



**Asia-Pacific
Economic Cooperation**

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Session 2

Japan's Efforts to Encourage SMEs to Utilize EPAs

Submitted by: Japan



**Workshop on Increasing Free Trade
Agreement Utilization by SMEs
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Japan's efforts to encourage SMEs to utilize EPAs

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1. Development of Japan's EPA/FTA Networks

- **Took Effect/Signed (12 countries and 1 region)**

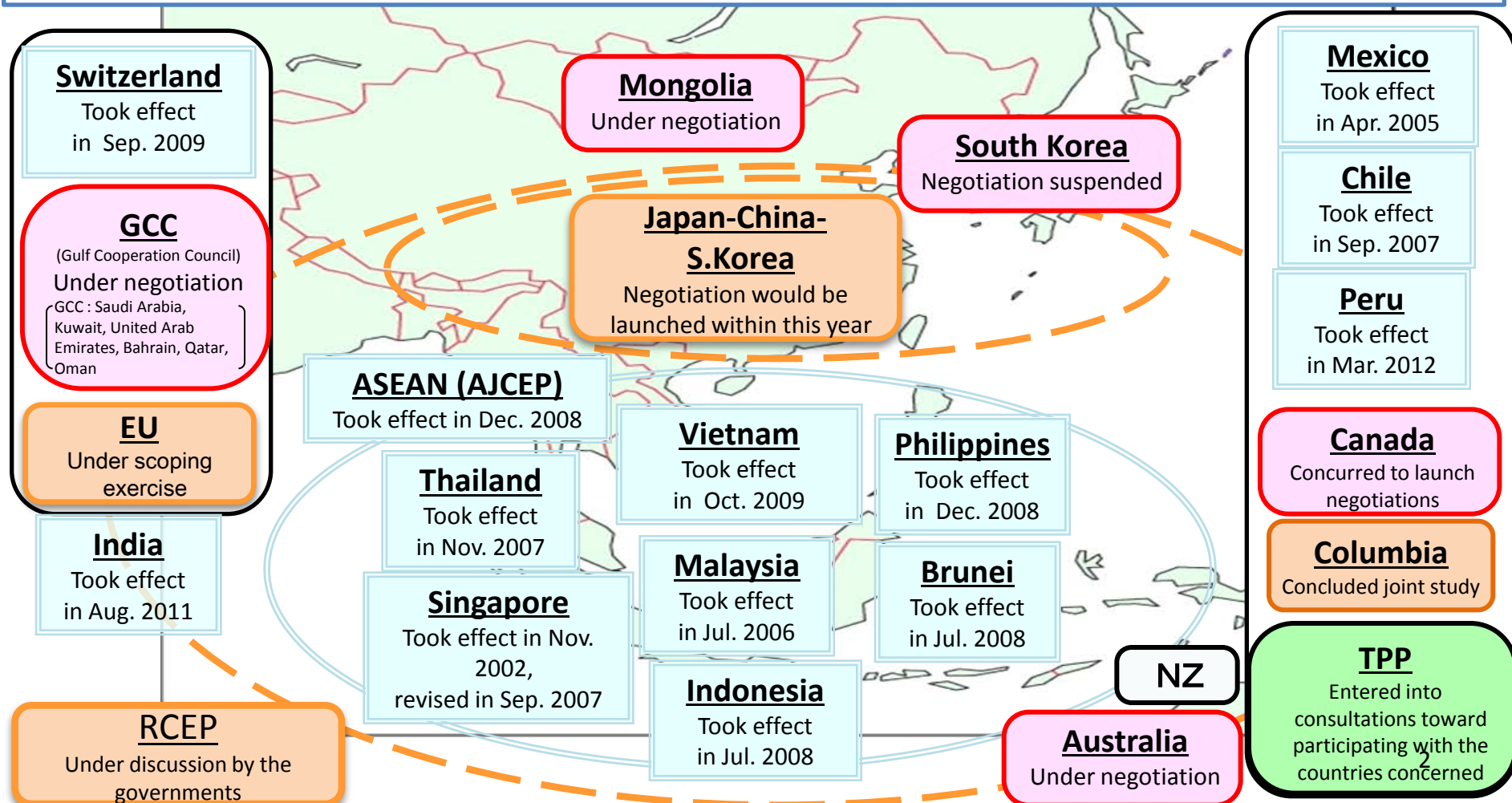
Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Vietnam, India, Peru

