

31st Meeting of the Japan Business Council for Trade and Investment Facilitation

Issues and Requests for Improvements on Trade and Investment Barriers in 2022 Features of the Survey Results

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**Secretariat: Japan Machinery Center for
Trade and Investment (JMC)**



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1. Issues and Requests for Improvements on Trade and Investment Barriers - Survey Methodology

1. Survey Methodology

The secretariat (Japan Machinery Center for Trade and Investment) sent questionnaires to and collected responses from Japan Business Council for Trade and Investment Facilitation member organizations (approx. 130 organizations). Furthermore, each organization collected responses from its own member companies and organizations.

2. Survey 26 Categories

1	Restrictions on Entry of Foreign Capitals	2	Grant of a Preferential Tariff Rates based on Increased Home Production	3	Export Requirements	4	Restrictions on Withdrawal Of Operations
5	Regulations on Parts Industrial Policy	6	Reduction and Elimination of Preferential Policies for Foreign Capital	7	Procedures for the operation of the Foreign Investment Law	8	Investment Recipient Organization
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	10	Restrictive Measures for Operations in FTZs and SEZs	11	Restriction on Profits Remittance Abroad	12	Exchange Controls
13	Finance	14	Taxation Systems	15	Price Controls	16	Employment
17	Implementation of Intellectual Property Rights	18	Demands for Technology Transfer	19	Industrial Standards, Approval of Safety Standards	20	Monopoly
21	Restrictions on Land Ownership	22	Environmental Pollution and Waste Disposal	23	Inefficient Administrative Procedures, Regimes and Practices	24	Indigested Legislation, Abrupt Changes
25	Government Procurement	26	Others				

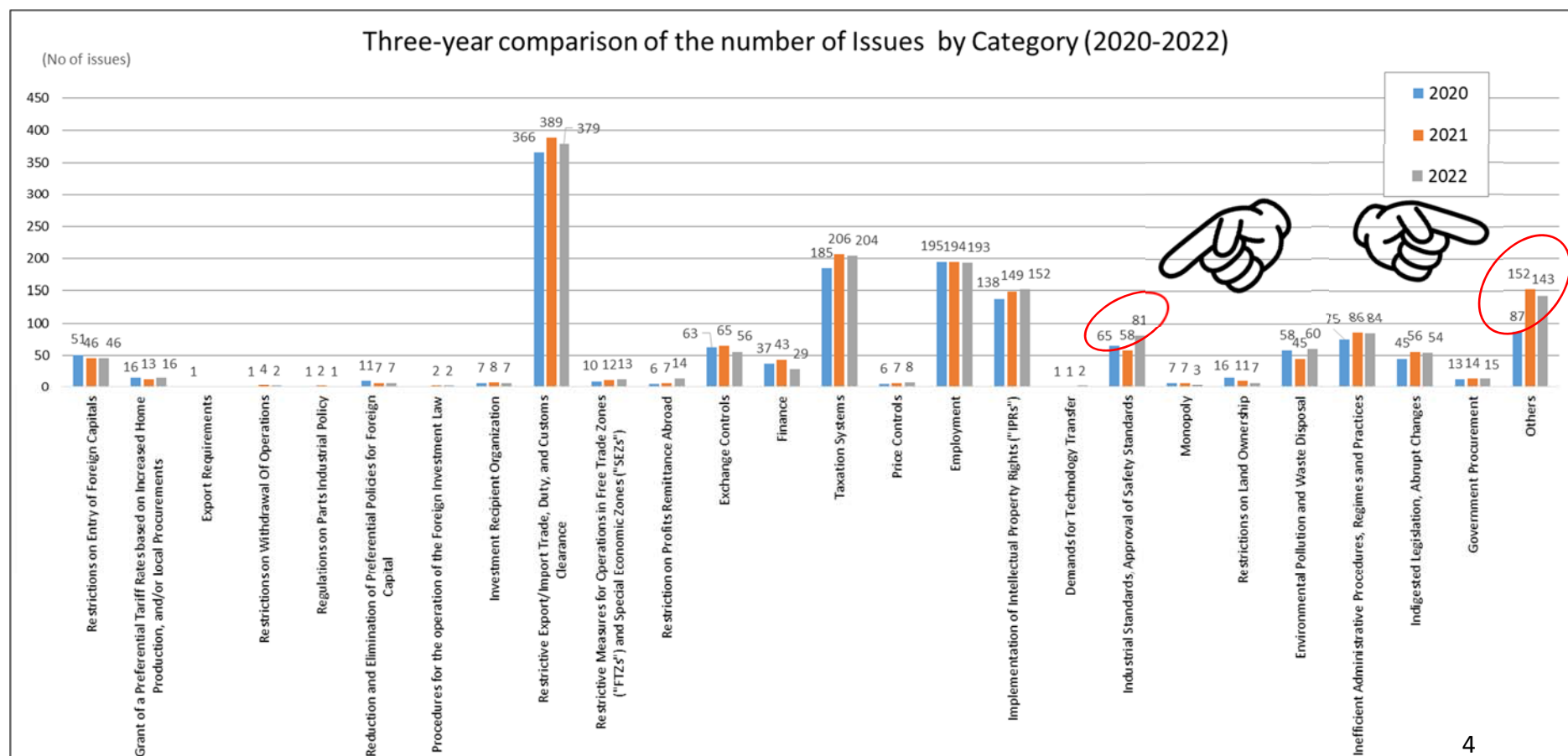
3. Questionnaire Timing

Sent: December 2021/collected: End-February 2022

2. Survey Results Overview ①: Issues by Category

◆ Key Points

- The total number of issues identified in 2022 was roughly the same as in 2021.
- Overall, the category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems,” “Employment,” and “Implementation of Intellectual Property Rights.” There was a significant increase in issues concerning “Industrial Standards, Approval of Safety Standards.”
- Many issues that were caused by the COVID 19 pandemic have been categorized as “Others,” and this still amounts to an extremely large number of issues.

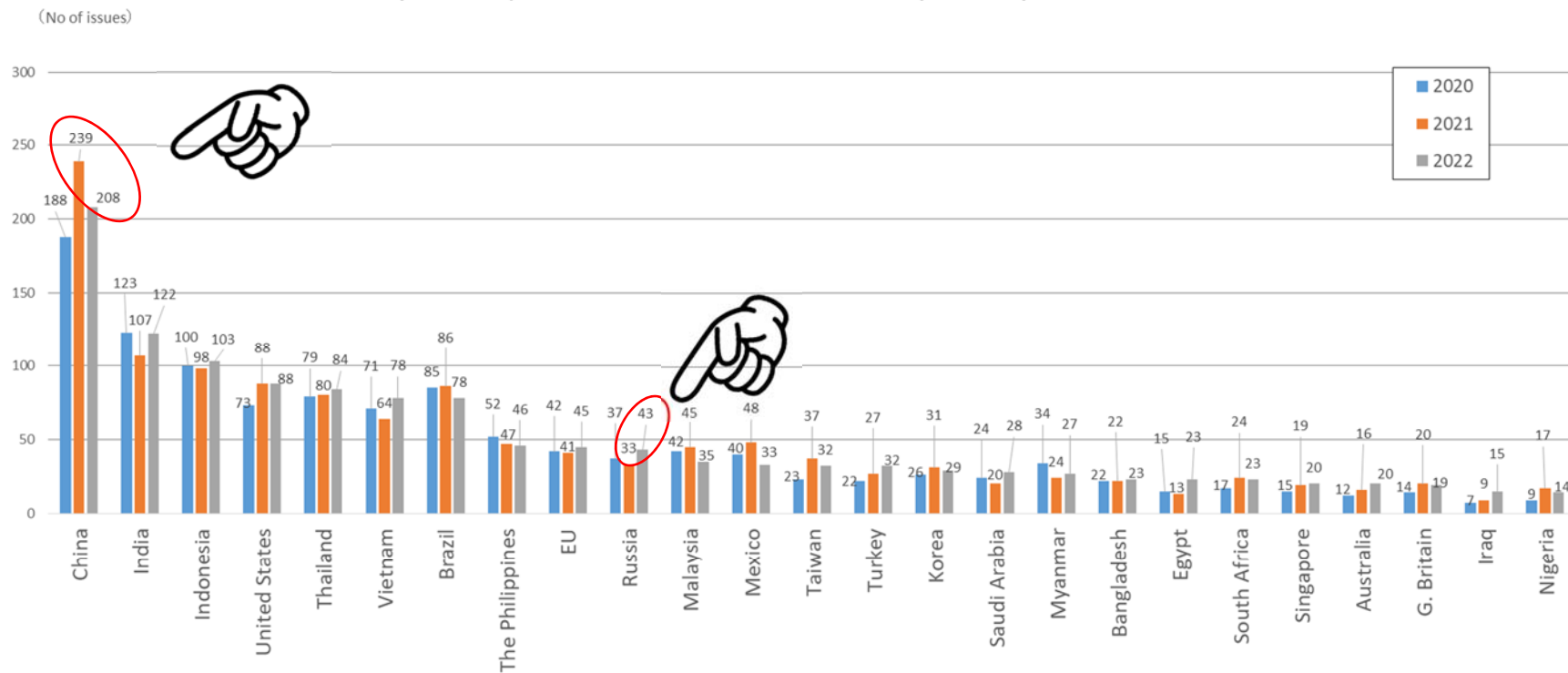


2. Survey Results Overview ②: Issues by Country

◆Key Points

- There were no major changes overall.
- The number of issues concerning China decreased, compared to a large increase in 2021. The number of issues concerning the US stayed roughly the same. There were slight increases in issues concerning India and Vietnam, and a large increase in issues concerning Egypt.
- The increase in issues concerning Russia does not include issues related to the invasion of Ukraine, which started just before the survey submission deadline.

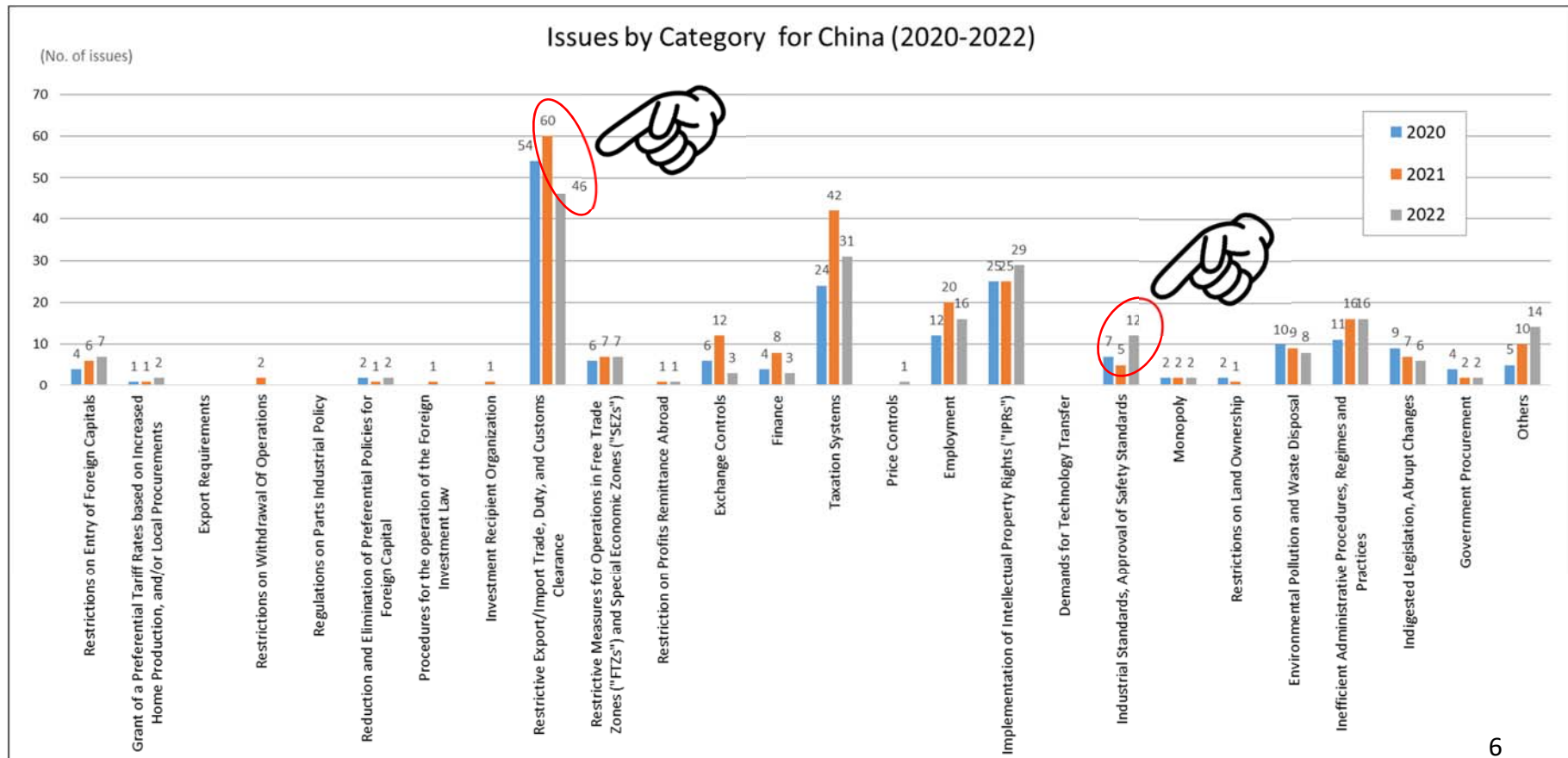
Three-year comparison of the number of issues by country (2020-2022)



3. Northeast Asia China ①

◆Key Points

- As in past years, there was a notably large number of issues covering a wide range of topics.
- There were decreases in issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Taxation Systems.” However, there were increases in issues concerning “Restrictions on Entry of Foreign Capitals,” “Implementation of Intellectual Property Rights” and “Industrial Standards, Approval of Safety Standards.”
- The COVID-19 pandemic continued to have a negative impact. It was felt in a wide range of areas, including the movement of people and logistics, and companies are struggling to cope.



3. Northeast Asia China ①

① Countermeasures Against Sanctions Imposed by the US on China and the Taiwan Issue

- Respondents pointed out that China's Export Control Law is opaque and there were continuing concerns that the profitability of local subsidiaries would decline as a result of tariff rate increases imposed as retaliatory measures against sanctions imposed by the US on China.
- Imports of products marked "Made in Taiwan" were prohibited (while there were no problems concerning products marked "Made in China").

② RCEP

- Many items are exempt from the agreement and even among items subject to preferential treatment, there were many items that had long staging times.
- The HS codes used in the RCEP agreement are the 2012 codes, while the HS codes used by the Chinese authorities for declarations are the 2022 codes. Therefore, respondents were unable to receive preferential duties for items for which the 2012 and 2022 codes are different.

③ Foreign Capital Restrictions, Shrinking of Preferential Treatment Policies for Foreign Capital, Favoring of Domestic Products

- Foreign entities are unable to hold a majority stake in the steel industry, and regarding the liberalization of the distribution industry promised by the WTO, while legislation has been implemented, detailed regulations have not been released. Additionally, minimum capital ratios have been set, requiring capital amounting to a certain percentage of the total investment.
- While the rules allow for capital to be increased or decreased, the procedures for doing so are extremely cumbersome making it very difficult in reality.
- Policies that favor domestic products have been implemented, excluding foreign products from tenders and delaying the approval of pharmaceuticals.
- Regarding subsidy policies covering investments, there were concerns about the arbitrary handling of processes such as applications and the setting of subsidy amounts. Decisions are favoring Chinese companies, which have advantages such as channels to government officials, resulting in a lack of fairness and transparency.

3. Northeast Asia China ②

④ **Restrictive Export/Import Trade, Duty, and Customs Clearance**

- High duties were imposed on many items, such as clock products, dental materials, printing machines, and camera parts.
- There was also a continuation of issues concerning the misuse of antidumping and safeguard measures on items such as steel products and stainless steel.
- Excessive administration is required when importing sample products into China. Also, when importing sample products and used products, decisions by customs and customs officials regarding matters such as import licenses are inconsistent.
- It was pointed out that when importing hazardous chemicals, the number of required samples is high, which incurs costs, that the strengthening of regulations means that customs and warehouses that were previously used can no longer be used, and that problems raised during inspections of the content of labels by custom officials are inconsistent.
- Excessive unpacking inspections during import customs clearance led to issues such as the incurrence of unnecessary costs and delays to deliveries.
- There continued to be a lack of consistency regarding decisions on customs classifications and origin, including different decisions being made at each point of clearance.
- When using FTAs on shipments headed to ASEAN and South American countries, there continued to be issues where respondents were unable to use an FTA or that this usage was delayed due to the organizations issuing proof of place of origin imposing unique requirements that differed from (or were not mentioned in) the terms of the FTA.
- When applications are made for an exemption for parts that contain controlled substances in excess of standards, the authorities do not give a timeframe for the process, making planning impossible.
- For import declarations, in cases where the invoice price and declared price are not the same, it is extremely difficult to alter the declaration unless there is a clear mistake or proof can be submitted. A more flexible system is needed.
- Customs documentation for international distribution is in English but a Chinese translation is required.
- The obligation to state brand type and export preference has been added to customs declarations. This creates a risk of being fined on any mistakes on this section due to its impact on statistics.

3. Northeast Asia China ③

⑤ Taxation Systems

- PE designation criteria are opaque and applied widely, meaning it is easy to end up being designated as PE.
- Provisional value added tax payments due to delays in recovering accounts receivable are usually higher than value added tax on borrowings, often resulting in insufficient capital. When exporting overseas from China, although value added tax is imposed on each part, refunds are not always received. This is damaging the competitiveness of parts manufactured in China.
- When exporting 146 items, including stainless steel products, value added tax refunds have been scrapped while at the same time, duties on intermediate goods and scrap iron have abolished. This has led to a steep rise in prices in the global markets. Furthermore, there has been movement toward levying export duties on steel products.
- It has been pointed out that tax inspections concerning the transfer pricing system vary widely between regions. It was also noted that it is difficult to explain the rationality of transaction prices, which makes additional taxation unavoidable, and that customs offices and the tax authorities have conflicting viewpoints, making it impossible to satisfy both parties.
- For respondents using the advance pricing agreement (APA) between China and Japan, there were cases where multiple entities needed to be confirmed and the State Administration of Taxation of the People's Republic of China became the main contact point. In these cases, in addition to the required inspections taking a long time, there were also concerns that concurrent inspections were being carried out by regional authorities, making it difficult for companies to handle the situation.
- It was announced in 2021 that preferential tax policies for foreigners would be abolished from 2022 but on December 31, 2021, just as companies were preparing their responses, it was suddenly announced that the policies will be extended until the end of 2023.
- Although the preferential policy on individual income taxes is scheduled to be abolished at the end of 2023, there were calls for it to be extended to 2024 and beyond to reduce the fixed costs of expatriate employees. It was pointed out that procedures for individual income tax refunds are cumbersome, as are tax payment procedures for engineers who are stationed in China long-term.
- Large corporate groups are obligated to submit a variety of financial data and dealing with this is leading to large increases in workloads.
- Paying environmental protection taxes and submitting an environmental measurement report on a quarterly basis is cumbersome.

3. Northeast Asia China ④

⑥ Implementation of Intellectual Property Rights

- There were calls for relaxing certain conditions of the Japan-China patent prosecution highway, such as the public disclosure of filings that are being processed under the system. Additionally, some parts of the Administrative Measures for Prioritized Patent Examination are difficult for foreign companies to use in practice.
- For patent licenses, the responsibilities required of the licensor are too heavy, resulting in companies having to give up on tackling unlicensed usage.
- It is impossible to oppose third parties without registering a non-exclusive license but considering the current situation, in which non-exclusive licenses are frequently used in open innovation, this registration is unrealistic. Also, in cases where the licensing agreement itself, let alone its conditions, is a secret, it is preferable to avoid it becoming public through registration.
- Although punitive damages have been stipulated for willful infringement, if criminal charges are applied it would be enough.
- In 2017, China announced a policy for protecting new drug application data, but there has been no significant movement since. The situation in which generic drugs appear shortly after an application continues. Although patent linkage has been proscribed, there are misgivings about the appropriateness of the system seeing as the average length of patent infringement procedures is over a year, and even after this, it can take nine months for approval of the generic drug to be suspended.
- Although the novelty of new utility models is examined through a rudimentary prior art search, there are cases when technologies that are virtually identical to prior art are registered. Once this right has been established, it is extremely difficult to get it voided. In regard to design rights, it is easy to establish a right, even in cases where a sole perfunctory examination fails to recognize novelty. Also, protection is granted for just 15 years from the filing date.
- There is insufficient disclosure regarding governmental and judicial discussion and decision making in regard to intellectual property rights. It was pointed out that there is not enough time to prepare a response and the burden of these preparations and the response itself is heavy.
- The policing of counterfeit goods is insufficient. There were even cases where counterfeiters continued to offend even after being detected and there were calls for the authorities to get a proper understanding of the situation.

3. Northeast Asia China ⑤

⑦ Employment

- The introduction of a points system for foreign workers in 2017 has created hurdles such as required academic background that make it hard to acquire visas for expatriate employees.
- There are cases where Chinese expatriates working in Japan are designated as residents of both China and Japan. While it is possible to negotiate this based on the double taxation agreement between China and Japan, these negotiations take two years on average, forcing companies to give up due to costs.

