, and the tariffs have already been eliminated. In the Taiwan-China Economic Cooperation Framework Agreement (ECFA), an early harvest was implemented in January 2011 through to January 2013 to eliminate tariffs on 806 items (539 items of China origin and 267 items of Taiwan origin), including petrochemical products, machinery, and textile products, etc.

There are also cases where a party promises to offer most-favored-nation treatment to the other party with regard to tariff rates, which is often seen in the service chapter of FTAs. The U.S.-Peru FTA, which was concluded in December 2005, for instance, provides that if Peru promises, in an EPA/FTA with a third country, to offer lower tariff rates on some agriculture, forestry and fishery products (such as beef, pork, milk, butter and other prepared food stuffs) than the preferential tariff rates Peru promised to offer to the United States, the preferential rates offered to the third country shall apply to the United States.

2. EXCEPTIONAL ITEMS IN TARIFF ELIMINATION

Exceptions to tariff elimination can be classified as follows:

- (i) Items subject not to tariff elimination but to tariff reduction;
- (ii) Items subject to a tariff quota;
- (iii) Items that are exempted from tariff elimination or reduction upon the entry into force of the agreement and specified as items to be renegotiated in the future (renegotiation items);
- (iv) Items subject to commitments to prohibit introduction of a new tariff or tariff increases (standstill); and
- (v) Items not subject to any tariff concession (exclusion).

3. OTHER RELATED PROVISIONS

EXPORT DUTIES

With regard to export duties (see Column “Resources/Energy and WTO Rules” in Chapter 3, Part II), Paragraph 1 of Article XI of GATT explicitly excludes duties, taxes and other charges. It is thus considered that export duties are not subject to the disciplines under the WTO Agreements. However, as export duties have a trade distortion effect, in the EPAs that Japan has concluded, strict restraints which exceed those of the WTO Agreements are introduced. For example, the Japan-Singapore EPA, the Japan-Peru EPA and the Japan-Australia EPA provide for the elimination of export duties. In addition, the Japan-Philippines EPA (Article 20) provides that each country shall exert its best efforts to eliminate export duties.

B. RULES OF ORIGIN

1. BACKGROUND OF THE RULES

Rules of origin are rules under domestic laws and regulations or EPAs/FTAs which are used to assess the “nationality” of internationally traded goods. They can be generally classified into those applicable to preferential sectors and those applicable to non-preferential sectors. Those applicable to non-preferential sectors are subject to the WTO Agreement on Rules of Origin, and are currently being discussed for harmonization (*see* Part II, Chapter 10 of this Report on Rules of Origin for details). EPA/FTA rules of origin purport to assess the originating goods of EPA/FTA contracting parties and to prevent a preferential tariff treatment under the relevant EPA/FTA from being applied to goods which are substantially produced in a non-contracting party and then imported to a contracting party through the other contracting party (prevention of circumvention).

2. OVERVIEW OF LEGAL DISCIPLINES

Rules of origin under EPA/FTAs are, in general, comprised of: (i) rules of origin; and (ii) origin certification procedures.

1) RULES OF ORIGIN

Rules of origin are generally comprised of (a) origin criteria to determine the origin of goods; (b) ‘provisions adding leniency’ in the application of the rules of origin assessment process; and (c) provisions to prevent circumvention from a non-contracting party.

(1) Origin Criteria

The commonly adopted criteria to determine the origin of goods are:

Wholly Obtained Criterion

The goods must be “wholly-obtained” within the contracting party. This criterion applies mainly to agricultural products and minerals (for example, a cow that was born and raised in the relevant country, iron ore that was extracted from a mine in the relevant country).

Note: The criterion such as “Produced Entirely from Originating Materials” is stipulated in most of Japan’s EPAs.

Substantial Transformation Criterion

This criterion, applied to produced/processed goods, requires that the content be substantially produced/processed within the contracting party to an extent sufficient to grant originating status to such goods which use imported raw materials (non-originating goods) from a non-contracting party. Substantial transformation criterion is usually described the following methods:

(a) CTC Rule: Change in Tariff Classification Rule

Under this rule, if the tariff classification of non-originating raw material and the tariff classification of the goods produced from such non-originating raw material differ upon production and processing within contracting parties, the goods will be deemed to have undergone substantial transformation and will be granted originating status. The required degree of transformation is determined by the number of

digits of the changed tariff classifications. A change in the first two digits (chapter) of the tariff classification number is referred to as CC (Change in Chapters), a change in the first four digits (heading) of the tariff classification number is referred to as CTH (Change in Tariff Headings), and a change in the first six digits (sub-heading) of the tariff classification number is referred to as CTSH (Change in Tariff Sub-Headings). The earlier the pre-transformation raw material is involved in the production process of such goods, the more the rule will require the implementation of substantial production and processing within the contracting parties, and thus the more difficult it will be to obtain originating status. Generally, CTSH is the rule under which it is the easiest to obtain originating status.

(b) RVC Rule: Regional Value Content Rule

Under this rule, the value added by the process of implementing the procurement, production and processing of goods within the contracting parties' countries is converted into an amount, and if that amount exceeds a certain reference threshold amount, substantial transformation will be deemed to have taken place and originating status will be granted to the goods. Under this rule, the higher the threshold, the more difficult it is to obtain originating status. This rule is considered less burdensome than the CTC rule with respect to management of procurement and plant location decisions. However, the RVC rule poses significant burdens relating to collection and organization of detailed accounting data when evidencing the originating status of goods, and, in some cases, obligations to disclose cost information to customers procuring such goods.

(c) SP Rule: Specific Process Rule

Under this rule, substantial transformation is deemed to have occurred if certain production and processing activities occurred within the contracting parties' countries, thereby granting originating status to the goods. This designates originating status processes that cannot be applied by changes in the tariff classifications. Examples of adoption of this rule can be seen in some chemical products, apparel products, semiconductors, etc.

EPAs/FTAs usually stipulate the details for determining originating goods status as a result of substantial production/processing further to the three criteria described above. In addition, using these criteria, specific rules are generally prescribed for each item separately as "product-specific rules (PSR)."

(2) Leniency Provisions

Various types of leniency provisions are set forth in rules of origin in order to facilitate satisfying originating criteria. Major leniency provisions include:

Accumulation/Cumulation

Accumulation/Cumulation is applicable to both CTC rule and RVC rule. If originating parts or raw materials of an EPA/FTA contracting party used in the production of the goods in the other FTA contracting party, they are regarded as originating parts or raw materials of the latter party. Under some EPAs/FTAs, production occurring in a Party's territory may be regarded as production occurring in the other Party's territory. Accumulation/Cumulation has the effect of increasing exports of the exporting country's own products and in turn, promoting intra-regional trade and division of production activities within the FTA contracting parties.

Rollup

Rollup is a provision to calculate value-added amount of goods. If material has acquired originating status, the value of non-originating portion of such material may be counted (*i.e.*, cumulated with) as

originating.

Tracing

Tracing is a provision to calculate value-added amount of goods. If material is non-originating, the value of originating portion of the material may be deducted from the value of the non-originating material.

De Minimis

Where CTC rule is required, originating status would nonetheless be granted to a good even though it does not fulfill the applicable product-specific rules (PSR), if the percentage of non-originating materials of the good which do not undergo the change in tariff classification do not exceed certain percentage of the value or weight of the good. In other words, *de minimis* allows that the value or weight of non-originating material not more than the threshold provided may be disregarded for determining originating status.

(3) Provisions on Prevention of Circumvention from a Non-contracting Party

Provision on Minimal Operation in Respect of which Originating Status is Not Granted

Minimal Operation is a safety net provision, stating that goods is not considered as originating if they seemingly satisfy the applicable product-specific rules (PSR), but in fact were not substantially produced or processed within the contracting party.

Consignment Conditions

Consignment Conditions provides that goods will not lose their originating status as a result of minor processing thereof (*i.e.*, trans-shipment, or preservation of the goods), even if the vessel carrying the goods stops at the port of a non-contracting party for, *inter alia*, logistical and transportation reasons.

2) ORIGIN CERTIFICATION PROCEDURE

The preferential origin certification systems in EPAs/FTAs can be generally categorized as two types: third-party certification system and self-certification system. The self-certification system can be divided into three categories by focusing on the subject of obligations and penalties: self-certification by approved exporters, self-certification by exporters, etc., and self-certification by importers.

(1) Third-Party Certification System:

This is a system under which a certificate is issued to an exporter by the authority of the exporting party or the agency designated by the authority. This approach is used in Japan's EPAs and AFTA (ASEAN Free Trade Area; a free trade agreement by 10 ASEAN member countries).

Features for this system are as follows:

- The authority of the exporting party takes measures concerning the obligations of the receiver of a certificate (record keeping, etc.) and appropriate penalties or sanctions.
- The authority of the exporting party mainly responds to verification requests from the customs authority of the importing party.

(2) Self-Certification System:

Self-certification by approved exporters

Exporters approved by the authority of the exporting party make out an origin declaration (a certificate of origin). This system is mainly used by the EU. The system has also been introduced in the Japan-Switzerland EPA, the Japan-Peru EPA and Japan-Mexico EPA (revision), which came into effect in September 2009, March 2012, and April 2012, respectively.

Features for this system are as follows:

- The authority of the exporting party takes measures concerning the obligations of the approved exporters (record keeping, etc.), and appropriate penalties or sanctions.
- The authority of the exporting party mainly responds to verification requests from the customs authority of the importing party.

Self-certification by exporters, etc.

Exporters of the exporting party make out a certificate (requirements are provided for under domestic laws). This system is used in NAFTA, Korea-Chile FTA, Australia-Chile FTA, Korea-US FTA, etc. It is also used in the Japan-Australia EPA, which entered into force in January 2015.

Features of this system are as follows:

- The authority of the exporting party takes measures concerning the obligations of the exporters, etc. (record keeping, etc.).
- The authority of the exporting party mainly responds to verification requests from the customs authority of the importing party.

(3) Self-certification by importers

Importers make out a certificate. This approach is used in the U.S.-Australia FTA, Korea-US FTA, etc. It is also used in the Japan-Australia EPA, which entered into force in January 2015.

