

THE JAPAN-PHILIPPINES ECONOMIC PARTNERSHIP AGREEMENT (JPEPA)¹

Background

Former Japanese Prime Minister Junichiro Koizumi, during his visit to the Philippines and other ASEAN countries in January 2002, proposed the “Initiative for Japan-ASEAN Comprehensive Economic Partnership” to which President Gloria Macapagal-Arroyo gave her full support. At the Japan-ASEAN Forum in April 2002, it was decided that bilateral economic partnerships under such an Initiative could be explored. Hence, when President Arroyo visited Japan in May 2002, she proposed that a working group study the possibility of forging a Japan-Philippines Economic Partnership Agreement (JPEPA), which may include the elements of a free trade agreement (FTA).

Executive Order 213 created the Philippine Coordinating Committee (PCC) to study the feasibility of the proposed JPEPA. The PCC was an inter-agency body composed of concerned government agencies and is co-chaired by the Departments of Foreign Affairs and Trade and Industry. The PCC also served as the Philippine negotiating team for the JPEPA.

In December 2003, at the fringes of the ASEAN-Japan Summit, President Arroyo and Prime Minister Koizumi made a joint announcement that Manila and Tokyo shall launch formal negotiations for the establishment of the JPEPA in early 2004. Thereafter, both Leaders jointly signed the JPEPA on 9 September 2006 at the sidelines of the Summit of the Asia-Europe Meeting (ASEM) in Helsinki.

The JPEPA shall enter into force when both sides have done their respective ratification processes and have exchanged notes of ratification of the Agreement. On the part of the Philippines, the final step for ratification is the Senate’s approval.

Overview

The Framework for Comprehensive Economic Partnership between the Association of Southeast Asian Nations and Japan, signed in October 2003, provides that ASEAN and Japan will negotiate on the comprehensive economic partnership (CEP) agreement as a whole, taking into account the achievements made under the bilateral negotiations between Japan and each ASEAN member, and the progress of the ASEAN integration process as a whole. It further provides that the concessions between Japan and ASEAN members that have concluded a bilateral economic partnership agreement (EPA) should not be re-negotiated under the ASEAN-Japan CEP (AJCEP) negotiations, and that all Schedules of Concessions shall be annexed to the AJCEP Agreement.

Currently, the AJCEP negotiations are well underway. Japan’s EPAs with Singapore and Malaysia are already in place, the EPA with Thailand is yet to be signed by the Leaders from both sides, while talks with Indonesia, Brunei and Vietnam are still ongoing. Given that the JPEPA will be under the umbrella of the AJCEP, the bigger market that the Agreement will create extends beyond the Philippine and Japanese consumers and taps those of ASEAN and the rest of the world, thus

¹ We wish to acknowledge the assistance provided by the Departments of Foreign Affairs and Trade and Industry, National Economic and Development Authority, and Tariff Commission in the preparation of this paper.

giving rise to greater opportunities, larger economies of scale, and more predictable and conducive environment for commercial activities.

Major Elements of the JPEPA

I. General Provisions

Background

The JPEPA seeks to promote a freer trans-border flow of goods, persons, services and capital between the Philippines and Japan thereby reinforcing the existing economic relation of the two countries. The General Provisions contain the fundamental principles and basic rules for such economic partnership.

Salient Features

Review of Laws and Regulations

Each Party shall gauge the possibility of amending or repealing laws and regulations relating to the JPEPA, if the circumstances or objectives justifying their adoption no longer exist or if such circumstances or objectives can be addressed in less trade-restrictive means.

Public Comment Procedures

The Japanese and Philippine governments shall endeavor to provide a reasonable opportunity for public consultations before the adoption, amendment or repeal of regulations that affect any matter covered by the Agreement.

Measures Against Corruption

Each Party shall ensure that measures are taken to prevent and combat corruption regarding matters covered by this Agreement, consistent with its laws and regulations.

Implementing Agreement

The governments of the Parties shall conclude a separate Implementing Agreement which shall set forth the details and procedures for the implementation of the JPEPA.

