

“How to Utilize the Benefit of FTAs from the Industry Point of Views”

Hanoi, 7th December 2023

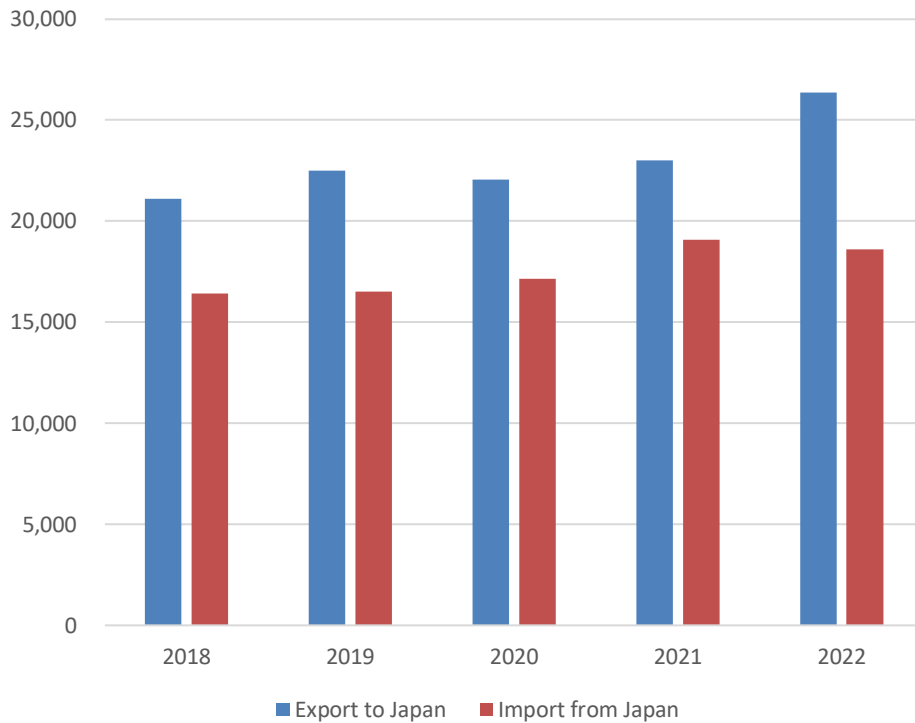
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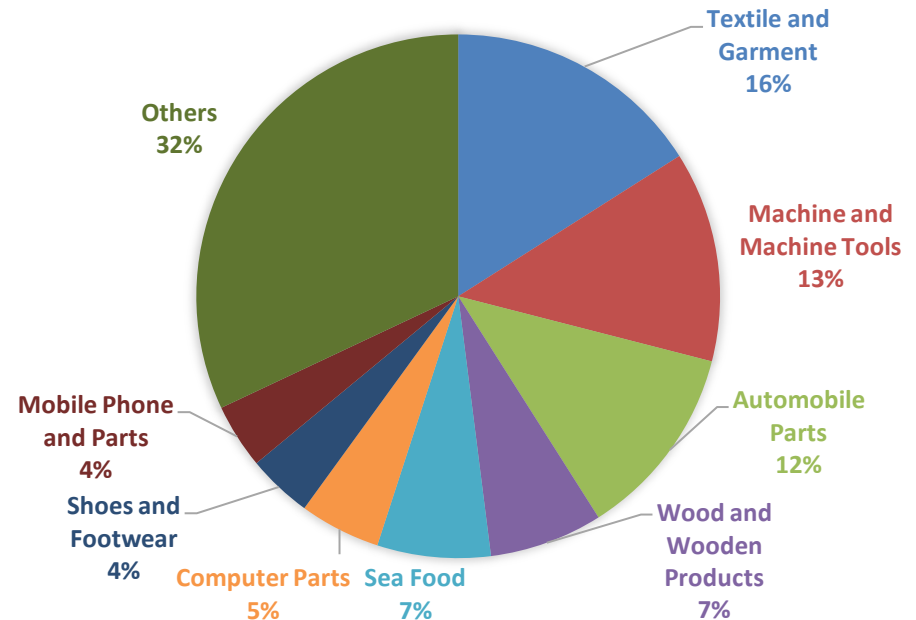
1. Economic Relations between Vietnam and Japan

