

### JAPIANEWS ISSUE3

#### Activities of JAPIA Part 3 Promoting the Use of EPA

Report : International Committee, FTA & Trade Subcommittee, International Logistics WG

#### **JAFTAS, Automotive Industry Standard System and the support center was opened in September 2020.**

The automotive industry is stepping up efforts to promote the use of the EPA. JAPIA, in cooperation with JAMA, has established a cooperative framework that transcends the barriers between automobile and parts manufacturers. JAFTAS (Japan Automotive FTA System) , an automotive industry standard system that establishes standardized rules for the industry and reduces the burden of work related to certificate of origin required to take advantage of the EPA's tariff reductions and a support center to respond to various inquiries were introduced in September. This system reflects the views of parts manufacturers who have been asked to conduct surveys for certification of origin, and supports the efficient, rapid, and reliable implementation of surveys. With the increasing globalization of the automotive industry, the environment for promoting the use of EPA will be improved.

JAFTAS is a system to support the survey of origin that can be used jointly by automobile and parts manufacturers and JAPIA selected a contractor to develop the system in cooperation with JAMA. The system, introduced in September, is characterized by its ability to reduce the workload including requesting and responding to survey of origin, assisting in originality determinations, and preparing and storing evidence documents.

In addition, a support desk was set up to provide instructions on how to conduct survey of origin and how to use JAFTAS. It is also important to note that the fee for the use of JAFTAS is borne by the requester, so that the recipient companies do not have to pay for the survey.

#### **Promote the use of EPA in collaboration with JAMA and related organizations**

JAFTAS is one of the results of collaboration between JAMA and JAPIA to share the challenges in the EPA and to solve the problem together as the whole automotive industry. JAPIA's International Logistics Working Group has taken a

leading role in promoting the use of EPA with the involvement of JAMA and related organizations. The background to these activities is the difficulty of survey of origin and the unique challenges in the automotive industry that have been a barrier to further promoting the use of EPA.

In order to utilize the EPA, "Certificate of specific origin" is required to prove that the product was produced and processed under certain standards in the country where the EPA is applied. The number of issuance of Certificate in Japan is increasing every year, and the automotive industry began the usage of the EPA with the Japan-Mexico Agreement that came into effect in 2005. Automotive industry now account for about 20% of all exports from Japan.

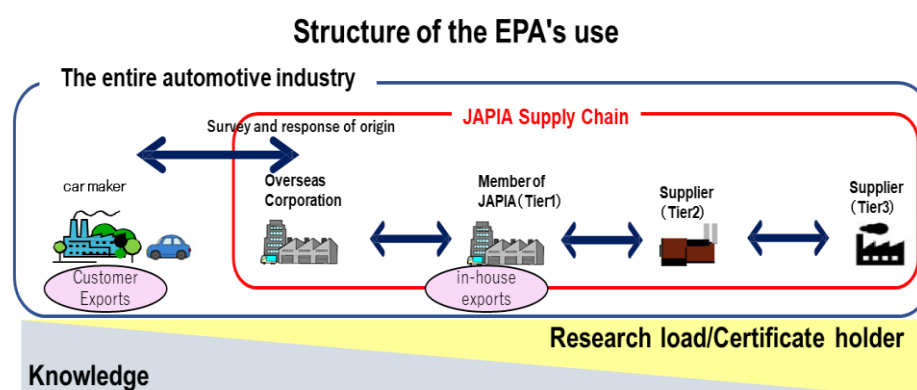
It is extremely important for the automotive industry to take advantage of the EPA, and the benefits of reduced tariffs are directly linked to the improvement of the international competitiveness of Japanese products. For example, there is a price difference of 1.85 million yen on Japanese gasoline-powered cars manufactured in Japan and sold in Malaysia between with and without the use of the EPA. Utilizing the EPA to increase the competitiveness of Japanese vehicles will lead to increased sales, will also enhance the competitiveness of the entire supply chain that supports the Japanese automotive industry.

In addition, one car manufacturer estimated that the overall survey lead time could be reduced by about 40% by using JAFTAS, and the reduction in opportunity loss for the entire automotive industry due to this reduction in lead time is significant.

**Solve the problems unique to the automotive industry, which has a large number of parts and a deep supply chain hierarchy.**

However, to promote further utilization of EPA, it is essential to solve the difficulties of survey of origin and the issues unique to the automotive industry. In order to resolve these issues, the JAPIA's International Logistics Working Group has been working to clarify the three issues related to EPA, which had been a problem for parts manufacturers, namely "procedures," "burden," and "knowledge", and worked with JAMA to share awareness of these issues as those of the entire automotive industry and to take measures to deal with them. Survey of origin for an automobile is complicated by its large number of components amounting to 30,000 items and its deep and diverse supply chain. In addition, As the survey request goes through the supply chain, the further down it goes, the smaller become companies, where the knowledge and

expertise in complex certificate of origin and the number of personnel who can respond to the situation are more limited. Survey requests and responses are also predominantly via email, which makes it easy for human error to occur. JAPIA has been working to resolve these issues unique to the automotive industry and to create an environment that promotes the use of EPA in the entire automotive industry. In addition to the introduction of JAFTAS, the creation of rule for the automotive industry, which is a prerequisite for the introduction of JAFTAS and a part of the development of an environment of the promotion of the EPA use.



### A request for a survey from a car maker at the time of 2017

	Information		Certification of method		Distribute			Efficiency	Standardization
	Rule of Origin	Product Name	Type of Certification	Resurvey	Survey Frequency	Survey lead time	Unofficial offer		
Assessment Criteria	Request to provide details	Invoice name JCCI acceptable product name	Consent Notice, Selective supplier certification	Request for re-survey limited to liquid products.		Delivery date adjustment	Annual plan presentation	Multiple countries/times Effective use of consent notices	Standardized in a common system
Company A	○	△	○	○	12 times/year	Negotiable	None	None	Excel/PDF Email
Company B	△	△	○	—	—	Rapid delivery	None	None	Excel/PDF Email
Company C	×	△	○	○	12 times/year	Rapid delivery	None	exist	Web system
Company D	○	△	Consent Notice	—	indeterminate	Rapid delivery	None	None	Excel Email
Company E	△	△	Consent Notice	—	indeterminate	Rapid delivery	None	None	Excel Email

※In February 2017, JAPIA proposed to JAMA that it wanted to sort out the issues from a supplier's perspective and establish standard and efficient business processes throughout the supply chain.

In order to utilize JAFTAS as a common system for the entire automotive industry, it is essential to have standard rules for the industry. The International Logistics Working Group of JAPIA, together with JAMA, has been working on standardization, including standard for the survey methods and response methods which used to differ among different survey requesters such as automobile manufacturers, for the frequency of survey requests, and clarifying the roles between automobile and parts manufacturers.

In other words, a system to solve the problems faced by parts manufactures in conducting originality investigations was established as a rule, and JAFTAS and the support desk were introduced as the system to support survey of origin in accordance with the rule.

Prior to the introduction of the standard automotive industry system in September, JETRO hosted an online seminar, co-sponsored by JAMA and JAPIA on July 17 on the use of EPA. JAMA and JAPIA will continue to promote the use of EPA using the standard automotive industry system by holding briefing sessions for management and practitioners of parts manufacturers and JAFTAS operation briefing sessions, mainly led by automobile manufacturers and system operating companies.

In the future, JAMA and JAPIA intend to expand this standardized system to the entire supply chain, including electronics and trading companies to strengthen the manufacturing capabilities of the automotive industry, related industries and Japan.