

The Agreement Between Japan and Singapore For a New Age Economic Partnership (JSEPA) On the Rules of Origin for Trade Between The Two Countries

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To : All Manufacturers Registered with
Export Certification Unit (ECU) of IE Singapore

THE AGREEMENT BETWEEN JAPAN AND SINGAPORE FOR A NEW-AGE ECONOMIC PARTNERSHIP (JSEPA) ON THE RULES OF ORIGIN FOR TRADE BETWEEN THE TWO COUNTRIES

Introduction

The Agreement between Japan and Singapore for a New-Age Economic Partnership will be implemented on 30 Nov 2002. With the implementation, Japan has committed to give zero-tariff concessions for 6,938 products. Of these, 3,087 product lines are already zero-rated for which the import duty/tax in Japan is not applicable, ie. they are duty-free. For these products, it does not matter if they are made in Singapore or in other countries.

However, an additional 3,851 **Singapore origin** goods will be entitled to preferential tariffs when imported into Japan. Out of these, 3,841 tariff lines will take effect from 30 Nov 2002, while the remaining 10 petrochemical products will be liberalised over a period of time. Of the 10 petrochemical products, 7 will be subject to equal annual reduction of tariffs starting from 2003 and eliminated in 2010, 2 will be reduced annually starting from 2005 and eliminated in 2010 whilst 1 item will be eliminated with effect from 1 April 2006.

The entire Agreement is available for your download in MTI's website at: "<http://www.mti.gov.sg>". You may wish to note that the products subject to tariff elimination are listed from pages 81 to 167 of the Agreement. The product specific rules qualifying products as Singapore origin for products eligible for tariff elimination are from pages 168 to 371 of the Agreement.

Please highlight the contents of this circular to your Marketing Manager/Financial Controller, your appointed freight forwarder and any other relevant officer.

The Rules of Origin to Qualify for Preferential Tariff

Your product may qualify for the preferential tariff treatment for importation into Japan under the following rules of origin:

Wholly Obtained or Produced Products

The following goods shall be considered as being wholly obtained or produced entirely in Singapore:

- a. live animals born and raised in the territory of Singapore;
- b. animals obtained by hunting, trapping, fishing, gathering or capturing in the territory of Singapore;
- c. goods obtained from live animals in the territory of Singapore;
- d. plants and plant products harvested, picked or gathered in the territory of Singapore;
- e. minerals and other naturally occurring substances, not included in sub-paragraphs (a) through (d), extracted or taken in the territory of Singapore;
- f. goods of sea-fishing and other goods taken from the sea, outside the territorial sea of Singapore, by vessels that are entitled to fly the flag of Singapore;
- g. goods obtained or produced on board factory ships, outside the territorial sea of Singapore, that are entitled to fly the flag of Singapore, provided that these goods are manufactured from goods referred to in sub-paragraph (f);
- h. goods taken from the sea bed or subsoil beneath the sea bed outside the territorial sea of Singapore, in accordance with the provisions of the United Nations Convention on the Law of the Sea;
- i. articles collected in the territory of Singapore which can no longer perform their original purpose in Singapore's territory nor are capable of being restored or repaired and which are fit only for disposal or for the recovery of parts or raw materials;
- j. scrap and waste derived from manufacturing or processing operations or from consumption in the territory of Singapore and fit only for disposal or for the recovery of raw materials;
- k. parts or raw materials recovered in the territory of Singapore from articles which can no longer perform their original purpose nor are capable of being restored or repaired; and
- l. goods obtained or produced in the territory of Singapore solely from goods referred to in sub-paragraphs (a) through (k) above.

Manufactured Products

Most of the products of export interest to Singapore belong to this category i.e. the products are manufactured in Singapore from materials, components or parts. Examples of these products are:

- a. petroleum refined in Singapore from imported crude oil; and

- b. hair dryers assembled in Singapore from both imported and locally produced components and parts.

These products will be considered originating in Singapore if they meet the product specific rules in the Agreement.

The product specific rules can be found from pages 168 to 371 of the Agreement. Generally, the product specific rules of eligible products require the final product to be substantially transformed in Singapore. Such transformation is deemed to have occurred if there is a Change in Tariff Classification (CTC). The CTC based on the Harmonized System (HS) of Classification under JSEPA requires the product to have a different 4-digit HS heading from the non-originating materials used in its production. Please submit your Manufacturing Cost Statement (MCS) for your products qualifying under the CTC rule to determine whether your product meets the specified rule of origin. A sample copy of the MCS is attached in [Annex A](#).