- **Under Negotiation (4 countries and 1 region)**

Australia, GCC, S. Korea, Mongolia, Canada

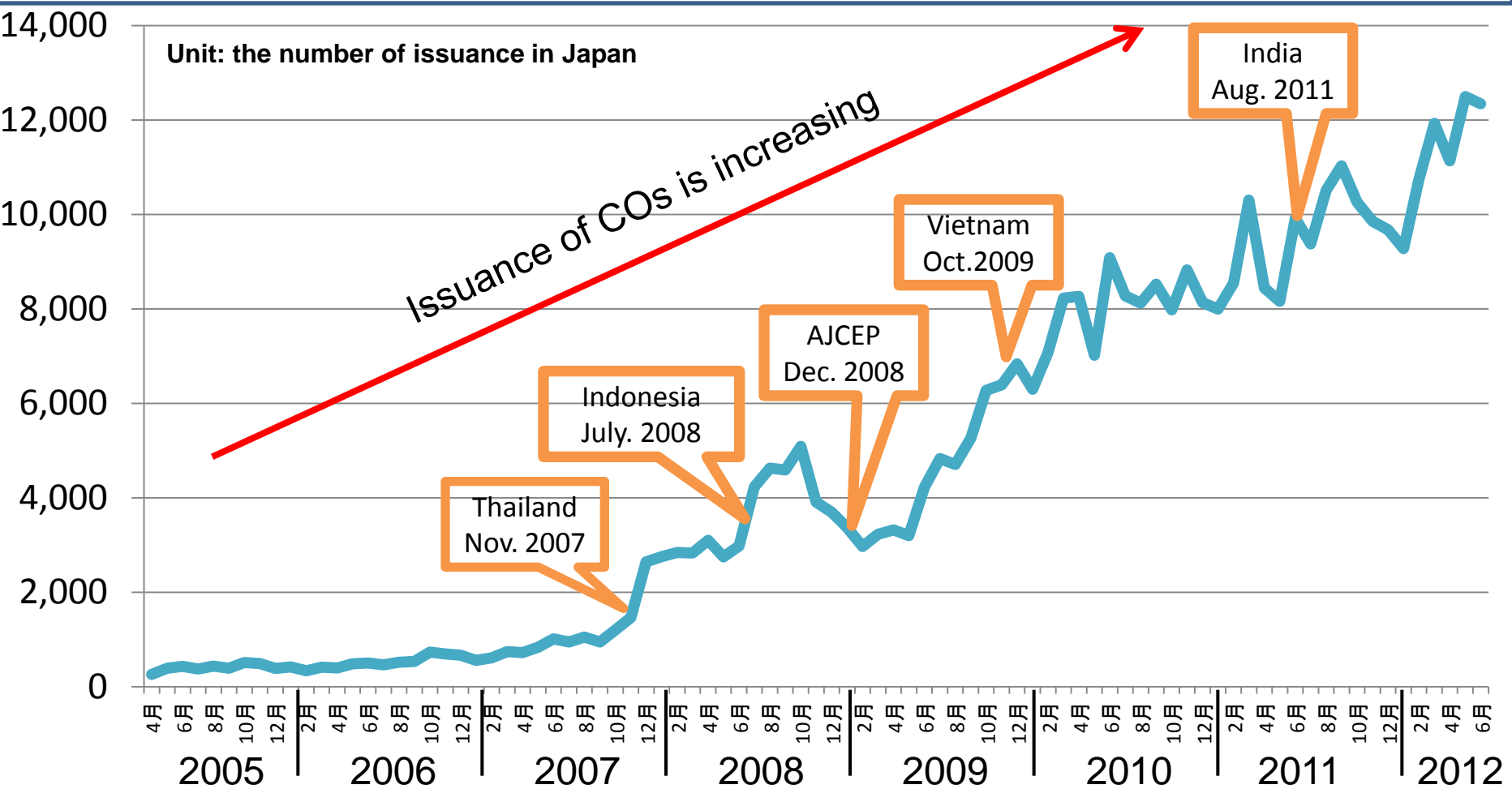
- **Under Study/discussion by the governments and private sectors (1 country, 3 regions)**

