



# Policy Brief

Senate Economic Planning Office



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## Japan-Philippines Economic Partnership Agreement (JPEPA): An Assessment

### I. BACKGROUND

1.0 JPEPA is a comprehensive bilateral trade and investment agreement between Japan and the Philippines aimed at increasing trade and investment opportunities between the two economies. It is the first bilateral free trade agreement (FTA) for the Philippines after 50 years. Japan, on the other hand, has signed FTAs with six economies (Singapore, Mexico, Malaysia, Indonesia, the Philippines, Thailand, and Brunei) and is on various phases of FTA negotiations with other three economies (South Korea, Vietnam, and India). Japan is also actively pursuing FTA with the 10-member ASEAN bloc with a view of finishing it up by November 2007 during the 13<sup>th</sup> ASEAN Summit.

1.1 JPEPA was initiated during President Gloria Macapagal-Arroyo's visit to Japan in December 2002. The formal negotiations between the Philippines and Japan started in February 2004. President Arroyo and then-Japanese Prime Minister Junichiro Koizumi agreed on major elements of JPEPA in November 2004 that would lead to the immediate removal of tariffs on certain fruits, vehicles, steel products, electronic appliances, and garments. The JPEPA was signed in Helsinki, Finland on 9 September 2006.

#### Philippines-Japan Economic Relations

##### Trade Situation with Japan

1.2 Japan is the second largest trading partner of the Philippines next to the US. In 2006, Japan amounted to US\$7.9 billion or 17% of the country's total exports (Table 1). The leading Philippine exports to Japan consist of electronic products, woodcraft furniture, ignition wiring sets, fresh bananas, and iron ores. Japan is our biggest export market for asparagus, bananas, papayas, nata de coco, mangoes, chicken, shrimps and prawns, and yellowfin tuna.

1.3 Philippine imports from Japan were pegged at US\$7.3 billion in 2006 or 14% of total imports (Table 1). The leading Philippine imports from Japan consist of electronic products, industrial machinery and equipment, transport equipment, iron and steel and electrical machinery.

**Table 1. Top 5 Philippine Products Traded with Japan: 2004-2006 (in million US\$)**

Particulars	2004	2005	2006
<b>Exports</b>	<b>7,982</b>	<b>7,206</b>	<b>7,918</b>
1. Electronic Products	5,624	4,846	4,451
2. Woodcrafts and Furniture	90	101	624
3. Ignition Wiring Set and Other Wiring Sets	297	284	331
4. Bananas (Fresh)	177	173	169
5. Iron Ore Agglomerates	83	93	138
<b>Imports</b>	<b>7,674</b>	<b>8,071</b>	<b>7,270</b>
1. Electronic Products	4,559	4,982	4,120
2. Industrial Machinery and Equipment	562	676	652
3. Transport Equipment	502	478	499
4. Iron and Steel	230	273	258
5. Telecommunication Equipment and Electrical Machinery	317	269	225

Source: National Statistics Office

##### Investment Situation with Japan

1.4 Japan is the Philippines' largest source of foreign direct investments (FDI) in 2005, but slipped to third

place behind the United States and Korea in 2006. FDI from Japan was pegged at P27.5 billion in 2005, 3.5% higher than in 2004. In 2006, however, approved FDIs from Japan declined to P20 billion (Table 2). FDI from Japan from 2000 to 2006 was estimated at P143.5 billion<sup>1</sup>.

**Table 2. Top 5 Sources of Total Approved FDIs (in million PhP)**

Country	2004	2005	2006
Japan	26,596.2	27,538.9	20,065.7
Netherlands	1,473.1	19,157.6	7,188.1
USA	27,108.4	14,912.7	38,199.1
Korea	3,260.3	10,828.4	54,326.8
China	126.6	194.6	17,934.6

Source: Philippine Board of Investments

## II. SALIENT PROVISIONS IN THE JPEPA

### On Investments

2.0 Under JPEPA, the Philippines and Japan agreed to accord national treatment and most-favored-nation treatment<sup>2</sup> to investors of each Party. This basically means that Japanese investors in the Philippines would be accorded the same privileges and rights as Filipino investors in economic sectors where they are allowed and vice-versa. Annex 1 enumerates the exceptions where Japanese investments are limited or prohibited due to mandates of the Philippine constitution or existing domestic laws as listed in the Foreign Investment Negative List (FINL).

2.1 Under JPEPA, there is a provision on the performance requirement (Article 93). Simply put, it means that neither party can impose or enforce as a condition for investment activities requirements such as research and development (R&D) requirement, technology transfer and hiring and appointment of nationals as executives, managers, or board member.

### On Trade

2.2 JPEPA covers 5,968 tariff lines of Philippine imports (Table 3). The tariffs on 66% (or 3,947 product lines) of these imported Japanese goods would be removed immediately and 32% would be subject to gradual tariff reduction once JPEPA enters into force. Some of the goods that are subject to gradual tariff reduction are automotive and iron and steel. Gradual tariff

<sup>1</sup> NSO (2006). Philippine Statistical Yearbook.

<sup>2</sup> National Treatment (Article 89 of JPEPA) means each Party (Japan or the Philippines) shall accord to investors of the other Party and to their investments treatment no less favorable than that it accords to its own investors and to their investments. MFN treatment (Article 90) means each Party shall accord to investors of the other Party and to their investments treatment no less favorable than that it accords to investors of a Third-Party and to their investment.

reduction on the automotive and iron and steel products is consistent with our commitment under the ASEAN Free Trade Area (AFTA) to eliminate tariffs by 2010 for the ASEAN-6. In the case of automotives, this is compatible with the present trend of global production networks and vertical specialization in the industry.

2.2.1 Very minimal tariff lines (0.10%) offered by the Philippines were excluded from any commitments, such as rice and salt, or subject to renegotiations (0.40%) in a future date, such as petrochemicals and other chemicals.

**Table 3. Philippines' JPEPA Tariff Schedule**

Legend	Category	Number of Lines	% of Total Lines
A	Immediate tariff elimination	3,947	66.14
B4	Equal annual tariff reduction starting 2006, final reduction on 2010	97	1.63
B4**	Tariff elimination on the 1 <sup>st</sup> day of the 5 <sup>th</sup> year (2011)	2	0.03
B5	5 years or six annual installments	230	3.85
B5*	5 years, 1 year grace period, 5 equal annual installments	220	3.69
B5**	One single installment at the beginning of the 6 <sup>th</sup> year	14	0.23
B7	7 years or 8 equal annual installments	2	0.03
B10	10 year or 11 equal annual installments	1,077	18.05
B10*	10 years, 1 year grace period, 6 equal annual installments	154	2.58
B10**	10 years, 5 years grace period, 6 equal annual installments	103	1.73
R	Renegotiation	24	0.4
S	Special tariff treatment	92	1.54
X	Excluded from any commitment of preferential treatment or renegotiation	6	0.1
	<b>Total</b>	<b>5,968</b>	<b>100</b>

Source: Philippine Tariff Commission

2.2.2 Note that 73% of the products subject to immediate tariff elimination under JPEPA have existing low tariffs from zero to 5% (Table 4).

