EU – JAPAN EPA

TARIFF RATE QUOTAS

TRQs

This presentation has been prepared with the sole purpose of simplifying the understanding of some parts of the EU-Japan EPA and bears no legal standing.
EPA Process

INCREASE MARKET SHARE EU PRODUCTS

PROMOTION & INFORMATION

July 2018 Signature

1/2/2019 Entry into Force

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What is a TRQ within the EPA?

• Under the EPA: 25 TRQs for EU agri-food products.

• A TRQ allows for imports at a reduced duty (“in-quota rate”) within the limit of a specified annual quantity (“TRQ volume”).

• The TRQ volumes are allocated to applicants (importers) by Japanese authorities according to guidelines.

• The imports done outside the TRQs are subject to the base (MFN) rate.

• The TRQ volumes are either fixed, or increase on an annual basis by a specified growth factor. TRQ quantity levels remain for ever at last year’s level except for the cheese TRQ: indefinite grow in function of Japan’s cheese consumption.

• The “in-quota” rate:
  - can be a fixed lower or zero duty, or
  - be annually reduced to a fixed rate, or to zero.

→Annual volumes and rates are specified in Annex 2-A Part 3 in the EPA text.
A few examples ...

**Food preparations containing cocoa** (for the production of chocolate)
Product concerned: 180620.290
Base rate: 21.3%

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity (t)</td>
<td>526</td>
<td>612</td>
<td>698</td>
<td>784</td>
<td>870</td>
<td>956</td>
<td>1042</td>
<td>1128</td>
<td>1214</td>
<td>1300</td>
</tr>
<tr>
<td>In-quota rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>DUTY FREE</td>
</tr>
</tbody>
</table>

**Prepared edible fats and oils**
Product concerned: 210690.291
Base rate: 21.3%

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>380</td>
<td>400</td>
<td>420</td>
<td>440</td>
<td>460</td>
<td>480</td>
<td>500</td>
<td>520</td>
<td>540</td>
<td>560</td>
</tr>
<tr>
<td>In-quota rate</td>
<td>19.4%</td>
<td>18.4%</td>
<td>17.4%</td>
<td>16.5%</td>
<td>15.5%</td>
<td>14.5%</td>
<td>13.6%</td>
<td>12.6%</td>
<td>11.6%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>
TRQ Management Systems

2 Main Systems

TRQ Volume Allocation Procedure
- Lottery system
- Proportional distribution

Simultaneous Buy & Sell System
# Main TRQs and relevant Procedure

<table>
<thead>
<tr>
<th>Cheeses</th>
<th>2019</th>
<th>2033</th>
<th>Procedure: TRQ. Volume Allocation Procedure by Lottery</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quota Vol.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shredded</td>
<td>20600t</td>
<td>31000t</td>
<td></td>
</tr>
<tr>
<td>Fresh, cream and blue veined</td>
<td>In-quota Tar.</td>
<td>19.6% 0%</td>
<td></td>
</tr>
<tr>
<td>Powdered and processed</td>
<td>In-quota Tar.</td>
<td>26.1% 0%</td>
<td></td>
</tr>
<tr>
<td>Malt</td>
<td>In-quota Tar.</td>
<td>35.0% 0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Malt</th>
<th></th>
<th>2019</th>
<th>2033</th>
<th>Procedure: TRQ. Volume Allocation Procedure by Proportional Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quota Vol.</td>
<td>185700t</td>
<td>185700t</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In-quota Tar.</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

(*) Indefinite grow in function of Japan’s cheese consumption
## Main TRQs and relevant Procedure

<table>
<thead>
<tr>
<th><img src="image" alt="Title" /></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Milk powder for chocolate preparation</strong></td>
</tr>
<tr>
<td>Quota Vol.</td>
</tr>
<tr>
<td>In-quota Tar.</td>
</tr>
</tbody>
</table>

| **Wheat flour & pellets** | 2019 | 2023 | Procedure: Simultaneous Sell & Buy |
| Quota Vol. | 3800t | 4200t |
| In-quota Tar. | 0% | 0% |

Details of all TRQs: TRQ Factsheet published by EU-Japan Centre

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TRQ Management Systems

TRQ Volume Allocation Procedure

• Applied on most of the TRQs (and to the most important TRQs for EU exports, cheeses, dairy products, processed products etc.)