Joint Committee

A Joint Committee composed of representatives from the governments of Japan and the Philippines shall be established and shall have the following functions:

- a) to review the implementation and operation of the JPEPA;
- b) to consider and recommend to the Parties any amendments to the Agreement;
- c) to supervise and coordinate the work of the Sub-Committees;

- d) to adopt the Operational Procedures on Trade in Goods and ROO referred to in Article 25, and the Operational Procedures on Mutual Recognition referred to in Article 65; the Rules of Procedure referred to in Article 159; and any necessary decisions; and
- e) to perform other functions as the Parties may agree.

In addition, the following Sub-Committees shall be established on the date of entry into force of the JPEPA:

- a) Sub-Committee on Trade in Goods;
- b) Sub-Committee on ROO;
- c) Sub-Committee on Customs Procedures;
- d) Sub-Committee on Mutual Recognition;
- e) Sub-Committee on Trade in Services;
- f) Sub-Committee on Investment;
- g) Sub-Committee on Movement of Natural Persons;
- h) Sub-Committee on Intellectual Property;
- i) Sub-Committee on Government Procurement;
- j) Sub-Committee on Improvement of the Business Environment; and
- k) Sub-Committee on Cooperation.

Other Sub-Committees may be established as the Parties may agree. Also, the details regarding the Sub-Committees may be specified in the Implementing Agreement.

Communications

Each Party shall designate a contact point for communications between the Parties on matters regarding the JPEPA.

II. Trade in Goods

Background

The JPEPA provides for improved market access for goods originating from the Philippines exported to Japan and vice versa, through eliminated or reduced customs duties on such goods. Both countries are also committed to work together to promote trade facilitation.

Salient Features

In general, both countries are committed to comprehensively eliminate or reduce tariffs on both agricultural and industrial products within 10 years. Attached is Table 1 which shows JPEPA's tariff reduction/elimination schedule.

Agricultural Products

For the Philippines, all tariff lines for rice have been excluded from any tariff elimination or reduction or renegotiation. Upon entry into force of the JPEPA, tariffs will be eliminated for a number of other agricultural products like lobsters, shrimps, crabs, cashew nuts, almonds, walnuts,

hazel nuts and other agricultural products of interest to Japan such as grapes, apples, and pears. The Philippines also committed to tariff reduction in 10 years for the remaining agricultural products. Note that there are no commitments for tariff rate quotas (TRQs) and re-negotiation, and there is no tariff reduction schedule in less than or more than a 10-year period.

On the other hand, Japan excluded from tariff elimination cigarettes containing tobacco, rice, and other related rice products (e.g. rice flour), among others. It has also set aside some other sensitive agricultural products for re-negotiation on the 4th year after entry into force of the Agreement such as raw cane sugar. There are also TRQs for a number of products of interest to the Philippines such as cane molasses, muscovado sugar, chicken meat, and pineapples. Nevertheless, there will be tariff elimination on the 5th year for yellowfin tuna and skipjack, and tariffs for small bananas (Inabaniko, Lakatan, Latundan, Morado, Pitogo, Saba or Señorita) will be eliminated on the 10th year. There will also be immediate tariff elimination for coffee, beer, fertilizers, fresh or dried mangoes, and fermented beverages made from aratiles, bignay, calamansi, coconuts, dalandan, guavas, marang, among others, which are considered the Philippines' local wines.

In summary, apart from some products that have been exempted from tariff elimination or reduction or re-negotiation, more than half of Japan's agricultural products have deferred tariff elimination. TRQs have also been assigned for some products, some have been set for re-negotiation, and the tariff reduction schedule for some products ranges from 3 up to 15 years.

Industrial Products

The Philippines will eliminate tariffs by 2010 for auto and auto parts, while tariffs for other products under such classification, for example, HS 8709.9000: Parts of works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms; and HS 8711.3000: Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles, with reciprocating internal combustion piston engine of a cylinder capacity exceeding 250 cc but not exceeding 500 cc, will be immediately eliminated. There will also be TRQs for iron and steel products. Tariffs will be eliminated immediately for some electrical and electronic products like plasma televisions, with the rest to be eliminated in 10 years. Almost all textile and apparel products will have immediate tariff elimination for both Japan and the Philippines.

Summing up, the Philippines has excluded only salt from tariff elimination or reduction or re-negotiation, but committed to immediate tariff elimination for a number of industrial products. However, it has introduced TRQs for iron and steel products, will re-negotiate for some sensitive industrial products, and will reduce tariffs for other industrial products in a span of 10 years at the latest.