Features for this system are as follows:

- The entities that make out a certificate of origin are importers. The authority of the importing party takes measures concerning the duties of such importers (record keeping, etc.).
- Verification is basically conducted for the importers by the customs authority of the importing party. Alternatively, verification is to be conducted on the exporters who provided information on the originating goods to the importers.

3. EPA/FTA RULES OF ORIGIN IN JAPAN AND GLOBALLY

1) EPA/FTA RULES OF ORIGIN IN JAPAN

The rules of origin under the EPAs Japan has entered into with 14 countries/regions or signed with Mongolia have similar requirements, but differ slightly depending on the partner country.

i) Japan-Singapore EPA

The first EPA which Japan entered into, the Japan-Singapore EPA, was signed in January 2002 and entered into force in November of the same year. It has the minimum requisite provisions, following the

rules of origin adopted under Japan's generalized system of preferences (GSP). However, the EPAs subsequently entered into by Japan discussed in 2, 3 and 4 below cover a wide range of matters (*i.e.*, including provisions on inspection under which the relevant authority of the importing party may request information and verification visits to the exporting party). As such additions make the rules of origin easier to apply, and because Singapore so suggested, negotiations were initiated to review the Japan-Singapore EPA in April 2006, and the EPA was amended in order to harmonize it, to a certain extent, with the other more user-friendly EPAs entered into by Japan. The amended agreement entered into force in September 2007 and the product-specific rules (PSR) therein, in principle, permit for options between the CTC rule and the RVC rule, as permitted in the Japan-Malaysia EPA (so called co-equal). As for the RVC rule, its threshold is 40%. In Japan, the issuance of certificates of origin is done by third-party certification by the Chamber of Commerce in each region.

ii) *Japan-Mexico EPA*

This EPA was signed in September 2004 and entered into force in March 2005. This EPA, substantively follows NAFTA, and has relatively detailed provisions compared to other Japanese EPAs. The change in tariff classification rule is the basis of the product-specific rules (PSR) memorialized in the agreement. The value-added threshold varies depending on the products. The major threshold of value-added is 50%. The negotiations were initiated to review the EPA in April 2009. The amended protocol was signed in September 2011 and entered into force in April 2012; it provided further liberalization. As for the certificate of origin system, a self-certification system by approved exporters was introduced in addition to a third-party certification system (issued by the Japan Chamber of Commerce and Industry).

iii) *Japan-Malaysia EPA*

This EPA was signed in December 2005 and entered into force in July 2006. This EPA was drafted based on Japan's experience with the Japan-Singapore EPA and the Japan-Mexico EPA. Rules of origin in the Japan-Malaysia EPA became a model for drafting rules of origin in subsequent negotiations with ASEAN countries. The Japan-Malaysia EPA generally incorporates the basic requirements concerning the rules of origin and certification procedures, which are relatively simple. The product-specific rules (PSR) are basically structured to permit to choose either the RVC rule or the CTC rule ("Co-equal" rules.). As for the RVC rule, its threshold is 40%. The certificate of origin is issued through third-party certification by the Japan Chamber of Commerce and Industry (Same for 4 to 15 below).

iv) *Japan-Philippines EPA*

This EPA was signed in September 2006 and entered into force in December 2008. It is essentially the same as the Japan-Malaysia EPA. Minor differences exist in the product-specific rules (PSR). As for the RVC rule, its threshold is 40%.

v) *Japan-Chile EPA*

This EPA was signed in March 2007 and entered into force in September 2007. It was written based on experiences with Japan's bilateral EPAs with the ASEAN member countries and Mexico. The Japan-Chile EPA provides for value-added thresholds that differ depending on calculation methods for RVC rules. Primarily if the value-added calculation is based on price of non-originating materials (build-down method), the value-added threshold is 45%. If the value added calculation is based on price of originating materials as part of the FOB price of products (build-up method), the value-added threshold is 30%.

vi) *Japan-Thailand EPA*

This EPA was signed in April 2007 and entered into force in November 2007. Basically, it is the same

as the Japan-Malaysia EPA. Regarding product-specific rules (PSR), however, unlike the Japan-Malaysia agreement, it introduces the specific process rule for chemicals upon the request of Thailand. As for the RVC rule, its threshold is 40%.

vii) *Japan-Brunei EPA*

This EPA was signed in June 2007 and entered into force in July 2008. Basically, it is the same as the Japan-Malaysia EPA. Minor differences exist in the product-specific rules (PSR). As for the RVC rule, its threshold is 40%.

viii) *Japan-Indonesia EPA*

This EPA was signed in August 2007 and entered into force in July 2008. Basically, it is the same as the Japan-Malaysia EPA. Minor differences exist in the product-specific rules (PSR). As for the RVC rule, its threshold is 40%.

ix) *Japan-ASEAN EPA*

This EPA was signed in April 2008 and entered into force in December the same year. It is Japan's first multilateral EPA. This EPA is expected to enhance the ASEAN production network by liberalizing the production flow that bilateral EPAs cannot cover. As for the product-specific rules (PSR), not less than 40% of the RVC or a CTC at the 4-digit level are applied in principle, unless otherwise specific rules are provided in the Annex.

x) *Japan-Viet Nam EPA*

This EPA was signed in December 2008 and entered into force in October 2009. Its structure is basically the same as that of the Japan-ASEAN EPA. Minor differences exist in the product-specific rules (PSR). The threshold for the RVC rule is 40%.

xi) *Japan-Switzerland EPA*

This EPA was signed in February 2009 and entered into force in September 2009. It is Japan's first EPA with a developed country in the West. With respect to certificates of origin, the Japan-Switzerland EPA has introduced a system of self-certification by approved exporters, in addition to the third-party certification system. This marks the first usage of self-certification by approved exporters for Japan's EPAs.

xii) *Japan-India EPA*

This EPA was signed in February 2011 and entered into force in August 2011. India is deeply concerned about prevention of trade circumvention. Rules promoting trade were adopted for many products that Japan wants to export, mainly changes in the tariff classification at the six-digit level of the Harmonized System and a value added threshold of 35% (CTSH and VA 35%) as Product Specific Rules (PSR).

xiii) *Japan-Peru EPA*

This EPA was signed in May 2011 and entered into force in March 2012. This is the second EPA after Chile with South American countries. With respect to certificates of origin, following the Japan-Switzerland EPA, a system of self-certification by approved exporters has been adopted, in addition to the third-party certification system.

xiv) Japan-Australia EPA

This EPA was signed in July 2014 and entered into force in January 2015. The certificate of origin system uses third-party certification system and for the first time in Japan's EPAs, self-certification system in which exporters, producers or importers make out a certificate themselves (so-called full self-certification).

xv) Japan-Mongolia EPA

This EPA was signed in February 2015. Its structure is basically the same as that of the Japan-Malaysia EPA. Minor differences exist in the product-specific rules (PSR). The threshold of the RVC rule is 40%.

2) EPA/FTA RULES OF ORIGIN GLOBALLY

Globally, EPA/FTA rules of origin can generally be grouped into three categories: the U.S. Type (adopted by the U.S.); the European Type (adopted by the EU) and the Asian Type (adopted by countries in the Asia region).

(1) U.S. Type

This approach is based on the CTC rule and incorporates the RVC rule with respect to key items. In connection with the value added computation method, the U.S. Type approach requires a more precise calculation for originating status by using the "cost method" and the "originating material accumulation method". Self-certification is the certification method. (Please refer to the column below for further details on NAFTA Rules of Origin.)

(2) European Type

This approach is based on the SP rule and the RVC rule of the EEA agreement (regional economic agreement among European Economic Area, EU member countries, Iceland, Liechtenstein and Norway). The basic certification method is combination of self-certification by approved exporters system and third-party certification system.

(3) Asian Type

The ASEAN Trade in Goods Agreement (ATIGA) came into effect in May 2010, to replace the Common Effective Preferential Tariff (CEPT) of the ASEAN Free Trade Area (AFTA, which is the FTA among the ten member countries of ASEAN) in order to promote the establishment of a common market and local production bases and to further promote trade facilitation. This approach is based on either RVC rules or CTC rules (Co-equal). Most AFTA countries adopt third-party certification (governmental certification) as the certification method, but some countries use self-certification system by approved exporters, depending on the FTA.

COLUMN: RULES OF ORIGIN OF NAFTA

The rules of origin under NAFTA, which was signed in 1992 and entered into force in 1994, are distinctive because NAFTA introduced extremely detailed rules regarding the criteria for originating goods, while generously providing measures to alleviate industry costs in respect to certification. This approach became a model for the Rules of Origin in subsequently executed FTAs (particularly in the Americas).

SUMMARY

In principle, the rules of origin of NAFTA adopt either CTC (as in the US-Canada FTA), or RVC with either CTC or independently for certain items (*i.e.*, automobiles, and consumer electronics). The formula for the calculation under RVC is determined by either of the following two methods: the “transaction value method,” in respect of which calculations are made based on the transaction value of the goods; and the “net cost method,” in respect of which detailed calculations are based on material cost or personnel cost. In addition, under the provisions with respect to accessories, shipping containers and packaging; handling of trans-shipment in a third country; and treatment of indirect material, application costs for enterprises are alleviated and convenience is enhanced by simplifying the calculations and determinations; and under certain conditions, permitting a stopover in a non-contracting party for customs reasons. Further, the self-certification system is used (under the self-responsibility principle) for the purpose of minimizing the industry’s origin certification costs.

PRODUCT-SPECIFIC RULES (PSR)

1) Textiles

In order for textile products (representative example being apparel products: clothes) to be recognized as being of NAFTA origin, all processes, including the final cloth-production process of sewing, as well as the production of textiles (materials for clothes) and the production of yarn (material for textiles), must be conducted in the NAFTA region, except with respect to items set out in Figure III-1-1. This is generally considered one of the strictest CTC rules of the rules of origin. However, NAFTA permits the application of a less strict rule of origin by establishing a threshold amount for qualified products for each year (which is in effect a “tariff quota” approach employing the rules of origin).