• The allocated volume can be imported during the entire ongoing fiscal year.

• Application periods: January, July and November.

• Entire TRQ volume made available in 1st period.
TRQ Management Systems

TRQ Volume Allocation Procedure

• If the quantity requested by applicants < TRQ volume: 2\textsuperscript{nd} application period opened. Same for 3\textsuperscript{rd} period.

• If requested quantities < available quantity: applicants get requested quantities.

• If requested quantities > available quantity: allocation via:
  
  Lottery among the applicants
  OR
  Proportional Distribution
  
  \[ \text{Proportional Distribution} = \frac{\text{requested quantity}}{\text{available quantity}} \]
TRQ Management Systems

TRQ Volume Allocation Procedure

Required Documentation

Varies according to each TRQ

A few examples of required documents

- TRQ application form
- Registration certificate or certificate of residence
- Lists of recorded and planned quantities / Certification potential purchaser’s intent to buy the goods
- Import plan, including total requested quantity and import schedule, list of planned quantity

Nota bene
If no changes to the details of the documents in subsequent application: some of the required documentation might no longer be necessary!
Use of allocated volume

- TRQ volumes are allocated to Japanese importers
- Allocated volumes are not transferable.
- They can be imported ("custom cleared") at any time through 31 March.
- Unused allocated volume may be returned by the end of September of the year they were obtained.
- Applicants not having entirely used the allocated volume and not returned the unused allocated quantity by the above deadline, will be penalised.
TRQ Management Systems

TRQ Volume Allocation Procedure

Standard Allocation Schedule

1\textsuperscript{st} Allocation

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEC N-1</td>
<td>Announcement of TRQ instructions</td>
</tr>
<tr>
<td>JAN N</td>
<td>Application period</td>
</tr>
<tr>
<td>MAR N</td>
<td>Announcement allocation results</td>
</tr>
<tr>
<td>APR N</td>
<td>Issuing of certificates for allocated volumes</td>
</tr>
<tr>
<td>MAY N</td>
<td>Announcement of remaining TRQ quantities</td>
</tr>
</tbody>
</table>

2\textsuperscript{nd} Allocation (if left over from the previous period)

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>JUL N</td>
<td>Announcement of the available TRQ quantities 2\textsuperscript{nd} application period</td>
</tr>
<tr>
<td>AUG N</td>
<td>Announcement of the 2\textsuperscript{nd} period allocation results Issuing of certificates for allocated volumes</td>
</tr>
<tr>
<td>SEP N</td>
<td>Announcement of the remaining TRQ quantities</td>
</tr>
</tbody>
</table>

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### Standard Allocation Schedule

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOV N</td>
<td>Announcement of the available TRQ quantities</td>
</tr>
<tr>
<td></td>
<td>3rd application period</td>
</tr>
<tr>
<td>DEC N</td>
<td>Announcement of the 3rd period allocation results.</td>
</tr>
<tr>
<td></td>
<td>Issuing of certificates for allocated volumes</td>
</tr>
<tr>
<td>JAN N+1</td>
<td>Announcement of remaining TRQ quantities</td>
</tr>
</tbody>
</table>

#### 3rd Allocation  
(if left over from the previous periods)

- **Period for returning unused allocated volumes**
  - From APR N to SEP N
TRQ Management Systems

TRQ Volume Allocation Procedure

Revised Cheese TRQ25 Guidelines for FY2021

Issues in 2020

- TRQ25 had 3 allocation periods in FY2020: Jan, Sep and Dec.
- 41% of allocated TRQ quantities were returned after the 2\textsuperscript{nd} allocation and before the end of November.
- large amount of quantities became available for the 3\textsuperscript{rd} allocation – but the remainder of the FY was too short.
- consequence: almost half of the cheese TRQ was left unused.