**Table 4. Analysis of "A" Products by 2005 MFN Tariff Level**

2005 MFN Tariff (%)	Share to Total "A" Lines (%)	2005 RP Imports from Japan (in thousand US\$)
1	33.06	1,617,962
3	34.8	541,066
5	4.89	60,337
7	6.08	18,921
10	7.19	17,570
15	7.92	8,168
20	0.98	2,539
30	0.4	8,259
35	0.03	-
40	0.25	-
<b>Total</b>	<b>100</b>	<b>2,274,823</b>

Source: Philippine Tariff Commission

2.2.3 Out of the 3,947 product lines subject to immediate tariff elimination, around 92% are industrial goods (Table 5). These include machinery and mechanical appliances, electrical machinery and equipment, clothing and textiles, organic chemicals and pharmaceutical products, and other miscellaneous manufactured products (Annex 2). As of 2005, the country imported around US\$2.3 billion of these products from Japan (Table 5).

**Table 5. Analysis of “A” Products by Product Sector**

Sector	Share to Total “A” Lines (%)	2005 RP Imports from Japan (in thousand US\$)
Agriculture	8.41	3,121
Industrial	91.59	2,271,702
<b>Total</b>	<b>100</b>	<b>2,274,823</b>

Source: Philippine Tariff Commission

2.2.4 Special tariff treatment and gradual tariff elimination will be pursued for sensitive sectors such as the automotive industry (Table 6).

**Table 6. Philippine Imports Subject to Gradual Tariff Reduction under JPEPA**

<b>Motor vehicles*</b>	<ul style="list-style-type: none"> <li>Tariff rate remains at 30% for vehicles of cylinder capacity exceeding 3,000 cc.</li> <li>Tariffs on vehicles of cylinder capacity not exceeding 3,000 cc, will be reduced from 29% to 20% in 2009, subject to negotiations.</li> <li>Tariffs on buses with gross vehicle weight of 6 to 18 tonnes will be reduced gradually from 14% to free in 2010.</li> <li>Tariff elimination on components, parts and/or accessories under the motor vehicle development program is subject to negotiations in 2009 and the MFN rate applies.</li> </ul>
<b>Machinery and mechanical appliances</b>	<ul style="list-style-type: none"> <li>Tariffs on household or laundry type washing machines will be eliminated in 11 equal annual installments from 10% base rate to zero.</li> <li>Tariffs on flat-rolled products or iron or non-alloy steel, of a width 600mm or more plated or coated with zinc or with aluminum-zinc alloys will be eliminated in 6 equal annual installments from 7% base rate to zero.</li> <li>Tariffs on window or wall type airconditioning machines of an output not exceeding 21.10 kW and airconditioning machines used in motor vehicles will be eliminated in 11 equal annual installments from 10% base rate to zero.</li> <li>Tariffs on refrigerator-freezers of a capacity not exceeding 13 cu feet will be eliminated in 11 equal annual installments from 10% base rate to zero.</li> </ul>
<b>Electrical machinery and equipment</b>	<ul style="list-style-type: none"> <li>Tariffs on colour cathode ray tubes for TV and video monitors will be eliminated in 11 equal annual installments from 15% base rate to zero.</li> <li>Tariffs on microwave ovens will be eliminated in 5 equal annual installments from 3% base rate to zero.</li> </ul>

\*This refers to brand-new motor vehicles.

2.3 Japan, on the other hand, has 7,476 tariff lines of Philippine exports under JPEPA and 80% (or 5,994 product lines) of these are for immediate tariff elimination (Table 7).

**Table 7. Japan’s JPEPA Tariff Schedule**

Legend	Category	Number of Lines	% of Total Lines
A	Immediate tariff elimination	5,994	80.17
B3	3 years or 4 equal annual installments	3	0.04
B5	5 years or 6 equal annual installments	148	1.98
B7	7 years or 8 equal annual installments	140	1.87
B10	10 years or 11 equal annual installments	368	4.92
B15	15 years or 16 equal annual installments	48	0.64
P	Special tariff treatment	26	0.35
Q	Tariff rate quota	11	0.15
R	Renegotiation	215	2.88
X	Excluded from any commitment of preferential treatment or renegotiation.	522	6.98
	<b>Total</b>	<b>7,476</b>	<b>100</b>

Note: numbers do not add up due to rounding off.

Source: Philippine Tariff Commission

2.3.1 Industrial goods account for 93% of Philippine export goods that are subject to immediate tariff elimination (Table 8). These include office machines & automatic data processing machines, electrical machinery and parts, road vehicles, telecommunication and sound recording equipment, textile yarn fabrics and clothing apparels (e.g. knitted and crocheted fabrics) and inorganic chemicals and pharmaceutical products (Annex 3).

**Table 8. Analysis of “A” Products by Product Sector**

Sector	Share to Total “A” Lines (%)	2004 RP exports to Japan (in thousand US\$)
Agriculture	6.68	144,539
Industrial	93.32	575,205
<b>Total</b>	<b>100</b>	<b>719,744</b>

Source: Philippine Tariff Commission

2.3.2 Philippine agricultural exports, which are subject to immediate tariff removal under JPEPA, include marine products such as frozen lobsters, frozen shrimps and prawns; and fruits and vegetables such as coconuts, cashew nuts, mangoes, papayas, durians, potatoes, cabbages, lettuce, carrots, cucumbers, globe artichokes, asparagus, celery, mushrooms, truffles, and spinach (Annex 3).

**Table 9. Philippine Exports Subject to Gradual Tariff Reduction under JPEPA**

<b>Marine products</b>	<ul style="list-style-type: none"> <li>Yellowfin tunas, skipjack, halibut, haddock, coalfish, king crabs, sea urchins, abalone, plaice and sole - tariffs will be eliminated in 6 equal annual installments from 3.5% base rate to zero.</li> </ul>
<b>Vegetables and fruits</b>	<ul style="list-style-type: none"> <li>Vegetables such as tomatoes, garlic, and eggplants - tariffs will be eliminated in 6 equal annual installments from 3% base rate to zero.</li> <li>Fresh bananas - tariffs will be eliminated in 11 equal annual installments from 10% base rate to zero.</li> <li>Frozen sweet corn - tariffs will be eliminated in 8 equal annual installments from 10.6% base rate to zero.</li> <li>Sweet potatoes - tariffs will be eliminated in 11 equal annual installments from 12% base rate to zero.</li> <li>Watermelons and strawberries - tariffs will be eliminated in 6 equal annual installments from 6% base rate to zero.</li> </ul>
<b>Cereals</b>	<ul style="list-style-type: none"> <li>Cereal grains of maize (corn) - tariffs will be eliminated in 11 equal annual installments from 21.3% base rate to zero.</li> </ul>
<b>Prepared or preserved fish</b>	<ul style="list-style-type: none"> <li>Prepared or preserved salmon, herrings, and mackerel - tariffs will be eliminated in 8 equal annual installments from 7.2% base rate to zero.</li> <li>Preserved sardines - tariffs will be eliminated in 6 equal annual installments from 7.2% base rate to zero.</li> </ul>
<b>Prepared or preserved fruits</b>	<ul style="list-style-type: none"> <li>Jams, fruit jellies, marmalades, fruit or nut puree - tariffs will either be eliminated in 8 or 16 equal annual installments from base rate to zero.</li> </ul>
<b>Fruit and vegetable juices</b>	<ul style="list-style-type: none"> <li>Tariffs will either be eliminated in 11 or 16 equal annual installments from base rate to zero.</li> </ul>
<b>Leather articles</b>	<ul style="list-style-type: none"> <li>Leather articles such as trunks, suitcases, vanity cases, wallets and handbags - tariffs will be eliminated in 11 equal annual installments from base rate to zero.</li> </ul>

