

Trade Digest

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TPP is likely to be delayed further

Finalization of the Trans-Pacific Partnership (TPP) – a strategic cooperation among 12 countries in the Pacific Rim region (Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam) – is now likely to be delayed further. The upcoming US midterm election due later this year and next year's presidential election are adding to this speculation since the two elections will effectively stall US politics and keep the US from making any significant move in the TPP deal. However, the main reason behind this delay is, in fact, a disagreement between the US and Japan, the two biggest economies in the TPP deal.

In the most recent round of negotiations in Singapore on 19 and 20 May 2014, the team of negotiators from the US questioned Japanese government policy on agriculture and the auto sector. They demanded that Japan open up these two sectors and allow more goods from the US to be tradable in Japan. More specifically, the US challenged Japan on issues related to auto dealers in Japan being granted exclusive rights to local brands such as Toyota, Honda, and Mazda, while creating barriers to prevent American cars from entering the Japanese market. While the two nations failed to reach an agreement, the official statement suggests that some progress was made on the matter of tariffs. Negotiations are set to reconvene in July 2014.

Leaders of certain countries, however, are optimistic about this partnership. The Malaysian Prime Minister, Najib Razak, is confident that the

agreement will be ratified, although he remained noncommittal on when such a conclusion would be reached, noting only that all negotiating countries are working toward a finalized agreement by the end of this year. If successful, the TPP will cover 40 percent of the global economy and one-third of world trade.

APEC countries back a potential Free Trade Area of the Asia Pacific (FTAAP)

The APEC Trade Ministers Meeting was held in Qingdao, China, on 17 and 18 May 2014, right before the last round of TPP negotiations (see earlier article). At the meeting, China's proposal to establish a Free Trade Area of the Asia Pacific (FTAAP) was discussed in detail. The ministers also agreed that the "Roadmap for the APEC's Contribution to the Realization of an FTAAP" would be finalized by the end of this year.

As an important country in the world trade arena and a critical player in major trade negotiations, China is supportive of this move. According to Alan Bollard, an Executive Director of APEC, "*(China)... would like the FTAAP to be one of the big headlines*".

The idea of a Free Trade Area among APEC members, which include Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taipei, Thailand, the United States, and Vietnam, is not new but dates back to 2010 when the agreement on "Pathways to FTAAP" was first proposed. However, until the abovementioned



meeting in May 2014, there had not been any significant progress, while the negotiations on the TPP and the Regional Comprehensive Economic Partnership (RCEP) have gained stronger momentum.

Although the establishment of the FTAAP is not likely to happen in the immediate future, China has a strong incentive to move the deal forward as its lack of a role in the TPP and the nature of RCEP, which is Asian, is not likely to enhance China's trade influence with countries outside Asia. More progress can therefore be expected in due time.

Abolishment of FOB Value in Form AJ under ASEAN Japan Comprehensive Economic Partnership (AJCEP)

After the 9th meeting of the Sub-Committee on Rules of Origin for the ASEAN Japan Comprehensive Economic Partnership (AJCEP) on 20 March 2014 in Nay Pyi Taw, Myanmar, all related parties have reached a mutual agreement to amend the ASEAN version of the Certificate of Origin Form ASEAN-Japan (CO Form AJ) corresponding to the 25th AFTA Council's decision in 2011. The decision concerns the abolishment of the declaration of Free on Board (FOB) value in Box 9 of Form AJ, in the case where Regional Value Content (RVC) is not used as an originating criterion.

The abolishment of this FOB value is expected to help minimize the risk of being challenged by customs authorities on price differences between the FOB value declared on

Form AJ and the import value in commercial invoices submitted to customs authorities at the time of importation. In addition, in case of third party invoicing transactions where the manufacturer and importer are unrelated parties, the importer would not be able to know the manufacturer's price of exported goods, which is stated on Form AJ based on the manufacturer's first invoice.

The new version of Form AJ will be implemented from 1 October 2014 with a six-month transition period, during which the old version can also still be used, until 31 March 2015. Cambodia and Myanmar will receive a grace period of two years. In addition, even though the "net weight" in Box 9 is deleted from the ASEAN version of the CO Form AJ, ASEAN and Japan will continuously accept any Form AJ that specifies net weight in Box 9.

For more information on the revised Form AJ, please visit: http://www.asean.org/images/Community/AEC/9AJCEP%20SCROO-An08-%20Revised_ASEAN_version_of_CO_Form_AJ_final.pdf

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