RCEP, Japan-China-S.Korea, EU, Colombia



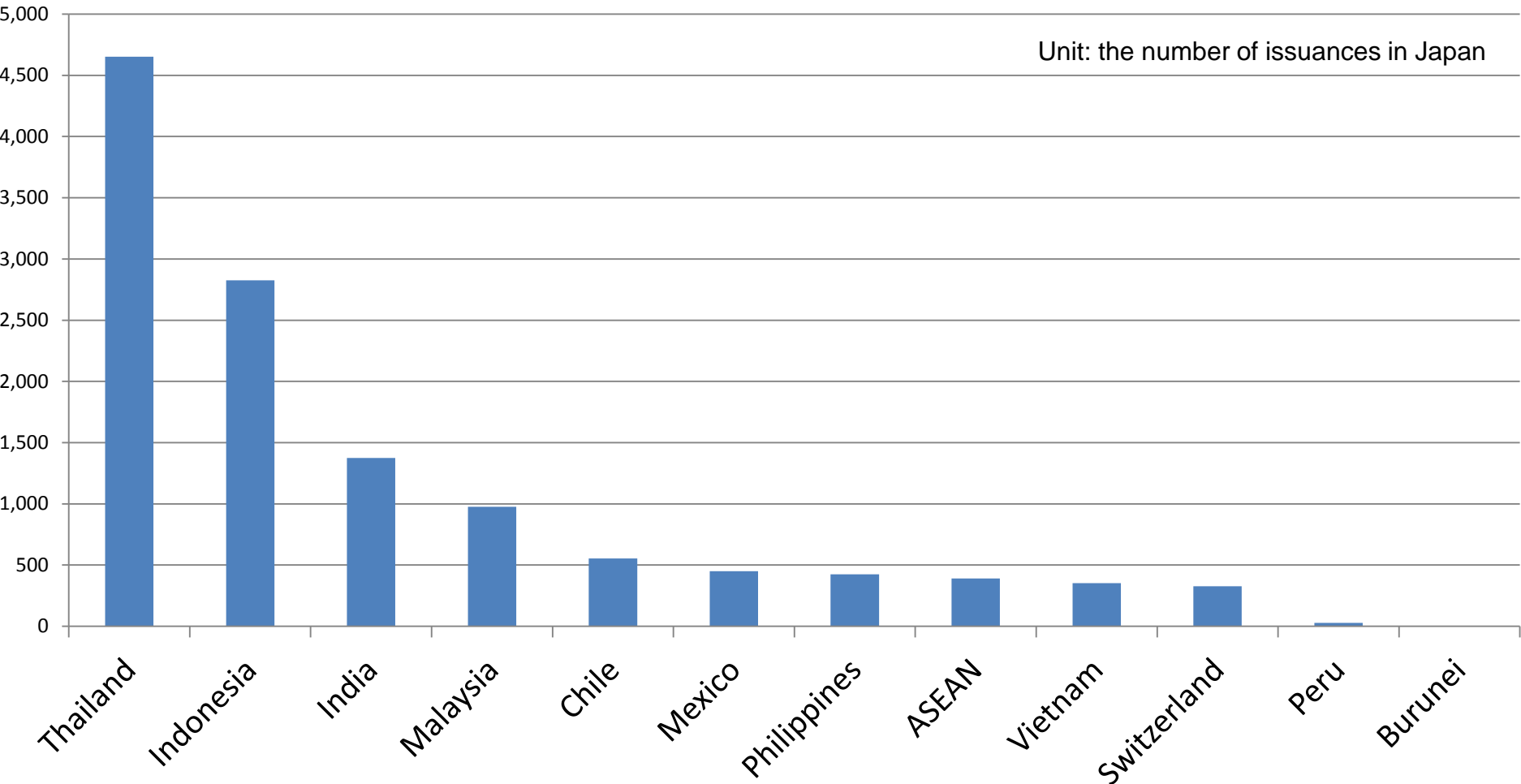
2. Increasing Utilization of EPAs by Japanese Companies

