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**Trade Compass™: Web-Based
Service to Utilize FTAs**

Trade Compass opens up new
trade channels for businesses

Strategic utilization of FTAs: An important topic in global management

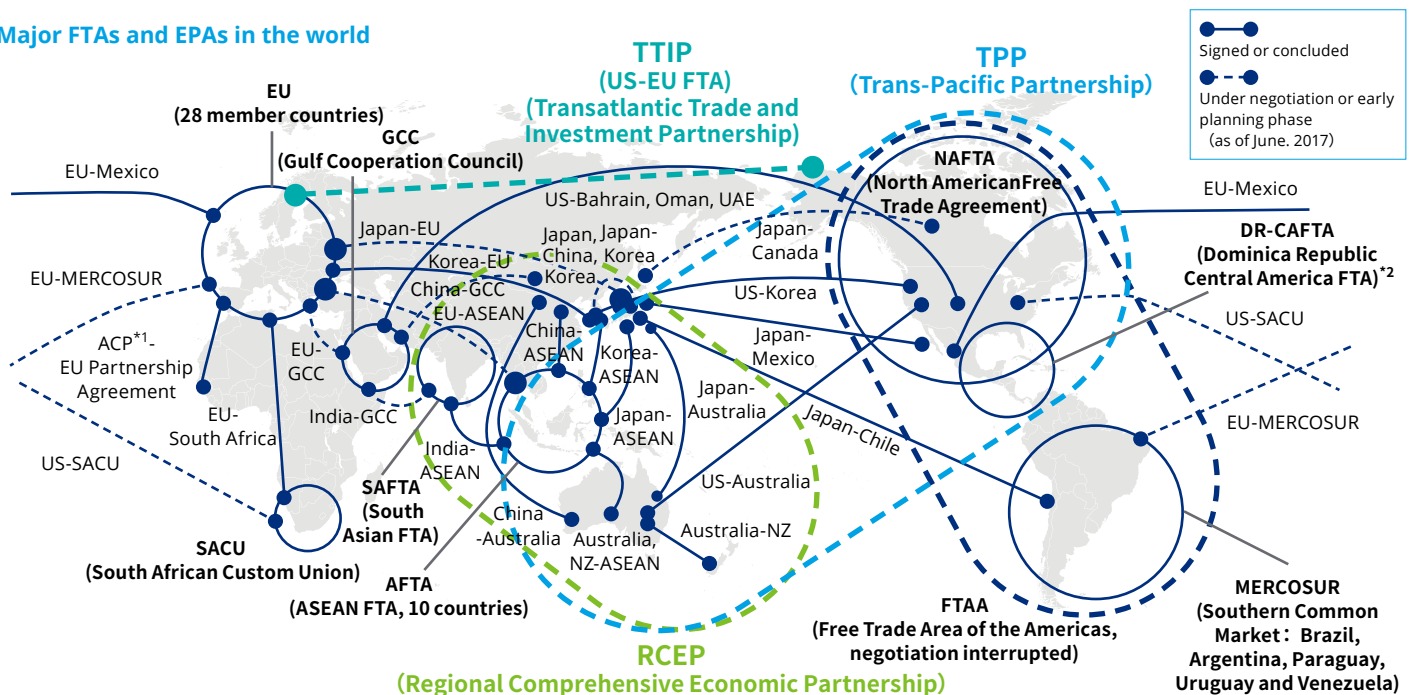
Businesses have embraced tariff reduction benefits brought about by FTAs. However, trade policy is changing drastically with the rise of protectionism. Consequently, businesses are required to amend their supply chains on the basis of existing FTAs. The utilization of FTAs should be seen as a “management issue that needs to be strategically approached over the mid- to long-term”. This topic has a significant impact on the entire businesses.

There are already around 400 FTAs globally (including FTAs at the planning stage). They are complexly interwoven, creating a so-called “spaghetti bowl effect”. In such circumstances, it is impossible to understand all FTAs that are relevant to a company's supply chain. Moreover, businesses need to consider which tariff

rates and Rules of Origin apply within each FTA. It is therefore essential for business management professionals to identify the optimal FTAs for their company, with the help of objective and comprehensive information.

