

Analysis on the Utilization of Japan's GSP for LDCs

6-7 November 2024

Executive round table on rules of origin
Rules of origin in a fractioned world trade

Yuta TAKAMIYA

Introduction: Trade between Japan and LDCs



- Japan imports a variety of goods from LDCs, which are essential to our daily lives, and the preference utilization rate for these imports is high.
- GSP for LDCs significantly contributes to the economic development of LDCs.

Japan's Generalized System of Preferences: GSP

- ▶ Generalized System of Preferences (GSP)
 - Japan's GSP started in 1971. Our system is valid for 10 years, and every 10 years, we extend it for another 10 years. The current scheme is effective until 31 March 2031.
 - Japan grants preferential tariff treatment under its GSP scheme to 126 developing countries and 4 territories.

- ▶ GSP for LDCs
 - GSP for LDCs started in 1980. Japan grants duty-free treatment for about 98% of all the national tariff lines.
 - Japan has RTAs with a couple of LDCs. Importers can choose under which preferential scheme they make an import declaration.

Preferential Rules of Origin for LDC Members

- ▶ Regulations
 - Cabinet Order for Enforcement of the Temporary Tariff Measures Law
 - Ordinance of Ministry of Finance for Enforcement of the Temporary Tariff Measures Law
- ▶ Change of Tariff Heading (CTH) is the general rule
 - Exceptions from CTH are stipulated in the appended table in the Ordinance of Ministry of Finance for Enforcement of the Temporary Tariff Measures Law.
- ⇒ NB: The word-for-word translation from Japanese legislation to English may make the appended table look longer.
- ▶ Products for which (i) the origin is regarded as being clearly ascertainable from their nature and form; and (ii) the total amount of the customs value is not more than 200,000 yen are exempted from submitting the C/O.

► Preference Utilization Rate (UR)

$$= \frac{\text{Imports under the GSP for LDCs}}{\text{Imports eligible under GSP for LDCs}}$$

- Denominator excludes imports of tariff lines with MFN duty-free and non-concession, but includes imports of tariff lines with RTA duty-free.
- Numerator only includes imports reported to have taken place under GSP for LDCs, excluding imports under RTA.

⇒ **A couple of LDCs have enjoyed multiple preferential channels, but the Preference Utilization Rate does not reflect this fact.**

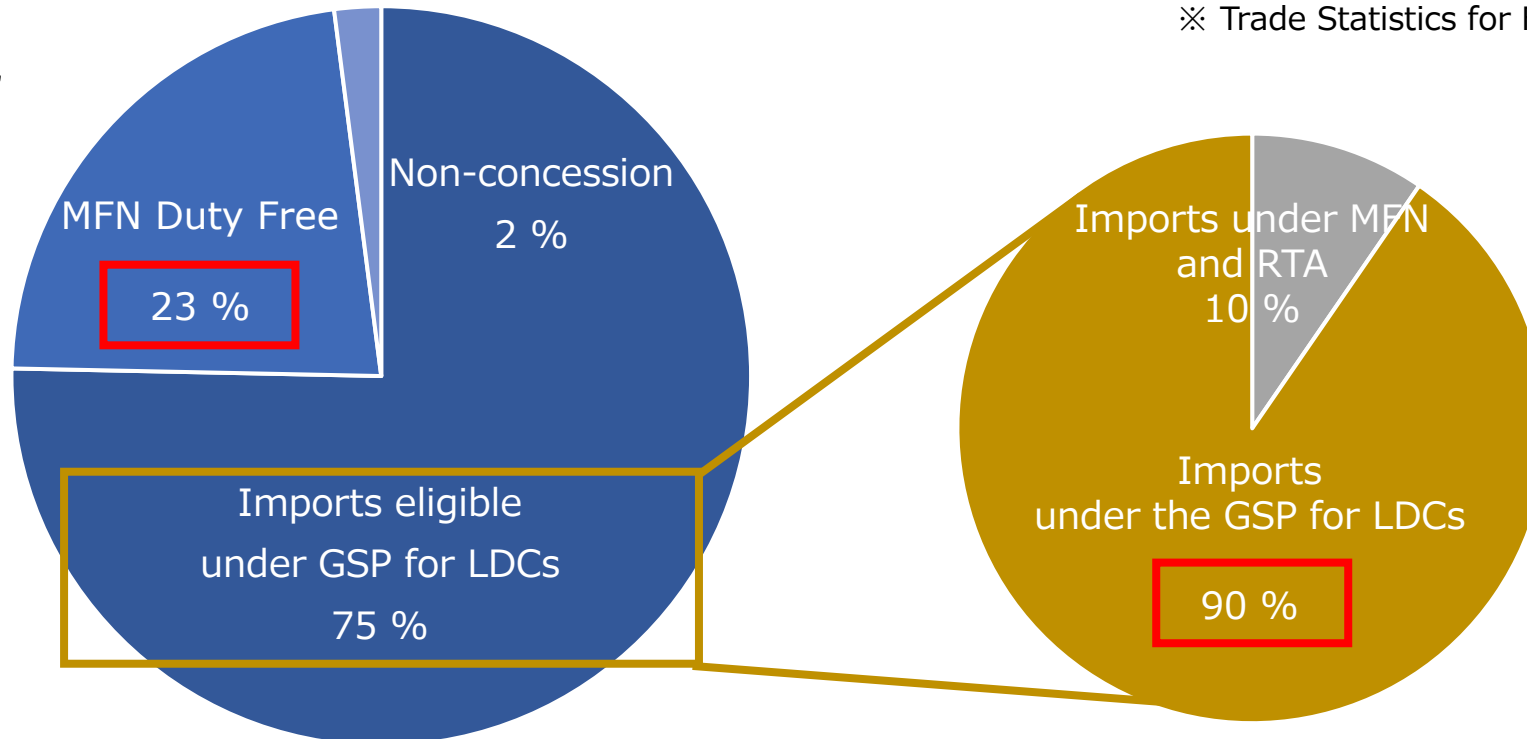
Preference Utilization Rate ~LDCs overall~