Figure III-1-1 Rules of Origin of Textile Products under NAFTA

Production of Yarn	Production of Textiles	Production of clothes (sewing)	NAFTA Originating status of Apparel Product
Within the region	Within the region	Within the region	○
Outside the region	Within the region	Within the region	×
Outside the region	Outside the region	Within the region	×

2) Automobiles

With respect to automobiles, in addition to the change in the heading (first four digits) of the tariff classification, achievement of a certain intra-regional value content ratio is required to grant originating status. The intra-regional value content ratio to be achieved was 50% when NAFTA first entered into force, and was gradually increased to 62.5% (net cost method).

C. ANTIDUMPING AND COUNTERVAILING DUTY

1. BACKGROUND OF THE RULES

In recent years, upon entering into FTAs, non-application of trade remedy measures (including antidumping (AD) measures permitted under the WTO Agreements) within the relevant region and additional disciplines in excess of those under AD agreements often have been incorporated in the FTAs. The reason for the incorporation of such provisions into FTAs since the 1990s is to prevent the enhancement of market access among the FTA contracting parties' countries from being frustrated by abuse of trade remedy measures, and to further enhance regional and bilateral free trade by replacing AD measures with the competition policy articulated in the FTA contracting parties' countries.

2. RELATIONSHIP WITH WTO AGREEMENTS

The non-application of AD measures in EPAs/FTAs presupposes the full integration of the domestic markets of the contracting parties regarding trade in goods, and the establishment of free trade (such as the complete elimination of tariffs). Therefore, it is consistent with the purpose of the WTO. Meanwhile, stricter disciplines than provided by the WTO for procedural and substantive aspects of the regulations in respect of AD measures (WTO-plus disciplines), overlap with proposals made in the process of negotiating WTO AD rules (which are aimed at stricter disciplines). Therefore, it is possible to view such measures as a furtherance of disciplines for AD agreements implemented through bilateral EPAs/FTAs, which are stricter than under the WTO Agreements. However, there is concern that special treatment in respect of applying AD measures under rules stricter than those of the WTO in relation only to EPA/FTA parties' countries may be, depending on the content, in conflict with the principle of most-favored nation treatment under GATT.

3. OVERVIEW OF LEGAL DISCIPLINES

Since the 1990s, while the regulation of AD measures in FTAs have been diversified and often amended, they can be grouped into the following three major categories (the provisions on countervailing duty measures follow the same grouping):

Reaffirmation of Rights and Obligations under the WTO and AD Agreements

In addition to provisions in EPAs/FTAs explicitly confirming rights and obligations under the WTO and AD Agreements, some agreements substantively allow the application of AD regulations under the WTO Agreements within the relevant region, by providing in the general provisions of the relevant EPA/FTA that the exercise of rights under GATT will not be prevented. The Japan-Singapore EPA (and many other EPAs/FTAs) falls under this category.

Stricter Disciplines than the WTO or AD Agreements

Some FTAs executed by Singapore introduce stricter disciplines than the WTO Agreement on AD measures. For example, the Singapore-New Zealand FTA: (i) raises the *de minimis* margin of the export price below which AD duties cannot be imposed from 2% to 5% (Article 9, paragraph 1(a)); (ii) applies such stricter "*de minimis*" rule to review cases as well as new investigation cases (Article 9, paragraph 1(b)); (iii) increases the volume of dumped imports which are regarded as negligible from 3%

to 5%, and immediately terminates investigation if the import share falls below 5% (Article 9, paragraph 1(c)); (iv) provides that the time frame for determining the volume of dumped imports which can be regarded as negligible (mentioned in (iii) above) shall normally be at least 12 months (Article 9, paragraph 1(d)); and (v) reduces the period of imposition of the AD duties from five (5) years to three (3) years (Article 9, paragraph 1(e)). And the Korea-India trade agreement applies the lesser duty rule (which, when determining AD duty, makes it mandatory to apply a tariff rate sufficient to remove damage (lower than the dumping margin), if the damage to the domestic industry can be removed without imposing a tariff equivalent to the dumping margin) (Article 217), prohibits zeroing (See Part I, Chapter 2 “United States”, “Anti-Dumping”) (Article 218), and prohibits re-investigation within one year after abolition of the measures (Article 219).

In addition to such stricter substantive disciplines, some FTAs provide stricter procedural disciplines than exist in the WTO Agreements. For example, some FTAs provide that the investigative authority which received a relevant petition shall “promptly” notify the counterparty (*i.e.*, the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)) and provide the counterparty government with an opportunity for prior consultation before applying the relevant AD measures (*i.e.*, the Korea-U.S. Free Trade Agreement (KORUSFTA)). Others provide that acceptance of price undertaking is preferable to the imposition of AD duties (*i.e.*, the Thailand-Australia Free Trade Agreement (TAFTA)).

Provisions on Non-Application of AD Measures Between Contracting Parties’ Countries

In 1990, ANZCERTA ceased the application of AD measures in bilateral trade relations and simultaneously amended and reorganized domestic competition laws to abolish AD measures in respect of the counterparty, thereby making AD measures mutually inapplicable. In 2003, the Canada-Chile FTA also abolished the use of AD measures against intra-regional trade (Articles M-01, 03) while providing consultation on certain matters when unexpected situations occurred (Article M-04).

In the Japan-India EPA, which entered into force in August 2011, provisions were included, as WTO-plus procedural disciplines, to require the country that received an application for the initiation of an investigation to notify the other country of the receipt of the application within 10 working days before the initiation of investigation and to provide the full text of the application (Article 24). For Japan, this is the first example of specific enhancement of AD measures in EPAs.

However, FTAs which provide non-application of AD measures are the exception. Most FTAs confirm the rights and obligations between the contracting parties’ countries under the WTO Agreements, and allow for the imposition of AD measures as well as countervailing duty measures as “remedies” against injury to a domestic industry due to dumping or illegal subsidies.

4. OVERVIEW OF AD DISCIPLINES IN JAPAN’S EPAs/FTAS

In the EPAs concluded by Japan to date, WTO-plus disciplines are only included in the Japan-India EPA, and other EPAs only confirm the rights and obligations under the WTO Agreements (allowing AD measures within the region that are consistent with the WTO Agreements) (see Figure III-1-2).

Although AD disciplines that exceed the confirmation of the rights and obligations under the WTO Agreements were not included in these other EPA’s, special provisions regarding AD measures or non-application of AD measures were discussed during the negotiations. In the report by a study group on the Japan-Singapore EPA (September 2000), an option was proposed which permitted a mutual exemption from applying AD measures, subject to the creation of a cooperative mechanism in competition policy. At the same time the possibility of stricter disciplines than those under the current

WTO AD Agreement was considered, such as an increase of the *de minimis* threshold, the import volume which can be regarded as negligible, or the shortening the duty imposition period. However, certain issues were pointed out (such as the lack of a comprehensive competition law in Singapore at that time, concern about the need to protect domestic industries, and the possible adverse effects on the WTO's Doha Round negotiations caused by the low level of disciplining AD rules in EPAs), and as a result, the Japan-Singapore EPA confirmed the rights and obligations in respect of AD measures under the WTO Agreements (Article 14, paragraph 5(b)).

Although not included in the agreement, upon the signing of the Japan-Singapore EPA (January 2002), joint declarations at the ministerial level were issued expressing concern regarding the abuse of AD measures, urging restraint in imposing AD measures, and confirming cooperation in more strictly disciplining AD measures than in the WTO Agreements (paragraph 2).

Figure III-1-2 Summaries of Provisions of Major FTAs and EPAs on AD and Countervailing Duties

EPAs/FTAs of Japan	Provisions on AD Duties	Provisions on Countervailing Duties
Japan-Singapore	Cooperation toward more strictly regulated AD measures of the WTO (joint statement). Reaffirmation of rights and obligations under the WTO Agreements (preamble), intra-regionally applicable (Article 14, paragraph 5(b)).	
Japan-Mexico	Cooperation toward more strictly regulated AD measures of the WTO (joint statement). Reaffirmation of rights and obligations under the WTO Agreements (Article 167), intra-regionally applicable (Article 11(b)).	
Japan-Malaysia	Reaffirmation of rights and obligations under the WTO Agreements (Article 11, paragraph 1), intra-regionally applicable (Article 16 (b)(ii)).	
Japan-Philippines	Reaffirmation of rights and obligations under the WTO Agreements (Article 11, paragraph 1), intra-regionally applicable (Article 18.4 (b)).	
Japan-Chile	Cooperation toward more strictly regulating AD measures of the WTO (joint statement), intra-regionally applicable (Article 28, paragraph (d) (ii)).	
Japan-Thailand	Cooperation toward more strictly regulating AD measures of the WTO (joint statement), intra-regionally applicable (Article 15, paragraph (b)(ii)).	
Japan-Brunei	Reaffirmation of rights and obligations under the WTO Agreements (Article 9, paragraph 1), intra-regionally applicable (Article 13 (b)(ii))	
Japan-Indonesia	Cooperation toward more strictly regulating AD measures of the WTO (joint statement), intra-regionally applicable (Article 20, paragraph 4(b)).	
Japan-ASEAN	Reaffirmation of rights and obligations under the WTO Agreements (Article 10, paragraph 1), intra-regionally applicable (Article 13 (a)(ii))	
Japan-Viet Nam	Reaffirmation of rights and obligations under the WTO Agreements (Article 9, paragraph 1), intra-regionally applicable (Article 13 (b)(ii))	
Japan-Switzerland	Study the prompt notification of initiating investigations, and possibility of consultations based on requests. Cooperation toward more strictly regulating AD measures of the WTO (joint statement), reaffirmation of rights and obligations under the WTO Agreements (Article 7, paragraph 1), intra-regionally	Reaffirmation of rights and obligations under the WTO Agreements (Article 7, paragraph 1), intra-regionally applicable (Article 11, paragraph (c)(ii)).