With the expansion of FTAs, tariffs are becoming more advantageous while rules are becoming more complex.

Major FTAs and EPAs in the world



Source: Prepared by DTC based on information from the Ministry of Economy, Trade and Industry, and JETRO. (Above illustrative does not cover all economic partnerships but only typical FTA and EPA.)

*1: ACP = Approximately 70 formally colonized countries in Africa, Caribbean, and Pacific Area

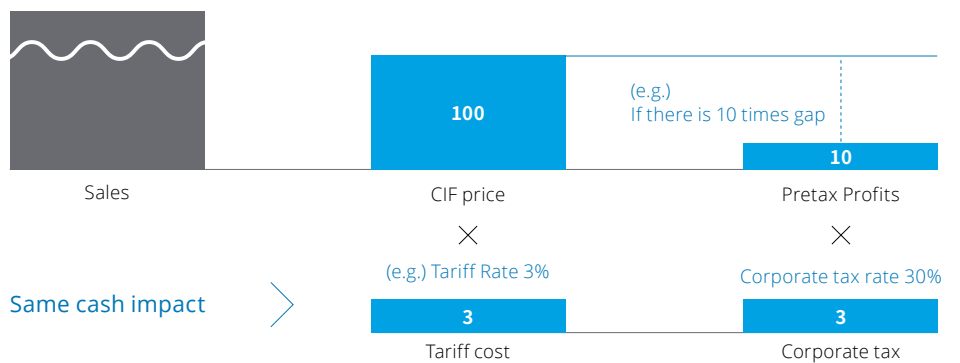
*2: Member countries of DR-CAFTA= US, El Salvador, Costa Rica, Honduras, Nicaragua, Guatemala, and Dominican Republic

The 3% reduction of tariff costs is equivalent to a 30% reduction of corporate tax

The 3% reduction of tariff costs has the same cash impact as a 30% of corporate tax since tariffs are imposed on import prices (e.g. price of logistics under CIF conditions), whereas corporate tax is imposed on pretax

profits. Furthermore, tariff costs have an immediate effect. Therefore, closer attention should be paid to annual corporate tax as well as the reduction of tariff costs arising from each import.

The 3% reduction of tariff costs equals 30% of corporate tax



If insufficient use of FTAs (overpayment of tariffs) is eliminated, it becomes possible to improve the current financial terms' profits through existing distribution networks and commercial flows.

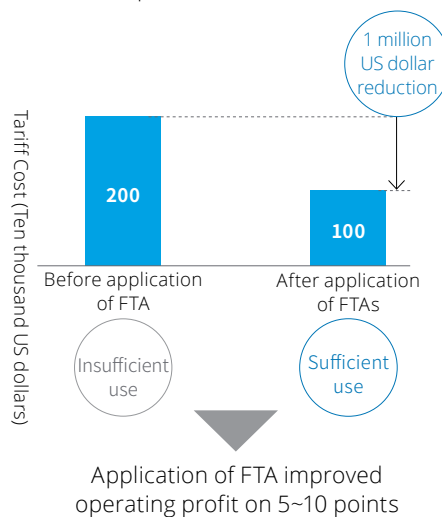
"Insufficient use of FTAs" will occur when businesses do not understand the complex agreements and the networks in detail. It takes a lot of resources and time to read and compare FTAs, and the majority of businesses are only using them partially. The reasons for this insufficient use are varied depending on the situation of each company.

Examples:

- "We did not know that an FTA could be used."
 - "We are using FTAs, but these are not the best among multiple available FTAs."
- By using Trade Compass™, businesses can use FTAs fully and improve profits without changing their current distribution networks and commercial flows.