1) Expansion of Trade Volume Between Vietnam and Japan

Trade Volume
Between Vietnam and Japan



**VIETNAMESE MAJOR EXPORT
COMMODITIES TO JAPAN**



(Source) Japanese Embassy in Vietnam, JETRO

2) Effective FTAs for Exporting Commodities Made in Vietnam to Japan

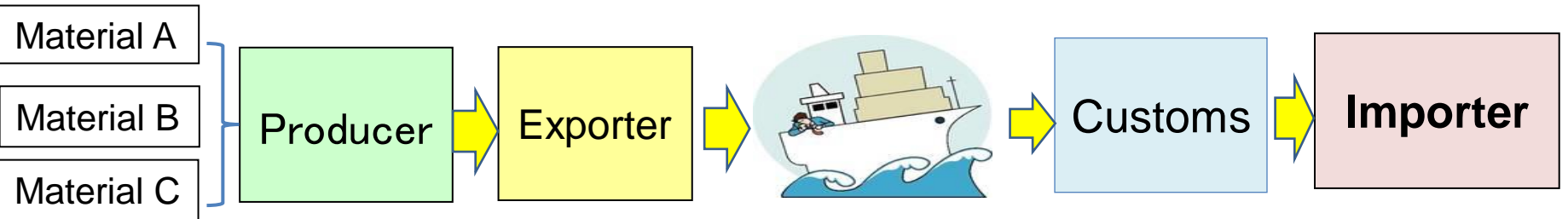
| | Vietnam-Japan EPA | AJCEP | CPTPP | RCEP |
|------------------------------|--|---------------|--|--|
| Entry into Force | October 2009 | December 2008 | December 2018 | January 2022 |
| HS Code | HS2007 | HS2017 | HS2012 | HS2022 |
| Product Specific Rules (PSR) | Products Specific Rules / General Rule (CTH / VA40%) | | Products Specific Rules (PSR) only | |
| Certificate of Origin | Third Party Certification | | Self Declaration by Importer, Exporter or Producer | Third Party Certification / Approved Exporter Self Certification |