For the part of Japan, it has committed immediate tariff elimination on almost all industrial goods but has assigned tanned or dressed furskins, articles of fur skin, and certain types of footwear, among others, as exempted from tariff elimination, reduction, or re-negotiation. It has also not imposed any TRQs and assigned only plywood, veneered panels and similar laminated wood for re-negotiation. Likewise, it will reduce tariffs on other industrial products over a 10-year duration.

Emergency Measures

The JPEPA provides for safeguard measures to address serious injury or threat thereof caused by increased imports as a result of the commitments for the elimination or reduction of customs duties under the Agreement. In any such event, either Party may:

- (a) suspend the further reduction of any rate of customs duty on the originating good, or
- (b) increase the rate of customs duty on the originating good to a level not to exceed the lesser of:
 - (i) the most-favored-nation (MFN) applied rate of customs duty in effect on the day when the emergency measure is taken; and
 - (ii) the MFN applied rate of customs duty in effect on the day immediately preceding the date of entry into force of the Agreement.

However, neither Party can apply emergency measures on an originating good imported up to the limit of quota quantity granted under TRQs applied in accordance with the Schedules annexed to the Agreement.

Furthermore, a Party may take an emergency measure only after an investigation has been undertaken by the competent authorities of that Party in accordance with the procedures provided for in each Party's pertinent domestic laws and regulations that are consistent with Article 3 (Investigation) and paragraph 2 of Article 4 (Determination of Serious Injury or Threat Thereof) of the Agreement on Safeguards in Annex 1A to the WTO Agreement.

Non-tariff Measures (NTMs)

The Agreement provides that each Party shall not introduce or maintain NTMs which are inconsistent with their obligations under the WTO Agreement.

III. Rules of Origin

Background

Rules of Origin (ROO) determine originating goods for which preferential tariff treatment under the JPEPA will be accorded. In effect, ROO determines the "nationality" of a product to ensure that only Philippine and Japanese products enjoy the tariff preference negotiated under the Agreement.

Salient Features

The chapter on ROO sets out the origin criteria to identify products manufactured in the Philippines and Japan for tariff preferences, and it also gives details of the documentary requirements to claim such preferences.

Originating Goods

Aside from conferring origin to wholly obtained goods or products produced entirely in either Japan or the Philippines, separate product specific rules have been outlined under the JPEPA. The product specific rules using the value-added method require that the qualifying value content (QVC) of a good should not be less than the percentage specified by the rule for that good.

For the purpose of calculating the QVC, the following formula shall be applied:

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

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 of the good to the seller of the good, regardless of the mode of shipment, not including any internal excise taxes reduced, exempted, or repaid when the good is exported; and

V.N.M. is the value of the non-originating materials used in the production of a good.

Based on the product specific rules for Base Metals and Articles of Base Metal (Chapters 72-83 of the Harmonized System), for example, the required QVC is not less than 40%. The same is also true for Products of the Chemical or Allied Industries (Chapters 28-38) and all other products with QVC provision.

Accumulation

In determining whether a good qualifies as an originating good of either Japan or the Philippines, an originating good of the other Party used as a material in the production of the good in the former Party may be regarded as an originating material of the former Party.

In addition, ASEAN content can also be used in conferring origin on some products. For Textiles and Textile Articles (Chapters 50-63), for example, origin can be conferred if each of the non-originating materials is entirely spun, dyed, or printed, among others, in either Japan or the Philippines or in a member country of the ASEAN. Similarly, for Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants (Chapter 20), a product can be origin-conferring if each of the non-originating materials is harvested, picked, gathered or produced entirely in a member country of the ASEAN. Lastly, for Cocoa Powder, not containing added sugar or other sweetening matter (HS 1805), origin can be conferred if the non-originating cocoa beans, which are harvested, picked or gathered in an ASEAN member country, constitute at least 50% by weight of the good.

IV. Customs Procedures

Background

Rules on customs procedures are required for the clearance of goods traded between Japan and the Philippines. Through this chapter, both countries will cooperate to facilitate trade through the

simplification and harmonization of customs procedures and the effective enforcement against illegal trafficking of goods.