⑧ Exchange Controls and Finance-Related Issues

- Delays to the issuance of final acceptance certificates (FAC) have become the norm meaning it takes time to recover accounts receivable.
- Regarding import transactions associated with the delivery of bonded cargo and the settlement of these, there were cases where systems failures led to delays to payments.
- It is impossible to refinance short-term loans borrowed as working capital without submitting proof of actual payment to the bank. Furthermore, delays to the recovery of accounts receivable have become the norm, making financing difficult using current systems. Also, guidance regarding matters such as the stricter approach by banks regarding the acquisition of evidence of payments in tri-nation transactions is given orally, making it difficult to respond.
- It takes time to process remittances concerning non-trade transactions in China.

⑨ Industrial Standards, Approval of Safety Standards

- Regarding the introduction of regulations and national standards, there is not enough discussion with stakeholders and the notification period is too short, making it difficult to switch to alternative products that meet requirements.
- While there are standards that use digital labels, there are also standards that still require physical labels so there were calls for more progress to be made on digitalization.

3. Northeast Asia China ⑥

⑩ Environmental Issues and Waste Regulations

- Regarding waste collection, there are contradictions between the Solid Waste Environmental Pollution Prevention and Control Law promulgated in 2020 and the China WEEE regulation.
- China has announced methodologies for measuring CO2 emissions for 24 industries, but these methodologies are complicated. The government can order the suspension of operations in cases of atmospheric pollution, but the conditions for lifting these orders is unclear, making it impossible to plan for the resumption of operations.

⑪ Indigested Legislation, Abrupt Changes

- China's Network Safety Law has been enacted with its definitions still unclear making it difficult to judge and respond to. The same applies to the Cybersecurity Law and other legislation.
- The Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures and Anti-Foreign Sanctions Blocking Law were promulgated in 2021, putting companies in a double bind between China and third party countries.

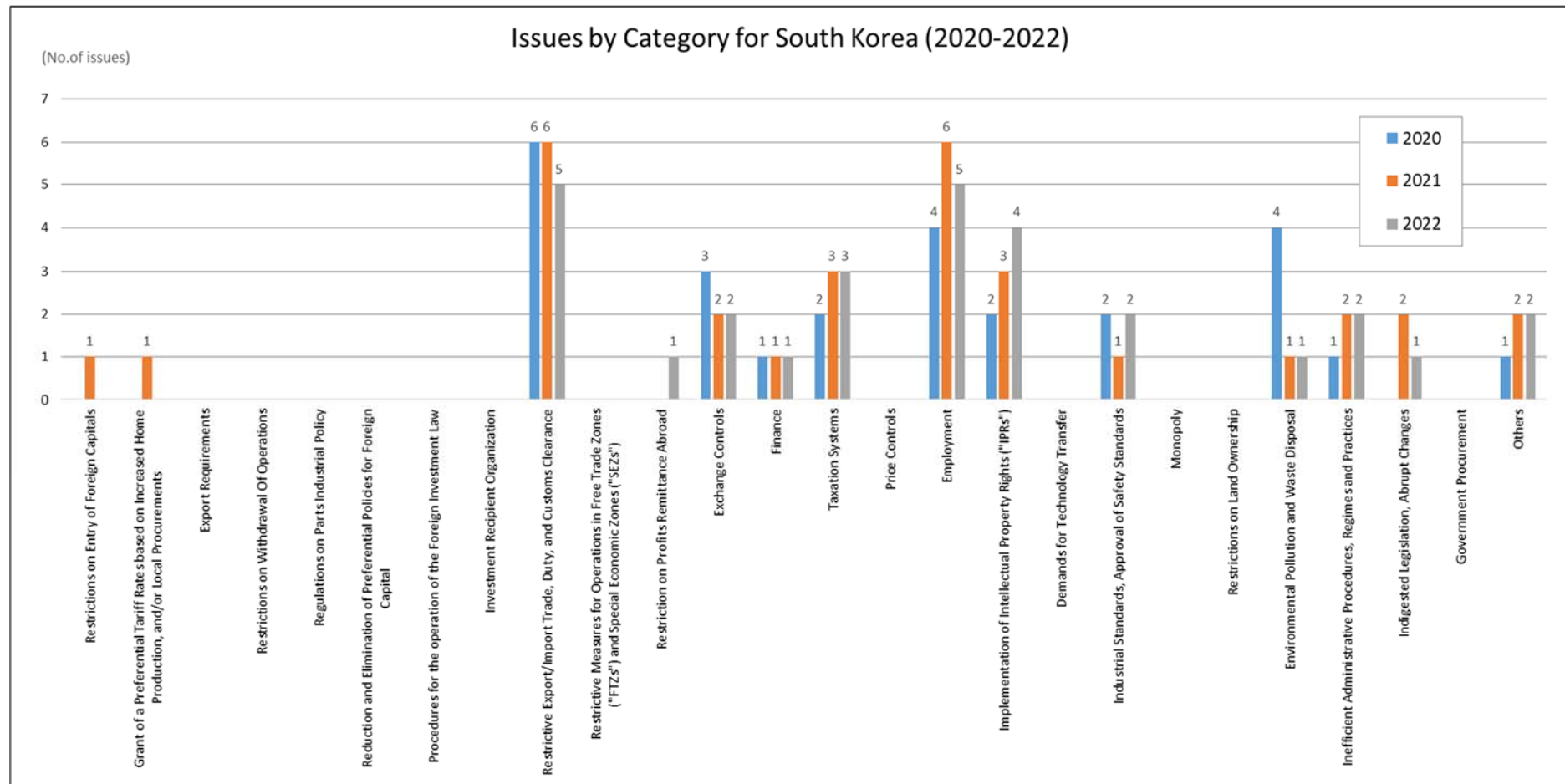
⑫ Issues Related to the COVID-19 Pandemic

- There continued to be issues concerning delays and cumbersome procedures related to the issuance of visas for expatriates and their families and strict quarantine policies due to the COVID-19 pandemic.
- Issues regarding container shortages and low numbers of sea deliveries have continued since the second half of 2020 and there was an extremely large number of complaints about frequent export delays and charges remaining high.

3. Northeast Asia South Korea ①

◆Key Points

- The largest numbers of issues were for “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Employment.” Overall, results were roughly the same as past years.
- The total number of issues identified was roughly the same as the previous year.



3. Northeast Asia South Korea ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- There continued to be issues with high duties on items such as clock products and machine products. While there were some items for which duties were abolished promptly due to RCEP, there are many items for which abolishment is being carried out in stages over a long period.
- There was also a continuation of issues concerning the misuse of antidumping measures on stainless steel plates.
- South Korean REACH regulations require the disclosure of all components of export products leading to concerns about leaks of confidential information, such as formulations. Additionally, creating the materials for providing this information costs man-hours and if suppliers refuse to disclose their components, then export has to be abandoned.

② Employment

- The South Korean Labor Standards Act stipulates that in order to amend rules of employment unfavorable to workers, the employer must obtain the consent of the trade union, which is the biggest barrier to revising rules of employment.
- There continued to be issues concerning the tightening of overtime regulations (maximum of 52 hours a week), rigid conditions of employment, and strong labor unions. Also, following a major increase of the minimum wage, companies are struggling with personnel costs.

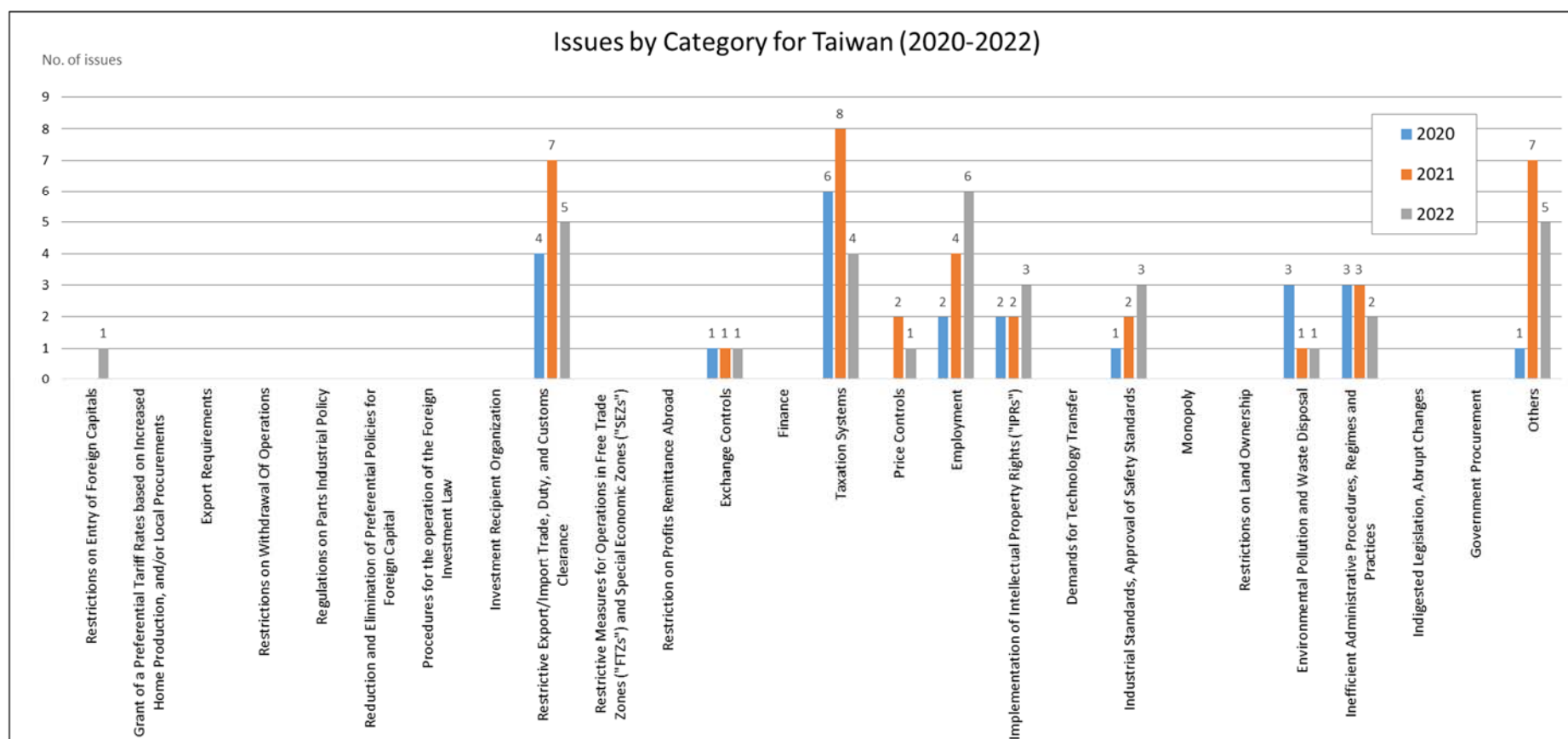
③ Industrial Standards, Approval of Safety Standards

- High efficiency motors are regulated but it is difficult to procure motors that can be used in machine products.
- Packaging regulations require products to be assessed by a specialist organization before going on sale and the results of this assessment must be displayed on the packaging. This is continuing to cause issues such as additional costs, delays to new product launches, and leaks of information on new products.

3. Northeast Asia Taiwan ①

◆Key Points

- There was a slight decrease in issues compared to the previous year. However, the number of issues concerning “Employment” increased. Revisions to the Labor Standards Act led to issues such as labor management becoming more cumbersome, limits to overtime hours, and steep rises in personnel costs.
- There continued to be many issues connected to the COVID-19 pandemic, such as restrictions on entry and exit, difficulties obtaining visas, and increased transportation costs.



3. Northeast Asia Taiwan ②

① Taxation Systems

- Fees received by foreign companies for providing electronic services within Taiwan are subject to the Taiwanese withholding tax which is, in principle, 20% withheld at the time of remittance. According to the 2018 interpretation of this tax, it is levied based on deemed profit ratio and not sales price. As international consensus continues to build, taxation systems should be consistent.
- There continued to be complaints about the cumbersomeness of procedures related to the bilateral tax agreement concluded between Japan and Taiwan.
- Withholding tax must be withheld when paying a Taiwanese company for technical services from mainland China or Hong Kong, but if a tax statement is not approved by the exchange contact organization of each country, a tax exemption cannot be made. This makes administration cumbersome.

② Restrictive Export/Import Trade, Duty, and Customs Clearance

- There continued to be issues regarding high duties on clock products, and although regulations concerning imports of products from five prefectures in the Kanto region, including Fukushima, have been relaxed, the requirement to provide proof of place of origin continues to be a burden.

③ Intellectual Property Rights

- It is impossible to oppose third parties without registering a non-exclusive license but considering the current situation, in which non-exclusive licenses are frequently used in open innovation, this registration is unrealistic. Also, in cases where the licensing agreement itself, let alone its conditions, is a secret, it is preferable to avoid it becoming public through registration.

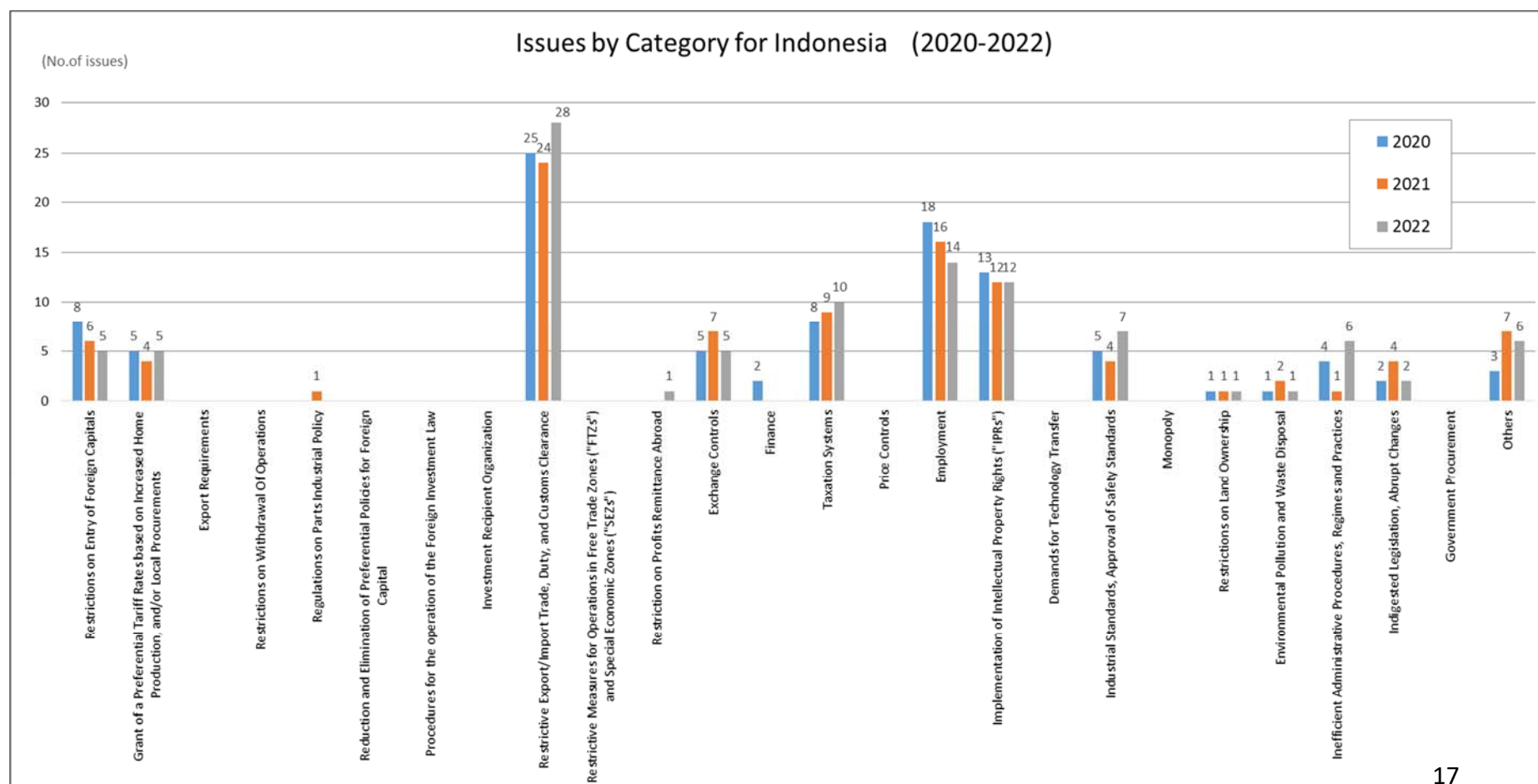
④ COVID-19 Pandemic

- Issues included logistics congestion, steep rises in transportation costs, restrictions on entry and exit, and difficulties obtaining visas.

4. Asia and Pacific Indonesia ①

◆Key Points

- There was no major change from the previous year with many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Employment,” “Implementation of Intellectual Property Rights,” and “Taxation Systems.”
- There were increases in issues concerning “Industrial Standards, Approval of Safety Standards” and “Inefficient Administrative Procedures, Regimes and Practices.”



4. Asia and Pacific Indonesia ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- As there is no consistency in the handling of matters such as minor mistakes related to HS code classifications and COs, there were frequent cases of unfair duties being levied at each customs office.
- As a result of a sudden change to the import licensing system operated by the Ministry of Trade, there were many cases of applications being rejected due to failures or unclear reasons (particularly for textiles and steel). There were also ongoing issues regarding the opaqueness and arbitrariness of clearance procedures, such as the continuous voiding of approved exemptions and notifications for the payment of retroactive duties, which happened with confirmation from customs authorities.
- There was also a continuation of issues concerning the misuse of antidumping and safeguard measures on items such as steel and steel alloys and the imposing of import restrictions.
- Opaque measures following the implementation of Government Borne Import Duties (BM DTP) have hindered arrangements regarding materials.
- There continued to be issues including the burden of pre-shipment inspections, systems failures affecting import approval documentation, and the cumbersomeness of the import license system.
- There continued to be issues concerning measures prohibiting coal and unprocessed minerals exports and the shortness of the notification period for these measures.

② Issues Concerning Preferential Duties Including the Japan-Indonesia EPA

- When using B2B COs, even when a through bill of lading is submitted, companies are required to submit other documentation as information such as transit points is not included on the through bill.
- There continued to be an issue regarding ongoing discussions with the Indonesian government over an order issued by the Ministry of Industry in January 2018 (levying of general duties on inventory six months after the deadline for USDFS application has passed) which is in violation of the Japan-Indonesia EPA.
- Due to cases of respondents being unable to use preferential duties during clearing if documentation was not completed in time, there were calls for retroactive applications to be accepted.
- There were cases of CO not being recognized due to differences in the interpretation of “date of shipment” between Japan, Indonesia, and surrounding countries.

4. Asia and Pacific Indonesia ③

③ Restrictions on Foreign Capital, Excessive Local Production Demands, Etc.

- Under Indonesia's Construction Services Law, companies can no longer bring employees from Japan to oversee the installation of machinery during plant configuration. They are now required to do this jointly with a local company or establish a local office.
- Excessive local content requirements not only require frequent, time-consuming administrative processes, but also aggressively impede imports by establishing an import ceiling. Numerical targets for local procurement are set and penalties are imposed if these are not achieved. Tenders also include localization conditions that must be adhered to. There were also cases where ODA projects were unable to move forward for the same reason.
- Television products with a screen of 42 inches or less are required to adhere to local content requirements. Importing relevant items requires the acquisition of a license, in addition to a cumbersome procedure. For some items, there is an obligation to apply for an import license online in advance.
- Changes to the government's energy policy has led to non-payments due to budgets not being secured for projects that are no longer eligible under the policy. There have also been cases of demands being made that are not covered by agreements with the suspected motive of pushing the burden onto the private sector.