2. Actual Effects of Utilizing FTAs

Vietnam



Japan



Normal Trade

FOB
1000

Logistics Costs & Insurance
50

Customs Duty Value
(1000+50) × 20%
=210

Importer's Cost
=1000+50+210
=1260

Trade on FTA

FOB
1000

Logistics Costs & Insurance
50

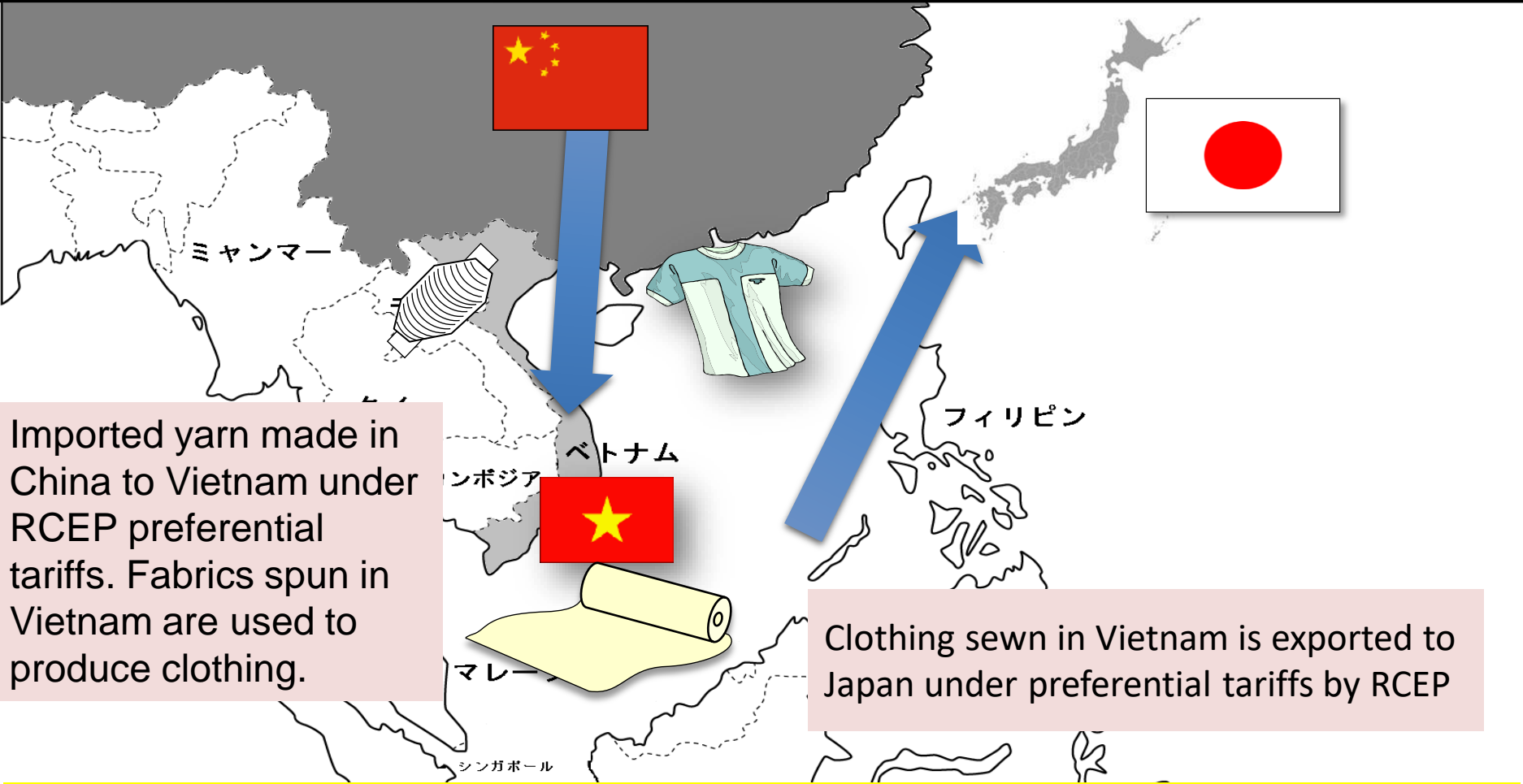
Customs Duty Value
(1000+50) × 0%
=0

Importer's Cost
=1000+50+0
=1050

(In the case of a custom tariff rate of 20% in Japan)

Producers and exporters receive the same benefits, while the cost burden on importers is significantly reduced ➔ **Increase the price competitiveness** of your products in FTA import countries

(2) Examples of RCEP Supply Chains (Textile and Garments)