EPAs/FTAs of Japan	Provisions on AD Duties	Provisions on Countervailing Duties
	applicable (Article 11, paragraph (c)(ii)).	
Japan-India	Reaffirmation of rights and obligations under the WTO Agreements (Article 12, paragraph 1), intra-regionally applicable (Article 16 (b)(ii)) Notification before the initiation of investigation and provision of the full text of the application before, concluding country that received the notification can make notifications to exporters, etc. (Article 24)	Reaffirmation of rights and obligations under the WTO Agreements (Article 12, paragraph 1), intra-regionally applicable (Article 16 (b)(ii))
Japan-Peru	Reaffirmation of rights and obligations under the WTO Agreements (Article 2, paragraph 1), intra-regionally applicable (Article 18 (e)(ii))	
Japan-Australia	Reaffirmation of rights and obligations under the WTO Agreements (Article 2.11), intra-regionally applicable (Article 1.2 (f) (ii))	
Japan-Mongolia	Reaffirmation of rights and obligations under the WTO Agreements (Article 2.17), intra-regionally applicable (Article 2.1 (f) (ii))	

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
NAFTA	Bilateral panels can be established for final determinations on AD measures and countervailing duties (Chapter 19)	
U.S.-Israel	Exports from the contracting party countries to the FTA which entered into force and effect before January 1, 1987 (applicable only to the U.S.-Israel FTA in 1985) will not be subject to accumulation (Uruguay Round Agreements Act, Section 222 (e))	
U.S.-Jordan	Reaffirmation of rights and obligations under the WTO Agreements (Article 1). Intra-regionally applicable.	
U.S.-Singapore	Reaffirmation of rights and obligations under the WTO Agreements (Article 1.1). Intra-regionally applicable.	
U.S.-Chile	Retaining of rights and obligations under the WTO Agreements (Article 8.8). Intra-regionally applicable.	
U.S.-Korea	Retain rights and obligations under the WTO Agreements (Article 1.2, paragraph 1); notification and consultations before initiating an investigation (Article 10.7.3); undertakings on price and quantity (Article 10.7.4); establishing a Committee on Trade Remedies to exchange information, oversee implementation, and provide a forum to discuss other relevant topics including issues relating to the WTO Doha Round Rule negotiations (Article 10.8).	
Canada-Chile	Intra-regionally inapplicable from the date on which the tariff of both parties is eliminated or January 1, 2003, whichever comes first (Articles M-01, 03).	Provides inapplicability of AD rules but does not provide inapplicability of countervailing duties, and is intra-regionally applicable. Also has a provision on negotiation toward

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
		elimination of countervailing duties (Article M-05).
Canada-Costa Rica	<p>Reaffirmation of rights and obligations under the WTO Agreements (Article 8.1, paragraph 1). Notification of receipt of an application (Article 8.1, paragraph 3(a)). Public notice and notification to all interested parties of the initiation of an investigation (Article 8.1, paragraph 3(b)). Notification to all interested parties of the information required by the investigating authorities in the investigation, and the provision of ample opportunity to present evidence in respect of the investigation (Article 8.1, paragraph 3(c)). Making available the application for the initiation of an investigation to all interested parties and the government of the exporting country upon the initiation of an investigation (Article 8.1, paragraph 3(d)). Making available to interested parties all evidence submitted by other parties, subject to the requirements to protect confidential information (Article 8.1, paragraph 3(e)). The provision of a reasonable opportunity for interested parties to defend their interests, including in a public hearing, by presenting their views, commenting on evidence and views of others, and offering rebuttal evidence and arguments (Article 8.1, paragraph 3(f)). The provision of a reasonable opportunity for interested parties to see all information that is relevant to the presentation of their case, subject to the requirements to protect information designated as confidential by the provider (Article 8.1, paragraph 3(g)). The</p>	<p>Agreement on the elimination of export subsidies in agricultural products (Article 3.12)</p>

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	<p>provision to interested parties of an explanation of the methodologies used in determining the margin of dumping, and the provision of opportunities to comment on the preliminary determination (Article 8.1, paragraph 3(h)). Procedures for the submission, treatment and protection of confidential information submitted by parties; procedures to ensure that confidential treatment is warranted and procedures to ensure that adequate public summaries of confidential information are available (Article 8.1, paragraph 3(i)). Announcement and notification of sufficient description on dumping and injury in public notice and notice to all interested parties of preliminary and final determinations, which include sufficiently detailed explanations of the determinations of dumping and injury including in respect of all relevant matters of fact and law (Article 8.1, paragraph 3(j)). Intra-regionally applicable.</p>	
Canada-Korea	<p>Reaffirmation of rights and obligations under the WTO Agreements (Article 7.1, paragraph 1 (a) (b)). Prior notification and opportunity for consultation (Article 7.2, paragraph 2). Application of lesser duty rule (Article 7.7, paragraph 3). Price Undertakings (Article 7.7, paragraph 4). Intra-regionally applicable (Article 1.8).</p>	
EU-Mexico	<p>Reaffirmation of rights and obligations under the WTO Agreements (Article 14). Intra-regionally applicable.</p>	
EU-Korea	<p>Prior notification (Article 3.9), public interests (Article 3.10). Prohibition of reinvestigation within 12 months after abolition of measure in case there is no change in the situation (Article 3.11). Extended application to changed circumstance reviews of <i>de minimis</i> margins, etc. (Article 3.13). Application of lesser duty rule (Article 3.14).</p>	
EU-Canada (CETA) * At the time of substantive agreement	<p>Reaffirmation of rights and obligations under the WTO Agreements (Section AD/CVD, Article 1, paragraph 1). Non-application of the dispute settlement procedures and the rules of origin of the WTO Agreements (Article 1, paragraphs 2 and 3). Disclosure of all essential facts in a complete and meaningful manner after the imposition of provisional measures and before the final determinations (Article 2, paragraph 2). Public interest (Article 3,</p>	

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	paragraph 1). Discretionary lesser duty rule (Article 3, paragraph 2).	
EU-Ukraine	Reaffirmation of rights and obligations under the WTO Agreements (Article 46), transparency (providing written notification 15 days before initiating an investigation, ensuring full and meaningful disclosure of all essential facts upon the imposition of provisional measures and before final determination, and giving interested parties 10 days to make their comments; Article 47), consideration of public interest (Article 48), application of the lesser duty rule (Article 49), preliminary determination upon applying provisional measures (Article 50).	
Singapore-EFTA	Intra-regionally inapplicable (Article 16).	Disciplined by GATT Article VI and the WTO SCM Agreement. Intra-regionally applicable (Article 15).
Singapore-Australia	Reaffirmed commitment to the provisions of WTO Agreement on AD, stricter disciplines for a rational investigation period, application of lesser duty rule and notification before initiating an investigation (Article 8). Intra-regionally applicable.	Reaffirmation of commitment to abide by the provisions of the WTO SCM Agreement, and agreement to prohibit export subsidies (Article 7). Intra-regionally applicable.
Singapore-New Zealand	Greater discipline on the imposition requirements (<i>de minimis</i> margin, accumulation), investigation period, and applicable period (Article 9). Intra-regionally applicable.	Reaffirmation of commitment to abide by the provisions of the WTO SCM Agreement, and agreement to prohibit export subsidies (Article 7). Intra-regionally applicable.
Singapore-India	Provides notification upon initiation of investigation, exchange and use of information, and conditions for considering the WTO Committee on AD (Article 2.7). Intra-regionally applicable.	Reaffirmation of commitment to abide by the provisions of the WTO SCM Agreement, and agreement to prohibit export subsidies (Article 2.8). Intra-regionally applicable.
Singapore-Jordan	Stricter disciplines for imposition requirements (<i>de minimis</i> margin, accumulation), investigation period, applicable period and calculation method upon review (Article 2.8). Intra-regionally applicable.	Disciplined by GATT Article VI and the WTO SCM Agreement. Intra-regionally applicable (Article 2.6).
Singapore-Korea	Maintenance of rights and obligations under the WTO Agreement on AD, stricter disciplines for prohibition of zeroing and application of lesser duty rule, etc. (Article 6.2). Intra-regionally applicable.	Reaffirmation of rights and obligations under the WTO Agreements (Article 6.3). Intra-regionally applicable.
Singapore-China	Reaffirmation commitments to abide by their rights and obligations	Agreement on the prohibition of export subsidies (Article 41)

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	under the WTO Agreements (Article 38, paragraph 1). Agreement not to take any action pursuant to the AD Agreement in an arbitrary or protectionist manner (Article 40, paragraph 1). Prompt notification on acceptance of an application (Article 40, paragraph 2).	
Singapore-Panama	Reaffirmation of commitment to the provisions of the AD Agreement (Article 2.11, paragraph 1). Prompt notification after acceptance of an application (Article 2.11, paragraph 2 (a)). Notification and discussion prior to initiating the investigation (Article 2.11, paragraph 2 (b)).	Reaffirmation of commitment to abide by the provisions of the WTO Agreement on Subsidies and Countervailing Measures, Agreement on the prohibition of export subsidies (Article 2.10)
Australia-New Zealand (ANZCERTA)	Abolished disciplines for AD on July 1, 1990, and introduced competition law. Intra-regionally inapplicable (protocol dated August 18, 1988).	Retaining of rights and obligations under the WTO SCM Agreement (Article 5.2). Intra-regionally applicable.
Australia- Thailand	Reaffirmation commitment to the provisions of the WTO Agreement on AD, and extension of reasonable consideration to price undertakings (Article 206). Intra-regionally applicable.	Governed by Article VI of GATT and the WTO SCM Agreement (Article 6.3). Intra-regionally applicable.
Australia-Chile	Retaining of rights and obligations under the WTO Agreements (Article 8.2).	
Australia-Korea	Reaffirmation of rights and obligations under the WTO Agreement (Article 6.8). Prior notification and opportunity for consultation (Article 6.9). Intra-regionally applicable (Article 6.10).	
New Zealand- Thailand	Retaining of rights and obligations under the WTO Agreement on AD, while mindful of Article 15 (special consideration for developing country members) (Article 5.1). Intra-regionally applicable.	Reaffirmation of commitment to abide by the provisions the WTO SCM Agreement (Article 207). Intra-regionally applicable.
New Zealand- Malaysia	Requirement for notification to the government of the other country of the receipt of application within five working days; requirement for notification to the government of the other country within five days after the decision to initiate investigation,	Reaffirmation of commitment to abide by the provisions of the WTO SCM Agreement (Article 8.17, paragraph 1)