(Unit : 1,000 JP YEN)

Member	FY 2020	FY 2021	FY 2022	FY 2023
LDCs overall	87.84 %	89.96 %	90.24 %	90.41 %
Total imports	526,183,138	644,430,149	945,277,599	912,887,037
Imports eligible under GSP for LDCs	411,861,475	463,176,575	715,501,258	687,657,835
Imports under GSP for LDCs	361,765,754	416,669,639	645,698,320	621,685,286

~ FY2023 ~

※ Trade Statistics for FY 2022 and FY 2023 is tentative



Preference Utilization Rate ~Member by Member~

Descending order of total imports in FY2023

(Unit : 1,000 JP YEN)

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Cambodia	283,296,167	222,493,821	189,764,870	85.29 %	+RTA duty-free
Bangladesh	220,482,109	202,991,116	192,155,741	94.66 %	94.17 %
Myanmar	214,055,033	192,850,188	179,168,140	92.91 %	+RTA duty-free
Madagascar	43,297,269	37,091,852	35,554,863	95.86 %	96.39 %
Mozambique	25,388,020	341,255	28,856	8.46 %	98.77 %
Mauritania	23,765,781	14,174,474	13,705,689	96.69 %	98.03 %
Lao PDR	22,839,187	10,496,370	7,395,719	70.46 %	+RTA duty-free
Tanzania	15,163,402	323,567	265,654	82.10 %	99.62 %
Sierra Leone	7,914,912	-----	-----	-----	100.00 %
Burkina Faso	6,620,622	48,490	39,337	81.12 %	99.86 %
Democratic Republic of Congo	6,319,190	24,692	0	0 %	99.61 %
Senegal	5,404,717	383,428	296,083	77.22 %	98.38 %
Uganda	2,533,078	121,218	62,486	51.55 %	97.68 %
Togo	2,479,131	2,555	0	0 %	99.90 %
Malawi	2,144,548	479,681	407,995	85.06 %	96.66 %

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Nepal	2,012,443	1,599,030	1,192,045	74.55 %	79.54 %
Guinea	1,645,928	346,147	10,002	2.90 %	79.58 %
Zambia	1,432,033	5,647	0	0 %	99.61 %
Timor-Leste	752,695	-----	-----	-----	100.00 %
Yemen	684,804	421,830	153,697	36.44 %	60.85 %
Mali	579,867	6,324	3,114	49.24 %	99.45 %
Rwanda	493,559	24,778	21,951	88.59 %	99.43 %
Niger	416,873	66,766	0	0 %	83.98 %
Haiti	415,829	254,585	0	0 %	38.78 %
Angola	276,840	3,431	0	0 %	98.76 %
Benin	233,594	521	0	0 %	99.78 %
Solomon Islands	219,820	-----	-----	-----	100.00 %
Afghanistan	210,818	54,870	35,582	64.85 %	90.85 %
Guinea Bissau	202,795	202,795	0	0 %	0 %
Burundi	145,829	6,892	0	0 %	95.27 %
Central African Republic	87,322	-----	-----	-----	100.00 %
Chad	67,410	-----	-----	-----	100.00 %