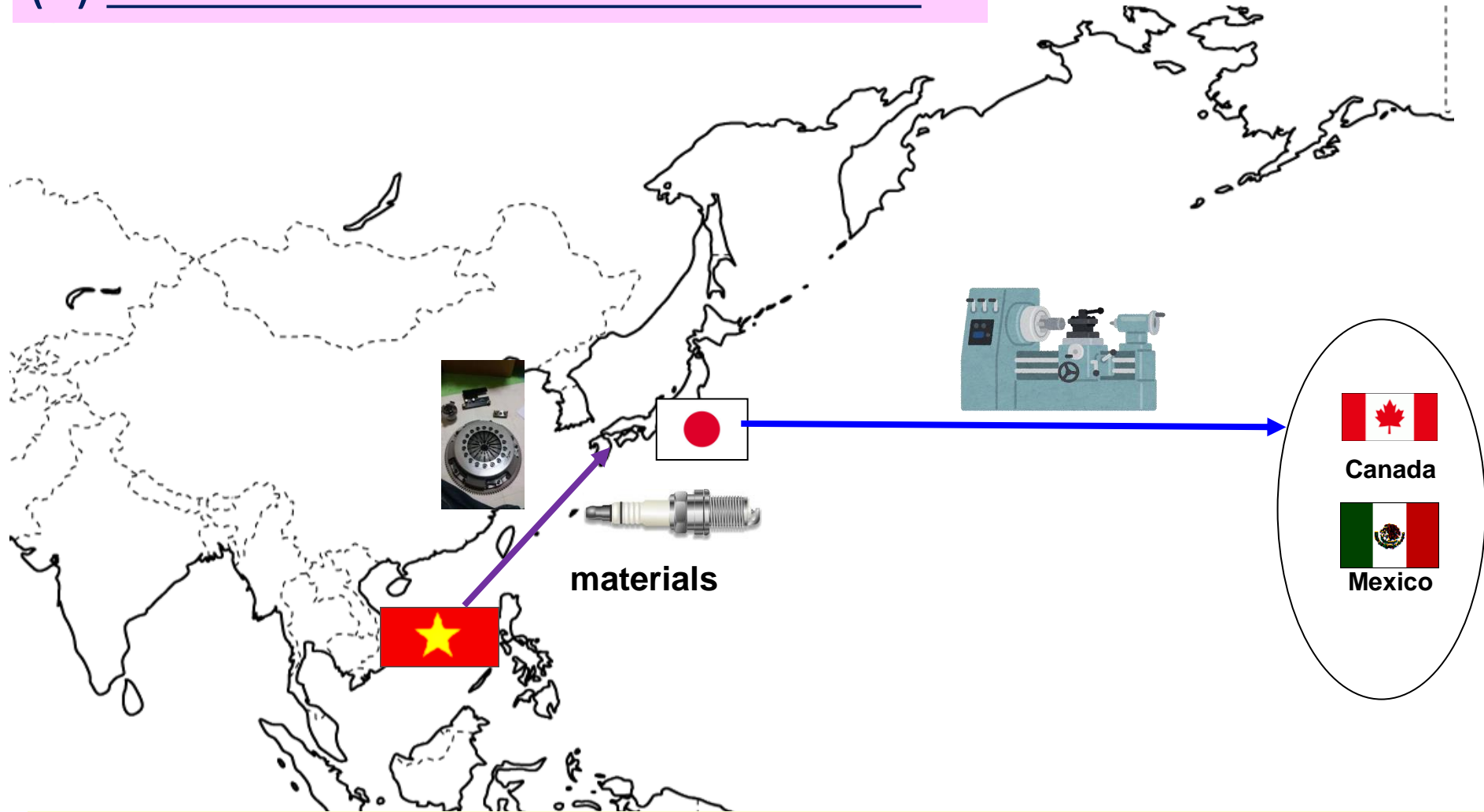


Imported yarn made in China to Vietnam under RCEP preferential tariffs. Fabrics spun in Vietnam are used to produce clothing.

Clothing sewn in Vietnam is exported to Japan under preferential tariffs by RCEP

➤ It is expected that the intra-RCEP movement of materials in East Asia, will facilitate the securing of the originality of RCEP member products and contribute to the revitalization of intra-regional trade.

(3) New Business Model under CPTPP



Export of machine parts manufactured in Vietnam to Japan under CPTPP, and export of machinery assembled in Japan to other CPTPP contracting parties under CPTPP preferential tariffs again.

3. Sample Form of Exporter's Self-Declaration in CPTPP

【Notes】

- All items described are statutory.
- Language: English
- The format does not matter
- The pledge is statutory.

<Pledge by Exporter>

“I certify that the goods described in the document qualify as originating and the information contained in this document is true and accurate. I assume responsibility for providing such representations and agree to maintain and present upon request or make available during a verification visit, documentation necessary to support this certification.”

Source: Japan Customs

Certification of Origin
(Comprehensive and Progressive Agreement for Trans-Pacific Partnership)

