

32nd Meeting of the Japan Business Council for Trade and Investment Facilitation

Issues and Requests for Improvements on Trade and Investment Barriers in 2023 Features of the Survey Results

November 1, 2023

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



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Contents

1. Issues and Requests - Survey Methodology
2. Survey Results Overview
3. Northeast Asia
4. Asia Pacific
5. Southwest Asia
6. North America / Central and South America
7. Europe and Russia
8. Middle East and Africa

1. Issues and Requests - 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, and/or Local Procurements	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 Free Trade Zones ("FTZs") and Special Economic Zones ("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 ("IPRs")	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: November 2022/collected: End-February 2023

4. Survey Results Overview

Officially published on the website of the Meeting of the Japan Business Council for Trade and Investment Facilitation (<https://www.jmcti.org/mondai/top.html>)

1. Issues and Requests - Survey Methodology

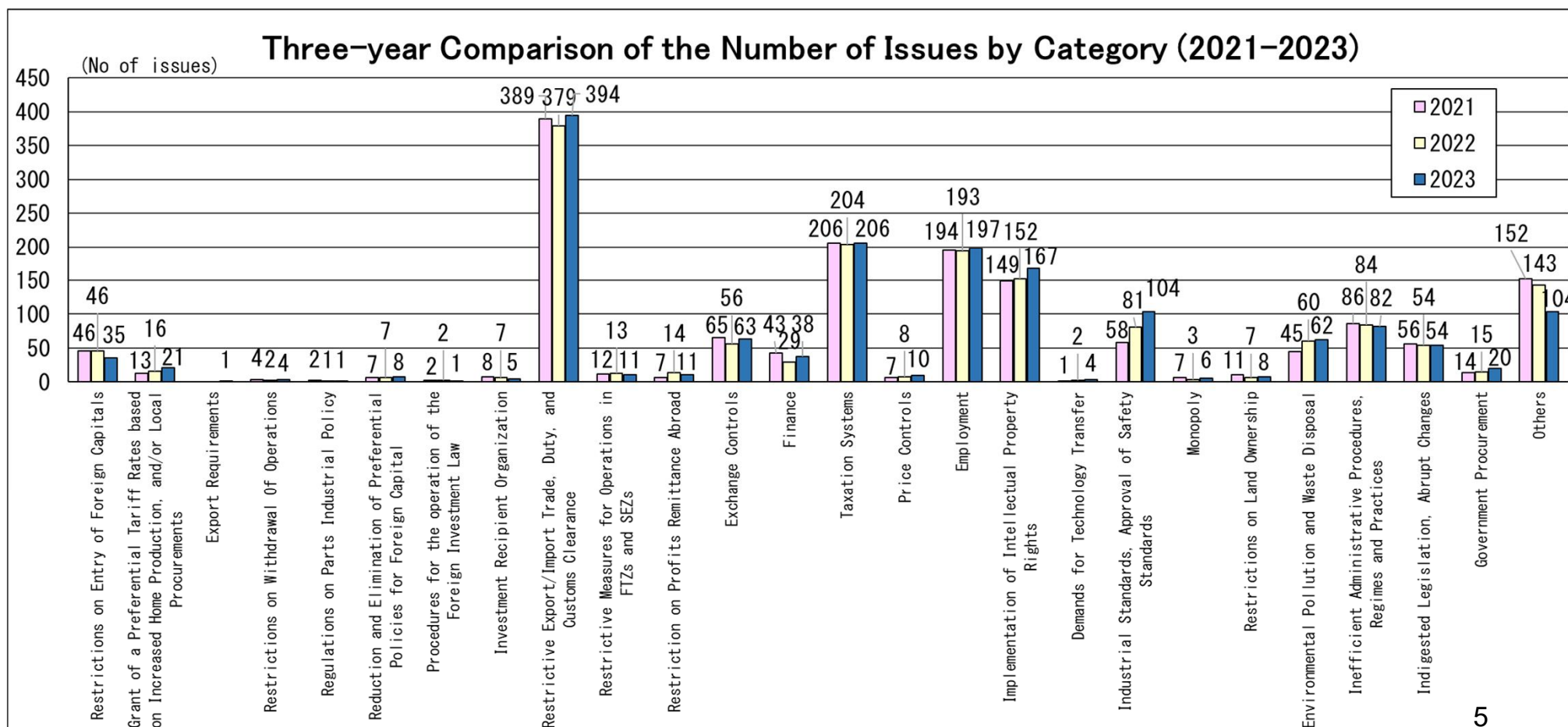
Japan Business Council for Trade and Investment Facilitation Member List