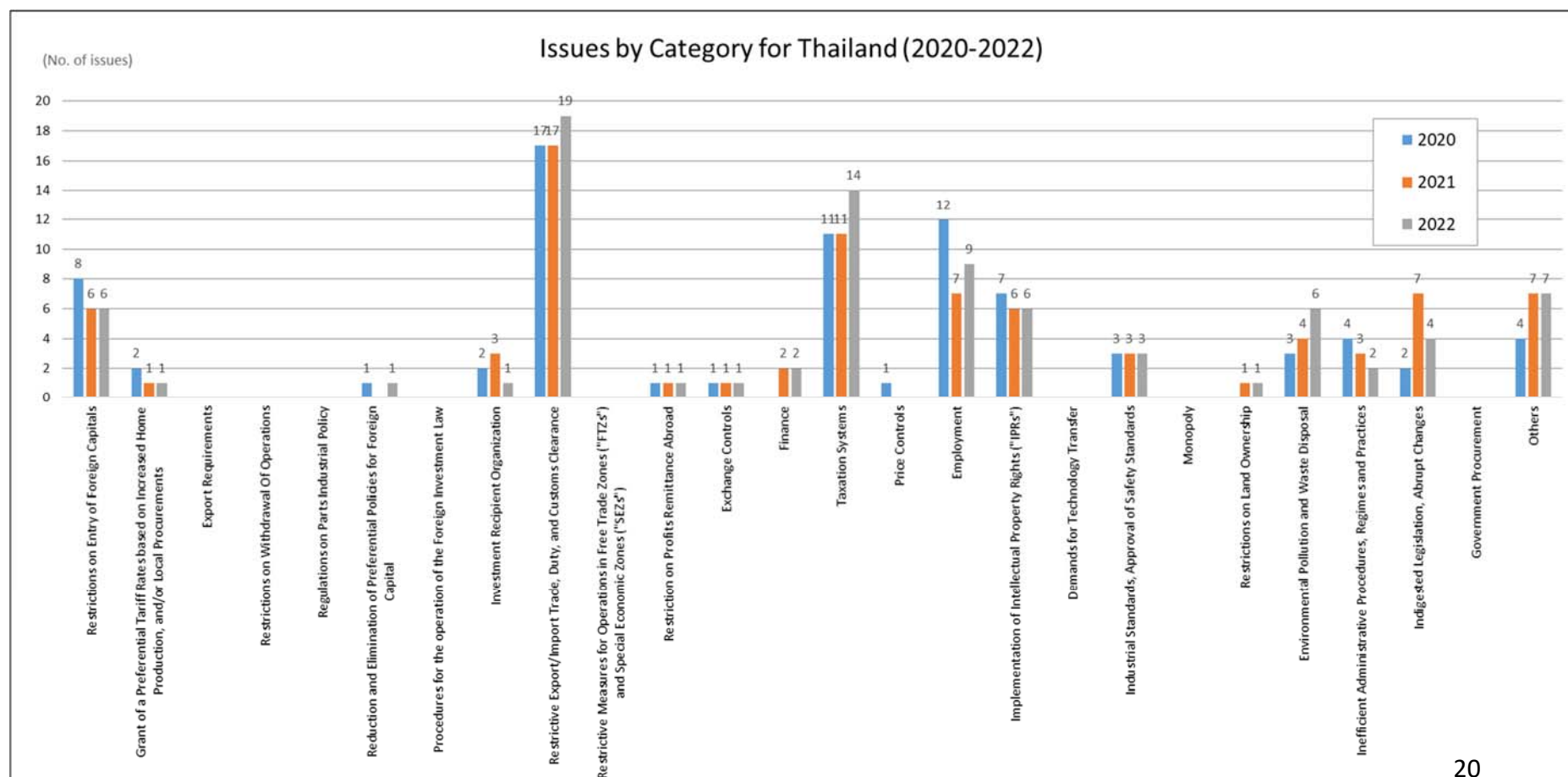
④ Other Issues

- After the Job Creation Law was judged to be unconstitutional in 2021, it has to be revised within two years or it will become void. As employment is already being carried out based on this law, the direction that revisions take will have an impact on companies.
- Patent owners in Indonesia are obligated to implement a patent. If this is not done within 36 months of the granting of the patent, then a compulsory license may be granted or the patent may be revoked based on a court order.
- Companies must acquire both safety standards and energy labels, but there are issues such as jurisdiction falling under different governing agencies, meaning that relevant processes cannot be carried out in tandem. The COVID-19 pandemic has also made it hard to acquire these from overseas.
- There are cases where administrative procedures have been changed following revisions to laws but relevant systems have not been updated.

4. Asia and Pacific Thailand ①

◆Key Points

- The total number of issues identified was roughly level with the previous year and overall results were similar. However, there were increases in issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Taxation Systems,” and “Environmental Issues and Waste Regulations.”
- There continued to be trouble attributed to the customs incentive distribution system for customs officials.



4. Asia and Pacific Thailand ②

① Issues Concerning Restrictive Duties and Customs Clearance, the Japan-Thailand EPA, Etc.

- There continued to be complaints about value added tax being added to import prices in cases where exchange rate fluctuations caused the price of goods being stored in bonded warehouses to exceed actual sales prices. Although the legal grounds of this measure are unclear, when it was protested, customs clearance was halted in retaliation.
- There continued to be trouble attributed to the customs incentive distribution system for customs officials. This included cases of excessive penalties being demanded when submitting amendment declarations after clearing due to there being no before permit system, large amounts of overdue interest being incurred due to unnecessary extensions to examination periods, and higher duties being levied based on the arbitrary judgement of customs officials.
- The transition from HS 2017 to HS 2022, the transition from HS 2002 to HS 2017 for the Japan-Thailand EPA, and CO PDF carried out in January 2022 were announced on December 27, 2021, almost directly before they were implemented.
- There were continuing issues regarding the requirement to submit a detailed list of components to acquire an import license, the ambiguity of relevant rules, and that the effective periods of the licenses are too short.
- In regard to export controls, although the list of dual use items introduced in 2015 is publicly available, it is not being put into use. Furthermore, there is no set direction for its application by authorities and detailed regulations have not been released, so there is concern that chaos will ensue if it suddenly starts being applied.
- There was a request to make usage of Board of Investment of Thailand (BOI) benefits simpler, because in cases where a company procures parts from multiple suppliers, management is too cumbersome.
- There were issues regarding steep rises in freight prices and transportation delays due to container shortages.

4. Asia and Pacific Thailand ③

② Foreign Capital Restrictions and Shrinking of Preferential Treatment Policies for Foreign Capital

- The Foreign Business Act restricts entry into certain sectors such as the maintenance service sector. While foreign companies can participate in some industries if they acquire a license, the acquisition cost is high. There are also restrictions on the acquisition of land by foreign companies. Some sectors, such as wood processing, have investment restrictions.
- Due to zoning laws, plant expansion plans have been rejected for plants located outside of industrial parks, even when said expansion is within the plant's grounds.
- In order to receive Board of Investment of Thailand (BOI) benefits such as corporation tax exemptions, investment projects have conditions regarding debt to equity ratios.
- Under the new system introduced in 2015, BOI investment incentives have been shrunk in practice. Also, lead times for the depreciation of parts and equipment that use BOI benefits has become longer.

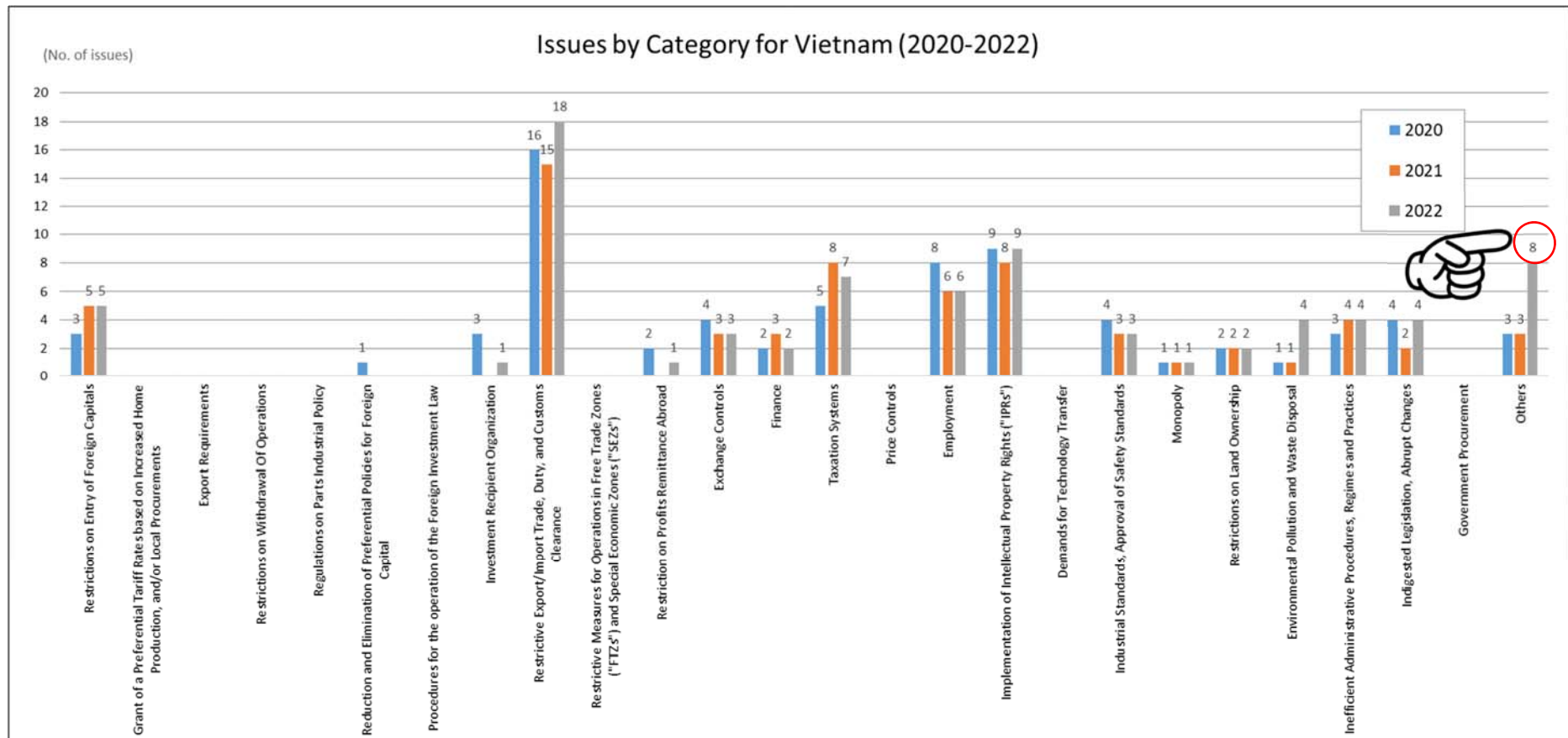
③ Other Issues

- Financial subsidiaries located in Thailand have a debt to equity ratio limit, with the requirement that the ratio of short-term debt to equity be no more than seven. These regulations should be abolished and replaced with regulations that use a consolidated basis.
- Thailand's tax laws are vague and application can depend on the judgement of the official responsible.
- The process for claiming back taxes takes too long. Even transactions that are exempt from taxation under the tax treaty between Japan and Thailand are being taxed due to a hardline approach by the authorities, leading to double taxation in practice.
- Tax procedures have been digitalized but cannot be easily used because of the IT costs.
- Procedures for acquiring and renewing work permits are cumbersome and time consuming. Companies are required to employ four Thai nationals for each Japanese employee.
- Laws such as an export control law and the Personal Data Protection Act have been enacted, but detailed regulations have not been established, making it difficult to put them into practice.

4. Asia and Pacific Vietnam ①

◆Key Points

- The overall number of issues increased by 20% compared to the previous year.
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Implementation of Intellectual Property Rights.”
- There was an increase in issues connected to the COVID-19 pandemic, including transportation delays, steep rises in freight prices, restrictions on operations, restrictions on entry, and insufficient cooperation from public agencies.



4. Asia and Pacific Vietnam ②

① Issues Concerning Restrictive Duties and Customs Clearance, Etc.

- Continuing issues included high import duties, safeguard duties, and the obligation to acquire import licenses for steel products, and import regulations on printed materials.
- There were cases where customs officials demanded import licenses for medical equipment and related products that fundamentally do not require a license, and these were ultimately refused clearance. There were also cases of duties being levied on items that are essentially duty free, depending on the customs office or official.
- There continued to be export duties levied on coal and related products.
- The import of used items is being restricted. There were cases where companies were forced to temporarily procure equipment for construction work from Japan, but the requirement that only equipment that is less than 10 years old can be imported into the country made it very difficult to secure the equipment needed. There were also cases where equipment needed for testing in construction projects were treated as used items and therefore import was refused.
- In cases where the distribution of goods passed through an overseas country at least once, even during transactions between two companies based in Vietnam, customs clearance documents are required for the supplier to clear customs, leading to the risk of the purchase prices being leaked to the buyer.
- Companies used the advanced ruling system but responses took time.
- There were repeated cases of overseas shipments from Japan to Phnom Penh being held for long periods upon unloading at Ho Chi Minh City with the aim of preventing smuggling.

② Issues concerning EPA/FTA

- High duties have been placed on clock products and parts but these have become subject to duty concessions under the Japan-Vietnam EPA and RCEP. However, staging is taking a long time.

4. Asia and Pacific Vietnam ③

③ Restrictions on Foreign Capital, Etc.

- The entry of foreign capital is restricted in areas such as construction and pharmaceutical wholesale.
- Government ordinance enacted in March 2021 has tightened restrictions on export processing companies. Requirements include businesses to be surrounded by a solid fence and monitored 24 hours a day by surveillance cameras that are always connected to the authorities. Not enough time was given to respond to these, forcing companies to make additional investments.
- Vietnam's 2020 Law on Investment stipulates that an investment project can last no more than 70 years and that companies must withdraw after this period.

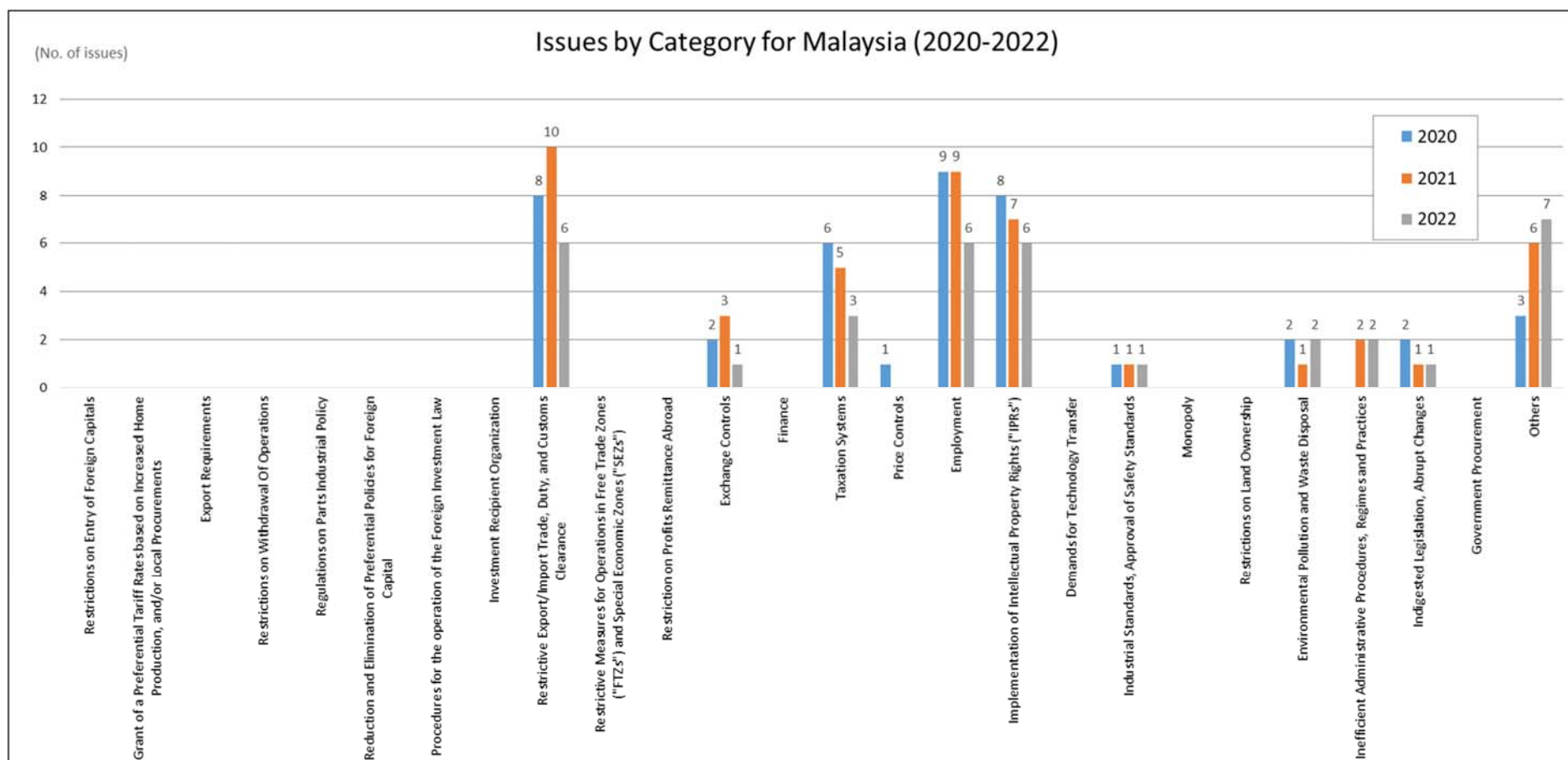
④ Other Issues

- The bilateral tax agreement between Japan and Vietnam stipulates that short-term expatriates are exempt from taxation, but registration is required and there were cases where additional taxes were imposed even after registration was approved. Also, the Japanese government has the right to impose tax on business income earned by Japanese companies through the provision of services, but within Vietnam it also becomes subject to taxation in Vietnam. Regulations state that priority is given to the bilateral tax agreement but relevant procedures take several years, meaning that in reality it is double taxation.
- The VAT refund system changed in 2016 and there were cases where refunds were not received. The process is also cumbersome and time consuming.
- Requirements regarding entry into the social insurance system are strict, and only employees on secondment from parent companies are exempt from social insurance payments. There were calls for this issue to be solved through a Japan-Vietnam social insurance agreement.
- In practice, only patent applications that are filed in Vietnamese are approved. Also, patents for computer programs and use inventions are not approved.
- There were issues such as transportation delays, steep rises in transportation prices, restrictions on operations, and restrictions on entry due to the COVID-19 pandemic.

4. Asia and Pacific Malaysia ①

◆Key Points

- The total number of issues identified decreased by about 20%.
- Although there was a decrease in issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance,” there was an increase in issues in the “Others” category. This included issues related to foreign labor caused by the COVID-19 pandemic and orders to close plants.



4. Asia and Pacific Malaysia ②

① Issues Concerning Restrictive Duties and Customs Clearance, Etc.

- Companies are obligated to acquire proof of conformity assessment for steel products. Since this system started, the number of items covered by it has decreased, but procedures remain cumbersome and there is an issue with the burden of inspection costs. There were also continuing calls for the abolishment of the import license system and issues concerning the misuse of antidumping measures.
- When using the FTA online, only up to 250 parts can be registered for each product. Any extra parts must be registered one at a time, which is a cumbersome task, so there were continuing requests for improvements to the system.

② Implementation of Intellectual Property Rights

- Although counterfeit goods are being policed, this is not being carried out sufficiently and there are many cases where penalties had not been decided even several years after the goods were discovered, as well as malicious cases where the handling of counterfeit goods soon resumed.
- The response period for official notifications is short and there were cases where extensions to this response period were rejected at the registrar's discretion. Once a regular substantive examination has been requested, it is not possible to switch to a modified substantive examination. There were also continuing issues such as divisional applications and changes in the scope of a right not being implemented smoothly.

③ Taxation Systems

- Regarding the SST (sales and service tax) introduced in September 2018, there continued to be complaints about the items subject to taxation and issues regarding the system.
- There is legal ambiguity regarding the examination of transfer pricing periods, preventing approval at a working level. The penalties for corrections are also extremely high.

4. Asia and Pacific Malaysia ③

④ Employment

- Issues included difficulties acquiring work visas and cumbersome procedures, steep rises in local personnel costs, tightened regulation of foreign workers, and insufficient foreign labor.

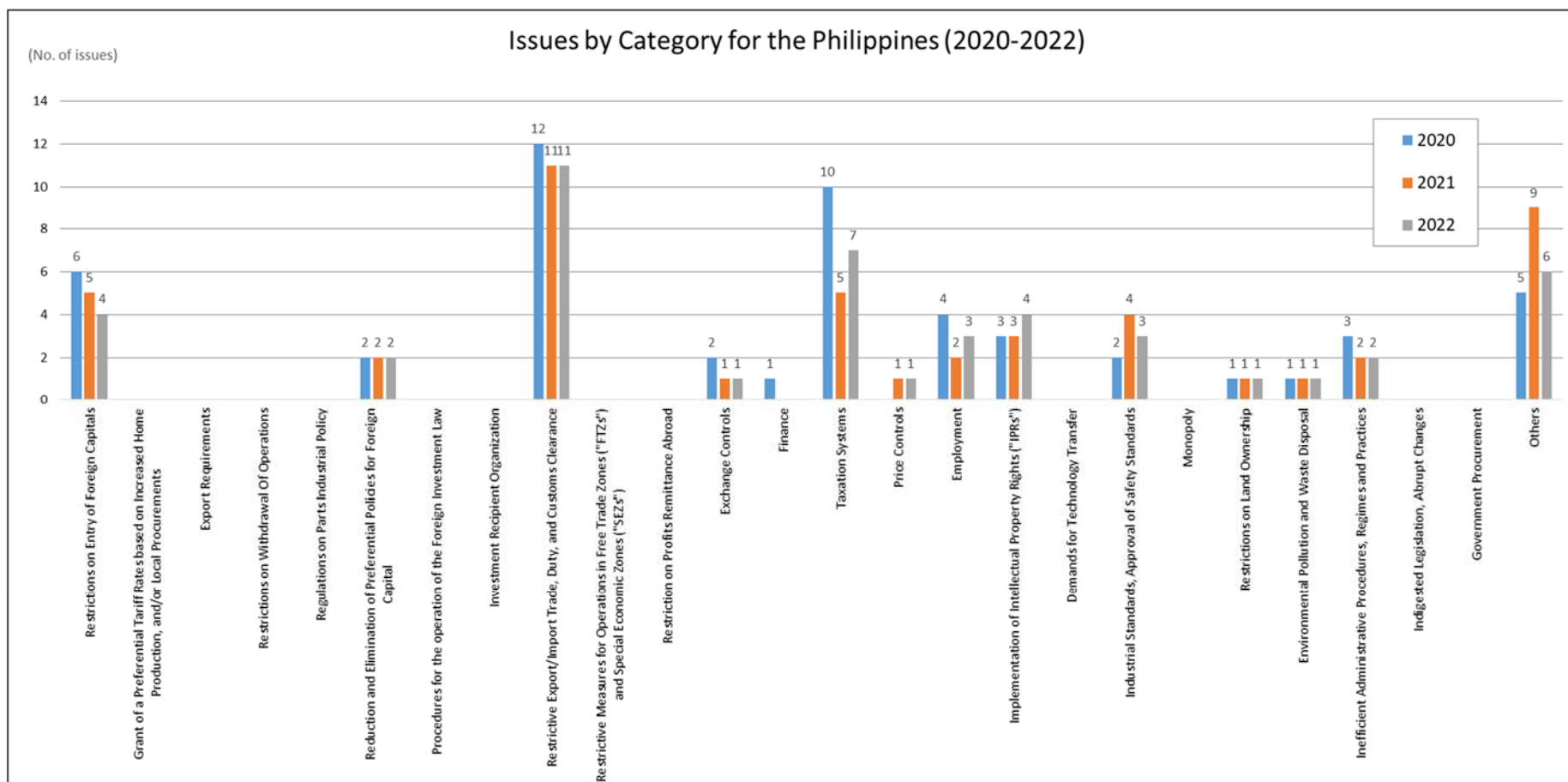
⑤ Other Issues

- There were issues regarding the maintenance of infrastructure, including potholes on asphalt roads and insufficient measures to tackle traffic congestion.
- In December 2021, there was major flooding in the Kuala Lumpur area which led to cases of supply chain disruptions and requests for flood control measures, recovery support, and information sharing during disasters.
- There were issues caused by the COVID-19 pandemic, including a freeze on the new recruitment of foreign workers, isolation measures that lasted a long time, and closure orders that might impact operations.