<原産品申告書の記載例>

| 1. Exporter's name, address (including country name), telephone number and e-mail address (This field can be left blank if this certification is completed by producer and the exporter is unknown.) Customs Corporation 2-7-68, kaigan, Minato-ku, Tokyo, JAPAN +81-3-3456-XXXX XXXXXX@customs.co.jp | | | |
|---|---|---|---|
| 2. Producer's name, address (including country name), telephone number and e-mail address (This field can be left blank if exporter and producer is the same company or person. If there are multiple producers, state "Various" or provide a list of producers. A person that wishes for this information to remain confidential may state "Available upon request by the importing authorities.") | | | |
| 3. Importer's name, address in the importing country, telephone number and e-mail address (This field can be left blank if importer is unknown.) Canada Corporation Suite XXX, XXX-XXXth Avenue SW Calgary, Alberta T2R 0A8, Canada +1-403-XXX-XXXX XXXXXX@canada.co.ca | | | |
| No. | 4. Description of goods: • Description of good(s) • Invoice number(s)(in case the certification of origin covers a single shipment of a good and if the number is known.) | 5.HS tariff classification number (6 digit, HS2012) of goods | 6. Origin criterion (WO, PE, PSR); and Other (<i>De Minimis</i> , Accumulation), if applicable |
| 1 | Toilet linen of cotton Invoice No. ABC012345, 2018.12.30 | 6302.60 | PSR |
| 7. Blanket Period (If the certification covers multiple shipments of identical goods for a specified period of up to 12 months) | | | |
| 8. Other (any other applicable origin criterion or other indication) | | | |
| 9. Certification I certify that the goods described in this document qualify as originating and the information contained in this document is true and accurate. I assume responsibility for proving such representations and agree to maintain and present upon request or to make available during a verification visit, documentation necessary to support this certification. | | | |
| Date <u>December 30, 2018</u> | | | |
| Name <u>Customs Corporation</u> (signature or stamp) Stamp | | | |
| Please tick a box to indicate who has completed this origin certification document: <input type="checkbox"/> Importer <input checked="" type="checkbox"/> Exporter <input type="checkbox"/> Producer | | | |

(2) Required Items for RCEP Certificates of Origin

<Third-party Certification>

- a) Name and address of the exporter
- b) Name and address of the producer (in case found)
- c) Name and address of the importer or consignee
- d) Product names, HS code (6 digits)
- e) Number of Certificate of Origin
- f) Origin Criteria
- g) Declaration by exporter or producer
- h) Certification, seal, and signature by the issuing authority
- i) Stipulated in Differences in Tariff Rates (Articles 2 and 6)
- j) More information to confirm the detail of shipment (Purchase number and date of departure, etc.)
- k) FOB value (on a value-added basis)
- l) Quantity of products
- m) Provisions in Back-to Back certificates of origin

<Approved Exporter, Exporter Self-Declaration>

- a) Name and address of the exporter
- b) Name and address of the producer (in case found)
- c) Name and address of the importer or consignee
- d) Product names, HS code (6 digits)
- e) **Authorized Exporter's Certification Number (Identification Number)**
- f) Reference number, date
- g) Origin Criteria
- h) Declaration by the authorized signer
- i) Stipulated in Differences in Tariff Rates (Articles 2 and 6)
- j) FOB value (on a value-added basis)
- k) Quantity of products
- l) Provisions in Back-to Back certificates of origin

Note:

The declaration format is not statutory.

4. FTA Rules of Origin

- FTA preferential tariffs are limited to products originating from the FTA exporting country (Vietnam)
- “Origin Products” are absolutely required that (1) they should be captured, collected, etc., or (2) should be undergone final processing in the export country.
- FTA rules of origin define the conditions for export product to be a real “origin product” on FTA.

FTA Rules of Origin

Origin Criteria

Wholly obtained goods (WO)

Goods produced exclusively from originating materials (PE)

Goods satisfying the product-specific rules (PSR)

Change in Tariff Classification

Qualifying Value Content

Specific manufacturing or processing

Origin Procedures

Proof for Consignment Criteria

Certificate of origin

Third Party Certification

Approved Exporter Self Certification

Self Declaration by Traders

Verification

【Key Points of FTA Rules of Origin】

- (1) Confirming that exporting product as Vietnamese origin according to FTA rules of origin with clear documents certifying the product satisfy all the necessary conditions as originated commodity.
- (2) Direct shipment to Japan (in principle)
- (3) Prove to Japan Custom that the above product is truly Vietnamese Origin with a certificate of origin