Flat Glass Manufactures Association of Japan	Engineering Advancement Association of Japan	Association for Electric Home Appliances	Camera & Imaging Products Association
Glass Fiber Association of Japan	Japan Association of Kitchen & Bath	The Japan Reinforced Plastics Society	Aluminium Products Association
Japan Business Council in Europe	Communications and Information network Association of Japan	Manufacturing Science and Technology Center	Japan Petrochemical Industry Association
Japan Cement Association	Japan musical Instruments Association	Central Federation of Societies of Commerce and Industry, Japan	Japan Foreign Traders Association, Inc.
Japan Steel-rib Fabricators Association	All Japan Vacuum Bottle Association	Advanced Machining Technology & Development Association	All Japan Footwear Federation
All Japan Plastic Manufactures Federation	All Japan Stationary Association	The Materials Process Technology Center	The Japan Refractories Association
Industrial Diamond Association of Japan	Japan Carbon Association	Organization for Small & Medium Enterprises and Regional Innovation	Electric Glass Industry Association
Japan Electronics and Information Technology Industries Association	Special Steel Association of Japan	Japan Apparel Industry Council	Japan Amusement Industry Association
Japan Aluminium Federation	The Japan Federation of Medical Devices Associations	Japan Printing Machinery manufacturers Association	Japan Optoelectro-Mechanics Association
Japan Chemical Industry Association	Japan Chemical Exporters and Importers Association	Japan Chemical Fibers Association	Japan Furniture industry Development Association
Japan Industrial Association of Gas and Kerosene Appliances	Japan Luggage Association	Japan Paper Exporter's Association	Japan Paper Importer's Association
The Glass Manufacturers' Association of Japan	Japan Toy Association	Japan Cutting & Wear-resistant Tool Association	Japan Mechanical Design Industries Association
Japan Industrial Saw and Knife Association	Japan Machinery Center for Trade and Investment	Japan Silk & Synthetic Fabric Industrial Federation	Japan Measuring Instruments Federation
Japan Worsted and Woolen Weavers' Association	Japan Cosmetic Industry Association	Japan Construction Material & Housing Equipment Industries Federation	Japan Construction Equipment Manufacturers Association
Japan Mining Industry Association	Japan Machine Tool Builders' Association	Japan Machine Accessory Association	Japan Rubber Footwear Manufacturers' Association
Japan Golf Goods Association	The Japan Society of Industrial Machinery Manufacturers	Japan Industrial Vehicles Association	Japan Automobile Manufacturers Association, Inc.
Japan Auto Parts Industries Association	Japan Vending Machine Manufacturer's Association	Japan Jewellery Association	The Japan Chamber of Commerce & Industry
The Japan Food Machinery Manufacturers' Association	Japan Vacuum Industry Association	Japan Pearl Exporters' Association	Association of Japan Sporting Goods Industries
Japan Paper Association	Japan Pharmaceutical Manufacturers Association	Japan Textile Machinery Association	The Japan Textile Products Exporters' Association
The Japan Textile Importers Association	Japan Soda Industry Association	Japan Towel Industrial Association	Tanners' Council of Japan
Japan Heating Industrial Association	Japan Foundry Society	Japan Fishing Tackle Manufacturers Association	The Japan Iron and Steel Federation
The Japan Electrical Manufacturers' Association	The Japanese Electric Wire & Cable Makers' Association	Japan Pottery manufacturers' Federation	Japan Clock & Watch Association
Japan Watch Importers' Association	Japan Knitting Industry Association	The Fasteners Institute of Japan	Japan Farm Machinery Manufacturers' Association
Japan Gear Manufacturers Association	Japan Bag Organization	Semiconductor Equipment Association of Japan	Japan Department Stores Association
Japan Fertilizer & Ammonia Producers Association	Japan Industry Union of Plastic House Wares Manufacturers	Japan Institute of Plant Maintenance	Japan Fluid Power Association
Japan Image and Information Management Association	Japan Analytical Instruments Manufacturers Association	The Association of Powder Process Industry and Engineering, Japan	The Japan Bearing Industrial Association
Japan Foreign Trade Council, Inc.	Japan External Trade Organization	Japan Binocular Manufacturers Association	Japan Sewing Machinery Manufacturers' Association
Japan Spinners' Association	Japan Packaging Machinery Manufacturers' Association	Japan Enamel Association	Hobby Association of Japan
Japan Association of Maintenance and Service Contractors	Japan Wig Association	Japan Woodworking Machinery Association	Japan Umbrella Promotion Association
Japan Wool Industry Association	Japan Refrigeration and Air Conditioning Industry Association	Japan Association of Refrigeration & Air-Conditioning Contractors	Recording Industry Association of Japan
Japan Robot Association	Japan Bioindustry Association	Heat Pump Technology Center of Japan	Japan Business Machine and Information System Industries Association
Fukui Optical Industrial Association	Around Japan sea Economic exchange Conference in Hokuriku	Micromachine Center	Mazak Foundation
Imported House Industrial Organization			