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	clarification of reasonable investigation period (Article 5.2)	
New Zealand-China	Reaffirmation of commitments to abide by their rights and obligations under the WTO Agreements (Article 61, paragraph 1). Agreement not to take any action pursuant to the AD Agreement in an arbitrary or protectionist manner (Article 62, paragraph 1). Prompt notification on acceptance of an application (Article 62, paragraph 2).	Agreement on the prohibition of export subsidies (Article 41)
P4 (Singapore, Brunei, New Zealand, Chile)	Retaining of rights and obligations under the WTO Agreements (Article 6.2). Intra-regionally applicable.	
Korea-Chile	Retaining of rights and obligations under the WTO Agreements (Article 7.1). Intra-regionally applicable.	
Korea-EFTA	Endeavoring to refrain from initiating AD investigation; notification and consultations before initiating an investigation; applying the “lesser duty” rule; reviewing the necessity of extension of AD measures five years after the entry into force of the Agreement; and thereafter, biennial reviews (Article 2.10)	Notifying before initiating and allowing 30 days for mutually acceptable solution; consultation within 10 days from notification. (Article 2.9)
Korea-India	Rules on prior notification (Article 2.14), application of lesser duty rule (Article 2.17), prohibition of zeroing (Article 2.18), prohibition of reinvestigation during 1 year after abolition of measure in case there is no change in the situation (Article 2.19), etc.	Reaffirmation of commitment to abide by the provisions of the WTO SCM Agreement (Article 2.20)
Korea-New Zealand	Retaining of rights and obligations under the WTO Agreements (Article 7.7, paragraph 1), prohibition of zeroing (Article 7.7, paragraph 2(a)), application of the lesser duty rule (Article 7.7, paragraph 2(b)), providing prompt written notification upon receipt of application and affording the other party an adequate opportunity to	Retaining of rights and obligations under the WTO Agreements (Article 7.7, paragraph 1), affording opportunity for consultations (Article 7.8), giving written notice regarding the availability of undertakings on price after preliminary determination (Article 7.9)

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	make inquiries and representations (Article 7.8), giving written notice regarding the availability of undertakings on price after initiation of investigation and after preliminary determination (Article 7.9)	
China-Hong Kong	Non-imposition of AD measures (Article 7)	Reaffirmation of commitment to abide by the provisions of the WTO Agreement on Subsidies and Countervailing Measures (Article 8)
China-Peru	Agreement to abide fully by the provisions of the WTO Agreements (Article 77, paragraph 1). Regarding AD, (1) Prompt notification on acceptance of an application (Article 77, paragraph (a)); (2) All notification letters written in English (Article 77, paragraph (b)); and (3) Investigating authorities to take account of difficulties experienced by exporters in supplying information requested and provide assistance to them (Article 77, paragraph (c)). Investigating authority to notify the initiation of the investigation and send the model questionnaire of the investigation for the exporter, and upon receipt, the other party may notify relevant trade or industry associations or disclose the information or other relevant information to other parties concerned (Article 77, paragraph 3).	
China-Switzerland	Reaffirmation of rights and obligations under the WTO Agreements (Article 5.2, paragraph 1). Prior notification of investigation to the other country (Article 5.2, paragraph 2). Intra-regionally applicable (Article 2.3, paragraph 1(b)).	Reaffirmation of rights and obligations under the WTO Agreements (Article 5.3, paragraph 1). Prior notification of investigation to the other country and establishment of consultations for finding mutually agreeable solutions (Article 5.3, paragraph 2). Intra-regionally applicable (Article 2.3, paragraph 1(b)).
China-Australia	Retaining of rights and obligations under the WTO Agreements (Article 7.9, paragraph 1), affording adequate opportunity for consultations (Article 7.9, paragraph 2)	Retaining of rights and obligations under the WTO Agreements (Article 7.10, paragraphs 1 and 2), providing written notification to the other party before initiating an investigation, and affording reasonable opportunities for consultations (Article 7.10, paragraphs 3 and 4)
Hong Kong-Chile	Reaffirmation of rights and obligations under the WTO Agreements (Article 8.3, paragraphs 1 and 2). Requirement to make efforts to notify the other country within seven days after the receipt of application.	Reaffirmation of rights and obligations under the WTO Agreements (Article 8.1, paragraphs 1 and 2). Notification to the other country before the initiation of investigation; initiation of consultations within 30 days after the notification (Article 8.1, paragraph 3).

EPAs/FTAs of other countries	Provisions on AD Duties	Provisions on Countervailing Duties
	Intra-regionally applicable (Article 2.1).	Intra-regionally applicable (Article 2.1).

D. SAFEGUARDS

1. BACKGROUND OF THE RULES

1) BILATERAL SAFEGUARD MEASURES UNDER EPAs/FTAs

Most FTAs and EPAs provide bilateral safeguard measures which apply to imports of products from the other party and which are covered by, *inter alia*, tariff concessions. These measures allow for the temporary withdrawal of the commitment to eliminate or reduce tariffs under the relevant EPA/FTA, returning to most-favored nation GATT tariff levels as an emergency measure if serious injury to the domestic industry, or threat thereof, occurs due to an increase in imports resulting from the elimination or reduction of tariffs under the agreement. They also provide the substantive and procedural rules regarding investigations and imposition of safeguard measures. Bilateral safeguard measures function as a type of safety valve, enabling the parties to make commitments for a reduction in or elimination of tariffs for more items, including sensitive items, in the process of negotiation in connection with liberalizing EPAs/FTAs between them. So they are an important component in the EPA/FTA negotiation process.

2) TYPES OF BILATERAL SAFEGUARD MEASURES

Bilateral safeguard measures may be grouped into the following four categories based on their nature: (1) those mostly governed by the WTO Agreements (*i.e.*, U.S.-Australia FTA, U.S.-Singapore FTA, Japan-Singapore EPA, Japan-Mexico EPA, Korea-Singapore FTA and Chile-ASEAN FTA); (2) those mostly governed by Article XIX of GATT (*i.e.*, AFTA, Australia-New Zealand EPA); (3) those having no general bilateral safeguard systems (*i.e.*, Korea-Chile FTA, (although the Korea-Chile FTA does contain safeguards on agricultural products)); and (4) those of the European type, which allow for the imposition of safeguard measures under certain conditions (*i.e.*, allowing the imposition of safeguards when there is injury to the industry which might result in a worsened local economy, or when economic, social or environmental issues arise) (EFTA, EU-Mexico FTA). All bilateral safeguard measures under Japan's EPAs are fall under category (1). Following is a summary of the characteristics and specific examples of bilateral safeguards, with a focus on the first type.

2. OVERVIEW OF LEGAL DISCIPLINES

1) CHARACTERISTICS OF BILATERAL SAFEGUARD MEASURES

(1) Restrictions on Tariff Increase

Bilateral safeguard measures have a different character than safeguard measures taken under the WTO Agreements, in that the imposition of bilateral safeguard measures is requested most often where the

elimination or reduction of tariffs based on ETAs/EPAs results in an increase in imports, while WTO safeguard measures can be requested in any circumstances that were unforeseeable during the EPA/FTA negotiations.

The WTO Agreement on Safeguards permits quantitative restrictions, in addition to tariff measures, to be imposed on goods (Article 5, paragraph 1). In contrast, bilateral safeguard measures under EPAs/FTAs often permit only increases in customs duty. In addition, while the WTO Agreement on Safeguards does not have any special provisions on the permissible extent to which tariffs may be increased, bilateral safeguard measures often provide for suspension of tariff reduction under the EPAs/FTAs or increase of the tariff rate up to the then most-favored-nation rate in respect of import duties (by lowering the rate of either the then most-favored-nation import duties as of the time of the bilateral safeguard measure or as of the day before the agreement entered into force). The rationale for this is that bilateral safeguard measures are merely safety valves against trade liberalization under bilateral EPAs/FTAs, and may be permitted only to the extent of the liberalization (or tariff reduction) required there under.

(2) Regulations of Imposition Requirements and Measures

In light of the aim of EPAs/FTAs to establish free trade zones through the elimination of tariff and non-tariff measures, disciplines for bilateral safeguard measures under EPAs/FTAs are often stricter than they are in the WTO Agreement on Safeguards. Examples include provisions restricting events triggering the imposition of safeguard measures to an absolute increase in import, provisions restricting the application of bilateral safeguard measures to a certain transition period after EPAs/FTAs come into effect or after the elimination and reduction of tariffs, provisions setting the maximum limit of the imposition period to a period shorter than under the WTO Agreement on Safeguards, and provisions prohibiting imposition of provisional measures. In addition, although Japan has not executed any agreement of this nature, some FTAs (*i.e.*, the Singapore-India FTA) introduce a *de minimis* standard below which the application of safeguard measures is prohibited.

Cases Involving Restriction of Triggering Events and Measures

The Japan-Singapore and the Japan-Chile EPAs, for example, limit the triggering events for the imposition of safeguard measures to an absolute import increase. Some EPAs/FTAs set shorter maximum applicable periods for safeguard measures than provided for by the Safeguard Agreement, including two years in principle or four years at maximum in the Japan-Singapore ETA and four years in principle or five years maximum in the Japan-Malaysia EPA. An example of a *de minimis* requirement can be found in the Singapore-India FTA, which provides that if the import of goods subject to investigation account for a market share of 2% or less in respect of domestic sales or 3% or less of the aggregate imports from all countries (during the 12 month period before the application for investigation), bilateral safeguard measures may not be taken.

Cases Involving Elimination of Bilateral Safeguard Measures

Some FTAs restrict the application of bilateral safeguard measures to a transition period, and eliminate bilateral safeguard measures after the transition period terminates. For example, ANZCERTA provides that the transition period shall be the period during which tariffs, quantitative restrictions, tariff quotas, export incentives and price stabilization measures, and subsidies which hinder the development of trade opportunities exist. The transition period for ANZCERTA subsequently terminated with the complete liberalization of trade in July 1990, and the bilateral safeguard measures were abolished.

As for Japan's EPAs, the Japan-Australia EPA signed in July 2014 introduced for the first time the

“transitional safeguard system” to limit the period of application of bilateral safeguard measures to an established transitional period.