4. Asia and Pacific Philippines ①

◆Key Points

- The total number of issues identified was roughly the same as the previous year.
- There were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Taxation Systems.”
- Most of the issues in the “Others” category were related to the COVID-19 pandemic.



4. Asia and Pacific Philippines ②

① Issues Concerning Restrictive Duties and Customs Clearance, Etc.

- In cases where the FOB price was lower than the set unit value specified by customs, requirements were imposed such as submitting relevant documentation, providing explanations, and revising declared amounts.
- Customs procedures are cumbersome as approval is required from many departments. Additionally, processing speeds are slowed by weaknesses in the system and the system also crashed frequently, meaning there were many cases where the time needed for clearance procedures led to late deliveries, forcing production halts. Furthermore, since the lockdowns due to COVID-19, customs officials have been working remotely, making the situation even worse.
- The system for importing chemicals specified by the Philippines' police was revised in 2019 and as a result, the process for acquiring approval takes time. Additionally, the application format is changed frequently causing confusion, even on the side of the authorities.
- Safeguard measures for galvanized and colored steel sheets are being misused.

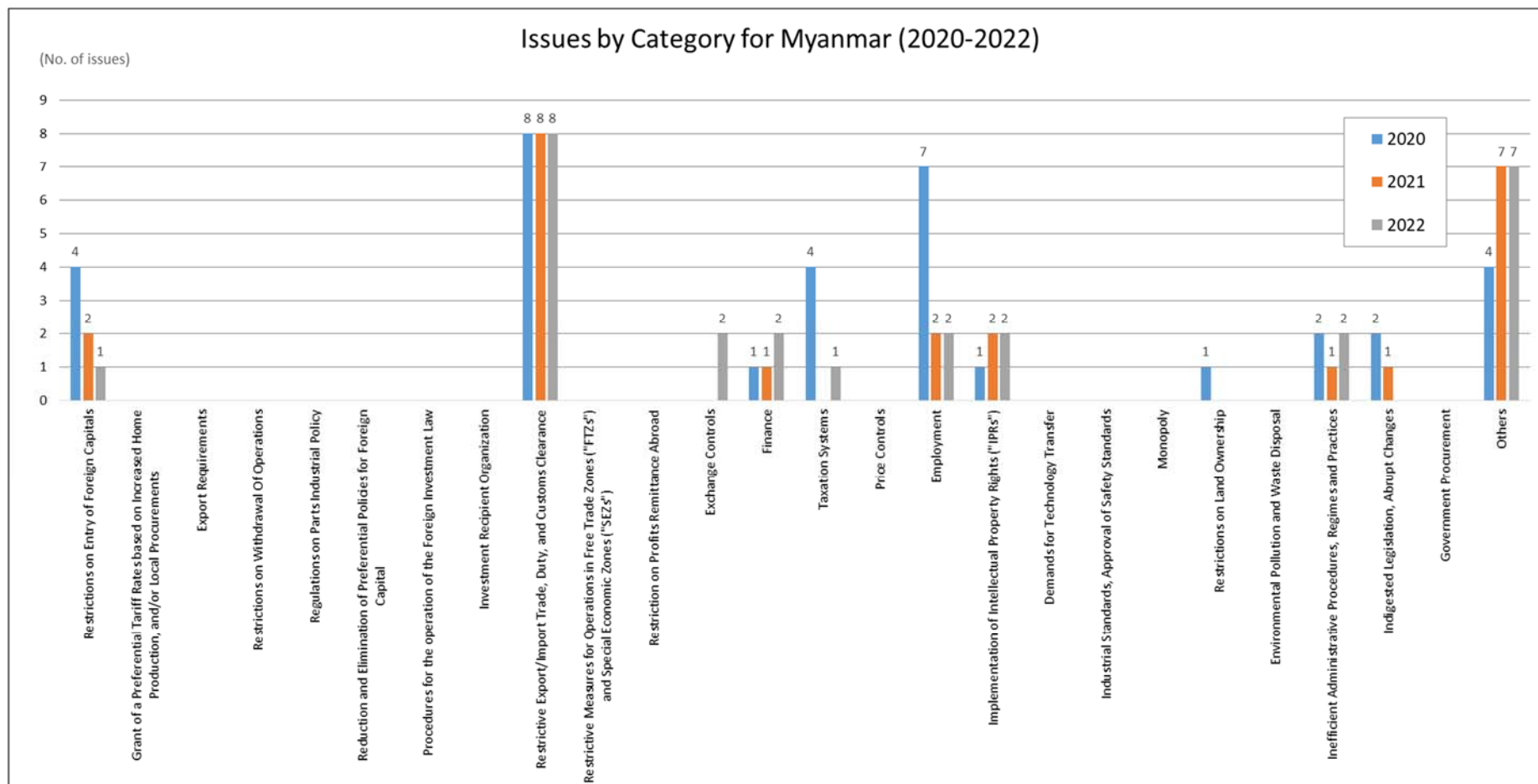
② Taxation Systems

- The calculation of value added tax is arbitrary and the refund process is not smooth. There were many tax-related complaints, including about unilateral notices of groundless additional taxes that were not based on the system that is supposed to grant preferential treatment to companies, heavy tax burdens due to increased withholding taxes, and difficulties using the reduced tax rates in the bilateral tax agreement.

4. Asia and Pacific Myanmar ①

◆Key Points

- There continued to be complaints about the negative effects of the military coup that took place in January 2021.
- There were numerous concerns about the business environment, including the tightening of the import license system, consideration of restrictions on internet access, and deteriorating civil order.



4. Asia and Pacific Myanmar ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- In October 2021, the issuance of import licenses for completed automobiles was stopped. It was then restarted in January 2022 but only for commercial vehicles. Since August 2020, duties have been reduced on imported cars and registration taxes have been halved. Therefore, there are concerns that the benefits of local production will be lost.
- The tax exemption process using the Myanmar Investment Commission (MIC) is cumbersome.
- A government notice circulated in October 2021 stipulates that at least 30% of motorcycle imports should be electric vehicles, and companies are under pressure to respond.

② Effects of the Military Coup (February 2021)

- Since the military coup, the number of ships stopping at Myanmar has decreased. In addition to this, the practice of accumulating containers has become normalized at ports in surrounding countries, such as Malaysia and Singapore, meaning that the distribution of goods is taking even more time.
- Since the coup, it has become difficult to exchange and repatriate foreign currency.
- The Trademark Law was established in 2019 and despite having a soft rollout in October 2020, it has ceased to function since the coup.
- There were complaints that continuing clashes between the military and democratic and minority groups are keeping business conditions unstable.

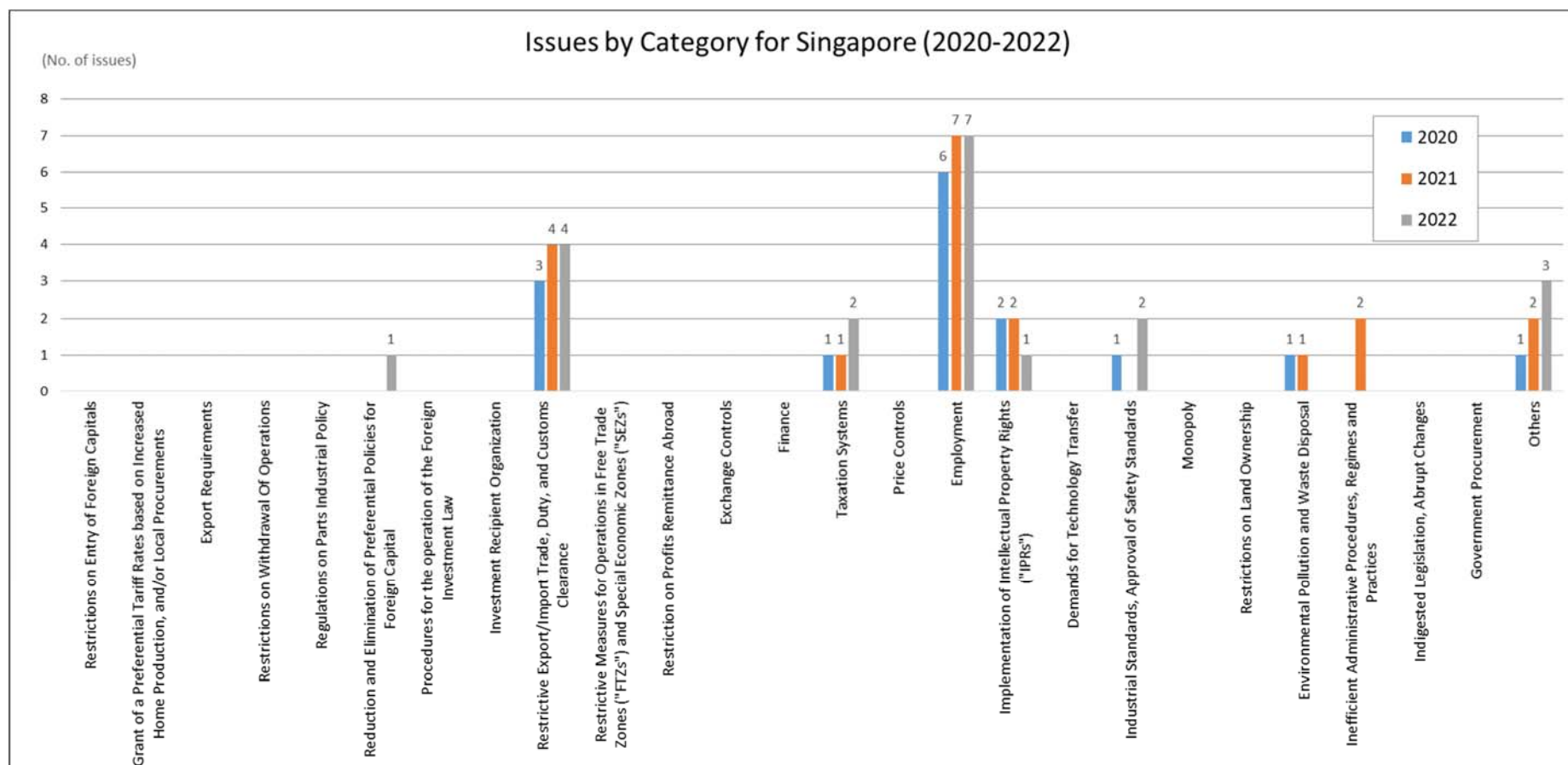
③ Inefficient Administrative Procedures, Regimes and Practices

- Companies are not being notified quickly enough about measures that have a large impact on business, such as the requirement to convert foreign currency received as payment for exports into local currency within 30 days, and the tightening of rules on import licenses (for about 1,400 items).
- The military is considering penalties for VPN users and if this is executed, companies will no longer be able to connect to in-house systems.

4. Asia and Pacific Singapore ①

◆Key Points

- The total number of issues identified and their allocation was roughly the same as the previous year.
- There were many employment-related issues, particularly issues such as difficulties securing working visas and labor shortages due to the COVID-19 pandemic.
- There were two new issues concerning industrial standards and the approval of safety standards.



4. Asia and Pacific Singapore ②

① Employment

- Protectionist labor policies are leading to it becoming more difficult to secure foreign labor and the conditions for acquiring visas (including for accompanying family members) are getting stricter year on year.
- While most young Singaporeans are aiming for white collar jobs, it is becoming more difficult to secure foreign laborers. This is creating labor shortages.

② Restrictive Export/Import Trade, Duty, and Customs Clearance

- When using preferential duties under ATIGA, it is difficult to meet rule of origin requirements (RVC of at least 40%), resulting in a decline in competitiveness compared to nations such as China.
- Classification criteria for the list of items subject to the Wassenaar Arrangement, etc., differ from other countries such as Japan, the US, and Europe. Therefore, relevant items need to be transported by a route that doesn't include Singapore to avoid unnecessary trouble.

③ Industrial Standards, Approval of Safety Standards

- The process for setting pharmaceutical prices is opaque and not appropriate for assessing innovative pharmaceuticals. This lack of consideration for innovation makes specialty and niche clothing products for cancer patients commercially unviable.

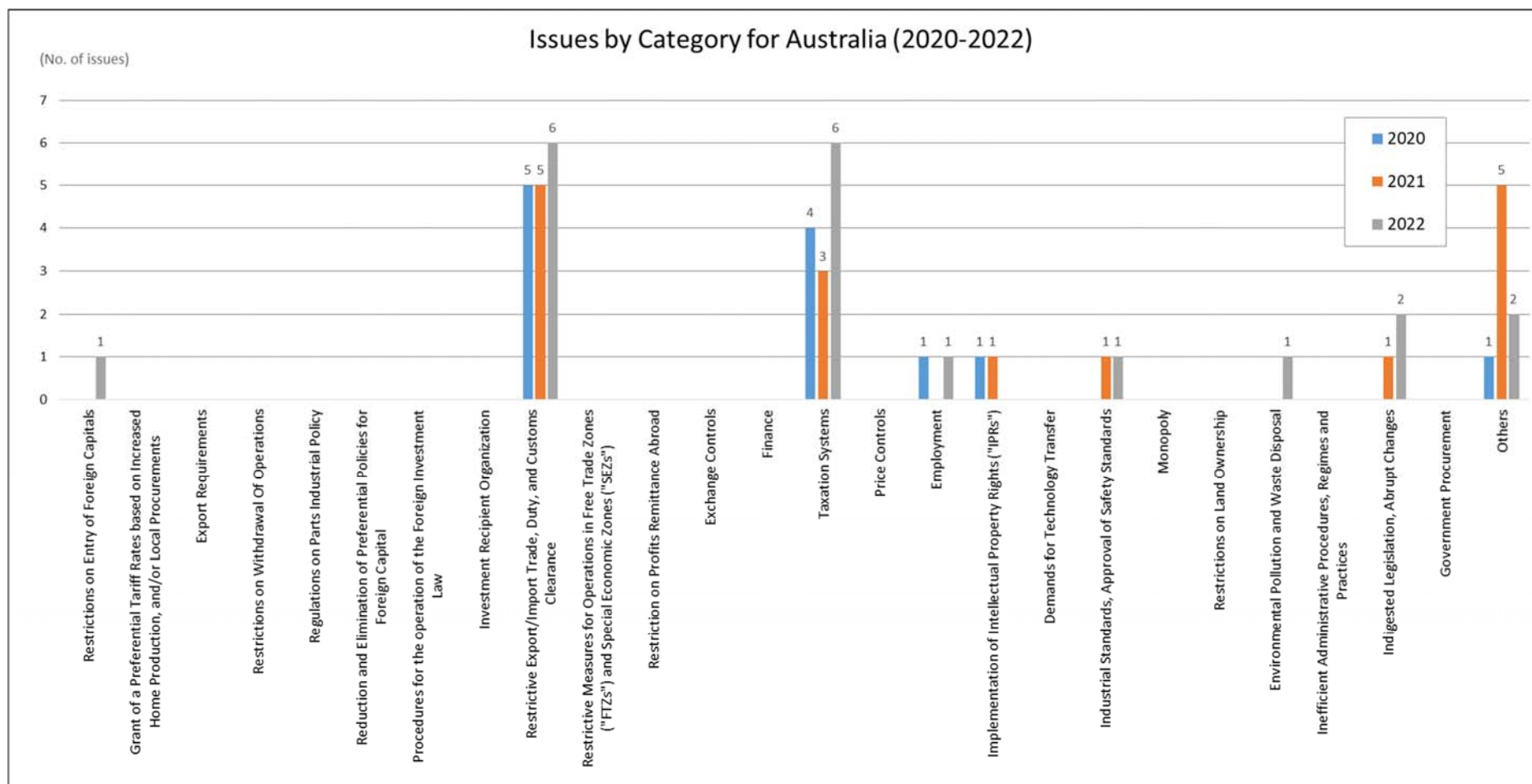
④ COVID-19 Pandemic

- Border restrictions due to the COVID-19 pandemic are preventing workers who commute to Singapore from Malaysia, an important source of labor, from entering the country, creating labor shortages and driving up wages. There were also continuing logistics issues, such as steep rises in sea transportation costs.

4. Asia and Pacific Australia ①

◆Key Points

- The overall number of issues increased slightly compared to the previous year.
- The number of issues concerning “Taxation Systems” increased by three. Respondents considered an additional tax on the acquisition of land by foreigners to be a problem.



4. Asia and Pacific Australia ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- There were many continuing issues such as the misuse of antidumping measures on steel products and fumigation requirements for imported wood products.

② Taxation Systems

- When a foreigner buys a residential property in Australia, each state imposes a stamp duty surcharge for foreigners of about 8% on top of regular taxes. There were complaints that a 2% surcharge on land acquisition by foreigners imposed by Queensland (an exemption is possible if certain conditions are met) is in violation of the bilateral tax agreement between Japan and Australia.

③ Indigested Legislation, Abrupt Changes

- In 2021, the Australian government reformed its foreign investment framework, primarily with the aim of responding to national security risks related to foreign investors. However, much of the previous investment screening system created in the 1970s remains, and the administration required to use this system is cumbersome.

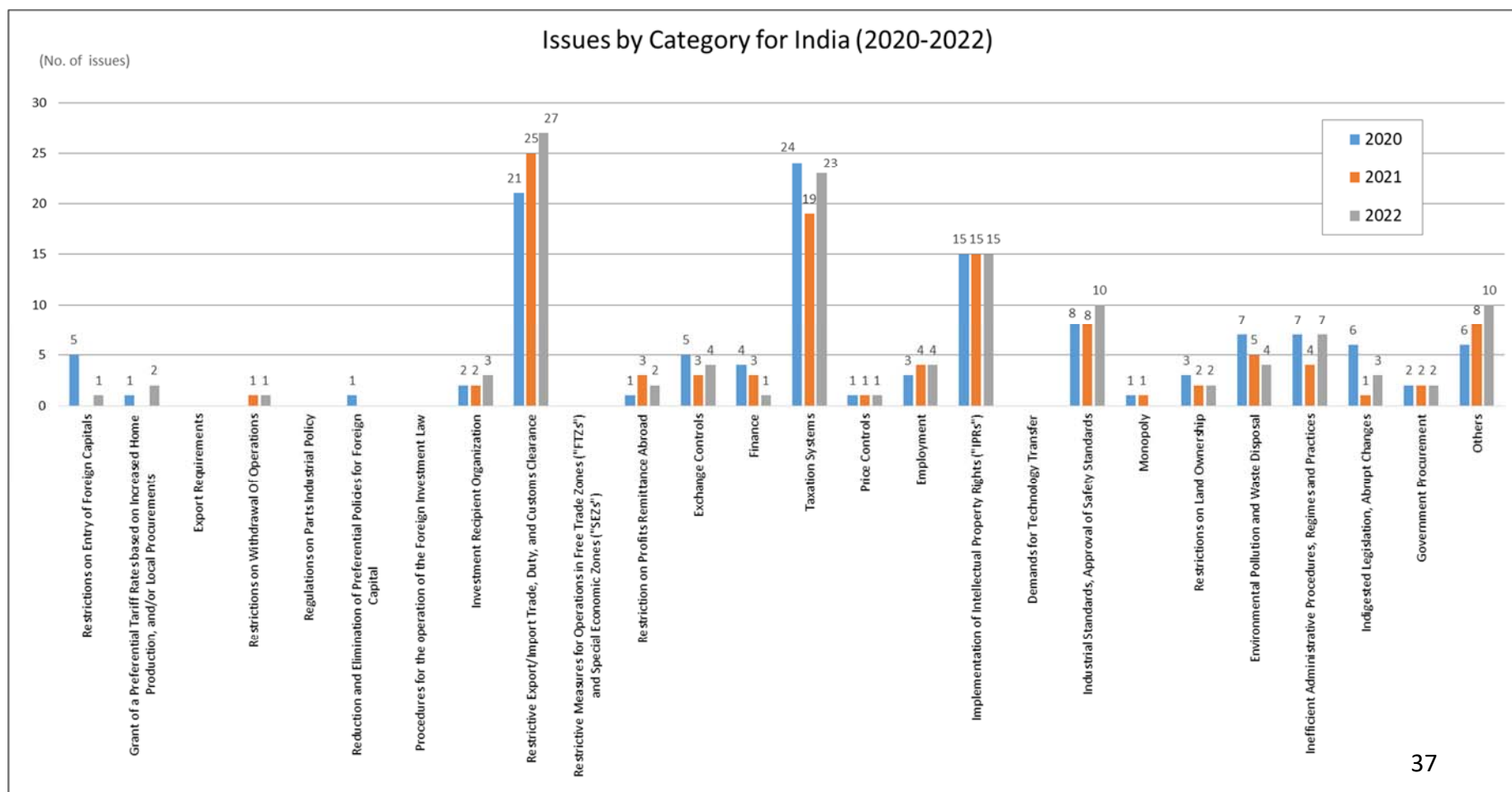
④ Restrictions on Entry of Foreign Capitals

- Amendments to the Foreign Acquisitions and Takeovers Act that came into force in January 2021 mean that the entry of a foreign company must be approved by the Foreign Investment Review Board (FIRB) regardless of the scale of the investment. The process for acquiring this approval is a considerable burden in terms of both time and cost.

