Key Elements from Survey Report on Optimal Regional FTA Formation in East Asia (For ASEAN+3 Economic Ministers Meeting 2016)

July 2017
Japan External Trade Organization (JETRO)
Japan Chamber of Commerce and Industry (JCCI)
Company Profiles (by Country)

- Total number of responses are 319 companies from targeted 16 countries.
  (Number of valid response: 309 companies, Ratio of valid response: 96.9%)
- Total ratio of LEs to SMEs is 39.5% to 60.5%.

<table>
<thead>
<tr>
<th>Country</th>
<th>Valid Response</th>
<th>No. of Valid Response</th>
<th>Ratio of Valid Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LEs</td>
<td>SMEs</td>
<td>LEs(%)</td>
</tr>
<tr>
<td>Australia*</td>
<td>6</td>
<td>35</td>
<td>14.6%</td>
</tr>
<tr>
<td>Brunei</td>
<td>0</td>
<td>3</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>3</td>
<td>4</td>
<td>42.9%</td>
</tr>
<tr>
<td>China</td>
<td>9</td>
<td>4</td>
<td>69.2%</td>
</tr>
<tr>
<td>India</td>
<td>7</td>
<td>1</td>
<td>87.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3</td>
<td>1</td>
<td>75.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>49</td>
<td>11</td>
<td>81.7%</td>
</tr>
<tr>
<td>Korea</td>
<td>4</td>
<td>10</td>
<td>28.6%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>0</td>
<td>8</td>
<td>0.0%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>18</td>
<td>34</td>
<td>34.6%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2</td>
<td>9</td>
<td>18.2%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1</td>
<td>6</td>
<td>14.3%</td>
</tr>
<tr>
<td>Philippines</td>
<td>6</td>
<td>16</td>
<td>27.3%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
<td>3</td>
<td>25.0%</td>
</tr>
<tr>
<td>Thailand*</td>
<td>5</td>
<td>13</td>
<td>27.8%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7</td>
<td>27</td>
<td>20.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>121</td>
<td>185</td>
<td>39.5%</td>
</tr>
</tbody>
</table>

*LEs are defined as the companies that hire more than 300 employees.
*2 companies did not mention the numbers of employees.
1-4. Trading Method
<LEs/SMEs>

- For both LEs and SMEs, direct trading was the most major method for trading.
- LEs tends to use more indirect trading, which partly due to co-use together with direct trading.
- SMEs’ utilization ratio of e-commerce was significantly higher than that of LEs.

![Graph showing trading methods for LEs and SMEs]

- (1) Direct trading: LEs 76.0% (92), SMEs 65.4% (121)
- (2) Indirect trading: LEs 40.5% (49), SMEs 30.8% (57)
- (3) E-commerce: LEs 9.9% (12), SMEs 16.8% (31)

<Number of Response>
LEs: 121 companies
SMEs: 185 companies

* Each number in parentheses on the right side of each bar indicate the number of responded companies.
Survey Results by Key Elements
Key Elements (Trade in Goods)

Easy-to-Understand, Easy-to-Use FTA (a. Appropriate Information Source)

- In every manufacturing sectors, more than half of companies requested the development of easy-to-understand and easy-to-access FTA information source which fully follows actual operational procedure.
- More than 40% of companies in Automotive industry, Iron/Nonferrous Metals industry, Food industry and Textile industry are facing the difficulty on searching appropriate information source for FTA application.
- Nearly 30% of Manufacturing sector has experienced the discrepancy of FTA application information on authorities’ websites and actual explanation from the officials in charge.

Easy-to-Understand, Easy-to-Use FTA (b. Development of Workable Rules)

- 58.8% of Textile industry, 48.8% of Chemical & Drug industry and 45.5% of Food industry have experienced time-consuming process at issuing CO.
- Approx. 50% of E&E industry, Automotive industry, Food industry and Textile industry requested the introduction or steady implementation of advance ruling system.
- Strong request to introduce region-wide Single Window system has observed in Textile industry (58.8%) and Wholesale/Retail industry (52.9%).

(Remarks) Pick up the industry groups more than 10 valid samples
High Level FTA

- 37.9% of E&E industry, 35.3% of Textile industry and 34.2% of Chemical & Drug industry have ever given up FTA utilization due to limited benefits from tariff reduction.

- 21.6% of manufacturing sector requested to widen and deepen the tariff elimination scope compared with existing FTAs.

Common Concession

- Complexity of ROO in existing FTAs was major bottleneck for FTA utilization especially in Textile industry (47.1%), Automotive industry (46.7%) and Food industry (43.2%).

- More than 20% of Manufacturing sector requested to introduce common concession system in regional FTA.
34.5% of E&E industry and 29.4% of Textile industry had ever given up FTA utilization due to not being able to fulfill RVC with current partial accumulation rule.

19.5% of Chemical & Drug industry and 13.8% of E&E industry requested the introduction of full accumulation rule.

24.1% of E&E industry, 23.5% of Wholesale/Retail industry and 23.5% of Textile industry had ever given up FTA utilization due to not being able to fulfill stringent ROO.

52.9% of Textile industry, 48.3% of E&E industry and 47.1% of Wholesale/Retail industry requested the harmonization of ROO with trade-facilitative manner.
Key Elements (Other Elements)

- In all industries, specifically Non-Manufacturing sector such as Finance/Insurance industry (90.0%), Construction/Real Estate industry (66.7%) and Automotive industry (60.0%) requested to provide clear, transparent and easy-to-access information on foreign investment restriction.

- In addition, in introducing new regulations, strong demand on timely and easy-to-access information disclosure had observed in almost all industries especially in Textile industry (64.7%), Finance/Insurance industry (60.0%) and Food industry (50.0%).

- National Treatment before/after investment had been requested from almost all industry sector, especially from E&E industry (51.7%), Iron/Nonferrous Metals industry (50.0%) and Food industry (47.7%).

- Iron/Nonferrous Metals industry (45.0%), Chemical/Drug industry (41.5%) and Finance/Insurance industry (40.0%) had raised limited capital participation for business base set up as the big business challenges.

- E&E industry (44.8%), Construction/Real Estate industry (41.7%), Textile industry (41.2%) and Wholesale/Retail industry (41.2%) had ever been requested to follow domestic regulations which discrepant from international treaties that country already ratified.

- Iron/Nonferrous Metals industry (45.0%) and E&E industry (37.9%) had ever been requested to follow any kinds of Performance Requirements.
E-Commerce utilization is significantly active in MSMEs (17.8%) over LEs (9.9%). Industry wise, Textile industry (41.2%) was identified as the most active E-commerce user.

In Textile industry (58.8%) and Food industry (31.8%) had confronted to limited channels for cross-over product sales. They had also requested to develop clear rules and disciplines to utilize E-commerce (52.9% and 36.4% respectively).

Infringement of IPR was recognized big business bottleneck especially in Wholesale/Retail industry (23.5%) and Automotive industry (20.0%).

Request to strengthen the IPR enforcement capacity on government officials was especially strong in Wholesale/Retail industry (47.1%), E&E industry (37.9%) and Textile industry (41.2%).
Among others, industries such as E&E (34.5%), Food (34.1%), Textile (29.4%) and Wholesale/Retail industry (29.4%) requested to secure the dialogue opportunity with government, on commencing/conducting FTA negotiation.

On FTA implementation phase, Textile industry (35.3%), Food industry (34.1%) and Wholesale/Retail industry (29.4%) also requested to secure the dialogue opportunity with government.
Way Forward

Thank you for your attention