As a result: TRQ25 has been revised to ensure a more efficient operation
Revision of the Cheese TRQ25 for FY2021

Allocation and return deadline
- return deadline of unused quantities will be in May
- 2nd allocation will be conducted in June

Maximum volume
- maximum limit in allocation will not be applied for the 2nd and 3rd allocation periods

Methods for the 2nd allocation period and thereafter
- higher priority to companies with higher usage rate in the previous year
- among companies with 100% usage rate, quantities will be allocated, if necessary, proportionately to individual application volumes and other elements such as past import records
- when allocable quantities are still available after the 2nd allocation, ad-hoc allocation will start on a first-come-first-served basis, from September until March of the following year.
- in this case, application can be made by electronic form only.
Revision of the Cheese TRQ25 for FY2021

Further contacts:

International Economic Affairs Division, Minister’s Secretariat, MAFF
Ms. NARUSE Yoshie (TRQ 1-25)
Direct: 03-6744-7165

Milk and Dairy Products Division, Livestock Industry Department, Agricultural Production Bureau, MAFF
Ms. OHTANI Eriko, Ms. SAKAI, Ayako (TRQ 21, 22, 23 and 25)
Direct: 03-6744-2127
Email: kanzeiwariate_dairy_maff@maff.go.jp

TRQ Management Systems

Simultaneous Buy & Sell System

• SBS system manages 6 (cereal based) TRQs:
  • Wheat products
  • Wheat flour, pellets, rolled and food preparations
  • Wheat
  • Barley flour, groats and pellets
  • Food preparations of barley
  • Barley

• MAFF decides on (highest) bids between importers and distributors on the offered TRQ shares.
• MAFF only accepts the bid with the highest Mark-Up.

Mark-Up is the difference between the selling price asked by the importer and the buying price offered by the distributor.
REMARKS

• Quantities of 2 dairy TRQs are expressed in whole milk equivalent. *Conversion factors* apply for each product concerned.

• Specific technical and/or quantitative *import conditions* apply on certain quotas (e.g. starch)

• Product specific rules (rules of origin) should be respected to benefit from the preferential treatment under the TRQs

More details in Annex 2-A-3 Section B of the EPA or in the TRQ Factsheet published by the EU-Japan Centre for Industrial Cooperation.

• Japanese TRQ announcements:
INFORMATION SOURCES

▶ EPA Helpdesk: https://www.eu-japan.eu/epa-helpdesk

▶ Fiches per sectors and webinars on EPA outcome

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 April</td>
<td>Wines and Spirits</td>
</tr>
<tr>
<td>7 May</td>
<td>Geographical Indications</td>
</tr>
<tr>
<td>21 May</td>
<td>Dairy Products</td>
</tr>
<tr>
<td>11 June</td>
<td>Meat Products</td>
</tr>
<tr>
<td>18 June</td>
<td>Processed Agricultural Products</td>
</tr>
<tr>
<td>December</td>
<td>TRQ</td>
</tr>
</tbody>
</table>
INFORMATION SOURCES

- EPA text and Annexes:

  Of which:
  - Annex 2-A: Schedule and Notes (TRQ, etc);
  - Annex 3-B: Product specific rules of origin;

- MAFF TRQ announcements:
Overall import conditions in Japan:

- European Commission DG TRADE: “Access2Markets Database”:
  
  https://trade.ec.europa.eu/access-to-markets/en/content/welcome-access2markets-market-access-database-users

- Import procedures - Japan. Min. Health Labour & Welfare:
  
  https://www.mhlw.go.jp/english/topics/importedfoods/1.html

- Japan’s Customs:
  
  http://www.customs.go.jp/english/c-answer_e/imtsukan/1524_e.htm

- European Commission DG AGRI “Food and Beverage Handbook – Japan”:
  
  https://ec.europa.eu/chafea/agri/content/food-and-beverage-market-entry-handbook-japan
Thank you for your attention

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Consultant at the EU-Japan Centre for Industrial Cooperation

QUESTIONS?

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