5. Southwest Asia India ①

◆Key Points

- As in previous years, India was second in the number of issues after China, and the number of issues increased slightly compared to the previous year. There were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Taxation Systems,” “Implementation of Intellectual Property Rights,” and “Industrial Standards, Approval of Safety Standards.”
- There continued to be many complaints regarding the new rule on proof of place of origin (CAROTAR 2020) when using preferential duties under the FTA.



5. Southwest Asia India ②

① Issues Caused by CAROTAR 2020

- There were continued issues regarding the implementation of CAROTAR 2020, which started in September 2020. The requirement to provide additional origin information is a cumbersome additional task during customs and there have been cases of clearance lead times getting longer and clearance being halted. There were also cases where respondents gave up using the EPA.

② Issues Caused by BIS Certification

- Since December 2020, the export of certified steel products to India has required advance registration through the portal site of the Bureau of Indian Standards (BIS). The construction of this site puts the manufacturer of an item as the registrant rather than the trading company that is distributing it, causing confusion due to inconsistencies about the documentation required to be submitted by trading companies.
- The import of spring materials requires the acquisition of BIS certification but delays to the certification process due to COVID-19 have caused late deliveries. Companies have been forced to switch to local production, which has had a negative affect on profitability.
- Additionally, there were also issues such as the misdirected application of rules regarding stainless steel intermediary goods and companies being unable to export standalone electric motors.

③ Restrictive Export/Import Trade, Duty, and Customs Clearance

- There continued to be issues concerning the levying of duties on information and communications devices that are considered to be ITA specified items.
- During customs, the classification using HS codes is arbitrary and there were cases where items were classified as high-duty items or as being outside the scope of duty concessions under the Japan-India EPA. Also, penalties were imposed in cases where the respondents' interpretations were considered to be mistaken.
- Under the Japan-India EPA, there are many items that require VA and CTC requirements to be met at the same time, making it difficult to acquire COs.
- Antidumping and safeguard measures on steel products are being misused.

5. Southwest Asia India ③

④ Taxation Systems

- There continued to be issues concerning the goods and services tax (GST) introduced in January 2017. Many complaints concerned issues such as the ill-defined scope of taxation, its cumbersome operation, confusion due to different systems being used in each state or territory, and the high consultancy fees required to respond to the tax.
- There were continuing issues such as the unclear definition of “provision of technical services” in the bilateral tax agreement between Japan and India leading to inconsistent decisions regarding tariffs and an excessive withholding tax rate of 10%.
- Since 2020, the Equalization Levy has been expanded to include online advertisements and electronic transactions but its scope of application is unclear. Respondents demanded that opportunities to state their position be properly secured.

⑤ Industrial Standards, Approval of Safety Standards

- In addition to BIS certification, other issues in this category included unrealistic rules regarding packaging materials, the need for improvements to the energy efficient labelling system and its application, and the inconsistent application of environmental regulations.

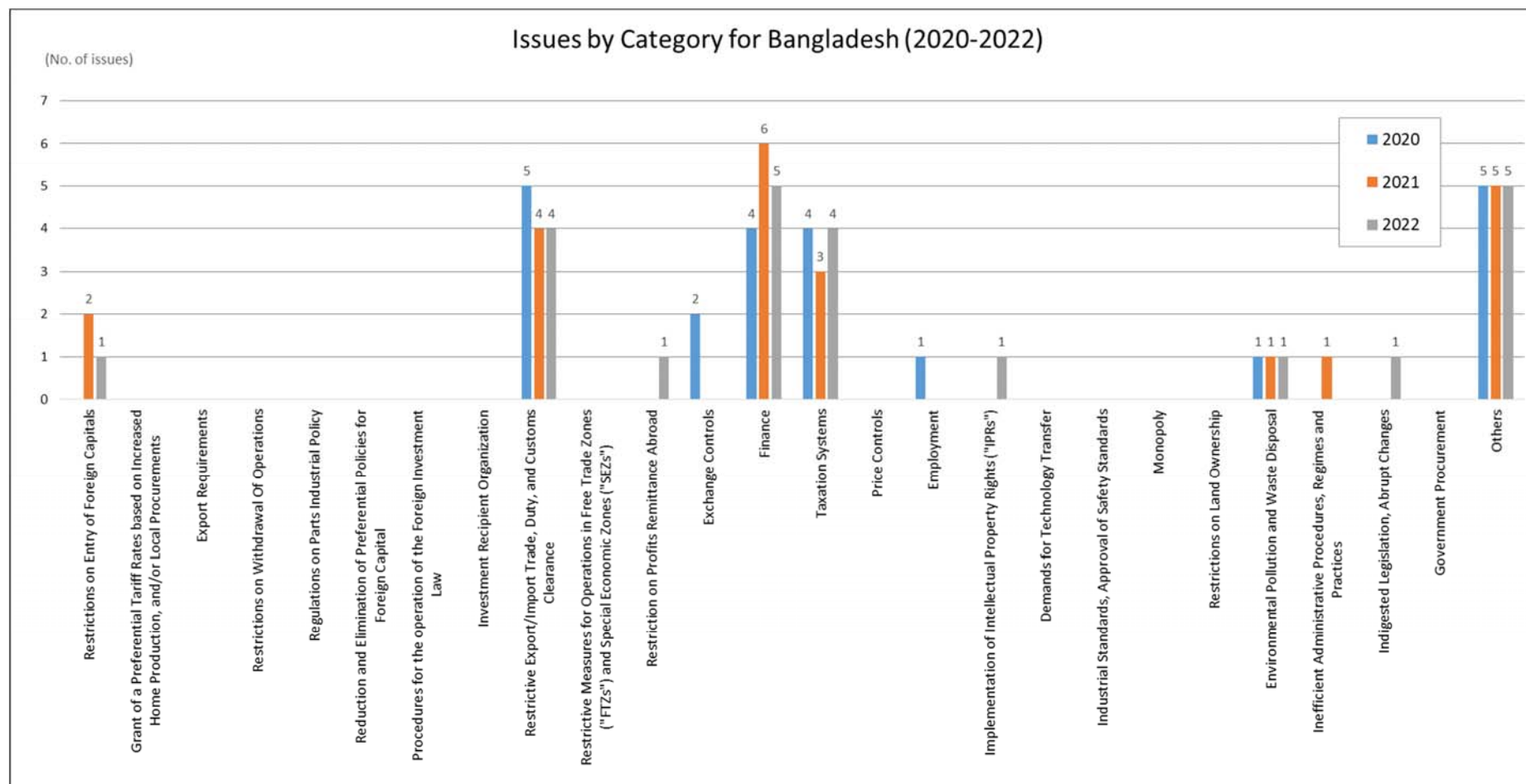
⑥ Other Issues

- There were continuing issues regarding insufficient infrastructure, such as electricity, communications, ports, and roads.

5. Southwest Asia Bangladesh ①

◆ Key Points

- There were many issues concerning “Finance,” such as transactions involving letters of credit. There were also cases in which payments from banks from third party countries were not guaranteed, making transactions more difficult.
- There were continuing issues in the “Other” category, including insufficient logistics infrastructure, a lack of stability in the civil order, and corruption.



5. Southwest Asia Bangladesh ②

① Finance

- There were many cases of delays to settlements by letter of credit (L/C). Also, as telegraphic transfer is not permitted, completing a settlement costs time and money. There were calls for regulations to be relaxed. Additionally, since the outbreak of COVID-19, payment guarantees of overseas Japanese banks do not cover L/C issued by local banks, so there were calls to use insurance to shoulder this risk.
- Overseas remittances are strictly regulated, so remitting advance payments on machinery purchase contracts overseas from Bangladesh is difficult. This makes contracts for expensive production machinery with long delivery dates extremely risky for manufacturers.

② Restrictive Export/Import Trade, Duty, and Customs Clearance

- Import duties levied on machinery products such as automobiles are particularly high, which is a barrier to investment by Japanese companies.
- There are enterprises importing undervalued used cars, which is having a negative impact on business. There was a request for authorities to police this and to assess the appropriateness of import prices.
- Clearance procedures are cumbersome and the handling can vary hugely depending on the customs official. Therefore clearance takes longer compared to other countries and the risk of freight congestion is high.
- The export of ODA-related machinery requires import duty to be paid in Bangladesh but the payment of these duties by Bangladesh clients is often delayed or prolonged, resulting in clearance delays.

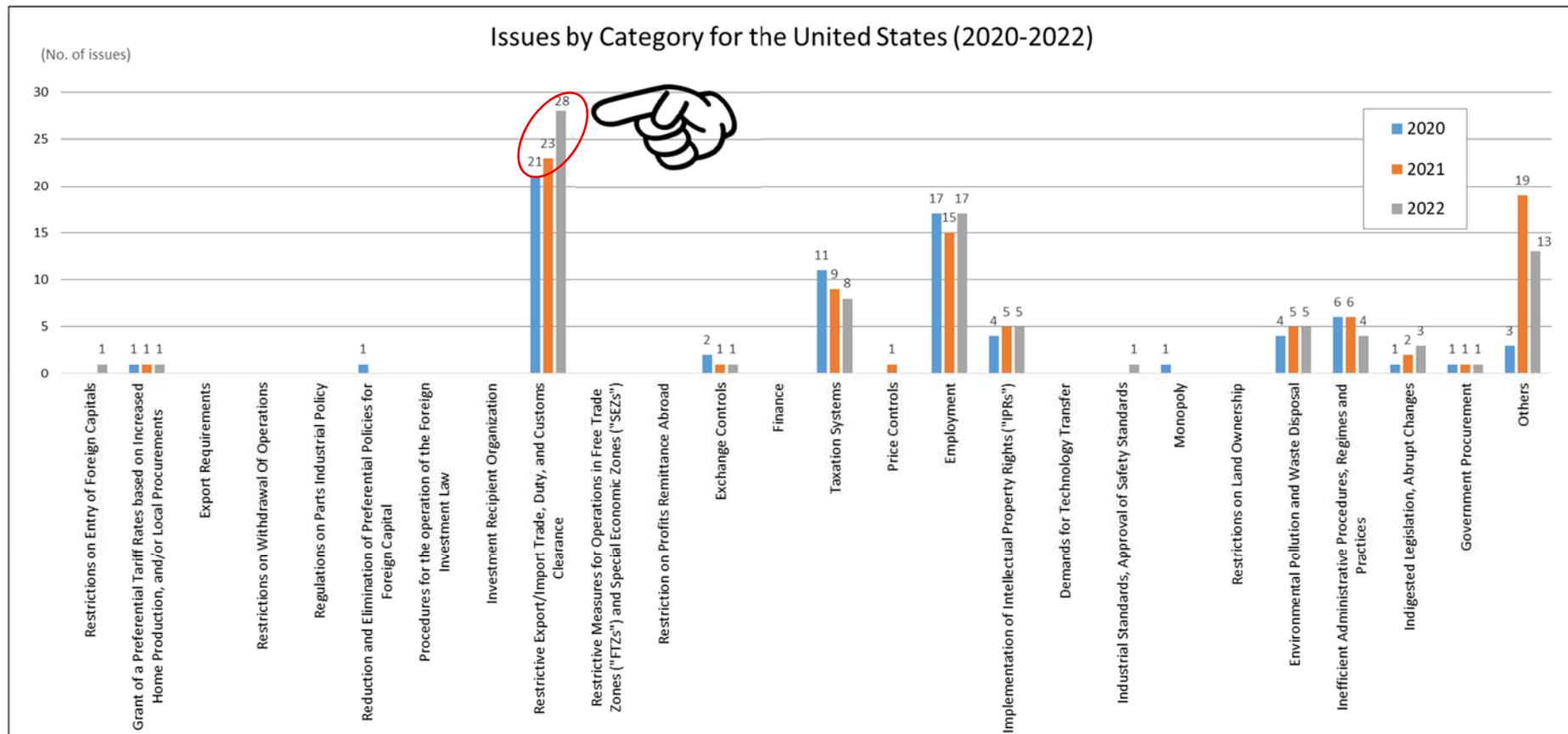
③ Other Issues

- There were issues such as the lack of legislation ensuring the safety of gas users, political instability, and illicit demands for money.

6. Americas the United States ①

◆Key Points

- The total number of issues identified was roughly the same as the previous year. Although there was an increase in issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance,” the overall trend was the same as the previous year. Many issues were caused by the trade friction between the US and China.
- Following the COVID-19 pandemic, there were many issues such as container shortages, semiconductor shortages, and increased difficulty in obtaining visas.



6. Americas the United States ②

① Issues Caused by US China Trade Friction

- There were very many companies complaining about the negative effect trade friction was having on their business activities, due to factors such as various regulations imposed because of the trade friction (including the 2019 National Defense Authorization Act, the Export Control Reform Act, and the Foreign Investment Risk Review Modernization Act), export control procedures becoming more complex, restrictions on the export of emerging technologies, restrictions on foreign companies investing in the US, and increases in duty rates.

② Measures for Steel and Aluminum Based on Section 232 of the Trade Expansion Act

- Steel and aluminum products that cannot be procured within the US are subject to the measures, resulting in a large number of negative effects such as increases in the cost of customs payments and changes to logistics.

③ Restrictive Export/Import Trade, Duty, and Customs Clearance

- Continuing issues included high duties and complex calculation methods for clocks and clock parts, strict and cumbersome regulations for labeling place of origin, and idiosyncratic labeling requirements, as well as the overuse and prolongation of anti dumping and countervailing duties in regard to steel products. Safeguard measures are being put in place for solar panels and there were calls for Japanese products to be exempted from these.
- There were calls for the reinstatement of the Generalized System of Preferences which expired at the end of 2020.
- There were continued calls for swift movement on phase two of negotiations over the U.S. Japan Trade Agreement and complaints that basing rules of origin on change of tariff classification alone would have an adverse effect.
- There were complaints that following the enactment of the Uyghur Forced Labor Prevention Act, requirements such as inspections tracing products back to raw materials were creating heavy workloads.

6. Americas the United States ③

④ Employment

- There continued to be issues such as stricter requirements for granting visas, cumbersome visa renewal procedures, the time period for foreigners to acquire a driver's license in California being unreasonable, increased costs due to the raising of minimum wages, and labor shortages.

⑤ Taxation Systems

- Up to 2021, the limit for deductible business interest expenses was 30% of earnings before interest, taxes, depreciation, and amortization, but from 2022 onward, this has been revised to 30% of earnings before interest and taxes. As this raises borrowing costs, there were calls for a return to the previous limit.
- Taxation systems differ between states, and changes are frequent. This creates an extremely heavy burden in areas such as accounting workloads and payments to audit firms.
- US subsidiaries that are holding companies and possess multiple subsidiaries are subject to the GILTI taxation system. The administrative burden of this system is extremely heavy and the future introduction of Pillar 2 through international agreement will result in the application of two similar taxation systems, effectively resulting in double taxation.

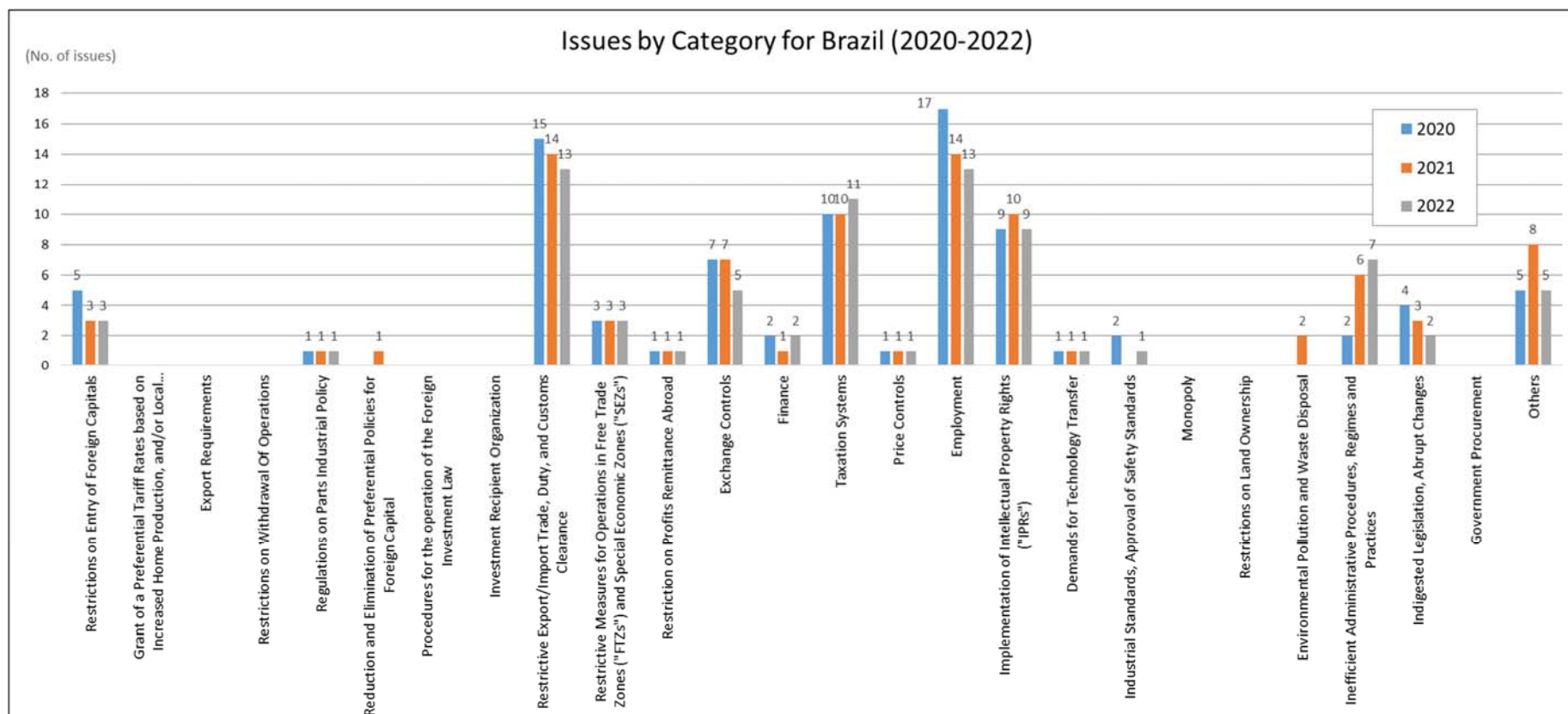
⑥ Environmental and Waste Disposal Issues

- There continued to be issues with excessive regulations prohibiting fire retardant components in items such as children's products, leather products, and electronic devices, and excessive and unrealistic regulations on fluoride compounds.
- There were continuing concerns about regulations and risk assessment methods under the Toxic Substances Control Act for phenol, isopropylated phosphate (PIP (3:1)), a substance that is not regulated in other countries, including in Europe.

6. Americas Brazil ①

◆Key Points

- The total number of issues decreased by 10% compared to the previous year. Overall results were similar to the previous year and there were many longstanding issues that have not seen any improvements in categories such as “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Employment,” “Taxation Systems,” and “Implementation of Intellectual Property Rights.”
- There was an increase in the number of issues concerning “Inefficient Administrative Procedures, Regimes and Practices.”



6. Americas Brazil ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- There were continuing issues with high duties on items such as food products and medical equipment (dental materials).
- The fees for acquiring import licenses are high and it takes a long time.
- There continued to be issues such as the requirement to use Portuguese for product names on invoices, customs clearance taking a long time, customs officials frequently going on strike, and widespread illegal imports and smuggling.
- As the EPA between the EU and Mercosur has been agreed and is now awaiting ratification, there were ongoing calls for an EPA to be concluded with Japan.

② Employment

- There continued to be issues with laws and regulations that are overprotective of workers, steep rises in labor costs, and obligations to employ local workers.

③ Taxation Systems

- There were complaints that methods for calculating transfer pricing is opaque and do not conform to OECD standards, as well as continuing issues such as indirect taxes that are complicated and difficult to claim refunds for.