1) ORIGIN CRITERIA

| | |
|---|--|
| Wholly obtained goods (WO) | Example: Live animal born and raised in the territory of a country, Vegetable, Fish, Wood, Minerals and other natural resources taken in the territory of a country |
| Goods produced exclusively from originating materials (PE) | Goods produced exclusively from originating materials are the goods produced using originating materials only. |
| Goods satisfying the product-specific rules (PSR) | Even if the materials from third countries (non-originating materials) are used in the production, goods are considered as originating when the goods satisfy the requirement set out in the product-specific rules (PSR). |

2) PRODUCT SPECIFIC RULES

A. Change in Tariff Classification (CTC)

HS Code

*** 6 digit is some world wide**

CC: Change of Chapter

CTH: Change of Heading

CTSH: Change of Sub-Heading

HS OO △△ □□

Chapter Heading Sub-Heading

Compare the HS code of exported goods with the HS code of materials, and if the two differ at any of the above levels, the exported product is recognized as an “original product” even if all or part of the material is non-origin

Note ①: Depending on the HS code of the exported product, whether CC, CTH, or CTSH is applied differing.

Note ②: There are cases where exceptions are made.

| HS Code | FTA |
|---------|---|
| HS2007 | Switzerland, Vietnam , India, Peru |
| HS2012 | Australia, Mongolia, TPP/CPTPP |
| HS2017 | EU, USA, UK, Thailand, AJCEP , Indonesia (revised on February 5, 2024) |
| HS2022 | RCEP |

B. Qualifying Value Content

$$RVC = \frac{FOB - VNM}{FOB} \times 100\% \geq \text{threshold}$$

Note: RVC: Regional Value Content, VNM: Total value of non-origin materials

【Purpose of the Value-Added Criteria】

Even if all of the materials are classified as "non-origin" and the qualification of origin ratio (RVC) exceeds the threshold value even after the total purchase value (VNM) is deducted from the transaction value (FOB) of the exported goods, the exported goods (products) are recognized as "Origins of Export Country" on FTA.

Alternate Method of RVC Calculation: for CPTPP、RCEP only

$$RVC = \frac{VOM + \text{【Direct Labor Costs + Direct Management fee + Profit (+ Other Expenses)】}}{FOB} \times 100\% \geq \text{Threshold}$$

Note: VOM: Value of origin materials

5. Key Points for Specific Industries to Confirm Vietnam Origin

(1) Food & Beverage

- Many PSRs require the main raw material to be “Origin” of FTA
- Some PRRs also require specific restrictions on certain non-origin materials

(2) Steel and Metals (materials and products)

- In the case of manufacturing metal products by processing raw material metals, there exist some regulations that do not recognize the origin of exported products only by simple works (cutting, polishing, etc.) in Vietnam.

(3) Textiles & Garments

- As General Rule except RCEP, the “**two processing**” should be done in Vietnam.
example: spinning & weaving, cutting and Sawing
【note】 “Single Processing” is requested by RCEP to be Origin Products.
- In the case of clothing, the main material such as materials for the outer are subject to RSR for the determination of origin of products.

■ Rules of origin for the textile sector in the CPTPP

- Principle: Completion of the “**three processing**” (spinning → weaving/knitting → cutting and sewing) within the territory of CPTPP members

6. Types of Origin Evidence and Points for Bookkeeping

| | |
|--------------------|---|
| Important Evidence | ① Production Process Chart, ② List of all materials used for production |
| | Evidence for Change in Tariff Classification Evidence for Qualifying Value Content |
| | Proof for Consignment Criteria |
| | Copy of Certificate of Origin |

| The language used for the evidences | Medium of Evidence |
|--|--|
| <ul style="list-style-type: none"> ■ English ■ English and Vietnamese ■ Languages of the destination country <p>*If a language is specified in the self-certification, that language should be used.</p> | <ul style="list-style-type: none"> ■ Paper documents ■ Electronic record (PDF, etc.) |

Retention Periods of Evidence

- 3 years : VJEPA, AJCEP, 3 years or more: RCEP, 5 years : CPTPP
- (note) Japan Custom may make a verification for 5 years or more.

Thank you for your kind attention

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