Figure III-1-3 shows EPAs/FTAs concluded by Japan categorized by requirements (such as triggering events (absolute or relative increase of import)), applicable period (transition period or perpetual), imposition period, no re-imposition period, compensation, and rebalancing.

2) RELATIONSHIP BETWEEN WTO AGREEMENTS AND EPA BILATERAL SAFEGUARD MEASURES

As previously mentioned, the bilateral safeguard measures permitted under the EPAs executed by Japan allows suspension of tariff reduction thereunder or an increase of the tariff rate up to the present most-favored-nation rate of tariff. These measures are considered, in principle, not to give rise to any issue of inconsistency with the WTO Agreements (although it is potentially arguable that these measures fall under more restrictive regulations of commerce under paragraph 8 of GATT Article XXIV, which requires that measures must be eliminated on substantially all trade). Furthermore, even if safeguard measures based on EPAs/FTAs have been imposed, under the Japanese legislative system special restrictions (i.e., exclusion of EPA/FTA contracting parties from the subject of safeguard measures) will not be placed on the imposition of safeguard measures under the WTO Agreements.

Figure III-1-3 Comparison between Safeguard Systems under Existing EPAs/FTAs and Safeguard Systems under the WTO Agreements

	Signed (Effective)	Subject Countries	Imposition Requirements	Applicable Period (Review)	Contents of Imposition	Notice upon Investigation	Notice/Consultation before Imposition	Provisional Measures	Imposition Period (Minimum)	Progressive Liberalization of Measures	No re-imposition Period	Compensation	Rebalance
WTO SG Agreement		All WTO member countries	As a result of (i) developments or (ii) the effect of obligations incurred by a contracting party under the Agreement (including tariff concessions), (Article XIX of the GATT), (i) absolute or (ii) relative increase in import, which causes or threatens to cause serious injury to the domestic industry (Article 2, Paragraph 1)	Perpetual system	May increase rate of customs duty or take import quantitative restriction measures (Article 5, Paragraph 1)	Shall notify the Contracting Parties initiating an investigatory process, or making a finding of serious injury (Article 12, Paragraph 1)	Shall notify the Contracting Parties and Members having an interest before applying SG measures (Article 12, Paragraphs 1 and 3)	Available (within 200 days) (Article 6)	Initially within 4 years; extension possible for additional 4 years (within a total of 8 years) (Article 7, Paragraphs 1 to 3)	Measures over and above progressive liberalization; measures over 3 years, must review the situation not later than mid-term of the measure (Article 7, Paragraph 4)	Measures may be applied only if already imposed for a period of time equal to duration of the previous imposition (Article 8, Paragraph 2), (ii) absolute, then after 3 years from imposition (Article 8, Paragraph 3)	Endeavor to attain a substantially equivalent level of concessions and other obligations (Article 8, Paragraph 1)	Substantially equivalent tariff measure possible; if the increase in import is (i) relative, then immediately after imposition (Article 8, Paragraph 2), (ii) absolute, then after 3 years from imposition (Article 8, Paragraph 3)
NAFTA	Dec. 1992 (Jan. 1, 1994)	Limited to contracting parties	Same as WTO SG Agreement (Article 801, Paragraph 1)	Limited to transition period (in principle, 10 years from the date of entry into force of the Agreement, maximum of 13 years depending on the item) (applicable after the transition period with consent of the other Part) (Article 801, subparagraphs 1, 2 (c)(ii))	Same as WTO SG Agreement (Article 801, subparagraph 1(a)) (Article 801, subparagraph 1(b))	N/A	Deliver a request for consultation regarding the institution of an SG proceeding (Article 801, subparagraph 2(a))	N/A	In principle, within 3 years (Article 801, subparagraph 2 (c))	N/A	Same as WTO SG Agreement (Article 801, subparagraph 2 (d))	Substantially equivalent trade liberalizing compensation (Article 801, paragraph 4)	Substantially equivalent tariff action possible (Article 801, paragraph 4)
Japan-Singapore EPA	Jan. 13, 2002 (Nov. 30, 2002)	Limited to contracting parties	If an absolute increase in imports, as a result of reduction or elimination of tariffs provided by such agreement, constitutes substantial cause of serious injury, or threat thereof, to a domestic industry (Article 18, paragraph 1)	Review if necessary after the end of 2017 (Article 18, paragraph 10)	Suspension of gradual reduction of any rate of customs duty (Article 18, subparagraph 1(a)). Increase of the rate of duty to a level not exceeding the lesser of either the most-favored-nation applied rate of customs duty in effect upon imposition or the MFN applied rate of customs duty in effect on the date of entry into force of the Agreement	Shall deliver a notice to the other Party upon initiating an investigatory process or making a finding of injury (Article 18, subparagraph 3(a))	Prior notice to the other Party and consultation before taking or extending SG measures (Article 18, subparagraphs 3(a) and (c))	Available (within 200 days) (Article 18, paragraph 9)	In principle, within two (2) years; up to a total maximum period of four (4) years (Article 18, subparagraph 3(d))	If over one (1) year, must present a schedule leading to progressive elimination (Article 18, subparagraph 3(d))	Measures may not be applied again to already imposed good (Article 18, subparagraph 3(c))	Substantially equivalent tariff measure (Article 18, paragraph 4)	Same as column immediately to the left (Article 18, paragraph 4)

Part III: EPA/FTA and IIA

	Signed (Effective)	Subject Countries	Imposition Requirements	Applicable Period (Review)	Contents of Imposition	Notice upon Investigation	Notice/Consultation before Implementation	Provisional Measures	Imposition Period (Maximum)	Progressive Liberalization of Measures	No re-imposition Period	Compensation	Rebalance
Japan-Mexico EPA	Sep. 17, 2004 (Apr. 1, 2005)	Limited to contracting parties	Same as the above (Article 53, paragraph 1)	Review if necessary after 10 years from date of entry into force of the Agreement (Article 53, paragraph 13)	(Article 18, subparagraph 1(b)) Same as the above (Article 53, subparagraph 2(a)) (Article 53, subparagraph 2(b))	Shall deliver a notice to the other Party upon initiating an investigation (Article 53, paragraphs 7 and 8)	Same as the above (Article 53, paragraphs 8 and 9)	Same as the above (Article 54)	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 53, paragraph 5)	If over three (3) years, must present a schedule leading to progressive elimination (Article 53, paragraph 5)	Same as the above (Article 53, paragraph 6)	Same as the above (Article 53, paragraph 10)	Same as the above (Article 53, paragraph 11)
Japan-Malaysia EPA	Dec. 13, 2005 (Jul. 13, 2006)	Limited to contracting parties	If an absolute or relative increase in imports, as a result of the elimination of tariffs provided by such agreement, constitutes substantial cause of serious injury, or threat thereof, to a domestic industry (Article 23, paragraph 1)	Same as the above (Article 23, paragraph 11)	Same as the above (Article 23, paragraph 1(a)) (Article 23, paragraph 1(b))	Same as the above (Article 23, subparagraph 4(a))	Same as the above (Article 23, paragraphs 4(a) and (c))	Same as the above (Article 23, paragraph 9)	In principle, within four (4) years; up to a total maximum period of five (5) years (Article 23, subparagraph 4(d))	If over one (1) year, progressive liberalization (Article 23, subparagraph 4(d))	Same as the above (Article 23, paragraph 4(c))	Same as the above (Article 23, paragraph 5(a))	Substantially equivalent tariff measure possible; if the increase in import is (i) relative, then immediately after imposition, (ii) absolute, then after 18 months from imposition (Article 23, subparagraphs 5(b)(c))
Japan-Philippines EPA	Sep. 9, 2006 (Jul. 13, 2006)	Limited to contracting parties	Same as the above (Article 22, paragraph 1)	Same as the above (Article 22, paragraph 12)	Suspension of gradual reduction of any rate of customs duty (Article 22, subparagraph 1(a)) Increase of the rate of duty to a level not exceeding that of the most-favored-nation applied rate of customs duty in effect upon the imposition of the most-favored-nation applied rate of customs duty or on the day effect on the day immediately preceding the date of entry into force of the Agreement (Article 22, subparagraph 1(b)) Until the last day of the 7th year, may increase the rate of customs duty to the level of most-favored-nation applied rate of customs duty in effect upon imposition of the measure (Article 22, paragraph 10)	Same as the above (Article 22, subparagraph 5(a))	Same as the above (Article 22, subparagraphs 5(a) and (d))	Same as the above (Article 22, paragraph 4)	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 22, subparagraph 5(e))	Same as the above (Article 22, subparagraph 5(c))	Same as the above (Article 22, paragraph 5(f))	Same as the above (Article 22, paragraph 6(a))	Substantially equivalent measure possible; if the increase in import is (i) relative, then immediately after imposition, (ii) absolute, then after 12 months from imposition (Article 22, subparagraphs 6(b)(c))