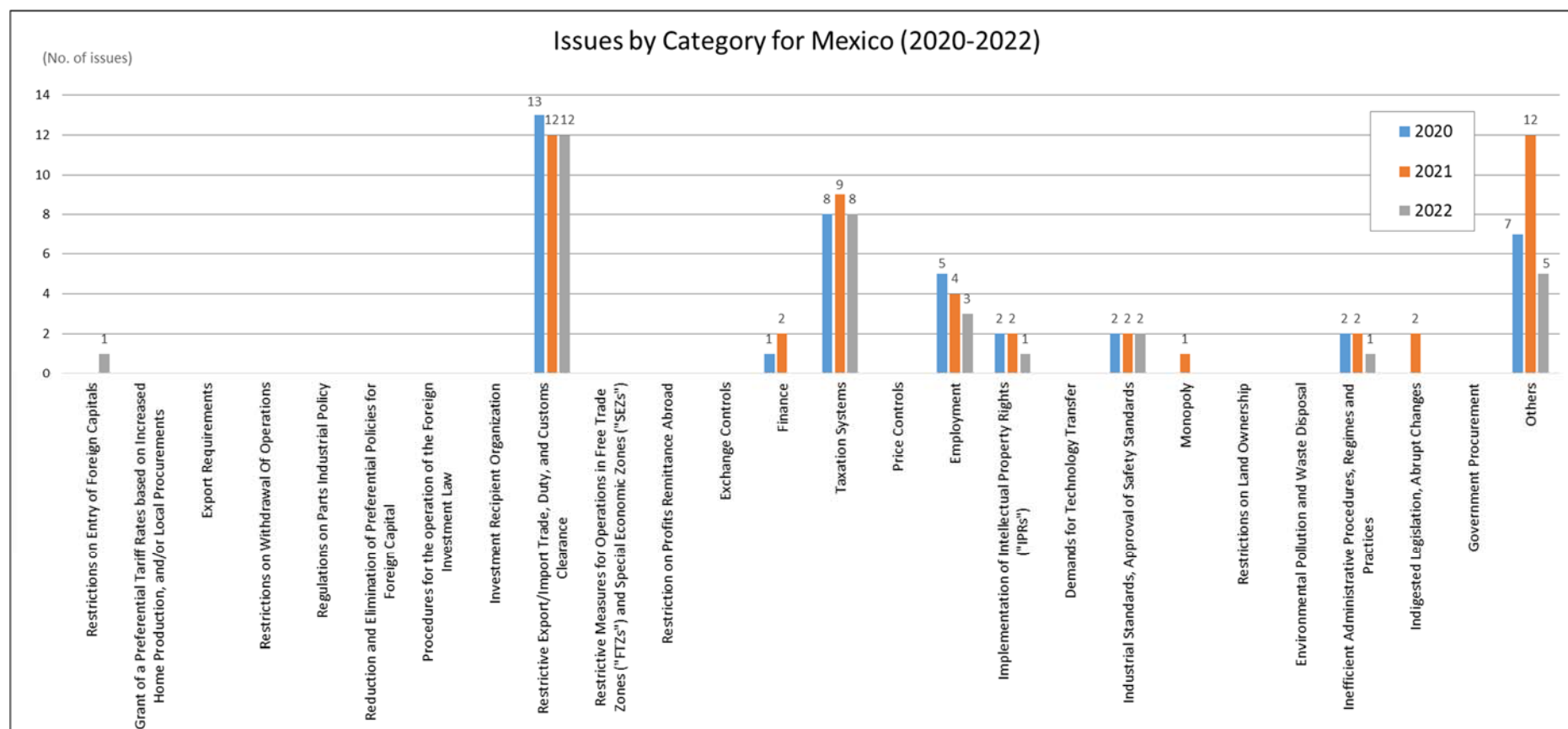
④ Inefficient Administrative Procedures, Regimes and Practices

- The country appears to be backtracking from its policy of lowering duties to encourage the introduction of hybrid and electric vehicles. While the Rota Program 2030, an initiative to support the auto industry, includes investment incentives and measures that encourage a response to environmental and safety issues, it is not linked to carbon neutrality and government policy has yet to be determined.

6. Americas Mexico ①

◆Key Points

- The number of issues decreased by 30% compared to the previous year. As in the previous year, there were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Taxation Systems.” There were also many longstanding issues.
- The number of issues related to the COVID-19 pandemic decreased. In the "Restrictions on Entry of Foreign Capitals" category, there was a new issue concerning energy policy.



6. Americas Mexico ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- In November 2021, the MFN duty rate for steel products was raised (10%→15%). Additionally, there were continuing complaints about the misuse of antidumping measures for steel products.
- The documents that need to be submitted during clearance differ depending on customs officials, and there were cases where clearance not only took a long time, but items were also confiscated.
- The CO acquisition process under the Japan-Mexico EPA is cumbersome and a large workload was created due to origin being determined by a combination of VA and CTC.
- Following the switch from NAFTA to USMCA, effects such as an increase in the rate of locally-produced automobiles and minimum wage requirements had a negative impact on business results.
- Official standards have been revised leading to concerns of decreases in cost-competitiveness due to the application of approval labels at export locations.

② Taxation Systems

- In 2022, changes to taxation rules under the maquiladora system have made tax burdens heavier.

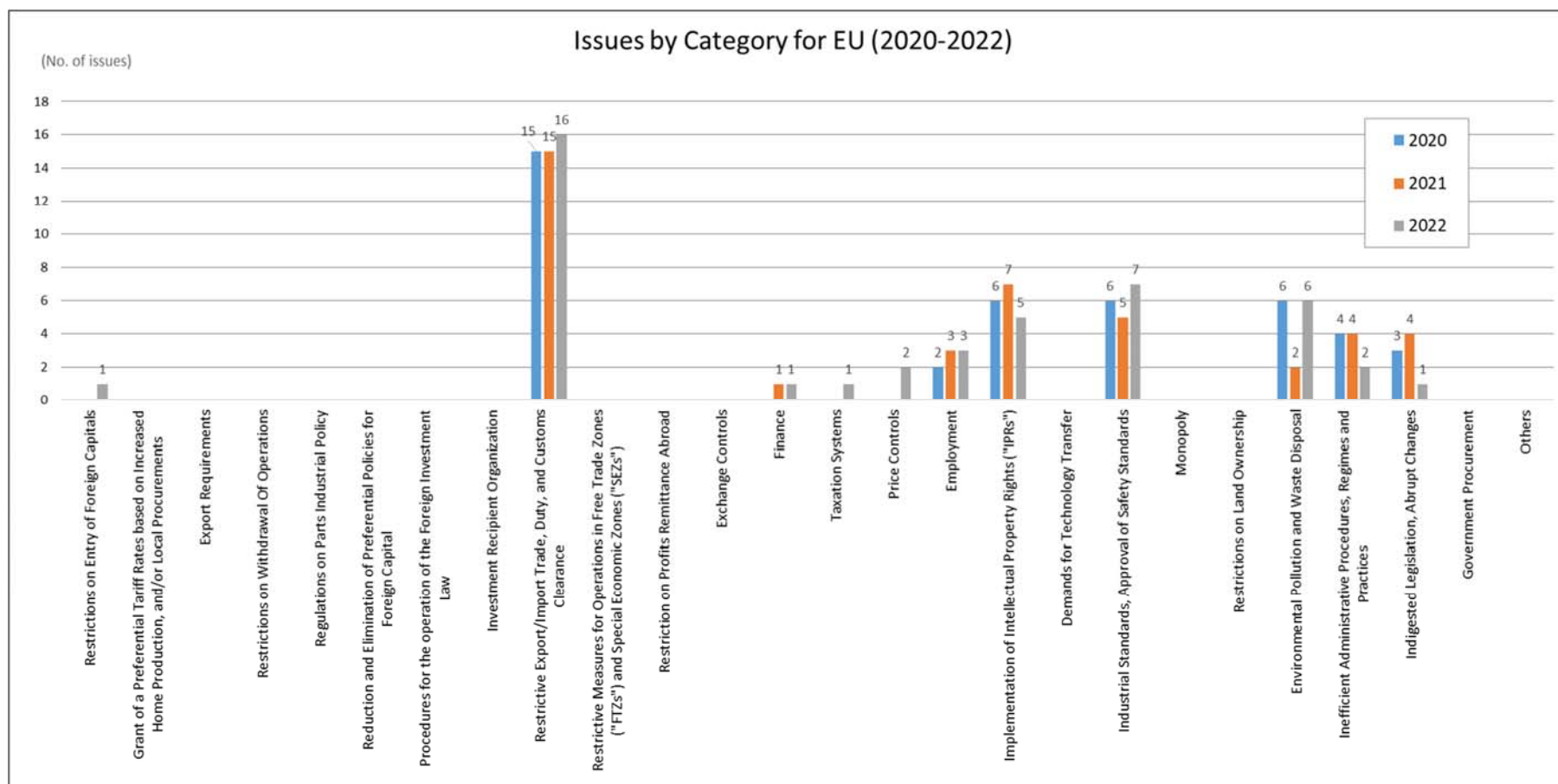
③ Restrictions on Entry of Foreign Capitals

- The Mexican government is currently considering revising energy legislation in a way that will favor state-controlled companies. This will have a negative effect on the investment and participation of foreign companies in Mexico's energy market.

7. Europe and Russia EU ①

◆Key Points

- Results were roughly the same as the previous year. There were also longstanding issues that have not seen any improvements.
- There was an increase in issues concerning industrial standards and the approval of safety standards.



7. Europe and Russia EU ②

① Japan EU EPA

- Respondents are claiming refunds on duties paid to authorities in Germany, the UK, Italy, Spain, and France, but each country interprets rules differently resulting in a lack of consistency. There was also a problem with slow response times.
- There were complaints that in Italy and Estonia, although respondents entered the correct corporate number in the Exporter Reference Number section of proofs of place of origin, they were told by customs that it was wrong. The agreement clearly states that a Japanese company's corporate number is its reference number, but this seems to be being mixed up with the reference numbers assigned to EU companies.

② Restrictive Export/Import Trade, Duty, and Customs Clearance

- There continued to be issues raised regarding the negative impact of antidumping and safeguard measures on steel products. These are furthering post-COVID-19 cost increases and threatening profitability, as well as preventing companies from procuring enough steel in Europe for their efforts to switch to EV.
- When using the advanced ruling system, it takes too long to gain approval (about 120 days).

③ Effects of Brexit

- The FTA between the EU and UK does not include extended cumulation resulting in an increase in the cost of products produced in countries such as Japan, South Korea, and Turkey.
- There were calls for the mutual recognition of batch tests of pharmaceutical products.
- Previously, it was possible to ship to each European country directly from the UK but now goods have to go through the Netherlands.

7. Europe and Russia EU ③

④ Industrial Standards, Approval of Safety Standards

- When continuing to use the Medical Device Directive (MDD) or applying to switch to the Medical Device Regulation (MDR), the requirements regarding clinical evaluations have become stricter. The cost of gaining approval is also high.
- Some products are unable to retain their CE mark after switching from MDD to MDR, so there were concerns that this will cause product shortages.
- While many enquiries were made to the notified body (NB), there were no responses regarding an overview of the MDR certification procedure and estimates.
- Under the CE Machinery Directive, when exporting from a country outside of the EU into an EU member country, an authorized representative must be established within the EU, and if a company does not have a local subsidiary, then it must ask a business partner or individual to be this representative. There are concerns that this will become a hindrance on exporting into the EU.
- The processes for applying for exemptions from the RoHS Directive and ELV Directive are cumbersome.
- Regarding packaging regulations, each country has different requirements that should be met and the content that must be reported to the authorities also differs. There were calls for a more uniform approach in this area.

⑤ Introduction of New Regulations

- Many respondents stated their unease about the system designs of new regulations that are being introduced, such as the Carbon Border Adjustment Mechanism, carbon footprint calculation methodologies, the Corporate Sustainability Reporting Directive, and the Digital Markets Act.

7. Europe and Russia Main EU Member Countries ①

① France

- When exporting crocodile leather watch bands, in addition to acquiring approval under the Washington Convention in Japan, importers must also acquire an import license, which costs time and effort. Also, for samples that are covered by an ATA Carnet, an export/import license is needed every time (issues were raised regarding similar measures in many countries).
- A digital tax has been introduced ahead of international consensus and there were calls for it to be abolished.
- There continued to be concerns about the way systems are operated, such as unfairness in the system for determining rates by recipients under the private copying levy scheme.
- There were continuing complaints about excessive burdens on manufacturers regarding the labeling of recyclable products (Triman Logo).
- On January 1, 2022, a law was enacted requiring the disclosure of information on all chemical substances found within products. This system goes beyond REACH regulations and may hinder the free distribution of products within the EU.

② Germany

- Under the EU-Japan EPA, in other countries it is possible to submit documentation once and then use it for a long time. In Germany, however, there is a continuing issue with the requirement for documentation to be prepared every time.
- If intellectual property rights are registered in Germany, companies are obligated to pay withholding tax in Germany for any earnings related that right, such as usage fees, even for transactions between partners that are both not resident in Germany. Since July 2022, Japanese companies can be exempted from paying this withholding tax under the bilateral tax agreement but applying for this exemption is a considerable administrative burden.

7. Europe and Russia Main EU Member Countries ②

③ Italy

- A digital tax has been introduced ahead of international consensus and there were calls for it to be abolished.
- The private copying levy for tv content is high. It is possible to get an exemption for professional use but the procedures for this are cumbersome.
- There continued to be calls for social security agreement to be made.
- Since January 2022, Italy has imposed unilateral labeling requirements not included under the EU Packaging Directive (consumer information and recycling group must be shown in Italian). This may hinder the free distribution of products within the EU. (Official introduction has been postponed.)

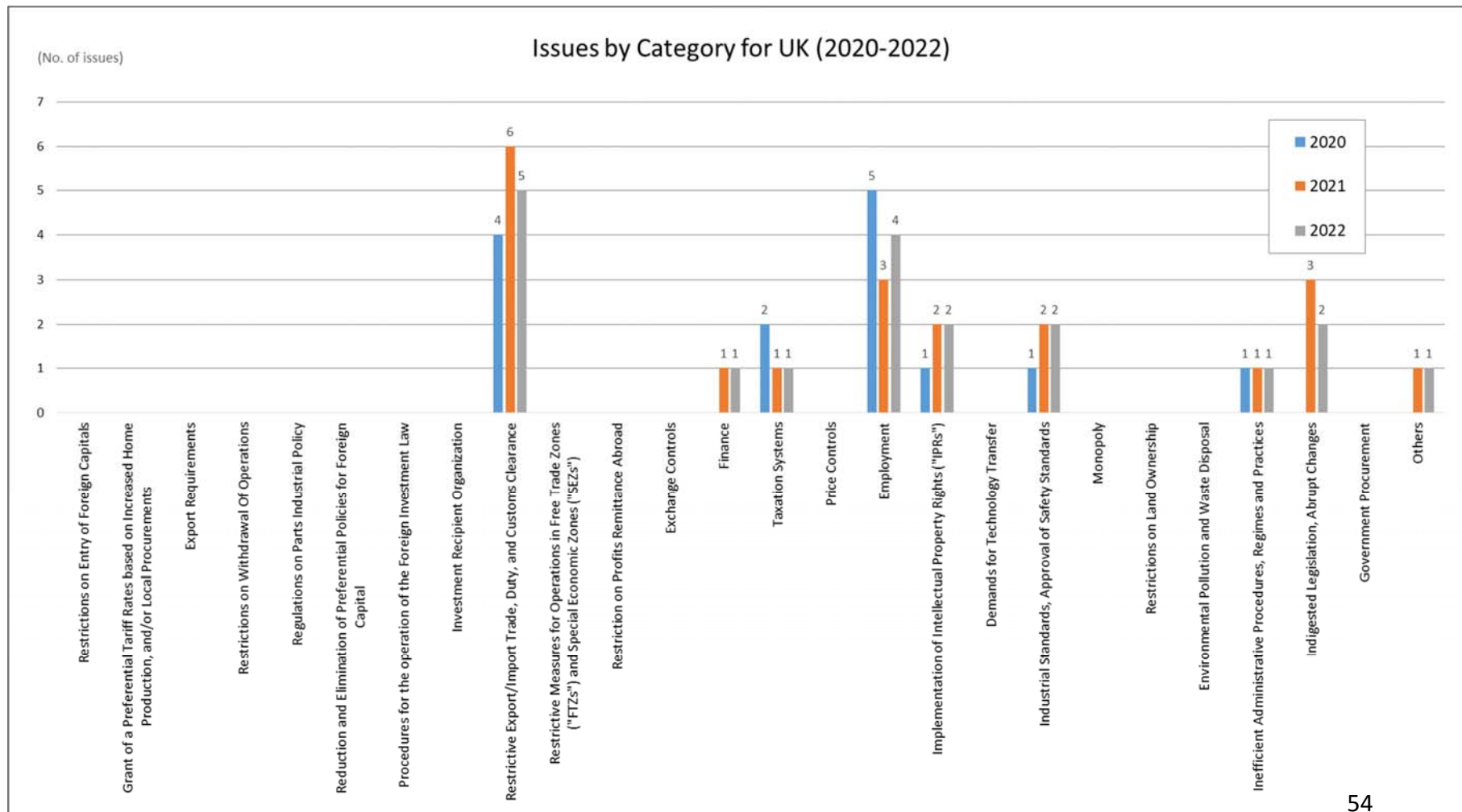
④ Spain

- A digital tax has been introduced ahead of international consensus and there were calls for it to be abolished.
- The legal maximum limit on overtime hours is too short and not appropriate for cases such as engineers working in remote locations.
- Although the conclusion of a social security agreement has eliminated duplicate pension payments, the requirement to renew ID cards every year is cumbersome.
- Retention periods for service parts and legally mandated guarantee periods are longer than required under EU law.

7. Europe and Russia UK ①

◆Key Points

- One year has passed since Brexit. There continued to be issues in categories such as “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Industrial Standards, Approval of Safety Standards.”
- Dealing with differences in rules between Northern Ireland, which is effectively still within the EU, and the rest of the UK is particularly cumbersome and companies are struggling to respond.



7. Europe and Russia UK ②

① Effects of Brexit

- Preferential duties under the EU-UK FTA (TCA) cannot be used for Japanese products that are shipped to the UK through the EU.
- Extended cumulation is not included in the TCA, resulting in an increase in the cost of products produced in countries such as Japan, South Korea, and Turkey.
- There were calls for the mutual recognition of batch tests of pharmaceutical products between the EU and UK.
- The use of CE marks has been extended until the end of 2022 but the transition period to the UKCA marking system is insufficient. Also, industrial standards and safety certifications, including markings, differ between Northern Ireland and the rest of the UK, even though they are in the same nation, and responding to this is cumbersome.
- The interpretations of the EU and UK differ regarding matters such as pharmaceutical regulations governing the provision of pharmaceuticals in Northern Ireland, making it difficult for companies to respond.

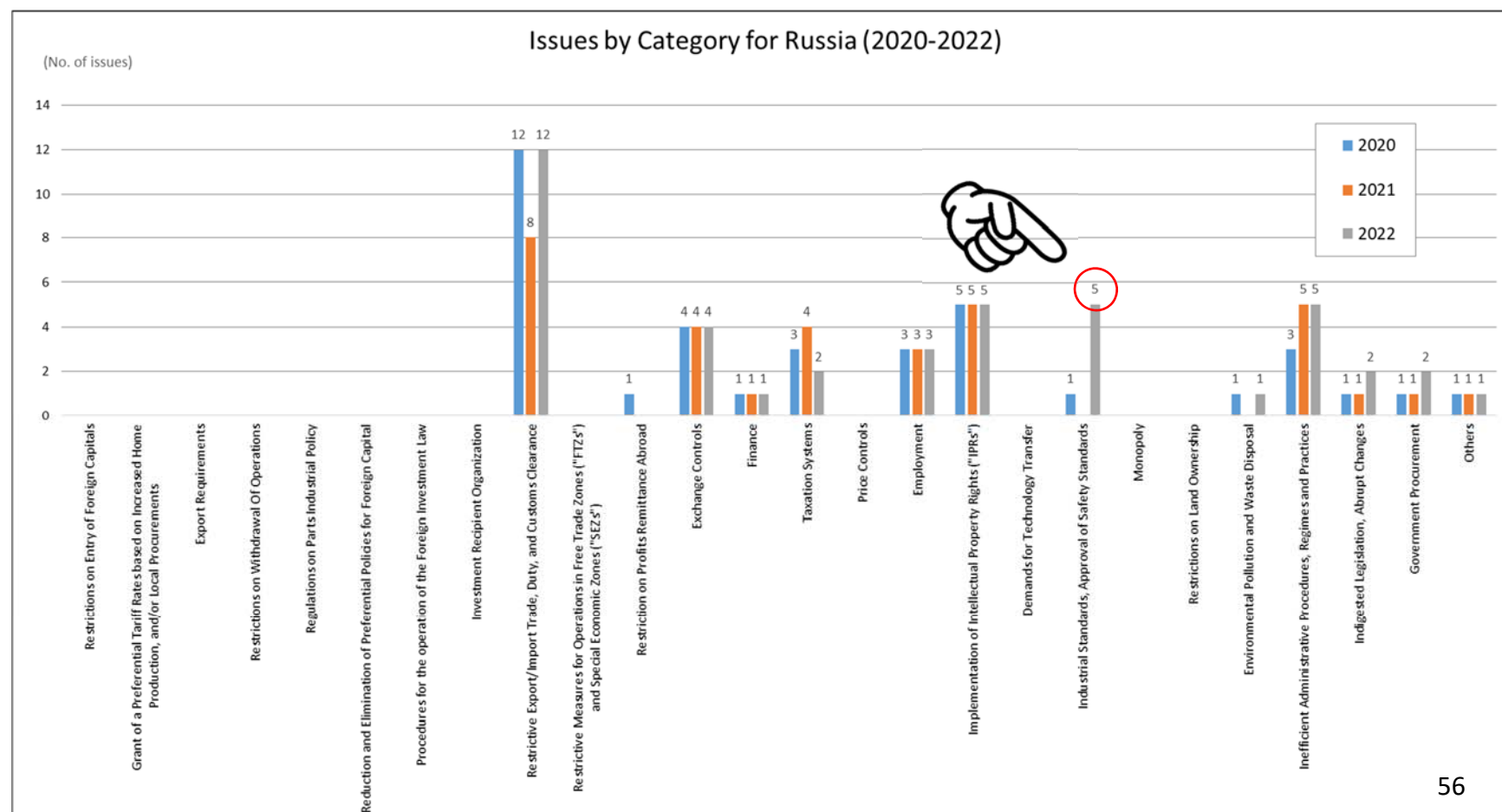
② Other Issues

- The transactions covered by the Modern Slavery Act and related monitoring standards are unclear. There are also few tools available to make this clearer.
- A digital tax has been introduced ahead of international consensus and there were calls for it to be abolished.
- In order to get a local driver's license, applicants are required to submit their actual biometric residence permit (BRP), meaning they are unable to travel outside the UK while the application is processed.