2.3.3 Almost 10% of the tariff lines, mostly agricultural products, are subject to gradual tariff reductions (Table 9).

2.3.4 Very minimal tariff lines (0.5%) offered by Japan are subject to specific commitments:

- Creation of tariff rate quota (TRQ) for pineapples smaller than 900g under a zero in-quota rate, instead of the applied 17% most-favored nation (MFN) rate.
- Creation of TRQ for chicken meat with 8.5% in-quota rate, instead of the applied 11.9% MFN rate.
- Tariffs on sausages and similar products will be reduced on the second year from 19.2% to 17% in 5 equal annual installments.

2.3.5 Around 10% of the tariff lines are either excluded from any commitments or subject to renegotiations in a future date. Those excluded are:

- Agricultural goods such as boneless meat of bovine animals, fresh Pacific salmon, frozen red & Atlantic salmon, trout, herrings, cod, sardines, mackerel, frozen bluefin tuna fillets, scallops, milk and cream, whey, butter and dairy spreads, wheat and meslin, barley, rice, wheat starch,

animal and vegetable oils, and pineapples weighing more than 900g.

2.3.6 Those subject to renegotiations are:

- Agricultural goods such as meat of bovine animals, meat of swine, bigeye tunas, bluefin tunas, longfinned tunas, tanner crabs, certain dairy products, maize (corn) flour and starch.

#### On Movement of Filipino Professionals

2.4 Under JPEPA, Filipino nationals would be allowed to practice their profession in Japan subject to certain conditions. The list of professions included are: legal services, accounting and taxation services, architectural and engineering services, computer-related services, advertising and management consulting services, translation and interpretation services, services incidental to agriculture, audiovisual services, higher education services, tourism and travel services, entertainment services (theatre, live bands), and maritime transport services.

- 2.5 Filipino nurses and care workers can practice their profession in Japan provided they meet the following requirements. For a Filipino nurse, he/she must:
- pass the Philippine licensure exam and must have at least three years work experience;
  - undergo skills and language training for six months in Japan; and
  - pass the Japanese Nursing Examination, which is written in Nihonggo, with a maximum of three attempts.
- 2.6 For a Filipino care worker, he/she must:
- finish a four-year college course and must be a certified caregiver in the Philippines;
  - undergo skills and language training for six months in Japan; and
  - pass the Japanese national exam, which is written in Nihonggo, for caregivers.
- 2.7 A Filipino nurse is given a maximum of 2 years' stay in Japan to comply with the requirements while a caregiver is given 3 years. The provision is silent on who shoulders the cost of these trainings.
- 2.8 Practice of all professions in the Philippines remains limited to Filipinos save in cases prescribed by law.

#### On Other Provisions

- 2.9 JPEPA included provisions tackling the so-called 'Singapore issues'- investment, competition policy, transparency in government procurement, and trade facilitation - complex subjects that led to the gridlock in the World Trade Organization (WTO) talks and had to be dropped to move the multilateral talks forward. Japan and other developed countries are the main demandeurs of the Singapore issues, which is seen by many developing countries as a primary interest of richer economies.
- 2.10 JPEPA has provision on competition policy. The two countries both agree to take measures regarding the promotion of competition by addressing anti-competitive activities to facilitate trade and investment flows between the two economies. Thus, Japan and the Philippines are allowed to review and improve or adopt laws when necessary.
- 2.11 JPEPA opens up the possibility of liberalizing Philippine government procurement markets by granting national treatment and most-favored-nation treatment to Japanese goods, services, and suppliers. To this end, a Sub-Committee on Government Procurement is to be established. This Sub-Committee is also tasked (1) to exchange and analyze information regarding government procurement and (2) to discuss issues such as increased transparency and consistency of measures on government procurement with international principles such as the Agreement on Government Procurement (GPA).
- 2.12 The GPA is designed to open up as much as possible government procurement to international competition. It is also designed to make laws, regulations, procedures, and practices regarding government procurement more transparent and ensure that they do not protect domestic products or suppliers, or discriminate against foreign products or suppliers. Japan is a signatory to GPA while the Philippines is not.
- 2.13 JPEPA provides for cooperation in order to promote trade facilitation and liberalization for the mutual benefit of the two countries. Specifically, the two countries agree to cooperate on the following areas:
- a. human resource development,
  - b. energy and environment,
  - c. science and technology,
  - d. trade and investment promotion,
  - e. small and medium enterprise,
  - f. tourism,
  - g. transportation, and
  - h. road development
- 2.14 Furthermore, the treaty stipulates that the cost of cooperation is borne equitably between the two economies and subject to available funds and applicable laws and regulations.
- 2.15 Also, JPEPA has provision on Dispute Settlement Mechanism that will create subcommittees to refine the various provisions and cooperation mechanisms.

### III. ADVANTAGES AND DISADVANTAGES FROM JPEPA

#### Advantages

- 3.0 Orthodox economic theory on international trade dictates that free trade agreements (FTAs) enhance the competitiveness of sectors and industries in which one country has a comparative advantage vis-à-vis the other. The agro-industrial production, employment generation, and exports earnings of competitive sectors and industries are expected to increase with FTAs. The importation of raw materials and capital equipment also becomes cheaper, bringing down further the cost of production. Cheaper, quality imports are expected to benefit consumers through lower prices and better quality products.
- 3.1 Foregone tariff revenues from FTAs such as the JPEPA are partly retained in the country as business savings for expanding working capital and/or additional investible funds to generate more economic activities. Also, the foregone tariff revenues will be offset by the

boost on consumer spending which will stimulate demand for goods and services. This increased economic activity, through the multiplier effect, will generate more jobs, incomes, and a bigger revenue base in the long-term.

- 3.2 Studies show that the two countries would benefit from the proposed JPEPA. For instance, the treaty is expected to generate a small but positive impact on our gross domestic product (GDP) of around 0.09%<sup>3</sup> as a result of better resource allocation and positive poverty alleviation effects, particularly in Metro Manila, where most industries are located. If potential foreign investment inflows and productivity gains would arise, the benefits could be much higher ranging from 1.73% to 3.03%<sup>4</sup>. Japan, on the other hand, would gain a 0.03% rise in its real GDP.

### On Investment

- 3.3 JPEPA is expected to increase investment in the Philippines since it provides greater certainty and confidence for Japanese investors. BOI estimates that the expected FDI from Japan would amount to Php559 billion between 2007 and 2016 and is expected to generate 35,477 more jobs to Filipinos (Table 10).

