

Japan leads the way in trade with ASEAN

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Tens of thousands of Japanese companies operate in ASEAN and their number is increasing year by year.



Japan is establishing chambers of commerce in many areas and many companies are participating in their activities. These chambers of commerce are members of the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA), a group consisting of 10 Japanese chambers of commerce in nine ASEAN countries, excluding Brunei. Their objective is to improve the business environment for Japanese companies in the ASEAN region.

Since 2008, FJCCIA has held a dialogue with the Secretary-General of ASEAN every year. This gives Japanese companies in ASEAN and the Japan External Trade Organization (JETRO) the opportunity to make proposals for improving the business environment to ASEAN. There has been success, for example, in improving the operation of certificates of origin, which are necessary to give preferential treatment to mutual goods in the [ASEAN region's trade](#) ^[1].

Why is that important? Bilateral or multilateral free trade agreements (FTAs) can be signed to reduce tariffs and eliminate non-tariff barriers to increase free trade and investment. In the case of trade under FTAs, the importer submits a Preferential Certificate of Origin to customs when importing. The format of the certificate of origin is different according to each FTA and the importer must follow each agreement.

Normally, the [most favoured nation](#) ^[2] (MFN) tariff rate is applied — a lower rate than the General Tariff Rate, Temporary Tariff Rate or Tariff Rate of the World Trade Organization. But among

FTA countries, goods can be imported at an even lower preferential tariff than the MFN tax rate.

To be eligible for preferential tariffs, the goods to be imported must be manufactured in the treaty country. For this reason, a certificate of origin (CO) proves that exported goods meet the criteria defined in each agreement and proves the 'nationality of goods'.

The positive influence which Japan has had in facilitating a more productive business environment is particularly evident in an agreement called ASEAN Trade in Goods Agreement (ATIGA) between ASEAN member countries. To use ATIGA, a CO named Form D is required. The Common Effective Preferred Tariff, in which tariff rates for most goods are zero, is applied to intra-ASEAN trade by using Form D. The goods that Form D is attached to are certified as of 'ASEAN nationality' and will receive preferential treatment in the ASEAN region.

In a simple trade, company A passes goods to company B, and company B pays company A. But actual trade may involve more complex arrangements. For example, physical distribution may be directly from Thailand to Vietnam, but commercial distribution is sold from company A in Thailand to company B in Singapore, and then from company B in Singapore to company C in Vietnam. Of course, company B sells to company C with a margin added to the purchase price from company A. This is known as intermediary trade.

In the past, there was a rule that the Free on Board (FOB) price must be described in Form D when company A exported it. The FOB price, paid for by the buyer, refers to the transportation and liability costs added on to the price of the goods before they are loaded onto a ship or an airplane. This Form D, in which the FOB price of company A is described, arrives at company C.

The main problem with this system is that it allows company C to know the margin being charged by company B. Since the Second Annual Dialogue between the FJCCIA and the Secretary-General of ASEAN in 2009, the FJCCIA has asked that the FOB price be removed from Form D. Company B can also be anywhere in the world, including Australia, as long as the goods were made in ASEAN and moved to another ASEAN country.

At the 45th ASEAN Economic Ministers' Meeting held in Brunei in August 2013, it was finally agreed that the description of the FOB price would be unnecessary. Since January 2014, all companies have been able to conduct intermediary trade without worry that the price will leak. This is the result of the Japanese side persuading ASEAN of the benefits of not describing FOB prices at official and informal meetings over five years.

In 2019 the 12th Annual Dialogue between the FJCCIA and the Secretary-General of ASEAN was held in Pattaya. At this meeting, the ASEAN side proposed the introduction of electronic certificates of origin (e-Form D). Indonesia, Malaysia, Thailand, Singapore, Vietnam and Brunei have already introduced e-Form D, and Cambodia, Philippines, Myanmar and Laos are expected to introduce it this year — meaning all of ASEAN will be using the new format.

Trade facilitation continues to progress in the ASEAN region through the efforts of all stakeholders, demonstrating the value of [Japan's style of engagement](#) ^[3] with ASEAN and its potential for further breakthroughs.

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[1] ASEAN region’s
trade: <https://www.eastasiaforum.org/2019/02/24/time-for-bolder-steps-from-asean/>

[2] most favoured nation:
<https://www.eastasiaforum.org/2018/04/10/how-should-we-measure-aseans-success/>

[3] Japan’s style of
engagement:
<https://www.eastasiaforum.org/2019/03/16/can-japan-contribute-to-equitable-development-in-asean/>

[4] *East Asia Forum Quarterly*: <https://www.eastasiaforum.org/quarterly/>

[5] *Japan’s leadership moment*:
<https://press-files.anu.edu.au/downloads/press/n5934/pdf/book.pdf>