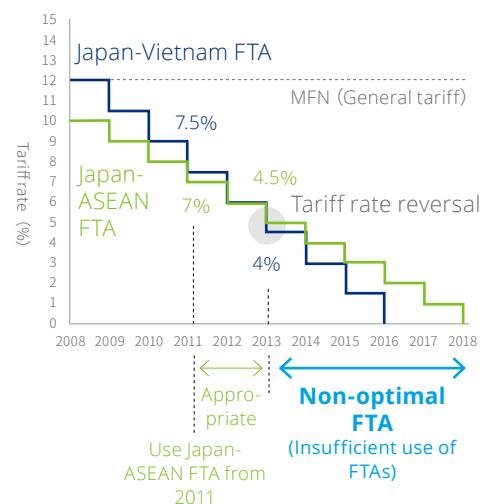
Operating profit improved by eliminating "insufficient use of FTAs"

Example: Rice cookers (worth 1 million US Dollars to export from China to Vietnam)



The optimal FTA is not the same every year

Example: Cotton fabric (exported from Japan to Vietnam)



Trade Compass™ helps businesses to resolve the international trade issues they face

Trade Compass™ is a commercial web-based service with various analytical functions that aims to optimize the utilization of FTAs.

Tariff Search

Check tariff rates and Rules of Origin

- View tariff classifications and Rules of Origin by HS code and keyword
- Visualize future tariff rates (up to 10 years ahead*)
*Time-range specified in the agreement

Confirm tariff rates and Rules of Origin



Cost Reduction Potential

Visualize cost reductions enabled by utilizing FTAs

- Simulate the future availability of FTAs based on your company's supply chain information (importing/exporting countries, item type and transaction volume) and potential reduction of tariff costs
- Visualize contributions to your net income made possible by avoiding insufficient use of FTAs

Estimate effects on costs



Sourcing Analysis

Identify the optimal supply chain based on tariffs and currency exchange rates

- Taking into account exchange rates fluctuations and future tariffs and compare the procurement costs of each supply chain side-by-side

Analyze sourcing costs by supply chain





Trade Analysis

Test possible supply chains by visualizing major importing and exporting countries by an item type

- Visualize major importing and exporting countries (the top ten countries in the world) by an item type and check the difference between market trends and your own supply chain

Identify major importing & exporting countries by an item type



Classification Support

Identify and verify the right tariff classification of your own product

- Verify the tariff classification of your company's own products by comparing the tariff classifications (HS codes and item types) of multiple countries at the same time.

Compare Tariff Classification

Certification Support

Automatically determine the origin of goods and create certificates of origin, etc.

- Upon entering the details of products and raw materials, the system checks their origin according to the FTA used.
- Documents such as certificates of origin or supplier certificates can be created by the system.

Note: This system is optional.
For details, please contact the person in charge.

Determine the origin of goods

Trade Compass™ specifications

Scope of application

Supported countries/regions:

Japan, ASEAN, China, South Korea, India, Australia, New Zealand, United States, Canada, Mexico, European Union, Switzerland, Chile, Peru

Supported FTAs:

FTAs concluded or in force between supported countries (including some yet-unpublished FTAs)

Supported goods:

All HS codes (about 10,000 item types)

Supported time-frame:

10 years

* More countries and regions will be added.

* New FTAs involving the countries listed above will be added as the details of the agreements become available.

* Tariff schedules of each country and HS code revisions by the World Customs Organization will be updated as needed.

* The online tool Trade Compass™ is provided by Deloitte Digital.

System Requirements

	Windows	Mac
Browser	Latest version of Google Chrome / Internet Explorer 11	Latest version of Google Chrome
OS	System requirements for Google Chrome/Internet Explorer 11 (Windows Vista, Windows 7, Windows 8, or Windows 10)	System requirements for Google Chrome (Mac OS X 10.6 or later)

Support by Tariff Experts

Trade Compass™ includes free consultation with tariff experts. To make the most of the features of Trade Compass™ when dealing with trade issues, advice from experts may sometimes be required. Tariff experts from Deloitte Tohmatsu Tax Co. will provide consultation services.