**Table 10. Projected Increase in Japan FDI to the Philippines**

Particulars	1995 - 2005	2007 - 2016
Project Cost (in billion Php)	137	559
Employment	35,731	35,477
Revenue (in billion Php)	4.75	4.72

Note: Latest estimate from BOI enabling estimation of direct employment and revenue (withholding, other taxes and licenses) for the projected period.

Source: Department of Trade and Industry

### On Trade in Goods

- 3.4 JPEPA is also expected to increase our exports to Japan, Philippines' second largest export market, due to a broader range of agricultural and industrial products that will be allowed under the treaty. The Philippines' exports to Japan are currently averaging at 10% annual growth for the past six years (Table 11). The annual growth of our exports for 2007 is projected at 8.7% without JPEPA. With JPEPA, however, our exports are estimated to grow faster at 9.1% at the very least.

**Table 11. Projected Increase in Philippine Exports to Japan (in billion US\$)**

Particulars	Without JPEPA*	With JPEPA	
		Low	High
Projected annual growth rate	10%	15%	20%
2007	8.71	9.08	9.47**
2008	9.62	10.44	11.37
2009	10.63	12	13.64
2010	11.76	13.81	16.37
2011	13	15.88	19.64

\* Based on average growth from 2001 to 2006 (annualized Jan.-Aug.) of 10.4% compared to total Philippine exports average growth of 13%.

\*\* Based on Philippine Export Development Plan (PEDP) Projections

Source: Department of Trade and Industry

- 3.5 Of the principal fruit items that Japan imports, the Philippines supplies 58% of Japan's total imports on banana, 7% on pineapples, 1% on avocados and on papayas. Meanwhile, only 1% of Japan's vegetable imports are supplied by the country, which leaves more room for expansion. Our two major fresh vegetable exports to Japan are okra and asparagus. In 2005, fish, crustaceans, and mollusks (e.g. shrimps and prawns) account for US\$ 81.2 million of Philippine exports to Japan.
- 3.6 Under JPEPA, Japan will immediately remove tariffs on certain agricultural products such as shrimps and prawns, asparagus, leguminous vegetables, dried bananas, mangoes, mangosteens, and fresh papayas, as well as manufactured goods like knitted and crocheted fabrics (Annex 3). Thus, these sectors are expected to benefit directly from the treaty.
- 3.7 Also, the country can increase its market penetration by supplying goods which it has a comparative advantage – fish, fruits, charcoal, iron ore concentrates, non-ferrous metal, silver platinum ores, crude vegetable materials, wood manufactures, office machine, travel goods/handbags, clothes (excluding fur), watches and clocks, and other manufactured goods.
- 3.8 Moreover, JPEPA provides the mechanism where the country can regain its declining share on Japan imports on mostly agricultural products (e.g. fresh and dried fruits, fresh and chilled vegetables, sugar confectionery, fermented beverages, frozen fish fillets, prepared crustaceans and mollusks, sauce, seasoning and condiments, frozen fruits and nuts, unpickled vegetables, and sausages of meat) and consumer manufactures (e.g. festive articles, clothing accessories, plastic articles, suits/jackets/trousers,

<sup>3</sup> Cororaton, C. (2003). "Phil-Japan Bilateral Agreement: Analysis of Possible Effects on Unemployment, Distribution, and Poverty in the Philippines Using CGE Microsimulation Approach."

<sup>4</sup> Kawasaki, K. (2003). "Impact of FTAs in Asia", REITI Discussion Paper Series 03-E-018, Research Institute of Economy, Trade and Industry.

pulp/paper/board articles, plastic floor and wall covering, plastic and rubber apparel, children's toys, metal furniture, glass articles, skirts, textile articles, nightwear and underwear, household linens, mattresses, knitted hosiery, and hand paintings and drawings).

- 3.9 To maximize the benefits from these opportunities, Filipino exporters must take into account the strict requirements of the Japanese on food quality and safety. Filipino exporters need to supply hormone-free, even-sized, properly-packed, and hygienic products. The JPEPA has provisions on mutual recognition and conformity assessment procedures for products and processes which would help Filipino exporters meet Japan's standards and requirements like sanitary and phytosanitary measures.

#### On Movement of Natural Persons

- 3.10 Under JPEPA, Filipino nationals would be allowed to practice their profession in Japan subject to certain conditions. In the immediate future, at least two groups of Filipino professionals are expected to benefit from JPEPA: Filipino health professionals (nurses and care workers) and seafarers.
- 3.11 For Filipino health professionals, JPEPA establishes a formal arrangement for the acceptance of 1,000 Filipino health professionals to work in Japan for the first two years JPEPA will be in force. With Japan's ageing population, the demand for careworkers in Japan is increasing and the country can take advantage of this opportunity.
- 3.12 Filipino seafarers, likewise, are expected to benefit from JPEPA through Japan's continued assistance in education and skills enhancement. In fact, Japan made investments in the Philippines' efforts to streamline and build up the skills, professionalism, and continued process improvement through appropriate training centers and facilities. It donated a computerized system to the Maritime Training Council (MTC) to maintain the integrity of the assessment and certification process for the Filipino seafarers.
- 3.13 The Japanese assistance becomes more imperative as Japanese shipping firms want to draw an additional 8,000 to 10,000 experienced Filipino seafarers to man up to 600 new ships to be built until the year 2010. Japan is the largest employer of seafarers, employing 72% of the 240,000 Filipino seafarers deployed worldwide.
- 3.14 This provision of movement of natural persons under JPEPA is expected to boost remittances of Filipino overseas contract workers (OCWs).

- 3.15 Also, this market access in services provides a mechanism for technology transfer and cooperation which could facilitate improvements in the competitiveness of Filipino workers. JPEPA ensures this by setting up HRD cooperation programs covering language proficiency trainings, technical assistance in skills upgrading, mutual personnel exchange and fellowship programs, and research and development in Science and Technology.

#### On Cooperation and Trade Facilitation

- 3.16 There are substantial gains likewise from the enhanced provisions of the treaty on various areas of cooperation and capability building such as: cooperation and technical assistance to cope with sanitary and phytosanitary standards (SPS) requirements in Japan; cooperation in trade and investment promotion; cooperation in small and medium enterprises, tourism, transportation, and road development; capacity building in paperless trading; technology transfer and cooperation which could facilitate improvement in the competitiveness of our workers through cooperation in human resource development, language proficiency training, technical assistance in skills upgrading, mutual personnel exchange and fellowship programs, and research and development in Science and Technology; and trade facilitation measures such as simplification and harmonization of customs procedures.
- 3.17 These measures are important to ensure the efficient movement of goods, services, people, and capital. These provisions not only reduce transaction costs but also promote greater trade and greater certainty in the business environment. The Dispute Settlement Mechanism provision in JPEPA is also important as it provides the venue to refine and strengthen the provisions of this treaty. All these may put pressure on us to implement necessary legal and regulatory reforms to make our institutions more attuned to the changing international economic environment.
- 3.18 The interplay of FDI and trade in a mutually beneficial way cannot be discounted and this would be reinforced with JPEPA. FDI and trade are well recognized as facilitators of growth and development. Capital, technology transfer, management expertise, training for the local work force, and access to wider markets are some of the benefits from FDI. These benefits can complement the resources and capabilities of the Philippines and increase our export competitiveness. Given the Philippines' current level of development it can benefit significantly from Japan's capital, technology, and expertise to strengthen its capacity.
- 3.19 As an observation, the ageing Japanese population implies a small fraction of the population as part of the labor force. Ramification of such population structure is two-pronged: (1) Japan would need to

expand market of its domestic goods in order to maintain viability of its industries and business enterprises; and (2) Japan would need young skilled workers for its industries.