Salient Features

Simplification and harmonization of customs procedures between the Parties may entail cooperation, wherever appropriate, with other national or customs authorities of non-Parties. Also included are easily accessible processes of administrative and judicial review, making use of information and communications technology (ICT), reduction and simplification of import and export documentation requirements, and harmonization of customs procedures, as far as possible, with relevant international standards and recommended practices such as those made under the World Customs Organization (WCO).

Furthermore, both Parties shall exchange information in the field of customs procedures, including enforcement against trafficking of prohibited goods, and importation and exportation of goods suspected of infringing intellectual property rights (IPRs).

This chapter also provides for the promotion of the continued use of risk management and the improvement of risk management techniques not only in Japan and the Philippines but also in third countries or customs territories.

V. Paperless Trading

Background

Electronic filing, as opposed to paper-based methods, enables the electronic transfer of trade-related information. Having an electronic version of documents such as bills of lading, invoices, letters of credit, and insurance certificates will significantly enhance trade through reduction of cost and time.

Salient Features

Japan and the Philippines will exchange views and information on realizing and promoting paperless trading between them, including best practices. Both countries will also encourage cooperation between their relevant private sector entities to engage in activities related to paperless trading such as the setting up and operation of facilities that provide efficient and secured flow of electronic trade-related information and electronic version of documents.

VI. Mutual Recognition

Background

Mutual recognition arrangements (MRAs) between Japan and the Philippines regarding conformity assessment provide for the acceptance of both sides of test results and certification issued by conformity assessment bodies (CABs) recognized in both countries. Designated CABs in the exporting country must be able to test and certify exports for compliance with the importing country's laws, regulations and other related administrative policies.

Salient Features

Each Party will allow the participation of CABs of the other Party, in the system of the Party providing for conformity assessment procedures. To illustrate, Japan shall accept the results of conformity assessment procedures required by its applicable laws, regulations and administrative provisions, including certificates of conformity, that are conducted by the CABs of the Philippines but are registered by the registering authority of Japan. In effect, Filipino manufacturers and exporters can send their products to local CABs for testing and certification without having to undertake duplicative testing and certification when their products are exported to Japan.

This chapter also includes the registration of CABs and conformity assessment procedures for products or processes covered under the sectoral annex to this chapter. Presently, there is only a Sectoral Annex on Electrical Products. It is stipulated that for the purposes of this sectoral annex, the criteria for registration shall be consistent with the criteria for CABs operating certification of products, as provided for by International Organization for Standardization (ISO) and International Electrotechnical Commission.

VII. Trade in Services

Background

The term “trade in services” means the following modes of supply of a service:

- (1) from the country of one Party into the country of the other Party (“cross-border mode”);
- (2) in the country of one Party to the service consumer of the other Party (“consumption abroad mode”);
- (3) by a service supplier of one Party, through commercial presence in the country of the other Party (“commercial presence mode”); and
- (4) by a service supplier of one Party, through presence of natural persons of that Party in the country of the other Party (“presence of natural persons mode”).

Salient Features

In Annex 6 of the Agreement (Schedule of Specific Commitments and List of Most-Favored-Nation Treatment Exemptions), the Parties made specific commitments on the identified services sectors regarding Market Access and National Treatment for the 4 modes of supply enumerated above. In essence, neither Party can impose additional market access restrictions for these sectors other than those cited in the Schedule. In addition, the Parties must accord the same treatment to domestic and foreign service suppliers for the specified sectors unless otherwise stipulated in the same Schedule.

On the whole, there are noteworthy commitments for such sectors as Construction, Outsourcing, Air and Maritime Transport, Health-related and Social Services, Tourism and Travel-related Services, Telecommunications, and Banking.

Under Telecommunications, for example, the Philippines committed commercial presence under market access and national treatment for the following services, subject to certain conditions and requirements, offered only on a facilities basis, for public use, using either wired or wireless technology except cable television: voice telephone services, telex services, telegraph services, facsimile services, private leased circuit services, cellular mobile telephone service, satellite services, among others.

Under Air Transport Services, Japan made a full commitment for selling and marketing of air transport services and computer reservation system services -- services that are directly linked to Tourism and Travel-related Services which have also been fully opened up by Japan.