- The issuance of Certificates of Origin in Japan has been increasing since 2005.
- The EPA utilization by Japanese companies is steadily increasing and the number of issuances per month was over 12,000 in June 2012



3. The issuance of Certificate of Origins by countries (June 2012)

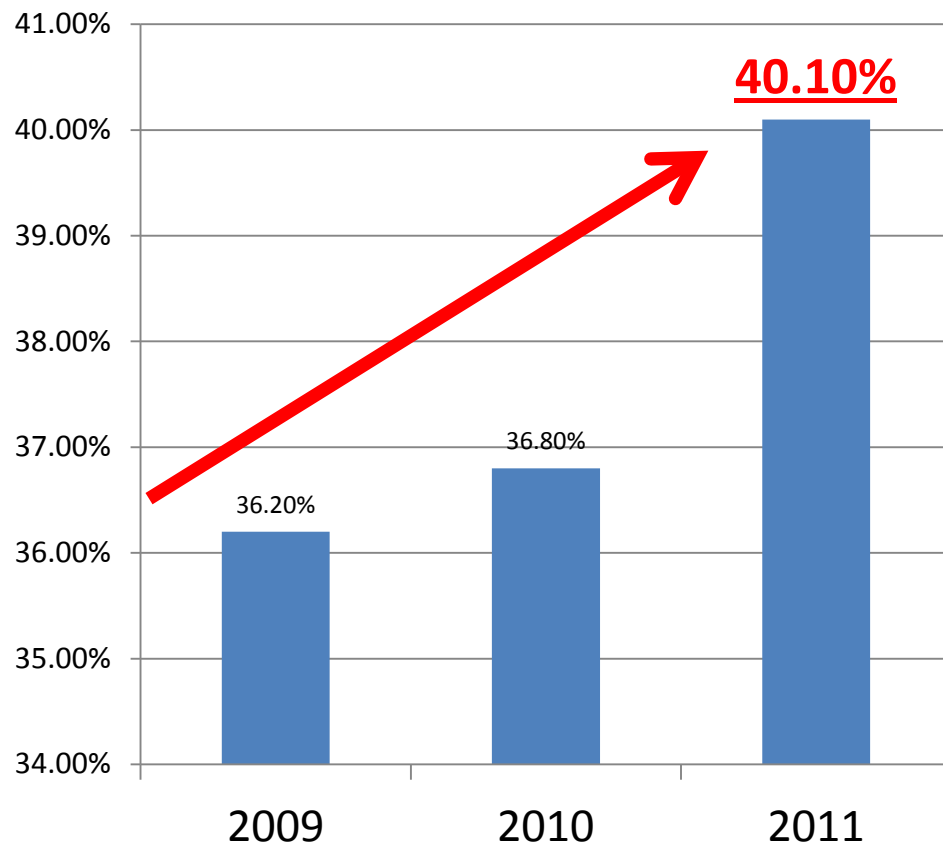
● Examining the issuance status of Certificates of Origin in June 2012, the largest number of Certificates of Origin were issued for the Japan – Thailand EPA, followed by Indonesia, India and Malaysia.



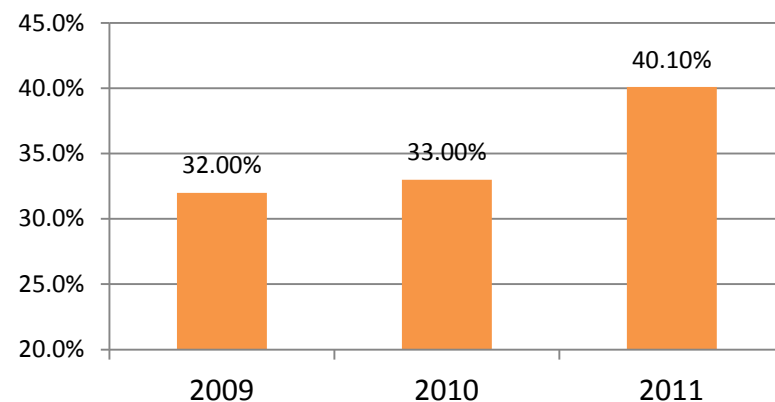
4. The utilization of EPAs by Japanese companies

- According to a survey conducted by JETRO, the utilization rate of existing EPAs of Japanese companies increased to about 40%.
- From 2009 to 2011, the utilization for imports increased 8% and on exports increased 4%.