Please note: The content of this service varies depending on country/region. For service details, please contact us. The consultation service is limited to one session per month and per contracting company.

Examples of consultation topics

- Which HS codes apply to a company's product
- How to interpret Rules of Origin
- Details about the tariff rates featured in the search results, etc.

How to apply for Trade Compass™ How to contact us

Apply from our website

Search for Deloitte Trade Compass™ on a search engine, or simply access the URL address below.

<http://www.deloitte.com/jp/compass>

Contact Deloitte staff

Please contact your Deloitte staff representative for any additional assistance.

FTA Utilization Services: Outline

In order to embrace reductions in tariff costs by utilizing FTAs, companies must go through 4 stages: identify destinations and items, verify FTAs and tariff rates, determine the origin of goods, and follow the procedure for issuing certificates of origin. Expertise is required to complete each stage without risk.

Trade Compass™ and the associated consulting services are a comprehensive solution which enables companies to carry out such trade-related operations. This combination also enables companies to carry out more complex trade-related operations.

Service		Details of service	Stage(s) of FTA utilization				Means of service delivery
			Identify destinations and items	Verify FTAs and tariffs	Determine the origin of goods	Issue certificates of origin and apply	
Operational support	Assistance with FTA utilization; supply-chain optimization	<ul style="list-style-type: none"> Diagnose insufficient FTA utilization Visualize tariff cost reduction Optimize supply chains while taking future tariff rates into account 	●	●	●	●	Trade Compass™ Consulting
	Identification of tariff classification	<ul style="list-style-type: none"> Identify HS codes of new and existing products in importing countries Identify HS codes that remains the same across countries Assess risks related to the identification of HS codes 	●				
	Understanding of FTAs and tariff rules	<ul style="list-style-type: none"> Understand what FTAs and tariff rates could be leveraged either currently or in the future Analyze the impact of FTAs and tariffs 		●			
	Determination of the origin of goods	<ul style="list-style-type: none"> Determine the origin of goods based on Rules of Origin (including accumulation or special exemptions) Receive assistance with supplier collaboration 			●		
Operational infrastructure construction	Application preparation	<ul style="list-style-type: none"> Assistance with advance ruling system utilization Assistance with exporting/importing trial shipments Assistance with utilizing relief measures, such as back-to-back CO 				●	
	Post-application risk management	<ul style="list-style-type: none"> Respond to origin verifications by customs Investigate compliance with regulations; take countermeasures Manage internal and external information 				●	
	Operational process construction	<ul style="list-style-type: none"> Build an organization geared toward the running of operations Design new work processes; prepare workflows and manuals Build systems that verify the origin of goods and issue certificates Access the FTA and tariff database 	●	●	●	●	
	Training and seminars	<ul style="list-style-type: none"> Attend seminars on general trade rules and strategic rule-making Attend seminars and training on the utilization of FTAs Attend seminars on compliance and risk countermeasures (This could also be offered to your suppliers, subsidiaries, etc.)	●	●	●	●	

FTA Utilization Services: Results

Examples of companies utilizing Trade Compass™ and associated consulting services

As shown in the examples below, Trade Compass™ and the associated consulting services, which form a comprehensive solution to solve trade-related management issues, have been successfully employed by various industrial players, such as

trading companies and manufacturers of automobiles, machinery, chemicals, electrical equipment, apparel/textile, materials, etc. Furthermore, successful utilization of these services is not limited to Japanese companies but extends to global players.

- Ensured all applicable FTAs were fully utilized and developed an FTA utilization policy.
- Rebuilt their supply chain toward utilization of FTAs.
- Developed the human resources required to ensure compliance; offered training and seminars in order to create the right organizational culture, etc.
- Developed an FTA utilization policy even when there are changes in commercial and distribution flows.
- Received assistance with a trial shipment to manage risks of back taxes; responded to customs' origin verifications.
- Established the internal organization required to ensure compliance and established new work processes.

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