	Signed (Effective)	Subject Countries	Imposition Requirements	Applicable Period (Review)	Contents of Imposition	Notice upon Investigation	Notice/Consultation before Implementation	Provisional Measures	Imposition Period (Maximum)	Progressive Liberalization of Measures	No re-imposition Period	Compensation	Rebalance
Japan-Chile EPA	Mar. 27, 2007 (Sep. 3, 2007)	Limited to contracting parties	If an absolute increase in imports, reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 20, paragraph 1)	Same as the above (Article 26, paragraph 4)	Suspension of gradual reduction of any rate of customs duty (Article 23, subparagraph 1(a)) Increase of the rate of customs duty to a level not higher than the rate of the most-favored-nation in applied rate of customs duty in effect upon imposition or MFN applied rate of customs duty in effect on the day preceding the date of entry into force of the Agreement (Article 20, subparagraph 2(a)) (Article 20, subparagraph 2(b))	Same as the above (Article 23, subparagraph 1(a))	Same as the above (Article 23, subparagraph 1(b); Article 24, paragraph 1)	Same as the above (Article 25, paragraph 4)	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 22, subparagraph (a))	Same as the above (Article 22, subparagraph (b))	Same as the above (Article 22, subparagraph (c))	Same as the above (Article 24, paragraph 4)	Substantially equivalent tariff measure possible (Article 24, paragraph 3)
Japan-Thailand EPA	Apr. 3, 2007 (Nov. 1, 2007)	Limited to contracting parties	If an absolute or relative increase in imports, as a result of reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 24, paragraph 1)	Review if necessary after 15 years from the date of entry into force of the Agreement (Article 22, paragraph 10)	Same as the above (Article 22, subparagraph 1(a)) (Article 22, subparagraph 1(b))	Shall deliver a notice to the other party upon initiating an investigation and identifying an injury (Article 22, subparagraph 3(a))	Same as the above (Article 22, subparagraph 3(c))	Same as the above (Article 22, paragraph 7(a))	In principle, within three (3) years; up to a total maximum period of five (5) years (Article 22, subparagraph 3(d))	Same as the above (Article 22, subparagraph 3(d))	Same as the above (Article 22, subparagraph 3(e))	Same as the above (Article 22, paragraph 4(b))	A substantially equivalent tariff measure may be applied (i) immediately after the imposition of an SG measure if the increase in import is relative, or (ii) after 24 or more months from the date of imposition if the increase in import is absolute (Article 22, subparagraphs 4(b)(d))
Japan-Brunei EPA	Jun. 15, 2007 (Jul. 31, 2008)	Limited to contracting parties	If an absolute increase in imports, reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 20, paragraph 1)	Review if necessary after 5 years from the date of entry into force of the Agreement (Article 21, paragraph 11)	Same as the above (Article 21, subparagraph 2(a)) (Article 21, subparagraph 2(b))	Shall deliver a notice to the other party upon initiating an investigation (Article 21, subparagraph 4(a))	Same as the above (Article 21, subparagraph 4(c))	Same as the above (Article 21, paragraph 9(a))	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 21, subparagraph 4(d))	Same as the above (Article 21, subparagraph 4(d))	Same as the above (Article 21, subparagraph 4(c))	Same as the above (Article 21, subparagraph 5(b))	Substantially equivalent tariff measure possible (Article 21, subparagraph 5(d))
Japan-Indonesia EPA	Aug. 20, 2007 (Jul. 1, 2008)	Limited to contracting parties	If an absolute or relative increase in imports, as a result of reduction or	Same as the above (Article 24, paragraph 11)	Same as the above (Article 24, subparagraph 1(a)) (Article 24,	Same as the above (Article 24, subparagraph 4(a)(i))	Same as the above (Article 24, subparagraph	Same as the above (Article 24, paragraph	In principle, within four (4) years; up to a total maximum	Same as the above (Article 24, subparagraph	Same as the above (Article 24, subparagraph	Same as the above (Article 24, subparagraph	Same as the above (Article 24, subparagraph

Part III: EPA/FTA and IIA

	Signed (Effective)	Subject Countries	Imposition Requirements	Applicable Period (Review)	Contents of Imposition	Notice upon Investigation	Notice/Consultation before Implementation	Provisional Measures	Imposition Period (Maximum)	Progressive Liberalization of Measures	No re-imposition Period	Compensation	Rebalance
			elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 2, paragraph 1)		subparagraph 1(b))		4(c)	9(a)	period of five (5) years (Article 24, subparagraph 4(d))	4(d)	4(e)	5(b)	5(d)
Japan-ASEAN EPA	Apr. 14, 2008 (Dec. 1, 2008)	Limited to contracting parties	Same as the above (Article 20, paragraph 2)	Review within 10 years from the date of entry into force of the Agreement (Article 20, paragraph 10)	Same as the above (Article 20, paragraph 6(a)) (Article 20, subparagraph 6(b))	Same as the above (Article 20, subparagraphs 7(a) (i) (ii))	Same as the above (Article 20, subparagraph 7(c))	Same as the above (Article 20, subparagraph h 11(a))	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 20, subparagraph 7(d))	Same as the above (Article 20, subparagraph 7(d))	Same as the above (Article 20, subparagraph 7(c))	Same as the above (Article 20, subparagraph 8(a))	A substantially equivalent tariff measure may be applied (i) immediately after the imposition of an SG measure if the increase in import is relative, or (ii) after 24 or more months from the imposition if the increase in import is absolute (Article 20, subparagraph 8(c))
Japan-Viet Nam EPA	Dec. 24, 2008 (Oct. 1, 2009)	Limited to contracting parties	Same as the above (Article 20, paragraph 2)	Review within 10 years from the date of entry into force of the Agreement (Article 20, paragraph 13(a))	Same as the above (Article 20, paragraph 4)	Shall deliver a notice to the other party upon initiating an investigation and identifying an injury (Article 20, subparagraphs 6(a) (i) (ii))	Same as the above (Article 20, subparagraph 6(c))	Same as the above (Article 20, paragraph 11(a))	Same as the above (Article 20, subparagraph 6(d))	Same as the above (Article 20, subparagraph 6(d))	Same as the above (Article 20, subparagraph 6(c))	Same as the above (Article 20, paragraph 7(a))	Same as the above (Article 20, subparagraph 7(c))
Japan-Sri Lanka and EPA	Feb. 17, 2009 (Sep. 1, 2009)	Limited to contracting parties	Same as the above (Article 20, paragraph 1)	Review if necessary after 10 years from the date of entry into force of the Agreement (Article 20, paragraph 11)	Same as the above (Article 20, paragraph 2)	Same as the above (Article 20, subparagraph 5(c))	Same as the above (Article 20, subparagraph 5(c))	Same as the above (Article 20, paragraph 9(a))	In principle, within two (2) years; up to a total maximum period of three (3) years (Article 20, subparagraph 5(d))	Same as the above (Article 20, subparagraph 5(d))	Same as the above (Article 20, subparagraph 5(c))	Same as the above (Article 20, paragraph 6(a))	Substantially equivalent tariff measure (Article 20, paragraph 6(b))
Japan-India EPA	Oct. 2, 2010 (Aug. 1, 2011)	Limited to contracting parties	Same as the above (Article 23, paragraph 1)	Review after 10 years from the date of entry into force of the Agreement or earlier as may be agreed by the Parties (Article 23, paragraph 10)	Same as the above (Article 23, subparagraph 2(a)) (Article 23, subparagraph 2(b))	Same as the above (Article 23, subparagraph 4(b))	Same as the above (Article 23, subparagraph 4(c))	Same as the above (Article 23, paragraph 8(c))	In principle, within three (3) years; up to a total maximum period of five (5) years (Article 23, subparagraph 4(d))	Same as the above (Article 22, subparagraph 4(d))	Same as the above (Article 23, subparagraph 4(c))	Same as the above (Article 23, paragraph 5(a))	A substantially equivalent tariff measure may be applied (i) immediately after the imposition of an SG measure if the increase in import is relative, or (ii) after 2 years or more from the imposition if the increase in

	Signed (Effective)	Subject Countries	Imposition Requirements	Applicable Period (Review)	Contents of Imposition	Notice upon Investigation	Notice/Consultation before Implementation	Provisional Measures	Imposition Period (Maximum)	Progressive Liberalization of Measures	No re-imposition Period	Compensation	Rebalance
Japan-Peru EPA	May 31, 2011 (Mar. 1, 2012)	Limited to contracting parties	If an absolute increase in imports, as a result of reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 30)	Review if necessary after 10 years from the date of entry into force of the Agreement (Article 30)	Same as the above (Article 30, subparagraph 2(a)) (Article 30, subparagraph 2(b))	Same as the above (Article 34, subparagraphs 1(a) (b))	Same as the above (Article 35, paragraphs 1,2)	Same as the above (Article 33, paragraph 2)	In principle, within two (2) years; up to a total maximum period of twelve (12) years (Article 31, paragraph 1)	Same as the above (Article 31, paragraph 2)	Same as the above (Article 31, paragraph 4)	Same as the above (Article 2, 16, paragraph 1)	import is absolute (Article 2, 3, paragraph 3(c)) Same as the above (Article 35, paragraph 4)
Japan-Australia EPA	Jul. 8, 2014 (Jan. 15, 2015)	Limited to contracting parties	If an absolute increase or relative increase in imports, as a result of reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 2.3)	After 8 years from the date of entry into force of the Agreement or after 5 years from the elimination/reduction of tariffs, whichever is longer (Article 2.15, paragraph 6)	Same as the above (Article 2.13)	Same as the above (Article 2.15, paragraph 1)	Same as the above (Article 2.15, paragraph 3)	Same as the above (Article 2.17)	In principle, within three (3) years; up to a total maximum period of four (4) years (Article 2.15, paragraph 4)	Same as the above (Article 2.15, paragraph 4)	Same as the above (Article 2.15, paragraph 5)	Same as the above (Article 2.16, paragraph 2)	Same as the above (Article 2.16, paragraph 2)
Japan-Mongolia EPA	Feb. 10, 2015	Limited to contracting parties	If an absolute increase or relative increase in imports, as a result of reduction or elimination of tariffs provided by such agreement, constitutes a substantial cause of serious injury, or threat thereof, to a domestic industry (Article 2.8)	Review if necessary after 10 years from the date of entry into force of the Agreement (Article 2.16)	Same as the above (Article 2.8)	Same as the above (Article 2.11, paragraph 1(a))	Same as the above (Article 2.11, paragraphs 1(b) and 3)	Same as the above (Article 2.13)	In principle, within three (3) years; up to a total maximum period of six (6) years (Article 2.9, paragraph 1)	Same as the above (Article 2.9, paragraph 1)	Same as the above (Article 2.9, paragraph 2)	Same as the above (Article 2.12, paragraph 1)	Same as the above (Article 2.12, paragraph 2)

E. STANDARDS AND CONFORMITY ASSESSMENT SYSTEMS

1. BACKGROUND OF THE RULES

The WTO has the Agreement on Technical Barriers to Trade (TBT Agreement), which contains provisions on, *inter alia*, the promotion of international harmonization and securing transparency in order to prevent standards and conformity assessment systems from causing unnecessary barriers to international trade (*see* Part II, Chapter 10, “Standard and Conformity Assessment” for details). EPAs/FTAs also have provisions concerning standards and conformity assessment, while taking into account technical aspects of the regulatory system and special characteristics of the region.