#### Disadvantages

3.20 FTA is a two-edged sword. While free trade enhances competition, uncompetitive industries languish and eventually close shop unless it can make a turn around and face competition. While free trade benefits consumers in general, it is disadvantageous to sectors that cannot cope up with the competition.

#### Investments

3.21 In theory, investment agreements such as JPEPA are expected to increase investment since it provides greater certainty and confidence for foreign investors. But the record has been so far spotty. Annual Japanese FDI to Singapore during 1999-2002 averaged US\$477 million, three times higher compared to US\$153 million during 2003-2006. Japan and Singapore signed a free trade agreement in November 2002. It clearly shows that where the FDI goes depends on more fundamental factors such as low cost of production, large market size and access to natural resources.

3.22 The downside of JPEPA is the explicit prohibition on performance requirements. Under JPEPA, there is a provision on the performance requirement (Article 93). Simply put, it means that neither party can impose or enforce as a condition for investment activities requirements such as research and development (R&D) requirement, technology transfer and hiring and appointment of nationals as executives, managers, or board member. This provision effectively ties the hand of and reduces the policy space available for succeeding policymakers without getting any substantial benefit in return. Thus, this provision may prove to be disadvantageous to a developing country like the Philippines because the country might be stuck in low value-added manufacturing activities and hence, fail to move to higher value-added activities. At present, the comparative advantage of the Philippine electronics industry lies mainly in low value-added activities (e.g. assembly operations) and less on production of electronic products.

3.23 Furthermore, the Philippines publishes regularly a Foreign Investment Negative List (FINL), a list of economic activities which limits foreign ownership and participation due to mandates of the Constitution and domestic laws. However, there are items in the FINL which are not specifically included as exceptions for Japanese investments. Some economic sectors not listed in the 6<sup>th</sup> FINL are listed in JPEPA. For instance, no foreign vessels are allowed to transport passengers or cargo between ports or places within the Philippine

territorial waters (Table 12). Also, a Sub-Committee on Government Procurement would be formed to look into opening up the Philippine government procurement contracts to Japanese nationals, implying that the Japanese will be allowed to enter into government procurement contracts. Since it is not categorically stated in the treaty, it is not clear whether Japan can invest in these areas included in the FINL.

**Table 12. List of Items in FINL Not Listed Under the Exclusion List of JPEPA\***

1. Contracts for the supply of materials, goods and commodities to government-owned or - controlled corporation, company, agency or municipal corporation
2. Project Proponent and Facility Operator of a BOT project requiring a public utilities franchise
3. Contracts for the construction and repair of locally funded public works except infrastructure/development projects; and projects which are foreign funded or assisted and required to undergo international competitive bidding
4. Private recruitment, whether for local or overseas employment
5. Financing companies regulated by the Securities and Exchange Commission (SEC)
6. Investment houses regulated by the SEC
7. Sauna and steam bathhouses, massage clinics and other like activities
8. All forms of gambling, e.g. race-track operation
9. Private security agencies
10. Ownership, operation, and management of cockpits

\* 6<sup>th</sup> FINL as of 2004.

#### Trade in Goods

3.24 *Displacement of affected local industries.* The domestic industries would experience stiff competition from the onslaught of cheaper imports. Those hardest hit would be the sensitive sectors and industries (i.e. automotive industry) unless safeguards are put in place or they are excluded from FTA negotiations. The auto industry is characterized by low value-added activities (i.e. assembly operations). The auto industry estimates that there would be 77,000 workers who would be displaced if JPEPA takes into effect.

3.25 *Foregone government revenues.* Another important issue with any FTA is the foregone revenues due to the removal of tariffs. The Tariff Commission estimates Php3.69 billion to Php4.15 billion foregone revenues for the first year of implementation of the JPEPA (Table 13).



**Table 13. Estimated Foregone Revenues from JPEPA**

Category	Estimated Revenue Foregone (billion PhP)			
	FOREX: US\$1.00 = PhP55.0855		FOREX: US\$1.00 = PhP49.00	
	2007	2007 - 2010	2007	2007 - 2010
A	2.872	11.488	2.555	10.219
B	1.277	7.404	1.136	6.586
Total	4.149	18.892	3.690	16.805

Note: based on 2005 RP imports from Japan and 2007-2010 MFN tariffs; categories R (renegotiation), S (special tariff treatment) and X (exclusion) are excluded.

Source: Philippine Tariff Commission

3.26 Other estimates range from P3 billion<sup>5</sup> to P9 billion<sup>6</sup>, or roughly 2.5% to 7.4% of total customs duties collection in 2004.

3.27 *Trade deficit.* The country's trade balance with Japan posted a US\$648 million surplus in 2006 from a deficit of US\$865 million in 2005 (Table 14). This reflects the faster growth of Philippine exports to than imports from Japan. However, with JPEPA the trade balance with Japan may likely worsen. This may arise because some of the country's top exports to Japan will only get gradual tariff elimination such as:

- *Yellowfin tunas* – tariff will be eliminated/reduced to zero within six years from date of entry into force.
- *Fresh banana* – tariff will be eliminated/reduced to zero within 11 years from date of entry into force.
- *Dried pineapples* – tariff will be eliminated/reduced to zero within 11 years from date of entry into force.
- *Cathodes and sections of cathodes of refined copper*<sup>7</sup> – tariff will be eliminated/reduced to

**Table 14. Philippine Trade Balance with Japan: 2002-2006 (in thousand US\$)**

Year	Exports	Imports	Balance
2002	5,293,291	7,550,869	-2,257,578
2003	5,768,050	7,860,331	-2,092,281
2004	7,982,486	7,673,875	308,611
2005	7,206,071	8,071,080	-865,009
2006	7,917,821	7,270,236	647,585

Source: National Statistics Office. 2006 Philippine Statistical Yearbook.

<sup>5</sup> Philippine Institute for Development Studies (PIDS). "The Japan-Philippines Economic Partnership Agreement (JPEPA): Some Questions and Answers".

<sup>6</sup> Estimate by IBON Foundation as cited in PIDS' "The Japan-Philippines Economic Partnership Agreement (JPEPA): Some Questions and Answers".

zero within six years from date of entry into force.

3.28 Further, a negotiation on market access for Philippine raw sugar to Japan was postponed to a later date. Certain agricultural products (e.g. rice, wheat, milk, herring, sardine, and mackerel) that are considered sensitive Japanese products are also excluded from JPEPA.