7. Europe and Russia Russia ①

◆Key Points

- There were no issues related to the invasion of Ukraine, which started just before the survey submission deadline.
- As in previous years, the largest number of issues concerned “Restrictive Export/Import Trade, Duty, and Customs Clearance” and there were also many issues concerning “Implementation of Intellectual Property Rights” and “Inefficient Administrative Procedures, Regimes and Practices.”
- There were five complaints concerning “Industrial Standards, Approval of Safety Standards” compared to zero in the previous year.



7. Europe and Russia Russia ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- Issues included high duties overall (including for clock products), high export duties on timber, additional fines for altering invoice amounts, and cumbersome administration for importing samples.
- On January 30, 2022, legislation covering the import and sale of spare parts was enacted leading to a stricter stance on the import of spare parts.

② Industrial Standards, Approval of Safety Standards

- The process for registering healthcare equipment is inconsistent and requirements depend on the official handling the case.
- The international norm for expiry dates on ingredients for frozen aquatic products is two years, but in Russia it is often one year or less. This causes issues such as a loss of competitiveness for products from other countries and the cumbersome task of checking dates.

③ Exchange Controls

- When remitting foreign currency, documents such as the transaction agreement must be submitted in advance. Furthermore, approval is required for remittances through banks, which puts companies at a disadvantage when negotiating matters such as fees with banks.
- Borrowings from Group companies and borrowings from local banks that are guaranteed by parent companies are subject to the thin capitalization tax system. Under current country risk, the number of local banks that can set borrowing limits without a parent company guarantee is limited, making it difficult to secure sufficient lines of funding.

④ Implementation of Intellectual Property Rights

- Issues included the inability to patent computer programs as inventions, parallel application routes through the Eurasian Patent Organization and the Russian Federal Service for Intellectual Property, the potential changing of the principle that patents are exclusive rights, and insufficient response to and policing of counterfeit products.

7. Europe and Russia Russia ③

⑤ Inefficient Administrative Procedures, Regimes and Practices, Indigested Legislation, Abrupt Changes

- All companies that collect personal information (of employees, customers, etc.) must store said information within Russia and are not permitted to move it overseas.
- Companies that supply information through the internet must store specified data (IP addresses, emails, etc.) within Russia for six months.
- Pharmaceutical regulations concerning contact lenses and associated care products change frequently and responding to these regulations is causing losses of opportunities.
- For legislation such as laws covering tax, import clearance, and safety standards, the time between notification and implementation is too short and there have been many cases where implementation is not possible. There are also frequent cases where the authorities' staff are not provided with specific response measures and directions meaning that said staff are unable to respond even after legislation has been enacted.
- The implementation of the EAEU (Eurasian Economic Union) mandatory certification procedure which was scheduled for January 2022 was delayed on December 24, 2021, just before it was to come into effect.

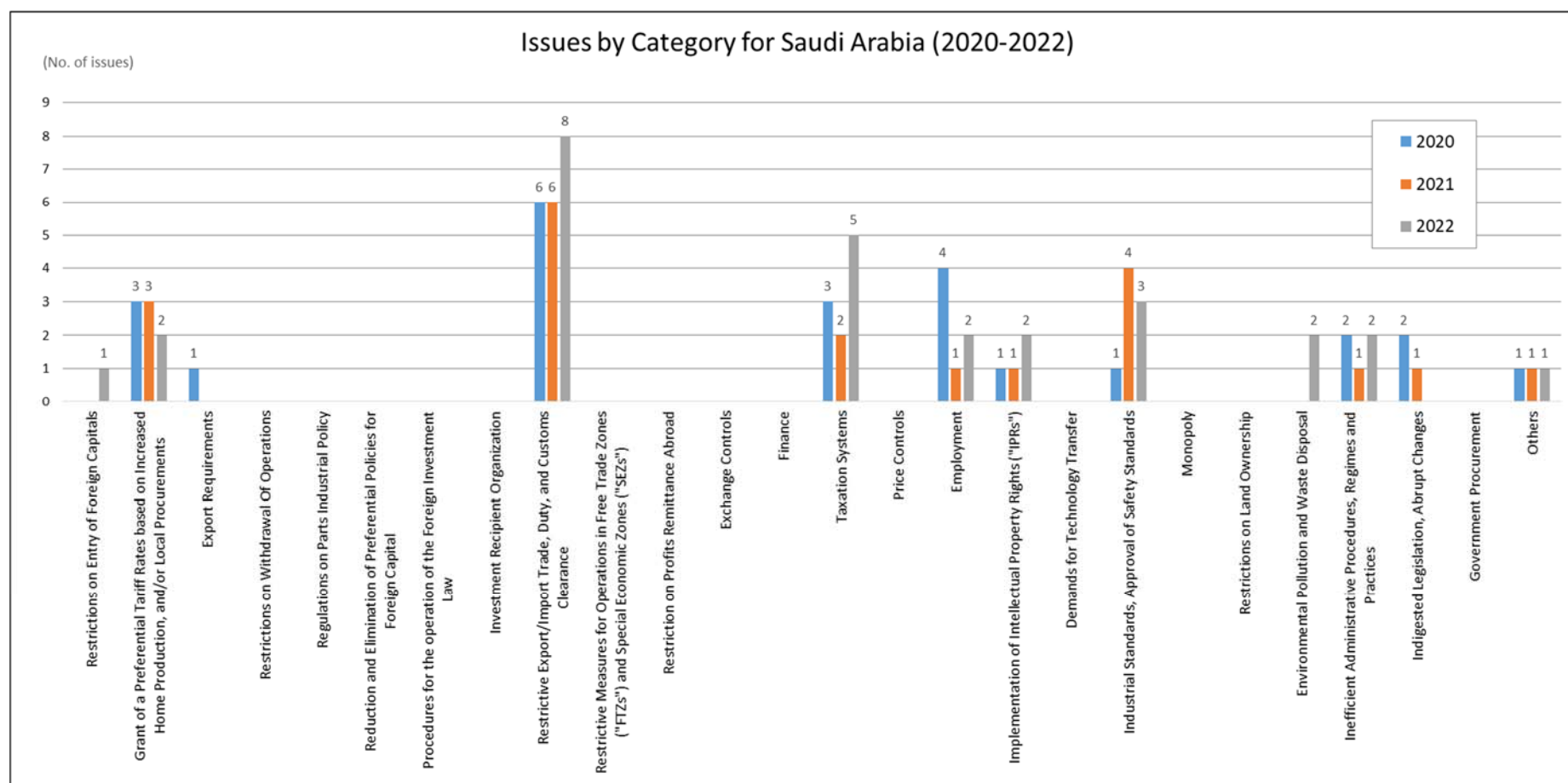
⑥ Government Procurement

- The government only procures Russian-made storage equipment (laptop computers, tablets, etc.). The procedures and standards for acquiring "Russian-made" status have changed and are now more complicated.
- The public procurement of pharmaceuticals gives preference to domestically produced products and overseas products can only be procured through a tender system. There are concerns that this will hinder sales. The definition of "domestically produced product" is also unclear.

8. Middle East and Africa Saudi Arabia ①

◆Key Points

- There were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Taxation Systems.”
- There were ongoing issues regarding clearance under unilateral systems such as SABER and SASO. Complaints regarding taxation included continuing disparities in the application of corporate taxes, unreasonable tax investigations, and violations of the bilateral tax agreement.



8. Middle East and Africa Saudi Arabia ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- There were continuing issues with the SABER platform introduced in 2019. When a new item becomes subject to this system, companies are only informed through information registered on the SABER system, not through revisions to legislation or information shared beforehand. This means shipments have to be stopped while conformity assessments are carried out and test reports are acquired. There were also complaints that rules are unclear and that it is difficult to obtain proof of place of origin.
- Items subject to the export conformity assessment program presided over by the Saudi Standards, Metrology and Quality Organization (SASO) require pre-shipment inspection, which costs time and money.

② Taxation Systems

- The corporate tax rate for foreign companies is 20% while domestic companies are only subject to a zakat of 2.5%. This hinders fair competition between foreign and domestic companies for business investment projects (such as IPP and IWP).
- Tax authorities are carrying out tax investigations even when it is clear that there are absolutely no errors. Furthermore, companies are not given enough time to respond and costs are incurred.
- VAT was raised in July 2020 but companies were notified suddenly just one month before the change. Proper procedure is commonly not followed, such as notifications being made through social media.
- Domestic tax rates are being applied instead of the rates determined by the Japan-Saudi Arabia bilateral tax agreement.

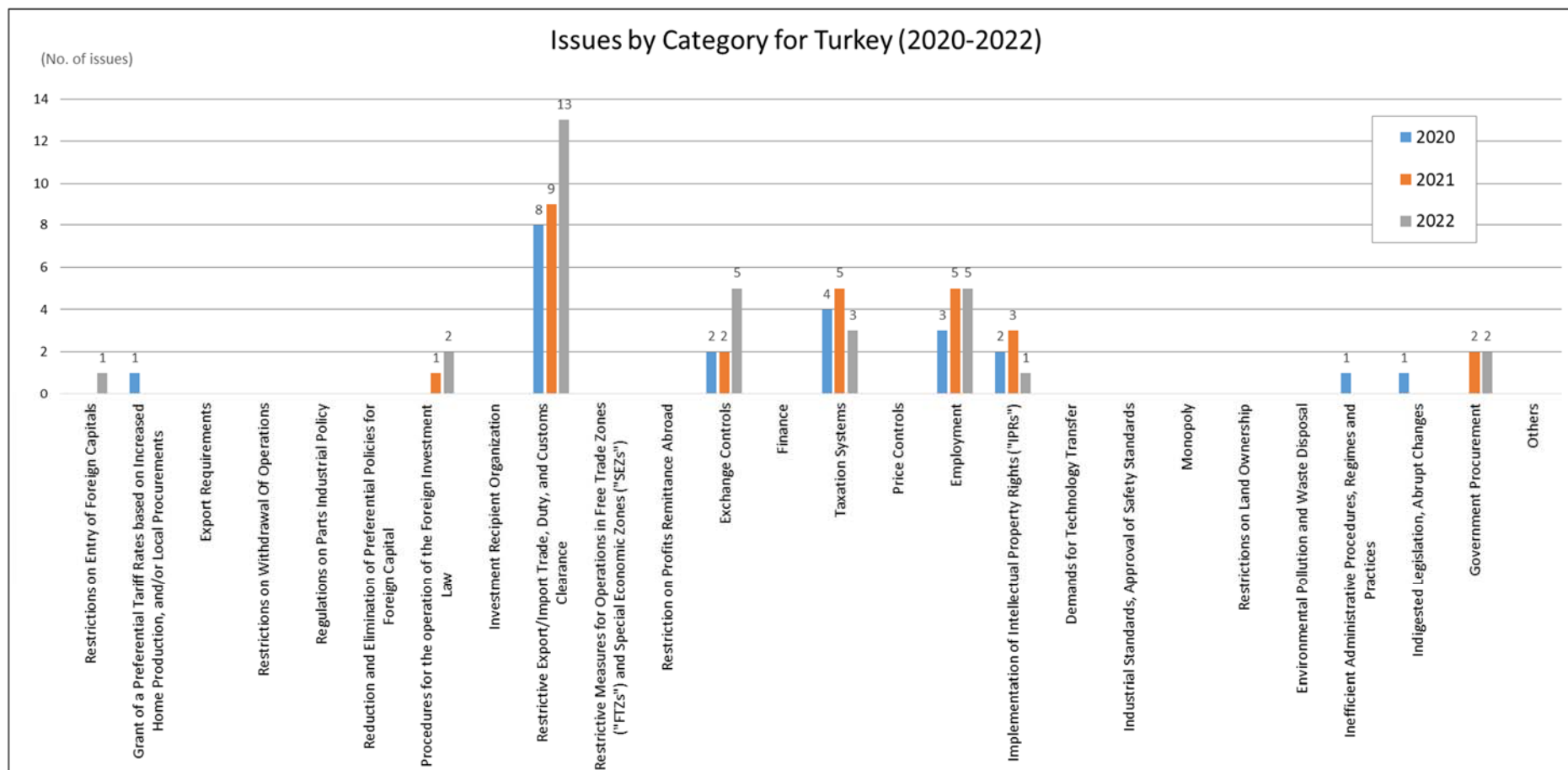
③ Industrial Standards, Approval of Safety Standards

- Issues included irregular requirements under SABER, such as the submission of CB reports for spare parts, and the burden of having to submit test reports issued within six months of the submission date in order to renew SASO certified energy efficiency labels for air conditioning units, washing machines, and refrigerators.

8. Middle East and Africa Turkey ①

◆Key Points

- There was an increase in issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Exchange Controls.” There were also ongoing complaint such as problems with additional tariffs introduced since 2020.
- There continued to be calls for an EPA and a social security agreement to be made.



8. Middle East and Africa Turkey ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- Since April 2020, additional tariffs have been levied on a wide range of items such as clocks and construction machinery. This is putting a burden on companies that produce locally and Japanese products are losing their competitiveness in terms of price.
- Clearance regulations on food samples are opaque and contain strict standards, and there were cases where samples ended up having to be thrown away.
- There were ongoing calls for the swift conclusion of an EPA.
- Clock products that do not have an EU REACH test report are unable to clear customs and responding to this requirement is a large burden. Therefore, there were demands to be able to use information acquired from upstream in supply chains as a substitute.

② Exchange Controls

- Issues included exchange risk due to a decline in exchange rates against the Turkish lira and increases in the cost of managing foreign exchange caused by increases in effective interest rates that deviate from official rates.
- Companies located in Turkey can only make exchange contracts with Turkish banks. This means that cross-border financing becomes subject to various taxes, including the Resource Utilization Support Fund (RUSF) tax and VAT.

③ Employment

- Foreign companies are obligated to employ five local people for each expatriate employee, meaning that companies are unable to bring in overseas employees when they are needed.
- As there is no social security agreement between Japan and Turkey, social insurance must be paid for expatriate employees in both Japan and their country of residence, which puts a burden on Japanese companies.

8. Middle East and Africa Turkey ③

④ Taxation Systems

- Turkey introduced a digital services tax in March 2020, ahead of international consensus, so there are calls for this tax to be abolished if an international consensus can be reached.
- If proof that a payment has been settled cannot be provided during clearance then the Resource Utilization Support Fund (RUSF) tax is levied. This means that funding has to be prepared in advance through a bank in Turkey, which is bad in terms of capital efficiency.
- Stamp duty is levied at a fixed rate, regardless of the contract amount, which squeezes profits.

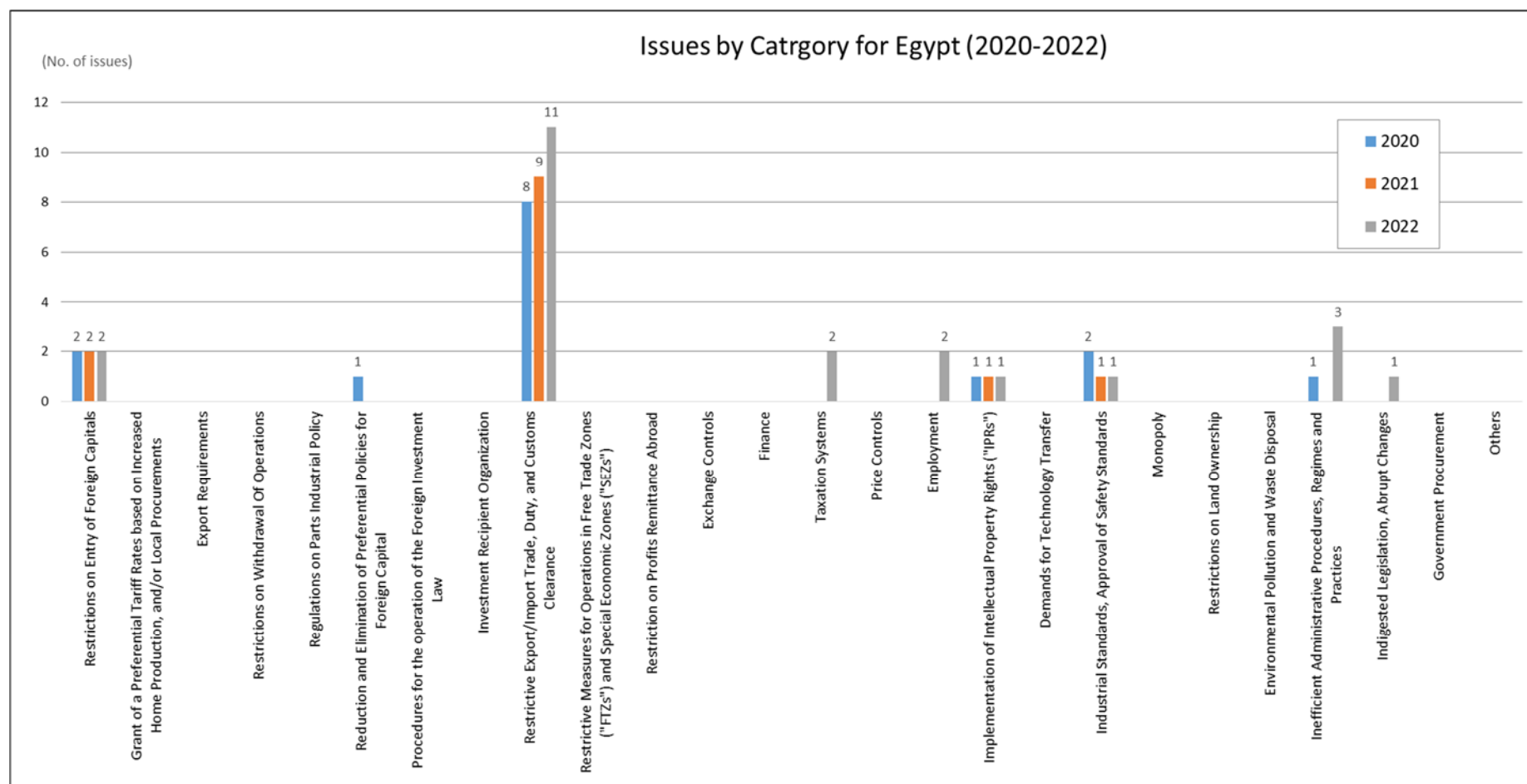
⑤ Government Procurement

- Government procurement requirements are complex and a tender will not be established unless the number of participants meets or exceeds a certain number. Also, even after a tender has been made, procurement laws require agreements to be denominated in Turkish lira.

8. Middle East and Africa Egypt ①

◆Key Points

- The number of issues has risen rapidly compared to the previous year. There were new issues concerning “Taxation Systems,” “Employment,” and “Inefficient Administrative Procedures, Regimes and Practices.”
- New issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” included pre-customs notification before goods arrive. There were calls for an EPA to be concluded.



8. Middle East and Africa Egypt ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- In October 2021, a system was introduced for notifying customs of information on goods before the goods arrive, but there are many aspects of this system that are unclear and making enquiries requires time. There are also factors such as sudden changes in related fees that are causing disruptions on the ground.
- Products that have not been manufactured in an ISO-certified factory cannot be shipped to Egypt for sale. Furthermore, even for products from an ISO-certified factory, export procedures are cumbersome and require an extremely large amount of work.
- Customs implements changes in duty rates without a transition period meaning that for each change, companies must coordinate with the authorities to respond to the new rates.
- Pre-shipping inspection companies stipulated by the Egyptian government differ depending on the country being exported to, resulting in transactions having to be made with many companies.
- The fact that brand-name parts are not inspected during customs is being misused, leading to issues such as the avoidance of duties and influx of inferior products.
- There were calls for Japan to conclude an EPA with Egypt.