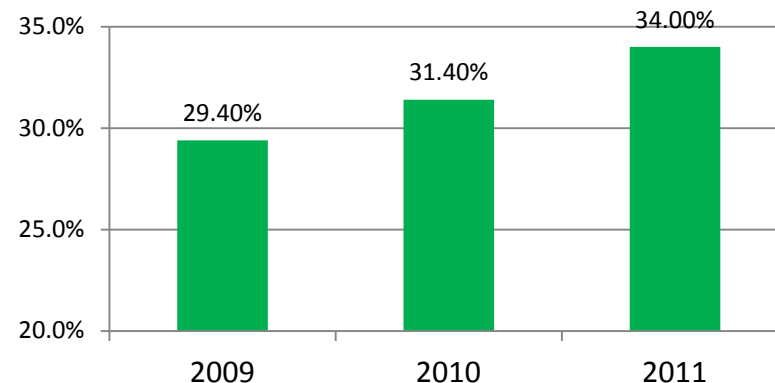
Import or Export



Import



Export



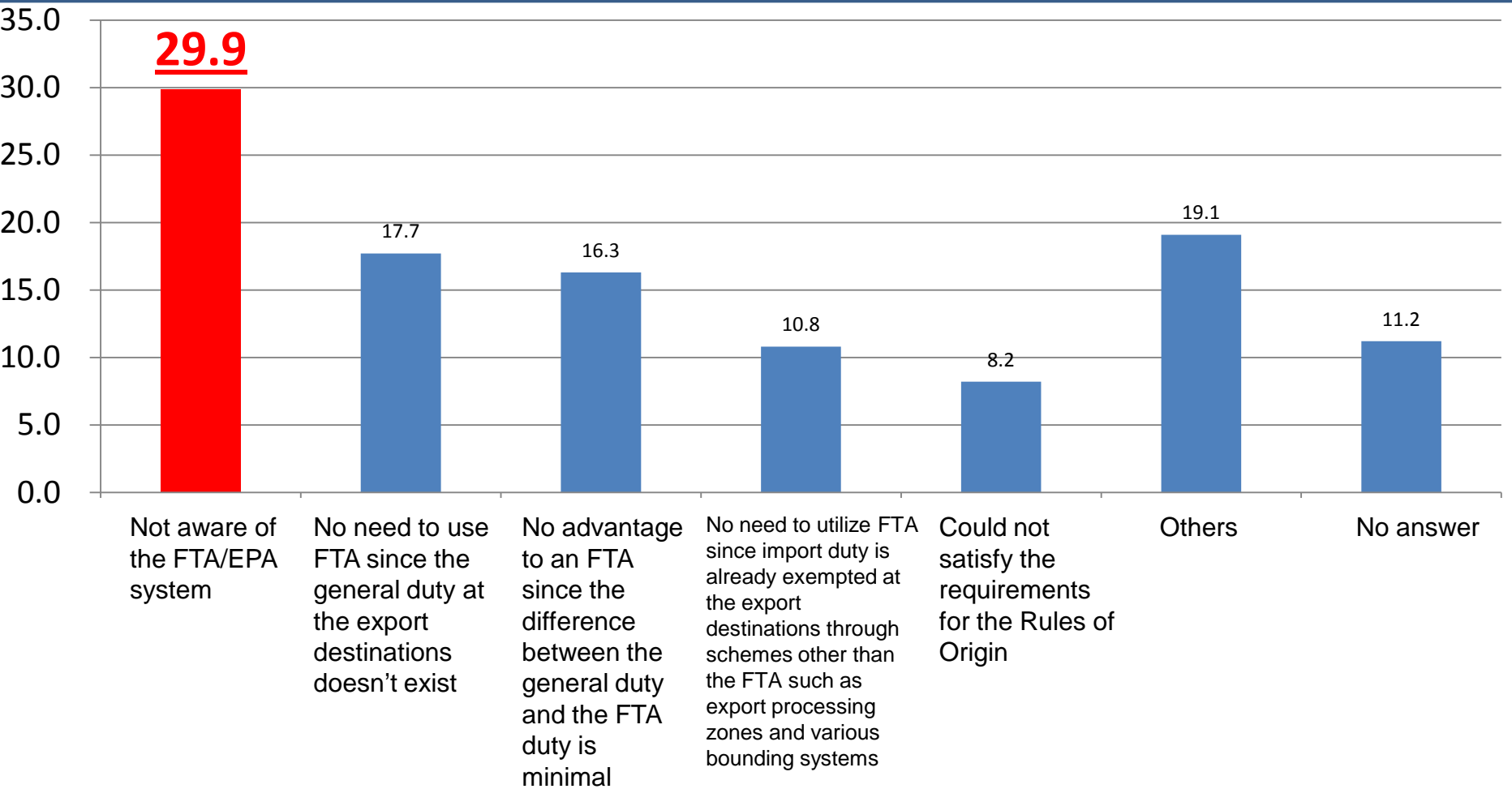
5. Utilization of FTAs in terms of Paid-in Capital