3.29 Also, foreign firm's access to the Japanese market is difficult and costly as the distribution system remains complex, multilayered, nontransparent and dominated by exclusivity among producers, wholesalers and retailers<sup>8</sup>. As such, only big farming conglomerates like Dole Philippines and some Japanese-managed farms can successfully export Philippine agricultural goods to Japan. For nonfood consumer goods, establishing a market in Japan is costly to small-scale Filipino exporters as these require regular attendance in trade fairs and exhibits as well as frequent visits to shops and markets in and out of Japan. Moreover, there are nontariff barriers such as the stringent SPS conditions and quarantine regulations of Japan.

3.30 *Environmental Implications.* Under JPEPA, the Philippines would allow duty-free entry for many scrap and waste from Japan once JPEPA enters into force (Annex 4). Some of these waste products are considered to be toxic and hazardous. Environmentalists are concerned that removing the tariffs on these wastes will allow the entry of these toxic and hazardous products.

3.31 The government, on the other hand, says that there are existing laws that will prevent the entry of such hazardous products in the Philippines. Under RA 6969 ("Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990"), the entry, even in transit, as well as the keeping or storage and disposal of hazardous and nuclear wastes into the country for whatever purpose are prohibited. In addition, RA 4653 prohibits the entry of worn clothing and used rags. Violations of these laws entail imprisonment and fines, depending on the type of violators. For RA 6969, individual violators face an imprisonment of six months and one day to six years and one day and a fine ranging from Php600 to Php4,000; a corporation may be slapped an additional fine of five hundred thousand pesos for exemplary damages; and a foreign firm will be barred entry into the country as well as a revocation of its license to do business in the Philippines.

<sup>7</sup> This refers to cathodes and sections of cathodes of refined copper not more than 500 yen/kg; otherwise, the tariff will be eliminated from date of entry into force.

<sup>8</sup> Tan, Rosalina, "Can the Japan-Philippines Economic Partnership (JPEPA) benefit Philippine consumer goods exporters?" PIDS Policy Notes, April 2005.

- 3.32 Violations of RA 4653, on the other hand, involves the penalty of fine of not less than Php200 nor more than Php20,000 and imprisonment of not less than 2 years nor more than 5 years. Foreigners face an immediate deportation and foreign firms face cancellation of their license and permanent disqualification to do business in the Philippines. Moreover, both Japan and the Philippines are signatories to the Basel Convention which requires the parties to make prior notice and consent before governments allow the export and import of hazardous wastes. Therefore, the tariffs are redundant given these domestic laws.
- 3.33 In July 1992, a total of 122 40-foot container vans from Japan were seized from the Port of Manila. The vans were declared to contain waste paper for recycling but they actually contained hazardous, infectious, and toxic trash: intravenous injections, used adult and baby diapers, used sanitary napkins, discarded intravenous syringes, dextrose, garments, and bandages. The Japanese government was forced to send back the waste shipments. In November 2006, a group of farmers claimed that an 84-hectare landfill in Barangay Sapang, Ternate, Cavite has been prepared to receive Japan's wastes such as old appliances and electronic products.
- 3.34 Some groups of lawyers, on the other hand, claim that the treaty, when approved by the Senate, may supersede these laws.
- 3.35 In 22 May 2007, the Philippine Foreign Affairs Secretary wrote a side-letter to the Foreign Minister of Japan that seeks to clarify this issue. The said letter asked for Japan's confirmation on the Philippines' understanding that "JPEPA does not prevent the adoption or enforcement of such measures (exporting toxic wastes to the Philippines) under existing and future national laws, rules and regulations of the Philippines and Japan." The following day, the Foreign Minister of Japan gave its confirmation on this issue.
- 3.36 On the other hand, some wastes (e.g. used car batteries) are used as industrial inputs, and imports should be allowed according to some sectors. There should be a clearer indication which of these products is used as inputs.

#### Movement of Filipino Professionals

- 3.37 Whether Japan would be an attractive market for Filipino nurses and caregivers remains unclear given stringent Japanese requirements (e.g. language proficiency) and the existence of other more lucrative markets for nurses such as US and UK. In 2006, the average monthly salary for Japanese nurses is estimated at US\$1,643 (Y193,924) which may not be high enough to entice Filipino nurses considering Japan's high cost of living. Nurses working in US get a

monthly salary of US\$3,359; in UK, US\$2,052; Saudi Arabia (US\$506); and other Middle Eastern countries (US\$959)<sup>9</sup>.

#### On Other Provisions

- 3.38 The concurrence of the Philippines to the 'Singapore issues' effectively ties its hands on the said issues on future bilateral and multilateral free trade talks. It also weakens the developing countries' stance on such issues, which it could have used as a bargaining chip for better concessions from the developed countries. The Philippines is an active member of the Group of 77, a coalition of 130 developing states which articulate and promote their collective economic interests and enhance their joint negotiating capacity on major international economic issues.
- 3.39 JPEPA has provision on mutual recognition of each others' standards and assessment procedures. A sub-committee will be formed to implement this provision. But for the Philippines to benefit from this, particularly for the agri exporters, the country has to invest in upgrading its facilities, especially to meet the stringent Japanese SPS requirements. Whether the source of financing would come from Japanese grants remain unlikely given the historical trend of increasing share of loans than grants to total Japanese official development assistance (ODA)<sup>10</sup>. Thus, some sectors worry that this provision would not be advantageous to the Philippines, but instead pose as an added burden since this basically implies more borrowings for the country.

#### IV. RECOMMENDATIONS

- 4.0 Certain ambiguities in JPEPA must be clarified. Will JPEPA supersede RA 6969 and RA 4653? Does the non-inclusion in JPEPA of certain areas under the country's FINL mean that Japanese nationals can invest in these restricted areas such as government procurement? These issues must be addressed.
- 4.1 Also, there is the ASEAN-Japan FTA which is expected to be signed in November 2007 during the 13<sup>th</sup> ASEAN Summit. What is the impact of this ASEAN-wide treaty with Japan on JPEPA? Are the two FTAs alternatives to each other?
- 4.2 Moreover, the government must provide support services (e.g. on SPS requirements) to Filipino exporters (e.g. agricultural exporters) for them to fully

<sup>9</sup> Tan, Edita, *Policies and Institutions for Training and Skills Development of Migration Labor*, International Organization for Migration. Switzerland, 2004.

<sup>10</sup> Tadem, Ed, "Official Development Assistance Issues" as presented to the JPEPA Forum titled "JPEPA: Alternative Perspectives from Impacted Sectors" sponsored by the Office of Sen. Pia Cayetano, 14 August 2007.

maximize the potential of increased market access to Japan.

- 4.3 A further investigation is also recommended to include more recent data, particularly on estimates on foregone revenues, and other concerns of the impacted sectors. Government agencies, which are by nature of their functions and mandates collectors and repository of data pertinent to trade, tariff and government revenues, should share and disseminate these data to other government agencies to assist further in policy studies.