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Lesotho	36,312	1,734	244	14.07 %	95.90 %
Comoros	28,327	-----	-----	-----	100.00 %
Liberia	3,158	-----	-----	-----	100.00 %
Djibouti	2,067	396	0	0 %	80.84 %
Gambia	1,848	-----	-----	-----	100.00 %
Ethiopia	17,609,853	806,910	768,980	95.30 %	99.73 %
Sudan	1,639,989	107,663	84,415	78.41 %	98.58 %
Somalia	928,383	921,432	15,179	1.65 %	2.38 %
Bhutan	106,232	62,139	60,487	97.34 %	98.44 %
Sao Tome and Principe	2,515	794	0	0 %	68.43 %
Kiribati	647,404	641,454	494,137	77.03 %	77.24 %
Tuvalu	297,155	297,155	0	0 %	0 %
Eritrea	2,169	1,835	0	0 %	15.40 %

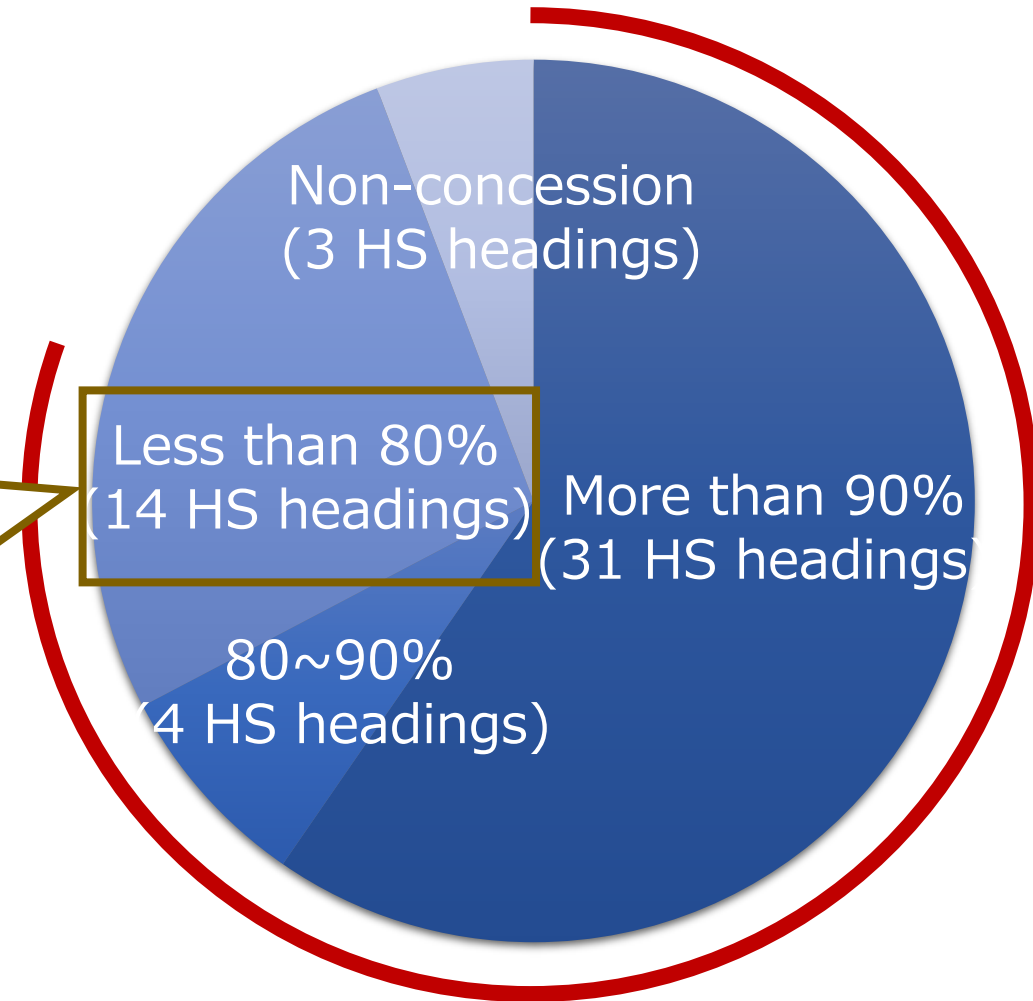
Accession Process is ongoing.

Non-WTO Member

- ▶ On 4 October 2021, the LDC group submitted an analysis paper on Japan's Rules of Origin.
 - A 13-page table with 52 HS headings was prepared, and it was noted that "there are consistent pockets of underutilization that may be caused by stringent product specific rules of origin and/or related administrative requirements".
- ⇒ Japan has further delved into our analysis on Preference Utilization Rate of these 52 HS headings.

Preference Utilization Rate for the 52 HS Headings

Of these 14 headings, there are 9 items with a utilization rate of over 90% or close to 90% **when the import value of RTA is included.**



When the utilization rate of the RTA is also taken into account, 44 out of 52 items have a utilization rate of more than 80%.