Within the product specific rules, there are 264 products for which manufacturers may use the value-added rule as an **alternative** origin criterion to qualify the product for preferential tariff treatment. For products that are subject to the value-added rule, the Qualifying Value Content of the product must be at **least 60%** of its **FOB price**. Inputs originating from Japan or Singapore can count towards the 60%. Details of the calculation are as follows:

$$\text{Q.V.C} = \frac{\text{F.O.B.} - \text{N.Q.M.}}{\text{FOB}} \times 100$$

where:

Q.V.C. is the qualifying value content of a good, expressed as a percentage;

F.O.B. is the free-on-board value of a good payable by the buyer to the seller, regardless of the mode of shipment, not including any internal excise taxes reduced, exempted, or repaid when the goods is exported; and

N.Q.M. is the non-qualifying value of materials used by the producer in the production of the good.

A sample Manufacturing Cost Statement for products qualifying under the value-added rule is attached in [Annex B](#) to guide you on the calculation for the **Qualifying Value Content of the product**.

Documentation Procedures

In order for the Japanese importer to be able to claim preferential tariff, the Singapore exporter is required to submit his application for a preferential Certificate of Origin (CO) and Export Permit to IE Singapore for processing and approval prior to the export. A sample copy of the preferential CO is attached in [Annex C](#) for your reference. The documentation procedures to apply for a preferential Certificate of Origin are as follows:

Step One - Factory Registration

The product must be manufactured by a factory that is registered with the Export Certification Unit (ECU) of IE Singapore. If you are not the manufacturer of the product and you wish to apply for a preferential CO for export to Japan, you should confirm that the manufacturer in Singapore has met this requirement.

To register, the manufacturer must complete the "Application for Registration" Form obtainable from the ECU. Upon completion, the manufacturer will submit the Form to the following address:

International Enterprise Singapore Board
Export Certification Unit
230 Victoria Street #08-00
Bugis Junction Office Tower
Singapore 188024

An officer from IE Singapore will inspect the factory to see that it has the machinery and manpower to manufacture the product and that it keeps proper books and records of its operations. If the application is successful, the manufacturer will receive a letter of approval from IE Singapore together with a registration number.

For most of you that are receiving this circular, this procedure does not apply as you are already registered with ECU. However for those manufacturers that are producing new product lines, you are required to submit the Application Form to us for our perusal. In this regard, please contact the ECU to obtain the Application Form. The Form is also available for download at: "<http://www.tradenet.gov.sg>".

Step Two - Submission of Manufacturing Cost Statement

Upon successful registration, the manufacturer will be able to submit to ECU the Manufacturing Cost Statement for each product model that you or your exporter intend to export to Japan. Sample copies of the Manufacturing Cost Statement for the CTC and value-added rules are in **Annexes A** and **B** respectively. The manufacturer is required to submit the relevant Statement depending on the specific rule of the product. You may check with ECU on the specific rule of origin of your product before submitting your Manufacturing Cost Statement.

ECU will verify your Manufacturing Cost Statement and inform you whether your product satisfies the origin criteria for the preferential CO. With ECU's approval letter for the Manufacturing Cost Statement, you or your exporter may apply for the preferential CO to Japan. Each approved Manufacturing Cost Statement is valid for one year and must be updated annually or earlier when there are changes during the year.

For renewal of the Manufacturing Cost Statement, you may submit a Letter of Undertaking (LU) to the ECU declaring that your product for all models are still qualified for the prevailing origin criteria.

Step Three - Applying for the Preferential CO

You are advised to submit your application for the preferential CO prior to your export as Japan does not allow retrospective application after the shipment has been cleared by them. If you are a TradeNet declarant, you may create and submit the Certificate and Permit declarations electronically through TradeNet to IE Singapore for processing and approval. Otherwise you may engage your freight forwarder or any Service Centre to submit the application on your behalf.

Step Four - Submission of Preferential CO via TradeNet

A new Certificate Type (Certificate Type 18) to facilitate the submission of the preferential CO during the coming TradeNet version upgrade will be ready for your use from **1 Jan 2003** onwards. The new software will be available from 1 Dec 2002 during the parallel run period of the new and old TradeNet versions. Please contact your software vendor to install the new software version should you wish to apply for the preferential CO via TradeNet with effect from 1 Dec 2002.

Manual Submission of CO (applicable from 30 Nov to 31 Dec 2002)

If you have not installed the new version of TradeNet software, you can submit the preferential CO application manually to ECU at our above address for processing and approval. The preferential CO form is available for sale at:

CrimsonLogic Customer Service Centre
230 Victoria Street
#07-02 Bugis Junction Office Tower
Singapore 188024
Tel : 63390798

In addition to the normal requirements, please **declare the corresponding 6-digit HS code of your product, number and date of invoice** in the "Certificate Item Description" field as part of your consignment details in the preferential CO.