Under Maritime Transport Services, specifically for International Maritime Transport Services, both Japan and the Philippines made additional commitments for pilotage; pushing and towing; provisioning, fuelling and watering; garbage collecting and refuse disposal; port captain's services; navigation aids; shore based operational services essential to ship operations, including communications, water and electrical supplies; emergency repair; and anchorage, berths and berthing services.

VIII. Investment

Background

An agreement on investment will serve as a foundation for greater certainty and security for investors with regard the establishment, acquisition, expansion or retention of their investments.

Salient Features

The Investment chapter includes provisions concerning National Treatment, MFN Treatment, Performance Requirement Prohibitions with the aim of liberalizing investments and enhancing transparency by specifying all exceptions/reservations to these provisions.

Sectors that are not found under Annex 7 of the Agreement (Reservations for Existing and Future Measures) – usually referred to as a Negative List – are generally open to foreign investors. For example, the following sectors have been “reserved” by the Philippines under Annex 7 and are presently not open to foreign investments: Domestic Shipping; Geothermal Energy, Natural Gas and Methane Gas; Iron and Steel Manufacturing; Small-Scale Mining; Ownership of Condominium; and others. However, if the investment activity is relative to Services, the requirements thereto could be found in Annex 6 of the Agreement.

The chapter deals as well with mechanisms for the protection of investors and their investments such as those concerning expropriation and compensation, protection from strife, transfers, temporary safeguard measures, and prudential measures, among others. The chapter likewise states that the Parties recognize that it is inappropriate to encourage investments by relaxing domestic environmental measures and labor laws. Moreover, the Parties agree to engage in negotiations after the entry into force of the JPEPA to come up with a structure for the settlement of an investment dispute between a Party and an investor of the other Party.

IX. Movement of Natural Persons

Background

This chapter prescribes the measures affecting the movement of natural persons of a Party who enter into the other Party falling under the categories enumerated below.

Salient Features

Japan and the Philippines made specific commitments on the following:

- 1) Short-term Business Visitors;
- 2) Intra-corporate Transferees;
- 3) Investors;
- 4) Natural Persons who Engage in Professional Services;
- 5) Natural Persons who Engage in Supplying Services, which Require Technology or Knowledge at an Advanced Level or which Require Specialized Skills Belonging to Particular Fields of Industry, on the Basis of a Contract with Public or Private Organizations; and
- 6) Natural Persons who Engage in Supplying Services as Nurses or Certified Careworkers or Related Activities, on the Basis of a Contract with Public or Private Organizations or on the Basis of Admission to Public or Private Training Facilities.

For item 4 above, for example, Japan will allow entry of Filipino legal, accounting or taxation service suppliers qualified under Japanese law. On the other hand, the Philippines will allow entry of Japanese engineers including chemical, civil, electrical, electronics and communications, geodetic, mechanical, metallurgical, mining, or sanitary engineers on the basis of a contract with public or private organizations in the Philippines.

For item 6, the Japanese side will allow entry of Filipino candidates for qualified nurses and certified careworkers that satisfy certain requirements and will allow them to work, after completing training for Japanese language and other specialized trainings.

It should be noted that neither Party shall impose or maintain any quantitative restriction on the number of natural persons that will be granted entry and temporary stay, without prejudice to any right of either Party to regulate such entry and temporary stay. This means that Filipino nurses are required to speak fluent Japanese and pass Japanese national examinations to ensure they are able to provide adequate patient care in Japan. Also, both Parties, to the maximum extent possible, shall undertake measures to simplify requirements and facilitate procedures relating to movement of natural persons between their countries.

X. Intellectual Property

Background

The Parties should ensure adequate and non-discriminatory protection of intellectual property, and appropriate and effective enforcement of IPRs against infringement, counterfeiting and piracy.

Salient Features

The Parties should enhance and strengthen cooperation in the field of intellectual property by strengthening each of their intellectual property protection systems through technical assistance in the development of ICT-related projects for efficient administration of such systems. The Parties shall also endeavor to streamline their administrative procedures concerning intellectual property.

XI. Government Procurement

Background

The Parties recognize the desirability of providing transparency of government procurement measures, with a view to achieving greater liberalization and expansion of trade between them, while taking into account the development, financial and trade needs of both Parties.