2. Survey Results Overview ①: Issues by Category

◆Key Points

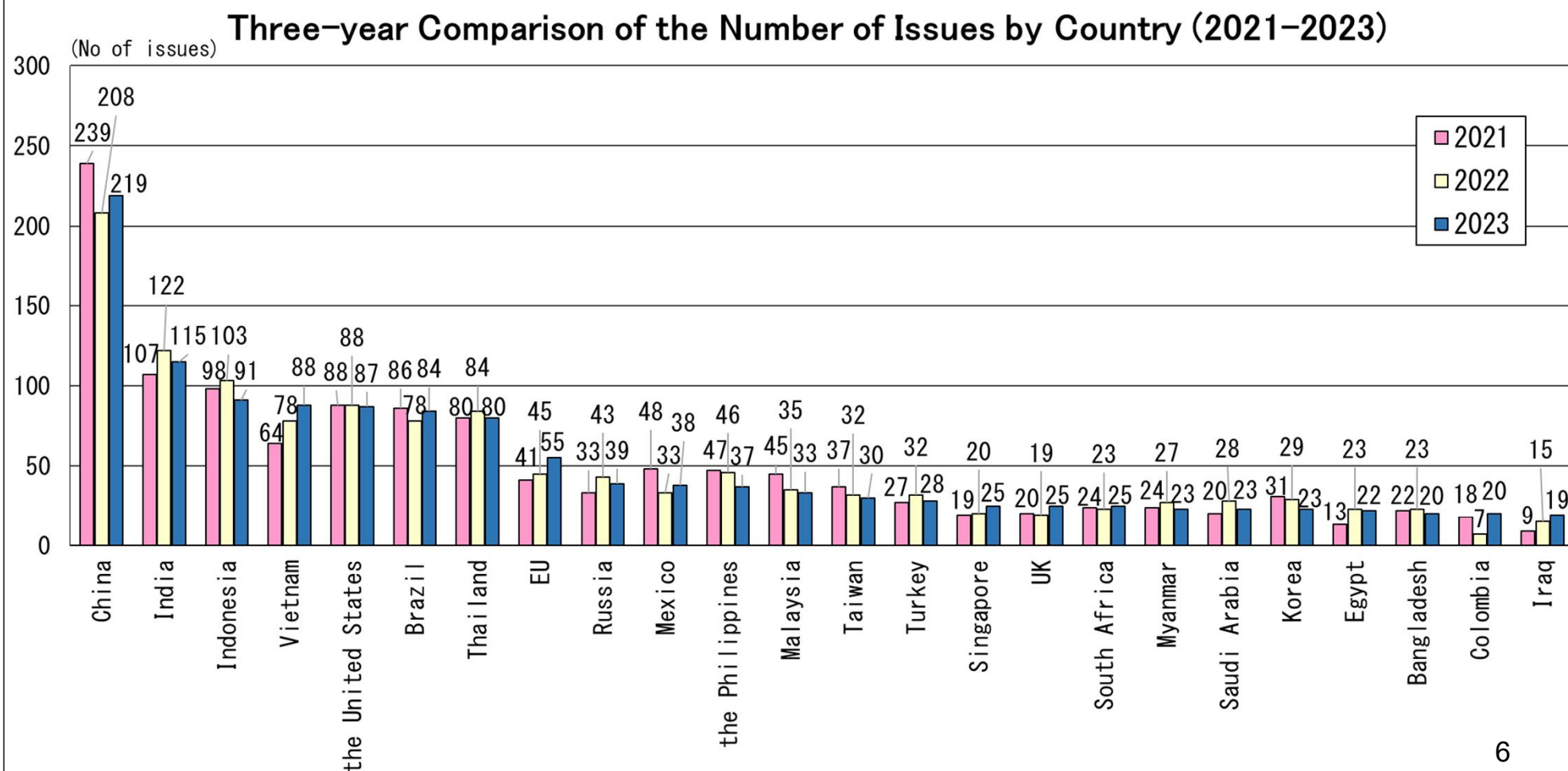
- The total number of issues identified was 1,617, roughly the same as in 2022 (1,578).
- Overall, the category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems,” “Employment,” and “Implementation of Intellectual Property Rights” in the top four categories. The trend of significant increase in issues concerning “Industrial Standards, Approval of Safety Standards” continued.
- Issues related to the COVID-19 pandemic have calmed down, although there are still issues related to the movement of people, including entry restrictions and delays in visa issuance, as well as delays in customs clearance and logistics services. Regarding the Ukraine issue, there were concerns about unclear business prospects, including difficulties with remittances and trade insurance.