- According to a survey conducted by the Research Institute of Economy, Trade and Industry (RIETI), the EPA utilization rate of SMEs is much lower than that of large companies.

Capital (yen)	Number of firms	Number of firms using FTA	Share (%)
More than 10 billion	79	15	19.0
1 billion – 10 billion	128	19	14.8
100 million – 1 billion	285	24	8.4
50 million – 100 million	226	13	5.8
10 million- 50 million	751	58	7.7
Less than 10 million	144	12	8.3
N.A	71	9	12.7
total	1,684	150	8.9

6. Reasons for low SME utilization of EPAs

● According to a survey conducted by JETRO, the most common reason for small and medium sized enterprises (SMEs) to not utilize EPAs in exports was that they were not aware of the EPA system.



Source: Japan External Trade Organization (JETRO), "FY 2011 Survey on the International Operations of Japanese Firms"

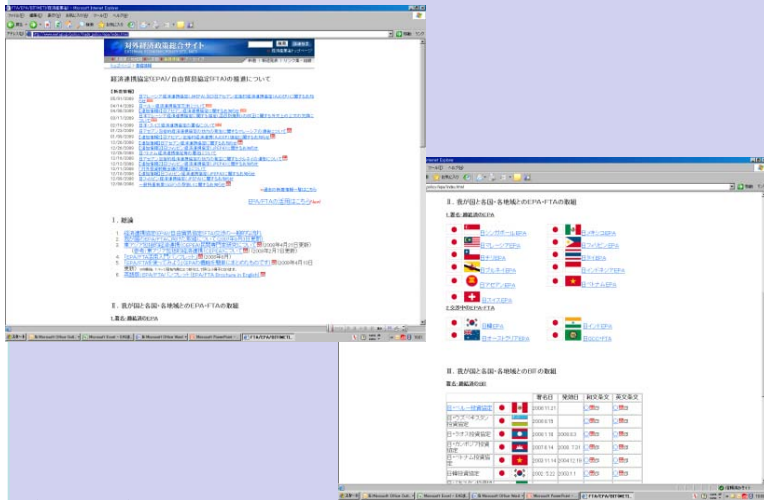
8. Actions to Promote Further Utilization of FTAs/EPAs ①

- In order to increase the awareness of the EPA system among SMEs, METI set up a website, published brochures and established a contact point.

METI Activities

➤ Maintenance of the Website

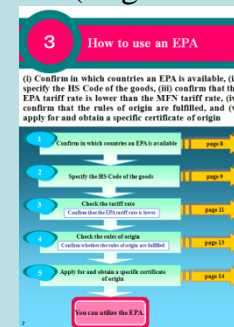
- Can get basic information for utilization of each EPA
- To explain specific procedures and points of concern for using EPAs



(URL)
http://www.meti.go.jp/policy/trade_policy/epa/index.html

➤ Publishing a Brochure on Utilizing EPAs

- To explain most basic points of EPAs, such as Tariff
 - Can download from METI, JETRO website etc.
- (Japanese version) (English version)



➤ Establishment of a Contact Point

- To set up specific e-mail address of the EPA/FTA Division of the METI:

epa-soudan@meti.go.jp

- To give some advice to EPA users regarding ROOs and specific tariff rates

9. Actions to Promote Further Utilization of FTAs/EPAs②

- In addition to METI, other business organizations provide information via their website and open seminars to raise awareness of the EPA system.