Salient Features

Japan and the Philippines shall enter into negotiations at the earliest possible time, not later than five (5) years after the date of the entry into force of the JPEPA, with a view to liberalizing their respective government procurement markets. In such negotiations, the Parties shall consider according national treatment and most-favored nation (MFN) treatment to goods, services and suppliers of the other Party; enhancement of transparency; consistency of each Party's government procurement measures with international principles on government procurement, such as, but not limited to, the Agreement on Government Procurement (GPA) in Annex 4 to the WTO Agreement (a plurilateral trade agreement to which Japan is a signatory while the Philippines is not); and other matters necessary for a fair and effective implementation of government procurement measures including challenge procedures.

XII. Competition

Background

Both Parties support the promotion of competition by addressing anti-competitive activities in order to facilitate trade and investment flows between them, and for the efficient functioning of their markets.

Salient Features

Measures in support of competition shall be taken in conformity with the principles of transparency, non-discrimination and procedural fairness.

In addition, each Party shall, when necessary, review and improve or adopt laws and regulations to effectively promote competition by addressing anti-competitive activities. The implementing authorities of each Party should work together through technical cooperation activities related to competition policy and competition law enforcement.

XIII. Improvement of the Business Environment

Background

In order to further promote bilateral trade and investment, both Parties will cooperate to improve the business environment in both their countries.

Salient Features

Both sides shall take appropriate measures to improve the business environment in each of their respective countries for the persons of a Party conducting their business in the other country. In particular, through diplomatic channels, a Party may request the other Party to take measures to resolve certain issues which the requesting Party considers adversely affecting the business activities of its persons in the country of the requested Party. Issues that shall be discussed under the improvement of business environment (IBE) may include the lack of transparency in business-related systems, rules, regulations and court proceedings; delay and complexity of procedures; inefficient operation of systems which results in additional business costs; and other related issues.

A Consultative Group (CG) on IBE shall be established in the country of each Party which shall be composed of relevant authorities of the Government of Japan and the Embassy of the Philippines in Japan (when established in Japan); and relevant authorities of the Government of the Philippines and the Embassy of Japan in the Philippines (when established in the Philippines). The CGs may also invite representatives from relevant private sector entities and officials dispatched from the Government of the Parties.

A Liaison Office (LO) on Improvement of the Business Environment shall be designated and maintained in the respective countries of the Parties. The LO in the Philippines, for example, shall, among others, receive complaints and/or inquiries from Japanese business persons in the Philippines regarding matters which may adversely affect their business in the country.

XIV. Cooperation

Background

The Parties shall foster bilateral cooperation for their mutual benefit in order to facilitate and liberalize trade and investment and to assist their development goals.

Salient Features

With the aim of strengthening their economic partnership, the Parties shall engage in cooperation in 10 specified fields -- human resource development, financial services, ICT, energy and environment, science and technology, trade and investment promotion, small and medium enterprises, tourism, transportation, and road development. Note, however, that the implementation of cooperation activities shall be subject to the availability of appropriated funds. Moreover, the cost of cooperation shall be borne in as an equitable a manner as possible by both sides through the efficient and effective utilization of resources.

In addition, existing consultation mechanisms between the Parties for Official Development Assistance (ODA) and other existing cooperation schemes shall be respected.

	Fields of Cooperation	Possible Areas/Forms of Cooperation
1	Human Resource Development	<ul style="list-style-type: none"> • education and training • harmonization of competency standards
2	Financial Services	<ul style="list-style-type: none"> • promotion of regulatory cooperation in financial services • improvement of financial market infrastructure
3	Information and Communications Technology (ICT)	<ul style="list-style-type: none"> • human resource development in the ICT sector • development of ICT infrastructure, ICT-related services and digital content
4	Energy and Environment	<ul style="list-style-type: none"> • improvement of utilization of energy • protection and management of the environment
5	Science and Technology	<ul style="list-style-type: none"> • advanced science and technology • agriculture, forestry, fisheries and management of natural resources • human health and nutrition
6	Trade and Investment Promotion	<ul style="list-style-type: none"> • trade and investment activities, including those conducted by private enterprises
7	Small and Medium Enterprises (SMEs)	<ul style="list-style-type: none"> • strengthening of management and competitiveness of SMEs • human resource development
8	Tourism	<ul style="list-style-type: none"> • promotion and development of tourism • human resource development
9	Transportation	<ul style="list-style-type: none"> • improvement of the technology of transportation • human resource development
10	Road Development	<ul style="list-style-type: none"> • improvement of the technology of road development • human resource development

XV. Dispute Avoidance and Settlement

Background

This chapter provides a framework for the avoidance and settlement of disputes between Japan and the Philippines regarding the interpretation or application of the JPEPA.