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Annex 4 referred to in Chapter 6 – Sectoral Annex in relation to Article 61

Annex 5 referred to in Chapter 7 – Financial Services

Annex 6 referred to Chapter 7 – Schedule of Specific Commitments and List of Most-Favored-Nation Treatment Exemptions

Annex 7 referred to in Chapter 8 – Reservations for Existing and Future Measures

Annex 8 referred to in Chapter 9 – Specific Commitments for the Movement of Natural Persons

Implementing Agreement Between the Government of the Republic of the Philippines and the Government of Japan Pursuant to Article 12 of the Agreement Between the Republic of the Philippines and Japan for an Economic Partnership

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The views and opinions expressed herein are those of the SEPO and do not necessarily reflect those of the Senate, of its leadership, or of its individual members.

## Annex 1. List of Exceptions for Japanese Investors under JPEPA

<b>Reservations on Existing Measures</b>
<p><b><i>Put limits on foreign equity</i></b></p> <ol style="list-style-type: none"> <li>1. Ownership of private lands</li> <li>2. Lease of private land</li> <li>3. Ownership of condominiums</li> <li>4. Small-scale mining</li> <li>5. Projects covered by Mineral Production Sharing Agreement (MPSA), Co-Production Agreement (CPA), or Joint Venture Agreement (JVA)</li> <li>6. Domestic market enterprises with paid-in equity capital of less than the equivalent of US\$200,000</li> <li>7. Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-in equity capital of less than the equivalent of US\$100,000</li> <li>8. Participation in geothermal energy, methane and natural gas</li> <li>9. Participation in atomic energy facility</li> <li>10. Participation in rice and corn industry</li> </ol>
<p><b><i>Reserved for Filipino nationals</i></b></p> <ol style="list-style-type: none"> <li>1. Cooperatives</li> <li>2. Corporate secretary shall be a resident and citizen of the Philippines.</li> <li>3. Exploration and development of water resources</li> <li>4. Transport of passengers or cargo between ports or places within the Philippine territorial waters</li> </ol>
<p><b><i>Others</i></b></p> <ol style="list-style-type: none"> <li>1. Ownership of all lands of the public domain and natural resources are owned by the State.</li> <li>2. Export requirement for firms with more than 40% foreign equity to qualify for BOI incentives. Foreign equity is allowed up to 100% if an enterprise exports at least 60% of its total production output.</li> <li>3. Divestment requirement for firms registered under the Investment Priorities Plan to which BOI incentives are granted</li> <li>4. Qualification for BOI incentives for iron and steel firms with maximum of 65% foreign equity (Measures relating to this reservation shall be terminated by the end of 2006.)</li> <li>5. Suspension of nationality requirement for ASEAN nationals, projects, and investment</li> <li>6. Corporate treasurer shall be a resident of the Philippines.</li> </ol>
<b>Reservations on Future Measures</b>
<p><b><i>Put limits on foreign equity</i></b></p> <ol style="list-style-type: none"> <li>1. Deep-sea fishing</li> <li>2. Lease of public lands (agricultural and foreshore lands)</li> <li>3. Lease of forest or timber lands</li> <li>4. Rattan plantation lease</li> <li>5. Special land use permit/lease</li> <li>6. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring PNP clearance (e.g. firearms, gunpowder, dynamite)</li> <li>7. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring DND clearance (e.g. guns and ammunitions, military ordnance and components, military communications equipment)</li> <li>8. Manufacture of dangerous drugs</li> </ol>
<p><b><i>Reserved for Filipino nationals</i></b></p> <ol style="list-style-type: none"> <li>1. Small-scale utilization of marine resources</li> <li>2. Agrarian reform beneficiaries</li> <li>3. Manufacture of firecrackers and other pyrotechnic devices</li> </ol>
<p><b><i>Others</i></b></p> <ol style="list-style-type: none"> <li>1. Prohibition of importation, manufacture, distribution, sales and display of toy firearms and explosives</li> </ol>

**Annex 2. Philippine Imports with "A" Tariff Rating under JPEPA**

Description	Items
<p><b>Nuclear reactors, boilers, machinery and mechanical appliances and parts thereof</b></p>	<ul style="list-style-type: none"> <li>• nuclear reactors</li> <li>• producer gas or water gas generators</li> <li>• steam turbines</li> <li>• aircraft engines</li> <li>• marine propulsion engines</li> <li>• hydraulic turbines</li> <li>• turbo-jets</li> <li>• air or vacuum pumps</li> <li>• window or wall type airconditioning machines of an output exceeding 21.10 kW</li> <li>• household-type refrigerators and freezers with compression-type of a capacity of more than 13 cu feet</li> <li>• furnace burners for liquid fuel</li> <li>• instantaneous or storage water heaters</li> <li>• ship's derricks</li> <li>• forklift trucks</li> <li>• lifts, escalators, and conveyors</li> <li>• harvesting or thrashing machinery</li> <li>• milking machines and dairy machinery</li> <li>• brewery machinery</li> <li>• poultry incubators and brooders</li> <li>• machinery for making paper</li> <li>• bookbinding machinery</li> <li>• phototype-setting and composing machines</li> <li>• printing machinery</li> <li>• machines for preparing textile fibres</li> <li>• weaving machines</li> <li>• knitting machines</li> <li>• sewing machines</li> <li>• machinery for making or repairing footwear</li> <li>• shearing machines</li> <li>• calculators and cash registers</li> <li>• automatic data processing machines and other office machines</li> <li>• machines for assembling electric or electronic lamps</li> <li>• machinery for the manufacture of rubber or plastics</li> </ul>
<p><b>Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, parts and accessories</b></p>	<ul style="list-style-type: none"> <li>• motors and generators</li> <li>• electromagnets</li> <li>• food grinders and mixers</li> <li>• shavers and hair clippers</li> <li>• industrial or laboratory electric furnaces and ovens</li> <li>• soldering irons and guns</li> <li>• hair dryers</li> <li>• telephone sets and videophones</li> <li>• coin- or disc-operated record-players</li> <li>• magnetic tapes and discs</li> <li>• radar apparatus</li> <li>• LCD or LED indicator panels and colour plasma TVs</li> <li>• electronic integrated circuits and microassemblies</li> <li>• carbon electrodes, carbon brushes and lamp carbons.</li> </ul>
<p><b>Vehicles other than railway or tramway rolling stock</b></p>	<ul style="list-style-type: none"> <li>• motorcycles with reciprocating internal combustion piston engine of a cylinder capacity exceeding 250cc</li> <li>• baby carriages</li> <li>• trailers and semi-trailers of the caravan type</li> <li>• aircrafts</li> <li>• cruise ships, warships and inflatable rafts</li> </ul>
<p><b>Textile articles</b></p>	<ul style="list-style-type: none"> <li>• special woven fabrics</li> <li>• lace</li> <li>• tapestries</li> <li>• embroidery</li> <li>• wool</li> <li>• cotton</li> </ul>