The Japan Customs Authority requires this information to be declared in the preferential CO to facilitate clearance of goods.

The approved COs can be collected from ECU at Bugis Junction office Tower. The manual procedures will apply until 31 Dec 2002.

Usage of the Preferential Certificate of Origin

Upon approval of the preferential CO application via TradeNet, ECU will retain a copy of the CO and return the Original and duplicate to the exporter. The exporter **must sign** all the copies of the preferential CO, which is valid for one year, before despatching the Original copy to his buyer in Japan. The exporter should retain the other copy of the preferential CO for record keeping.

Retention of Documents

Documents relating to the production and shipment of exports accompanied by the preferential CO should be kept for at least 3 years for post-verification checks by the IE Singapore or the Japan Customs Authority.

Advance Rulings

The Singapore exporter or his agent may apply for an Advance Ruling as to whether his good qualifies as an originating good. No fee is payable for such application. Applications are to be made in writing to the Japan Customs Authority as follows:

| Customs House | Section | Contact |
|----------------------|---|--|
| Tokyo Customs | Customs Clearance Second Coordination Section, Customs Clearance Division | Tel: 03-3599-6338 Fax: 03-3599-6458 |
| Yokohama Customs | Customs Clearance Third Coordination Section, Customs Clearance Division | Tel: 045-212-6153 Fax: 045-201-7291 |
| Kobe Customs | Customs Clearance Third Coordination Section, Customs Clearance Division | Tel: 078-333-3155 Fax: 078-333-3187 |
| Osaka Customs | Customs Clearance Third Coordination Section, Customs Clearance Division | Tel: 06-6576-3215 Fax: 06- |

6576-0362

| | | |
|--------------------------------|---|--|
| Nagoya Customs | Customs Clearance Second Coordination Section, Customs Clearance Division | Tel: 052-654- 4115 Fax: 052- 661-2329 |
| Moji Customs | Customs Clearance Coordination Section, Customs Clearance Division | Tel: 093-332- 8367 Fax: 093- 332-8397 |
| Nagasaki Customs | Customs Clearance Coordination Section, Customs Clearance Division | Tel: 095-828- 8666 Fax: 095- 827-0580 |
| Hakodate Customs | Customs Counselor Office, Customs Clearance Division | Tel: 0138-40- 4261 Fax: 0138- 45-8872 |
| Okinawa Regional Customs | Customs Clearance First Coordination Section, Customs Clearance Division | Tel: 098-862- 9291 Fax: 098- 863-0390 |

The Japan Customs Authority shall endeavour to issue an advance ruling within 30 days of receipt of all the necessary documents.

Additional Information - Essential Points

The essential points the exporter or manufacturer should bear in mind when applying for the preferential CO for export to Japan are:

Establish Tariff Classification of Product

The exporter/manufacturer must establish the correct classification or commodity code of the product according to the Harmonized Commodity Description and Coding System (HS).

Check The Product Coverage

The exporter/manufacturer should check whether product is eligible for preferential duty in Japan. Our Business Information Services Division has a publication on the list of products that Japan is offering to Singapore as tariff free for export to Japan under JSEPA. You may visit them during normal office hours at the 7th floor, Bugis Junction Office Tower, 230 Victoria Street, Singapore 188024 to make reference. Alternatively, you may download the entire

Agreement in MTI's website at: "<http://www.mti.gov.sg>" and refer to pages 81 to 167 to check whether your product is eligible for tariff elimination. Once you have identified that your product is eligible for tariff elimination, the next step is to check whether your product can meet the product specific Rules of Origin.

Check the Product Specific Rules

The product specific rules are listed in pages 168 to 371 of the Agreement. If your product cannot satisfy the rule specified in the Agreement, it means that your product is not considered as Singapore origin and will not be eligible for the tariff preference in Japan.

Please note that 3,087 product lines will not have any product specific rules as they are already zero-rated in Japan. For these products, it does not matter if they are made in Singapore or in other countries.

Enquiries

You may download a copy of the explanatory guide to the Rules of Origin under JSEPA at the following website at:

<http://www.tradenet.gov.sg>

For further enquiries on the above, please contact the following officers:

- a. Mr Tan Juan Fook Tel: 6355 2000
- b. Ms Iris Chew Tel: 6355 2000
- c. Ms Ruby Goh Tel: 6355 2000
- d. Mrs Lam Meng Choo Tel: 6355 2000

Alternatively, you may also submit your enquiries to our email address at:

ecu@iesingapore.gov.sg

MRS LAM MENG CHOO
ASSISTANT DIRECTOR
TRADE FACILITATION DIVISION
INTERNATIONAL ENTERPRISE SINGAPORE BOARD