Activities of METI-related organizations

➤ Maintenance of the Website

JETRO's world tariff web site

: <http://www.jetro.go.jp/theme/trade/tariff/>



This page provides data on preferential tariff rates under Japan's EPA.

Commodity Description	MFN	AJCEP	VJEPA
8415.20.10 -- Of an output exceeding 20.28 kW	25%	14%	13%

AJCEP B15
Base rate 20%
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
19% 18% 18% 15% 14% 13% 11% 10% 9% 8% 8% 5% 4% 3% 1% Free
The first reduction on 1 December, 2008. Subsequent annual reductions on 1 April.

VJEPA B10
Base rate 20%
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
18% 16% 14.5% 13% 11% 9% 7% 5.5% 4% 2% Free
The first reduction is on October-1, 2009. Subsequent annual reductions are on April-1.

Source: World Tariff Website (JETRO)

➤ Establishment of Contact Points

● EPA advisors

-JETRO set up advisors for EPA utilization in China, India, Thailand, Philippines, Vietnam and Singapore, etc.

● Information for issuing certificate of origin

JCCI (Japan Chamber of Commerce and Industry) provides information on the issuance of rules of origin.

➤ Conduct EPA Seminars

● Domestic Seminar

-Holding a lecture on EPAs for economic organizations by METI, JCCI, JETRO, etc

● Seminar in the Local Region

- Seminar in conjunction with local government by JETRO, METI, etc.

※ Other business organizations' efforts (Examples)

- Publishing brochures for the members of business organizations.
- Establishing websites providing data on preferential tariff rates under the EPAs.

10. Barriers for SME internationalization and trade

● According to the OECD, SMEs face “Resource limitations” and “Trade barriers” in their internationalization and trade.

[Resource limitation]




- 1. Shortage of working capital to finance exports, 2. Limited Information to locate/analyze markets, 3. Inability to contact potential overseas customers, 4. Lack of managerial time, skills and knowledge

[Trade barriers]

- 1. Import tariffs, 2. NTBs, technical measures, customs procedures, etc. 3. Less direct and visible procedural barriers, etc.

(Source) OECD(2009), “Top Barriers and Drivers to SME Internationalization,” OECD(2006), “The Role of Trade Barriers in SME Internationalization”



Resource Limitations

- Finance** Accession to trade finance 
- Information** Information about overseas markets
Information about business partners in overseas markets 
- Human Resources** Lack of knowledge and skills in international trade 



Need to discuss cooperation to enhance the resource limitation

Trade Barriers

- Tariffs** High import tariffs
- NTBs** Trade-restrictive domestic (behind-the-border) regulations and policies
Customs rules and procedures 
- Transparency** Less direct and visible “procedural” barriers 



Need to discuss rules for eliminating trade barriers

11. Encouraging SME internationalization and trade by EPAs/FTAs

- SMEs face “resource limitations” and “trade barriers,” which prevent SMEs from internationalization and trade.
- It would be a solution to promote cooperation and to establish rules to encourage SME internationalization and trade.

Possible cooperation to enhance the resource limitation(Examples)

Finance

- Share information and best practices on trade financing

Information

- Share information on foreign markets and businesses
- Share information on trade and investment related regulations, customs procedures and so on.

Human Resources

- Provide training programs on international trade.

Rules for encouraging SMEs' trade(Examples)

1. Tariff reduction/elimination

- encourage SME trade by tariff reduction/elimination

2. Rules of origin

- reduce procedural costs for obtaining ROOs

3. Trade facilitation

- reduce procedural costs for customs clearance

4. Protection of investment

- protect investment of SMEs

5. Protection of intellectual property

- protect intellectual property of SMEs

6. Increase transparency of regulations

- reduce costs of complying laws and regulations