**Annex 3. Philippine Exports with “A” Tariff Rating Under JPEPA**

Description	Items
<p><b>Nuclear reactors, boilers, machinery and mechanical appliances and parts thereof</b></p>	<ul style="list-style-type: none"> <li>• nuclear reactors</li> <li>• producer gas or water gas generators</li> <li>• steam turbines</li> <li>• marine propulsion engines</li> <li>• hydraulic turbines</li> <li>• turbo-jets</li> <li>• air or vacuum pumps</li> <li>• harvesting or thrashing machinery</li> <li>• milking machines and dairy machinery</li> <li>• brewery machinery</li> <li>• poultry incubators and brooders</li> <li>• machinery for making paper</li> <li>• bookbinding machinery</li> <li>• phototype-setting and composing machines</li> <li>• printing machinery</li> <li>• weaving machines</li> <li>• machines for assembling electric or electronic lamps</li> </ul>
<p><b>Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, parts and accessories</b></p>	<ul style="list-style-type: none"> <li>• electronic integrated circuits and microassemblies</li> <li>• LCD or LED indicator panels and colour plasma TVs</li> <li>• motors and generators</li> <li>• electro-magnets</li> <li>• food grinders and mixers</li> <li>• shavers and hair clippers</li> <li>• industrial or laboratory electric furnaces and ovens</li> <li>• soldering irons and guns</li> <li>• telephone sets and videophones</li> <li>• magnetic tapes and discs</li> <li>• radar apparatus</li> </ul>
<p><b>Vehicles other than railway or tramway rolling stock</b></p>	<ul style="list-style-type: none"> <li>• motor vehicles</li> <li>• baby carriages</li> <li>• trailers and semi-trailers aircrafts</li> <li>• cruise ships, warships and inflatable rafts</li> </ul>
<p><b>Textile articles</b></p>	<ul style="list-style-type: none"> <li>• special woven fabrics (e.g. knitted &amp; crocheted fabrics)</li> <li>• lace</li> <li>• tapestries</li> <li>• embroidery</li> <li>• wool</li> <li>• cotton</li> <li>• flax</li> <li>• other vegetable textile fibres</li> <li>• sewing thread of man-made filaments like nylon, polyesters</li> </ul>
<p><b>Inorganic chemicals &amp; pharmaceutical products</b></p>	<ul style="list-style-type: none"> <li>• sulphur</li> <li>• carbon</li> <li>• alkali</li> <li>• mercury</li> <li>• iron oxides</li> <li>• medicaments</li> <li>• wadding, gauze, bandages and similar articles</li> </ul>
<p><b>Miscellaneous manufactured articles</b></p>	<ul style="list-style-type: none"> <li>• tortoise-shell, worked ivory, bone, horn</li> <li>• brooms and brushes</li> <li>• hand sieves and hand riddles</li> <li>• buttons, press-fasteners and snap-fasteners</li> <li>• slide fasteners and parts thereof</li> <li>• ballpoint pens</li> </ul>

#### Annex 4. Philippine MFN and JPEPA Tariff Rates on Wastes

Tariff Item No.	Description	JPEPA rate	MFN rate
1522.00 00	Dregas; residues from the treatment of fatty substances or animal or vegetable waxes	0%	3%
23.01	Flours, meals and pellets, of meat, or of fish or other aquatic invertebrates, unfit for human consumption; greaves	0%	1%
23.02	Bran, sharps and other residues from the sifting, milling or other working cereals or of leguminous plants	B10	3% - 10%
23.03	Residues of starch manufacture and other wastes of sugar manufacture, brewing or distilling dregs and waste	0%	1% - 3%
23.06	Oil-cake and other solid residues from the extraction of vegetable fats or oils	0% - B10	3% - 15%
23.08	Vegetable materials and vegetable waste	0%	3%
24.01	Unmanufactured tobacco; tobacco refuse	B10	7%
2620.60 00	Ash and residues containing arsenic, mercury, thallium or their mixtures	0	0.03
2621.10 00	Ash and residues from the incineration of municipal waste	0	0.03
3006.8	Waste pharmaceuticals	0	0.2
38.25 (and its subheadings)	Residual products of the chemical or allied industries	0	0.3
3825.10 00	Municipal waste	0	0.3
3825.20 00	Sewage sludge	0	0.3
3825.30 10	Clinical wastes	0	0.3
3825.30 90	Other clinical waste	0	0.3
3825.4100, 3825.4900	Waste organic solvents – halogenated, and others	0	0.3
3825.5	Wastes of metal pickling liquors, hydraulic fluids, brake fluids and anti-freeze fluids	0	0.3
3825.6100, 3825.6900	Other wastes from other chemical or allied industries	0	0.3
3915.10 00	Waste, parings and scraps of polymers of ethylene	0%	5%
3915.20 00.	Waste, parings and scraps of polymers of styrene	0%	5%
3915.30 00	Waste, parings and scraps of polymers of vinyl chloride	0%	1%
3915.90 00	Waste, parings and scraps of other plastics	0%	5%
4004.00 00	Waste, parings & scraps of rubber	0%	3%
4017	Hard rubber in all forms, including waste and scraps	0%	5%
4115.2	Parings and other wastes of leather, not suitable for the manufacture of leather articles	B5	7%
4401.3	Sawdust and wood wastes and scraps	0%	3%
4707.9	Other pulps of fibres from recovered (waste and scrap) paper or of other fibrous cellulosic material, including unsorted wastes and scraps	0%	1%
50.03	Silk wastes	0%	1%
51.03	Wastes of wool or of fine or coarse animal hair	0%	1%
52.02	Cotton wastes	0%	3%
55.05	Wastes of man-made fibres (synthetic and artificial fibres)	0%	3%
6309	Worn clothing and other worn articles	0%	20%
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials	0%	20%
7204.1	Wastes and scraps of cast iron	0%	0%
7204.21	Wastes and scraps of stainless steel	0%	3%
7204.29	Wastes and scraps of other alloy steel	0%	3%
7204.3	Wastes and scraps of tinned iron or steel	0%	3%
7204.41	Turnings, shavings, chips, milling wastes, sawdust, filings	0%	3%
7204.49	Other wastes and scraps	0%	3%
7204.5	Remelting scrap ingots	0%	3%
74.04	Copper wastes and scraps	0%	3%
7802	Lead wastes and scraps	0%	3%
7902	Zinc wastes and scraps	0%	3%
8002	Tin wastes and scraps	0%	3%
9101.97 00	Tungsten wastes and scraps	0%	3%
8102.97 00	Molybdenum wastes and scraps	0%	3%
8103.30 00	Tantalum wastes and scraps	0%	3%
8104.20 00	Magnesium wastes and scraps	0%	3%
8105.30 00	Cobalt wastes and scraps	0%	1%
8106.00 00	Bismuth and articles thereof, including wastes and scraps	0%	3%
8107.30 00	Cadmium wastes and scraps	0%	3%
8108.30 00	Titanium wastes and scraps	0%	3%
8109.30 00	Zirconium wastes and scraps	0%	3%
8110.20 00	Antimony wastes and scraps	0%	1%
8111.00 00	Manganese and articles thereof, including wastes and scraps	0%	3%
8112.13 00	Beryllium wastes and scraps	0%	3%
8112.22 00	Chromium wastes and scraps	0%	3%
8112.52 00	Thallium wastes and scraps	0%	3%
8113.00 00	Cermets and articles thereof, including wastes and scraps	0%	3%
8548.10 10	Wastes and scraps of primary cells, primary batteries and electric accumulators: spent primary cells, spent primary batteries and spent primary accumulators; electrical parts of machinery or apparatus	0%	3%