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	
6203	88,610,737	88,610,737	87,114,889	98.31 %	
6204	75,668,321	75,668,321	73,640,880	97.32 %	
6110	73,321,695	73,321,695	70,707,630	96.43 %	
6109	54,944,382	54,944,382	52,369,486	95.31 %	
4202	37,714,138	37,714,138	22,794,217	60.44 %	+RTA:90.84 %
7502	34,359,993	34,359,993	34,359,993	100.00 %	
6104	26,336,488	26,336,488	25,737,678	97.73 %	
6403	26,235,456	26,235,456	18,423,520	70.22 %	+RTA:96.08 %
6205	25,920,088	25,920,088	25,041,110	96.61 %	
6202	22,799,805	22,799,805	21,430,357	93.99 %	
6201	21,227,869	21,227,869	19,302,045	90.93 %	
6211	19,866,239	19,866,239	19,587,717	98.60 %	
0307	15,917,917	15,610,188	13,961,441	89.44%	
6103	15,651,278	15,651,278	15,260,876	97.51 %	
6402	15,318,768	(non-concession)	-----	-----	
6206	14,850,298	14,850,298	14,499,028	97.63 %	
6210	12,307,343	12,307,343	11,284,694	91.69 %	

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate
6107	10,365,650	10,365,650	9,971,543	96.20 %
6404	9,503,869	9,503,869	3,784,898	39.82 %
6105	9,434,988	9,434,988	9,019,135	95.59 %
6108	8,958,747	8,958,747	8,888,372	99.21 %
6106	8,336,323	8,336,323	8,276,904	99.29 %
0306	6,376,480	6,376,480	6,010,908	94.27 %
6601	6,370,163	6,370,163	2,973,053	46.67 %
6111	6,175,986	6,175,986	6,054,030	98.03 %
0713	4,678,643	1,736,857	1,722,264	99.16 %
6102	4,508,055	4,508,055	4,079,155	90.49 %
6302	2,924,198	2,924,198	2,815,606	96.29 %
6307	2,895,102	2,895,102	616,471	21.29 %
6208	2,762,090	2,762,090	2,725,150	98.66 %
6207	2,754,848	2,754,848	2,729,252	99.07 %
6101	2,551,006	2,551,006	2,411,056	94.51 %
6505	2,419,118	2,419,118	1,506,854	62.29 %
6115	2,211,155	2,211,155	2,033,684	91.97 %
6116	2,155,501	2,155,501	2,107,865	97.79 %

+RTA:95.05 %

+RTA:99.76 %

+RTA:89.66 %

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	
4203	2,099,450	(non-concession)	-----	-----	
6114	1,505,867	1,505,867	1,367,303	90.80 %	
6306	1,413,430	1,413,430	0	0.00 %	
5607	1,282,996	832,379	601,165	72.22 %	
3307	1,270,262	1,270,262	1,740	0.13 %	+RTA:99.97 %
3926	1,256,492	1,256,492	590,991	47.03 %	+RTA:91.41 %
0304	1,062,010	1,062,010	903,239	85.05 %	
6405	970,777	970,777	783,693	80.73 %	
6305	889,570	847,900	145,032	17.10 %	+RTA:99.94 %
6406	853,816	(non-concession)	-----	-----	
6112	753,549	753,549	734,608	97.49 %	
3923	740,319	739,967	291,160	39.35 %	+RTA:99.66 %
6209	681,297	681,297	596,983	87.62 %	
1504	661,682	661,682	119,845	18.11 %	
0303	647,322	647,322	208,160	32.16 %	
1605	376,940	376,940	376,366	99.85 %	
4107	369,025	369,025	369,025	100.00 %	

Main Takeaways

- ▶ As Preference Utilization Rate for LDCs has remained at nearly 90% for four consecutive years, Japan's GSP for LDCs is being fully utilized.
- ▶ It seems that there is a positive correlation between trade volume and the Preference Utilization Rate, with some exceptions.
- ▶ Some Members with low Preference Utilization Rate enjoy the MFN duty-free or RTA duty-free for a large portion of their imports.
- ▶ Preference Utilization Rate for tariff lines that LDCs had thought too stringent is relatively higher than the Rate for overall LDC imports.
⇒ LDCs already have sufficient capacity to add value domestically.

Data Sources

- ▶ Trade Statistics for all the importations
Ministry of Finance, Japan
<<https://www.customs.go.jp/toukei/info/>>
- ▶ Trade Statistics for importations under GSP for LDCs
Ministry of Finance, Japan
<<https://www.customs.go.jp/kyotsu/import/tokkei/index.htm>>
- ▶ Trade Statistics for importations under RTA
Ministry of Finance, Japan
<<https://www.customs.go.jp/kyotsu/kokusai/toukei/index.htm>>

Thank you!

yuta.takamiya@mofa.go.jp