Salient Features

The mechanisms used for dispute settlement and avoidance under the JPEPA are consultations and arbitral tribunals. The Parties may as well make use of good offices, conciliation, or mediation. There may also be recourse to dispute settlement procedures available under other international agreements to which both countries are parties. However, where the infringement of obligations under the JPEPA is tantamount to the infringement of obligations under the WTO, the Parties shall

give priority consideration to having recourse to the dispute settlement procedures under the WTO Agreement.

XVI. Final Provisions

Background

The Final Provisions cover the future and remaining work under the JPEPA.

Salient Features

General Review

The Parties shall review the JPEPA together with its implementation and operation in 2011 and every 5 years thereafter, unless otherwise agreed by the Parties.

Amendment

The JPEPA may be amended by agreement between the Parties in accordance with their respective legal procedures.

Entry into Force

The Agreement shall enter into force on the 30th day after the date on which the governments of Japan and the Philippines exchange diplomatic notes informing each other that their respective legal procedures necessary for entry into force of the Agreement have been completed.

Termination

Either Party may terminate the Agreement by giving, through diplomatic channels, 1 year advance notice in writing to the other Party.

For inquiries regarding the JPEPA, please contact:

Office of the Senior Undersecretary
Department of Trade and Industry
DTI International Building (formerly LC Building)
375 Sen. Gil J. Puyat Avenue, Makati City
Telephone/Fax No.: (632) 8953993
Website: www.business.gov.ph
Email: tgaquino@dti.gov.ph

Table 1: JPEPA Tariff Reduction/Elimination Schedule

	Category	Terms and Conditions
1	A	Immediate tariff elimination [0 tariff upon entry into force of the JPEPA]
2	B3	Tariff elimination in 4 equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA
3	B4	Tariff elimination in equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA and the subsequent annual reductions to take place on 1 April of each following year. The final reduction shall be on 1 January 2010.
4	B4*	The MFN Applied Rate as of 1 January 2004 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated on 1 January 2010
5	B4**	The MFN Applied Rate as of 31 December 2003 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated on the 1 st day of the 5 th year
6	B5	Tariff elimination in 6 equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA
7	B5*	The MFN Applied Rate as of 31 December 2003 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated in 5 equal annual installments from the Base Rate to 0, starting on the 1 st day of each year from the 2 nd year to the 6 th year
8	B5**	The MFN Applied Rate as of 31 December 2003 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated on the 1 st day of the 6 th year
9	B7	Tariff elimination in 8 equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA
10	B10	Tariff elimination in 11 equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA
11	B10*	The MFN Applied Rate as of 31 December 2003 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated in 10 equal annual installments from the Base Rate to 0, starting on the 1 st day of each year from the 2 nd year to the 11 th year
12	B10**	The MFN Applied Rate as of 31 December 2003 shall be the tariff rate on the date of entry into force of the JPEPA and such tariff shall be eliminated in 6 equal annual installments from the Base Rate to 0, starting on the 1 st day of each year from the 6 th year to the 11 th year
13	B15	Tariff elimination in 16 equal annual installments from the Base Rate to 0, starting on the date of entry into force of the JPEPA
14	P	The specific terms and conditions shall be as set out in the note indicated in Column 5 of the Schedules of Japan and the Philippines [these items are mostly Japanese agricultural products with special treatment for tariff reduction]
15	Q	The specific terms and conditions shall be as set out in the note indicated in Column 5 of the Schedule of Japan [these items are mostly agricultural products with tariff rate quotas (TRQs)]
16	S	The specific terms and conditions shall be as set out in the note indicated in Column 5 of the Schedule of the Philippines [these items are mostly industrial products with TRQs or special treatment for tariff reduction/elimination]
17	R	Shall be subject to re-negotiations based on the terms and conditions set out in the note indicated in Column 5 of the Schedules of Japan and the Philippines
18	X	Excluded from any tariff reduction or elimination or re-negotiations commitment