2. OVERVIEW OF LEGAL DISCIPLINES

The area of technical regulations, standards and conformity assessment procedures involves technical aspects of the regulatory system and special characteristics of the region. Thus, one of the appropriate and effective means to ensure the transparency of the regulatory system and consistency of technical criteria with relevant international standards is to share concerns on systematic issues through multilateral consultations amongst experts (such as the WTO TBT Committee and the APEC/SCSC (Sub-Committee on Standards and Conformance)) and discuss them constructively with other countries. In order to meet the objectives of the TBT Agreement, particularly to prevent technical regulations, standards and conformity assessment procedures from creating unnecessary barriers to international trade, Japan’s existing EPAs, except for the Japan-Indonesia EPA and the Japan- Brunei EPA, include the following provisions on technical regulations, standards and conformity assessment procedures.

The Japan-Mexico EPA, Japan-Malaysia EPA, Japan-Chile EPA, Japan-ASEAN EPA, Japan-Switzerland EPA, Japan-Viet Nam EPA, Japan-India EPA and Japan-Peru EPA, reaffirm the rights and obligations contained in the TBT Agreement. Some agreements include elements beyond the reaffirmation of rights and obligations of the TBT Agreement regarding the Articles on technical regulations, conformity assessment procedures and transparency.

The Japan-Singapore EPA has the Chapter on mutual recognition (MRA), stipulating, with regard to electrical products, that the importing country accepts the results of the conformity assessment procedures conducted by a conformity assessment body designated by the government of the exporting country, and based on the standards and procedures of the exporting country. In order to ensure appropriate implementation of the MRA in Japan, Japan has enacted the MRA Act (Act for Implementation of the Mutual Recognition between Japan and Foreign States in Relation to Results of Conformity Assessment Procedures of Specified Equipment).

The MRA chapters in the Japan-Thailand EPA and the Japan-Philippines EPA stipulate a system under which “an importing country” designates a conformity assessment body of the exporting country based on the relevant laws of the importing country (the Electrical Appliance and Material Safety Law, in the case of Japan), and the importing country accepts the results of conformity assessment procedures conducted by the conformity assessment body. (This Chapter deals with measures and recognition in connection with trade in goods; please also see Chapter 3 “Movement of Natural Persons” for “mutual recognition of qualifications,” which is a measure regarding the

movement of natural persons.).

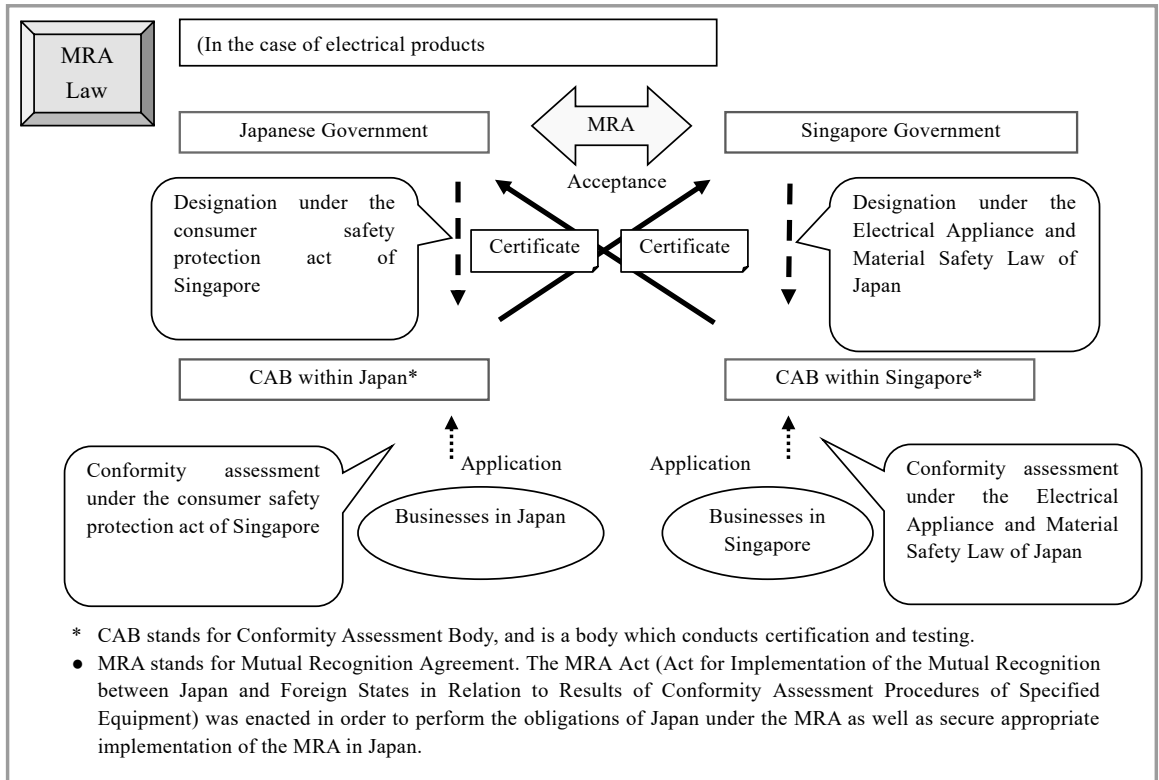
i) Japan-Mexico EPA, Japan-Malaysia EPA, Japan-Chile EPA, Japan-ASEAN EPA, Japan-Switzerland EPA, Japan-Viet Nam EPA, and Japan-Peru EPA

Section 3 of Chapter 3 of the Japan-Mexico EPA, Chapter 5 of the Japan-Malaysia EPA, Chapter 7 of the Japan-Chile EPA, Chapter 5 of Japan-ASEAN EPA, Chapter 5 of Japan-Switzerland EPA, Chapter 6 of Japan-Viet Nam EPA and Chapter 6 of Japan-Peru EPA cover technical regulations, standards and conformity assessment procedures. These EPAs reaffirm the rights and obligations of the TBT Agreement. Some EPAs have the articles on exchange of information and cooperation such as joint studies related to technical regulations, standards and conformity assessment procedures, while other articles stipulate the establishment of subcommittees and enquiry points by both Parties.

Compared to prior EPAs, the Japan-Peru EPA has strengthened the articles on conformity assessment procedures and transparency. For example, they provide that (1) where a Party does not accept the results of a conformity assessment procedure conducted in the other Party, it shall, on request of the other Party and subject to the laws and regulations of that Party, explain the reasons for its decision, (2) each Party shall, whenever possible, accredit, designate or recognize conformity assessment bodies in the other Party on terms no less favorable than those it accords to conformity assessment bodies in its Area, (3) if a Party refuses to accredit, designate or recognize a body in the other Party assessing conformity with that technical regulation or standard, it shall, on request, explain the reasons for its refusal, (4) each Party shall notify its proposed technical regulations and conformity assessment procedures electronically to the other Party's enquiry point at the same time it submits its notification to the WTO Secretariat in accordance with the TBT Agreement, and the Party shall endeavor to allow a period of at least 60 days following the notification for the public and the other Party to provide written comments, and (5) each Party shall endeavor to ensure all adopted technical regulations and conformity assessment procedures are available on official websites that are freely and publicly available, etc. These rules are intended to strengthen and clarify obligations under the TBT Agreement and improve the business environment of Japanese industries (see Chapter 11, Part II, for the major obligations of the TBT Agreement).

ii) Japan-Singapore EPA

Chapter 6 of the Japan-Singapore EPA contains a section on mutual recognition. This system allows for the mutual acceptance of the results of conformity assessment procedures conducted by a body designated by the government of the exporting country (based on the criteria and procedures of the importing country), as providing the assurance of conformity equivalent to the importing country's procedures. For example, under this system, if the Japanese government designates a body within Japan as the body responsible for assessing conformity with the regulations of Singapore, the results of conformity assessment procedures conducted by such body shall be accepted by Singapore. The system applies to electrical products, telecommunication terminal equipment, and radio equipment. In order to ensure appropriate implementation of the MRA, Japan has enacted the MRA Act (Act for Implementation of the Mutual Recognition between Japan and Foreign States in Relation to Results of Conformity Assessment Procedures of Specified Equipment).



iii) Japan-Thailand EPA, Japan-Philippines EPA

Chapter 6 of the Japan-Thailand EPA and Chapter 6 of the Japan-Philippines EPA contain a section on mutual recognition. It provides for the mutual acceptance of the direct designation (registration) of a conformity assessment body within the exporting country by the government of the importing country. For example, under this system, if the Japanese government designates a body within the Philippines as the body responsible for assessing conformity with the regulations of Japan, the result of conformity assessment procedures conducted by such body shall be accepted by Japan. The system applies to electronic products in both the Japan-Philippines EPA and the Japan-Thailand EPA.

Under the Japan-Singapore EPA, the Singapore government designates a conformity assessment body in Singapore under the Electrical Appliance and Material Safety Law of Japan, and the certificate issued by such body is accepted by the Japanese government. In order to ensure appropriate implementation of the MRA, Japan has enacted the MRA Act (Act for Implementation of the Mutual Recognition between Japan and Foreign States in Relation to Results of Conformity Assessment Procedures of Specified Equipment). In contrast, under the Japan-Thailand EPA and the Japan-Philippines EPA, it is the “Japanese government” which designates a conformity assessment body in Thailand or the Philippines, respectively, under the Electrical Appliance and Material Safety Act of Japan, and the certificate issued by such body is accepted by the Japanese government. Appropriate implementation is ensured by existing laws (Electrical Appliances and Materials Safety Act), not by the MRA Act.

iv) *Japan-India EPA*

Chapter 6 of the Japan-India EPA covers technical regulations, standards and conformity assessment procedures, and Sanitary and Phytosanitary Measures. It provides that the Parties shall, through the Sub-Committee, discuss the feasibility of MRAs in some sectors. In addition, Article 54 of Chapter 6 covers Cooperation on Generic Medicine. It provides that applications by a person of a Party for registration and other approvals required for release of a generic medicine in the market of the other Party shall be accorded, in the relevant procedure, treatment no less favourable than that accorded to like applications by its own person, where they fulfil all the requirements under the laws and regulations of the other Party.

