

Finalisation of the negotiations on the EU-Japan Economic Partnership Agreement

In the context of emerging trade wars, as well as overwhelming Brexit uncertainty, it is good to see the EU striving towards avoidance of further protectionism by signing the Japan-EU Economic Partnership Agreement (JEEPA).

The JEEPA in a nutshell

This trade deal promises to eliminate 99% of tariffs and establish facilitations not only with respect to the movement of goods and services but also manufacturing, investment and harmonization of standards regarding work, safety, environmental and consumer protection. It is important to note that certain tariffs will be gradually eliminated over a period of 20 years (for imports into the EU) and 15 years (for imports into Japan), while other duty rates will be eliminated as of the day of entry into force of the agreement.

The main objective of this ambitious Economic Partnership is to cut tariffs in order to support the growth of exporters of goods.

The agreement is expected to have a provisional entry into force in the first half of next year (similarly to the CETA – EU & Canada-agreement), as parliaments of the different Member States of the EU, as well as Japan will need to be consulted for approval. Ratification, therefore, will be of a gradual nature.

The industries expected to benefit from this major Economic Partnership Agreement are:

- For Japan: 67 different tariff chapters (out of 99) with an important focus on automotive & parts, transport equipment, electronics, pharma;
- For the EU: 62 different tariff chapters (also out of 99) with an important focus on agri-food, beverages, tobacco;
- Other prominent market openings are in services, allowing citizens to travel for business purposes, and facilitating investments.

In order for companies to benefit from the duty rate provisions stipulated in the agreement and consequently the promising 0% duty rate upon importation, it is fundamental to ensure a proper application and implementation of the Rules of Origin. In this respect, note that products must be wholly-obtained in either the EU or Japan, or comply with product-specific accumulation rules, while others may require a change in HS code.



What should businesses start doing?

Considering the financial and commercial benefits that JEEPA will bring to EU and Japanese businesses, PwC is of the opinion that companies should already start planning and modelling their supply-chains (sourcing, delivery network, etc) in order to be ready to take maximum advantage of the JEEPA. In addition, companies should review internal FTA compliance procedures to ensure that appropriate processes are in place to validate origin, and that documentation can be prepared and maintained in order to support compliance with the origin requirements. This is especially important to note for exporters in Japan, since it is not common for origin to be self-certified in Japan's other FTAs. .

PwC's global customs network stands ready to further discuss opportunities with you, so please do not hesitate to contact us at any suitable time.

Let's talk

If you would like further advice or a deeper discussion of how this issue might affect your business, please contact:

Frank Debets
Managing Partner, Asia
Office: +65 6236 7302
Email: frank.debets@sg.pwc.com

Lionel Van Reet
Partner, PwC Belgium
Office: +32 2 7104212
Email: lionel.van.reet@pwc.com

Howard Osawa
Director, PwC Japan
Office: +81 (0) 3 5251 6737
Email: howard.h.osawa@jp.pwc.com



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