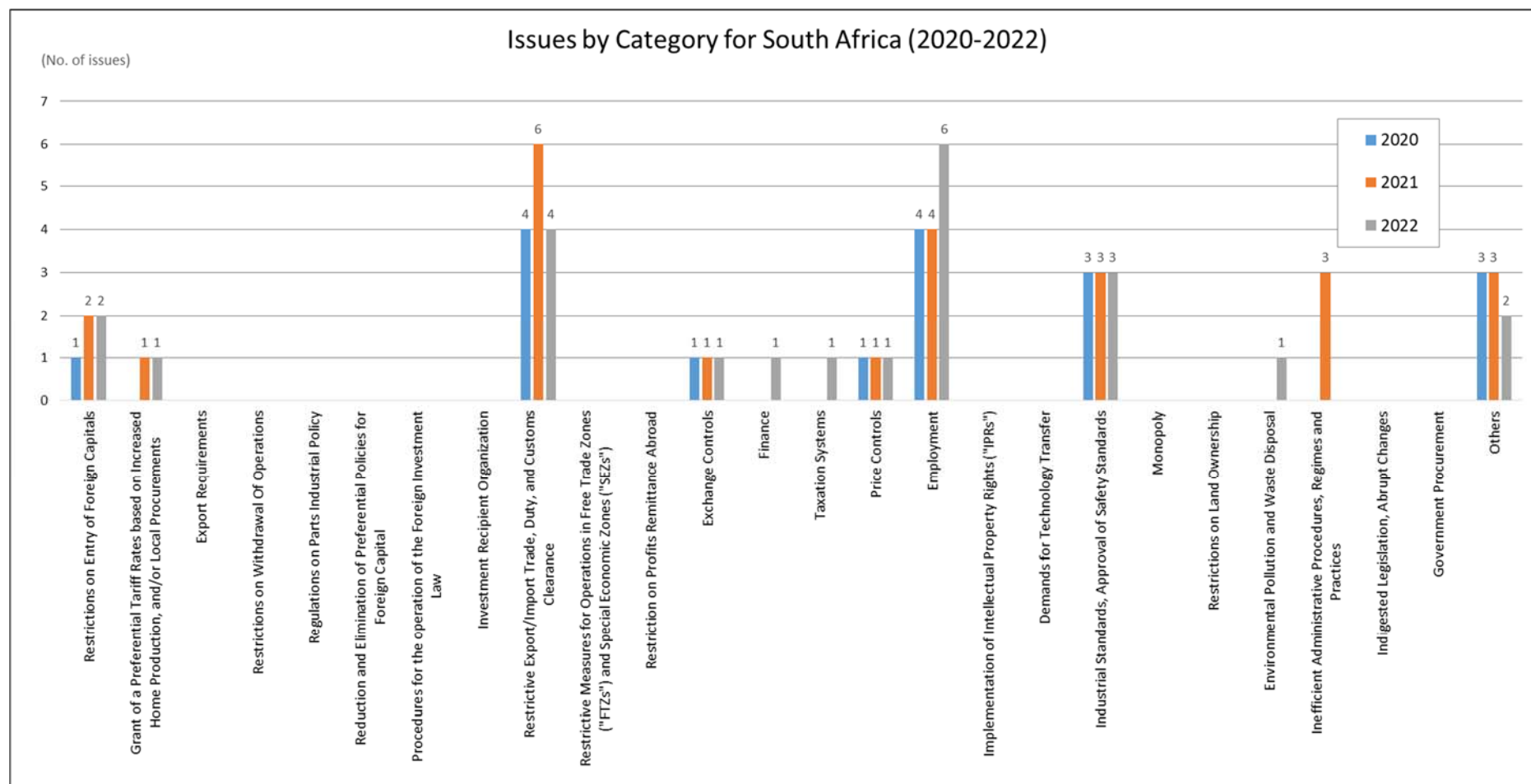
② Inefficient Administrative Procedures, Regimes and Practices

- Commercial contracts generally require consular approval, which incurs a set fee. Additionally, this process is still paper-based which is time consuming.
- When concluding agreements with government-backed organizations, Egypt is specified as the country of arbitration, and the contents may be modified after the agreement is signed.

8. Middle East and Africa South Africa ①

◆Key Points

- The number of issues concerning “Employment” has increased. There were also many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Industrial Standards, Approval of Safety Standards.”
- There continued to be an issue with the Broad-Based Black Economic Empowerment program obstructing the entry of foreign capital.



8. Middle East and Africa South Africa ②

① Issues Concerning the Broad-Based Black Economic Empowerment Program

- South Africa is advancing the Broad-Based Black Economic Empowerment (BEE) program. This means that not only governmental organizations, but also private companies, have to carry out procurement activities according to certain indicators, making entry into markets difficult. Even if high costs are incurred meeting these indicators, purchases must still be made from companies that have scored highly on BEE indicators.
- The attributes of foreign companies means it is difficult for them to clear the BEE indicator of “ownership,” so the system needs to be revised.

② Restrictive Export/Import Trade, Duty, and Customs Clearance

- Duties are high overall, including for TVs, refrigerators, and steel products, and the difference between duties for completed automobiles and automobile parts is not very big, making it difficult to remain competitive against local producers in the long term.

③ Employment

- A visa is required even just to supervise fieldwork, making it difficult to respond to sudden situations. The processes for recruiting foreign workers, such as placing job advertisements, is complicated and time consuming. This makes it difficult to secure talented workers and personnel costs are relatively high.
- Worker protections are excessive. A company's trade union negotiates through a bargaining council in each industry and when things do not go smoothly, it can lead to life threatening danger due to violent actions by union members from other companies in the same industry.

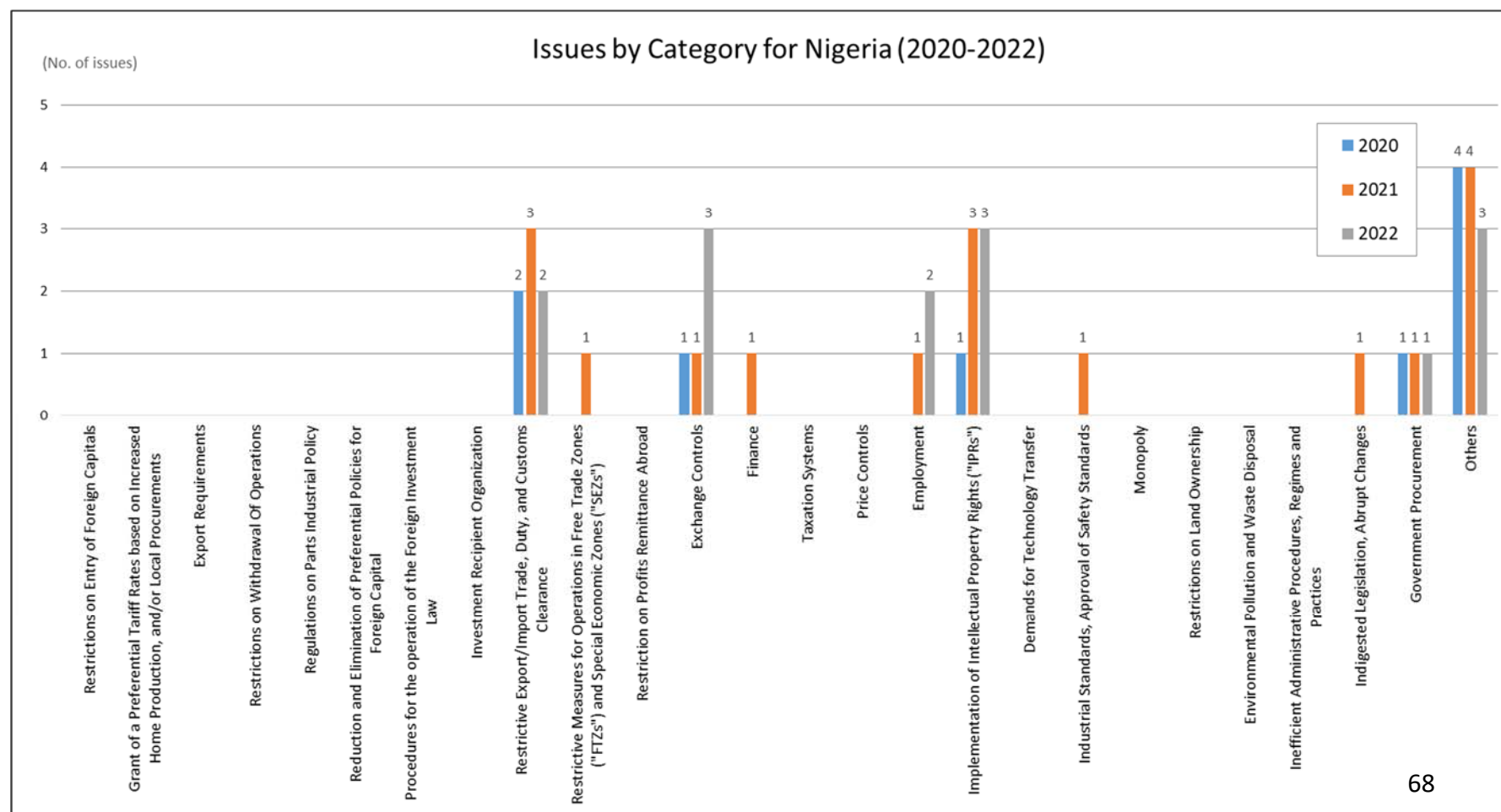
④ Restrictions on Entry of Foreign Capitals

- Local companies are encouraging authorities to levy duties on items in the industrial fields in which these local companies are active in the name of protecting South Africa's industries. Also, South Africa's Mining Charter stipulates that a minimum of 70% of mine development equipment must be produced in South Africa.

8. Middle East and Africa Nigeria ①

◆Key Points

- There were two additional issues concerning “Exchange Controls.” It was pointed out that foreign currency shortages are having a negative impact on business. Regarding “Implementation of Intellectual Property Rights,” insufficient action is being taken against counterfeit goods.
- In the “Others” category, there continued to issues such as insufficient infrastructure and a lack of stability in the civil order.



8. Middle East and Africa Nigeria ②

① Exchange Controls

- Foreign currency shortages mean that foreign currency cannot be sourced from banks and must be procured from the markets. The difference between bank and market exchange rates is big, ultimately leading to a loss of competitiveness. Since April 2020, when the COVID-19 pandemic started a sudden decline in global demand, these foreign currency shortages have become more pronounced.
- Companies are able to accumulate local currency by implementing projects within Nigeria but remitting this overseas takes time.

② Implementation of Intellectual Property Rights

- There continued to be complaints that acquiring a license under the Nigeria Conformity Assessment Programme (SONCAP) is insufficient to protect a product and that counterfeit and inferior, unlicensed products are in circulation.
- Border controls against counterfeit products are insufficient.

③ Others

- Poor electrical infrastructure causes frequent blackouts, road networks are insufficient, and customs officials harass companies for large container storage fees.
- Deteriorating civil order continued to be an issue.

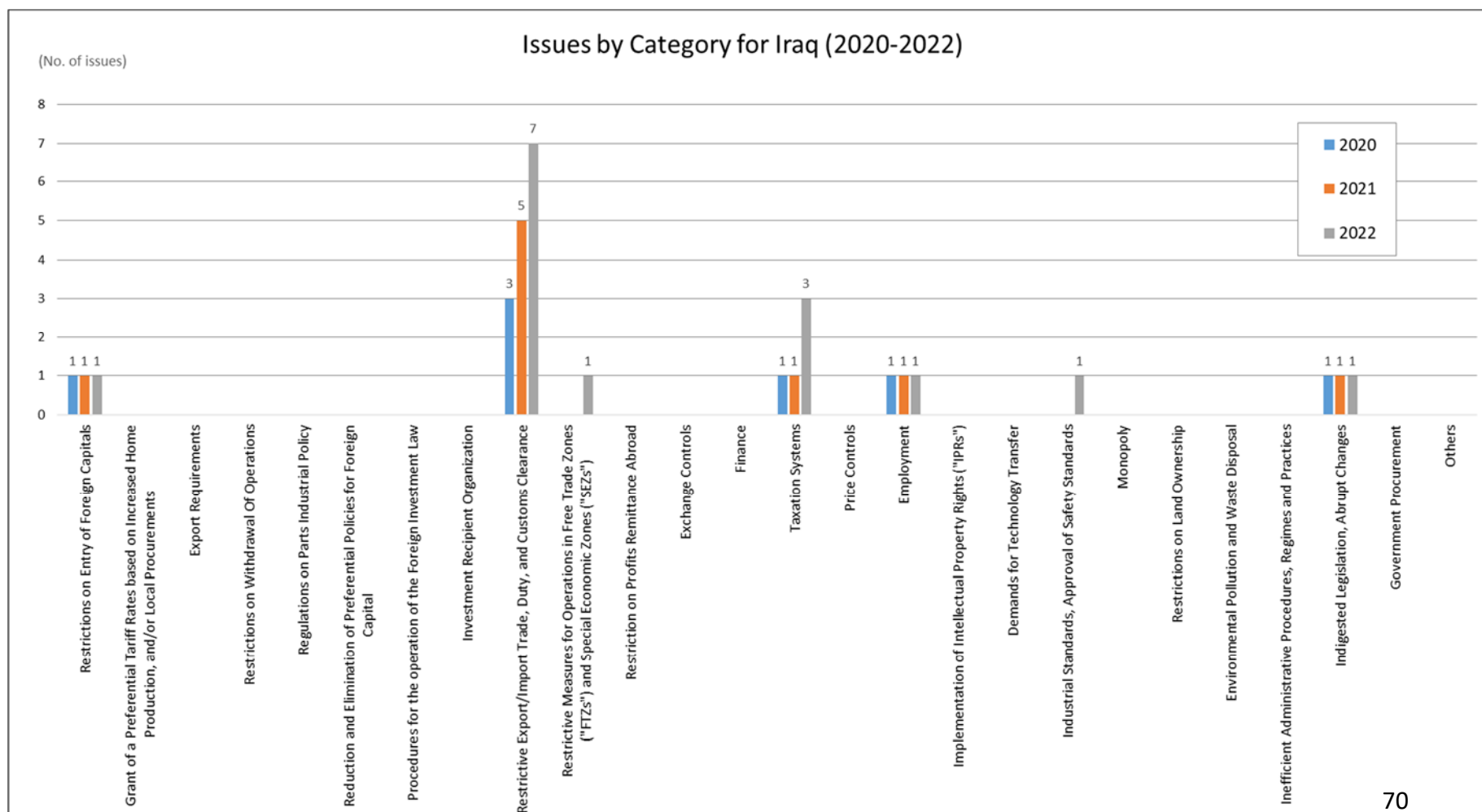
④ Government Procurement

- There continued to be issues such as a lack of transparency regarding tenders and rampant injustice and corruption.

8. Middle East and Africa Iraq ①

◆Key Points

- Issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” are increasing year on year.
- There were many issues caused by inconsistencies between systems operated by the central government and systems operated by the Kurdistan Regional Government.



8. Middle East and Africa Iraq ②

① Restrictive Export/Import Trade, Duty, and Customs Clearance

- Customs uses information submitted by official importers (price lists, invoices, etc.) and information gathered from the markets as references but there were many cases in which they referred to price information from unofficial importers, information from uncertain sources, and registered information from the previous year. Procedures are also time consuming.
- Responding to factory audits stipulated by the Certificate of Registration program covering manufacturers and suppliers is cumbersome. Furthermore, there is only one certifying body.
- In regions under jurisdiction of the central government, gaining clearance for vehicles requires the advance submission of a commercial invoice bearing proof of trade inspection from an Iraqi embassy and proof of place of origin. Proof of inspection data is passed around various related agencies and organizations and poor coordination between these bodies means there were cases when this proof had not been acknowledged by the customs authorities, the final link in the chain of approval, and import clearance took up to a month. Excess charges also had to be paid for the period during which cargos are stored at ports.
- To clear imported goods, proof of inspection needs to be acquired from the Iraqi embassy in the country from which the goods were shipped. This takes a certain amount of time and there were cases where documentation did not arrive in time, meaning the goods could not be cleared and storage costs were incurred.

② Indigested Legislation, Abrupt Changes

- The central government of Iraq and the Kurdistan Regional Government have separate laws and regulations governing specifications for passenger vehicles, trucks, and buses and separate safety standards. There were many cases where the details of these changed or they were enforced with extremely short notice.

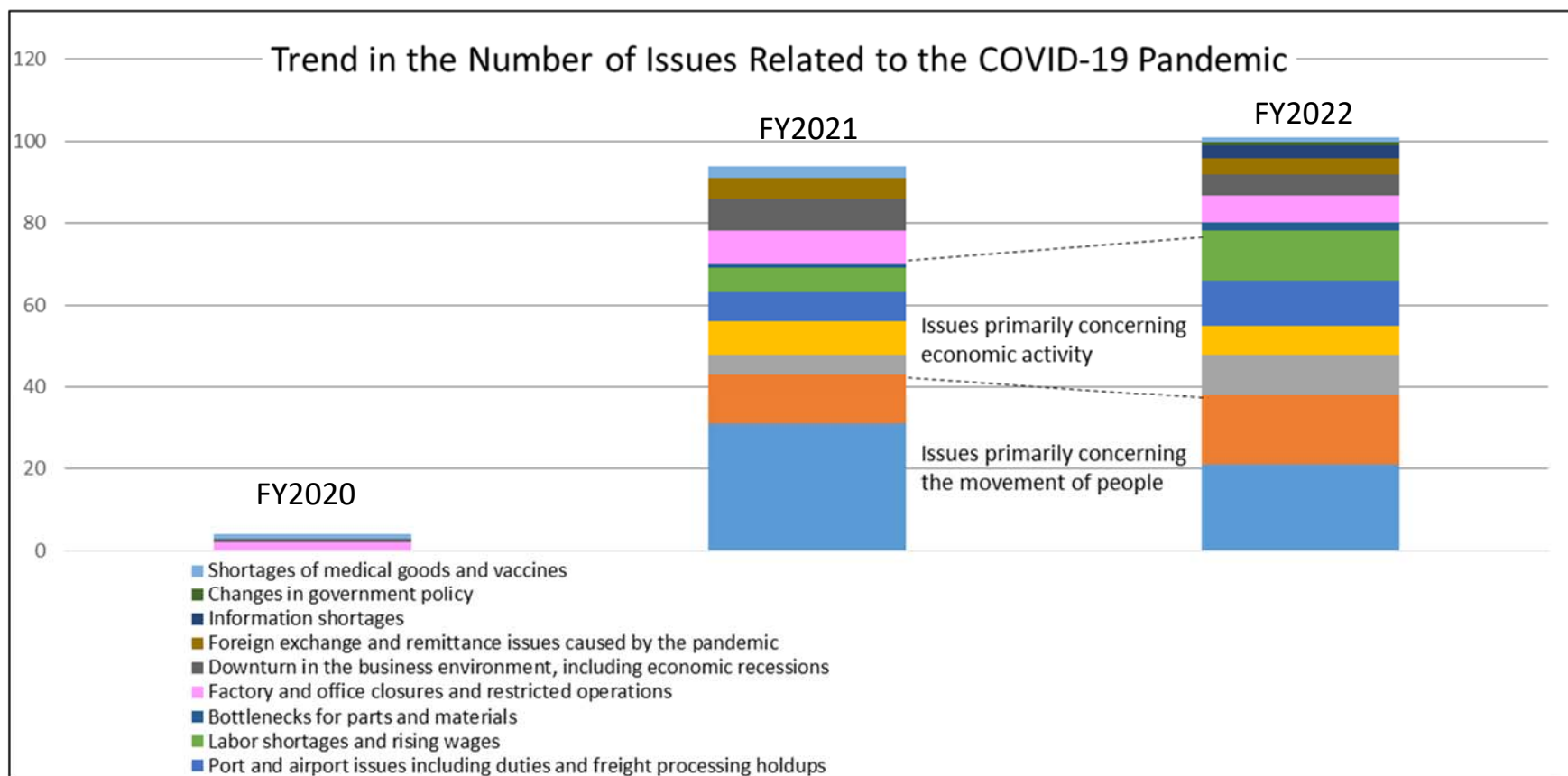
③ Taxation Systems

- Regarding withholding tax, there were occasional cases where exporters were held responsible to apply for exemptions, when this is essentially the responsibility of the importer.

9. Issues Caused by the COVID-19 Pandemic ①

◆ Key Points

- WHO declared a pandemic on January 30, 2020, but as this was just before the deadline for the submission of the survey, in the 2020 responses (deadline: February 2020) there were only a total of four pandemic-related issues raised in China and India.
- In the 2021 responses (deadline: February 2021), this had jumped to 94. In the 2022 responses (deadline: February 2022), the total number of issues was roughly the same, at 101, but the content of the issues changed significantly due to the recovery of economic activity.



9. Issues Caused by the COVID-19 Pandemic ②

① 2020 Responses (Deadline: February 2020)

- There were three issues from China, thought to be the epicenter of the COVID-19 virus, and one from India.
- In China, the issues included declines in operations at local subsidiaries. In India, the issue was an embargo on medical goods such as masks.

② 2021 Responses (Deadline: February 2021)

- As lockdown measures were implemented around the world, an extremely large number of issues concerned difficulties obtaining visas. The next largest number concerned the movement of people, such as entry bans, isolation measures, and restrictions on movement.
- Following this were issues such as the closure and operational slowdown of public organizations due to lockdown measures, factory closures and suspensions of business, and problems concerning logistics, including sea freight.
- Other issues included the rapid downturn in business conditions, shortages of medical goods such as masks, and issues concerning vaccinations.

③ 2022 Responses (Deadline: February 2022)

- In the second year of the pandemic, problems concerning visa acquisition had been settled slightly, but there continued to be issues caused by entry restrictions and isolation measures. However, the number of issues concerning the movement of people decreased overall.
- The responses reflected the recovery of economic activity. This included logistics issues such as container shortages and sharp rises in transportation costs, the insufficient recovery of customs functions, and the freight processing capabilities of ports and airports seemingly being unable to keep up with the rapid increase in the movement of goods.
- There was an increase in complaints about labor shortages and rising wages accompanying the recovery in production activities.

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