2. Survey Results Overview ②: Issues by Country

◆ Key Points

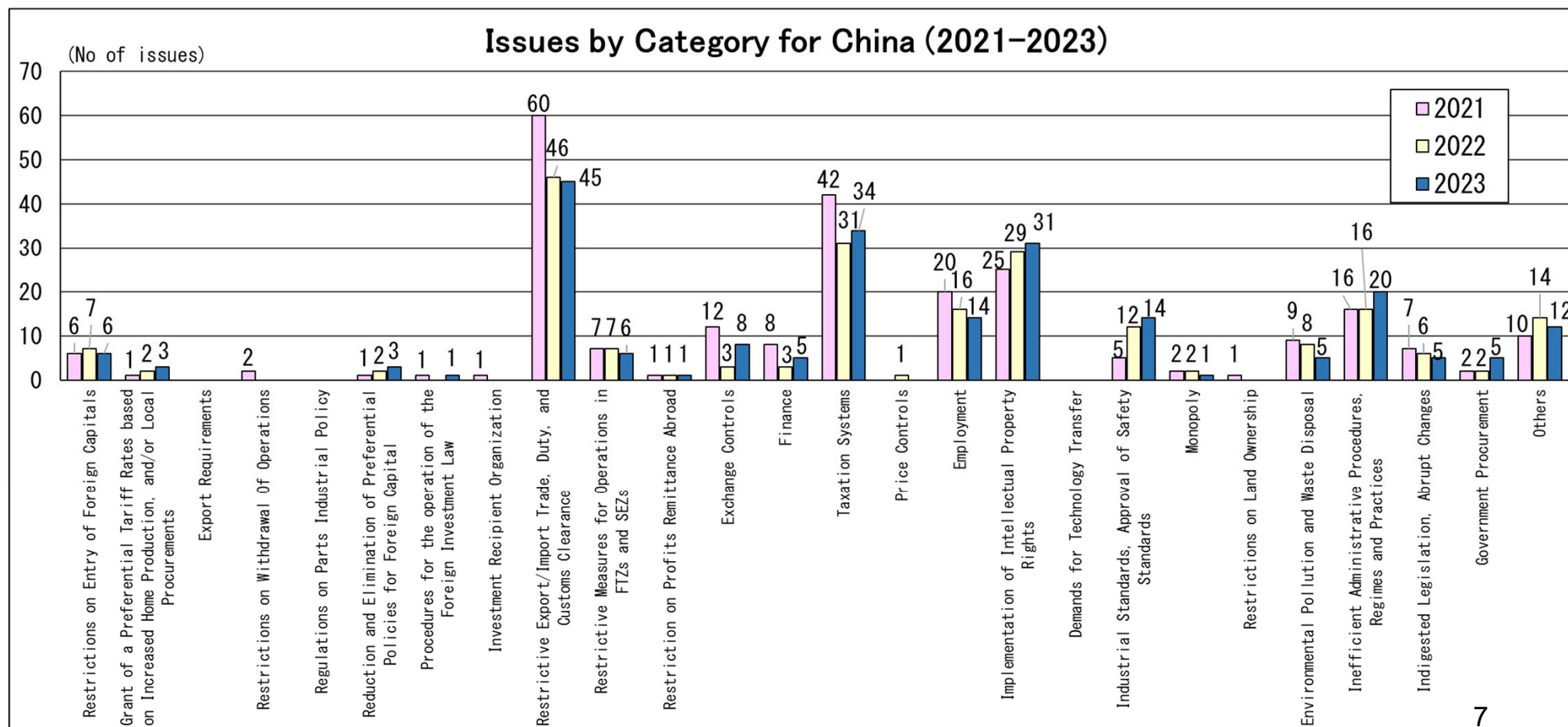
- There were no major changes overall, with China, India and Indonesia remaining the top three.
- Vietnam, with an increasing number of issues, ranked fourth, and the United States, with roughly the same number of issues, ranked fifth in 2023.
- Russia and Ukraine, both in the midst of the Ukraine issue, have a similar number of issues as in 2022, which did not include the invasion issue.



3. Northeast Asia China ①

◆Key Points

- As in past years, there was a notably large number of issues (219), covering a wide range of topics.
- The top three categories with the most issues, “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Taxation Systems,” and “Implementation of Intellectual Property Rights,” remained unchanged, while “Import/Export Trade, Duty and Customs Clearance” continued to show a decrease. “Implementation of Intellectual Property Rights” and “Industrial Standards, Approval of Safety Standards” showed an increase.
- The impact of the COVID-19 pandemic continued. This has led to delays and cumbersomeness in the visa issuance procedure and a decrease in shipping service and container traffic.



3. Northeast Asia China ②

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

- There continued to be concerns about the withdrawal of business due to the U.S.-China trade friction and the decline in profitability of local subsidiaries as a result of tariff increases imposed as retaliatory measures for U.S. sanctions against China.

Although the legal basis is unclear, there were many complaints, including that products manufactured in Taiwan are required to be labeled “Made in Taiwan, China,” etc. on invoices and product labels, which is contrary to international practice.

② RCEP, Etc.

- There were requests for improvements in the renegotiation of items not subject to tariff elimination or reduction under RCEP and items with long staging periods.
- There were calls for the JCK EPA to lead to further liberalization in items that were not adequately secured in the RCEP.
- There were calls for early implementation of electronic data exchange of proofs of place of origin.

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

- Investment in the steel industry and distribution industry is restricted. In addition, capital equal to a certain percentage of the total investment is required.
- 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.
- There are concerns about consistency with the TBT Agreement, the Protocol on the Accession of WHO Members, RCEP, etc., as it has been announced that national standards regulations will be revised to require office equipment to be designed and manufactured in China.
- Regarding subsidy policies for investment, there were suspicions of arbitrariness in processes such as application and determination of subsidy amounts. Decisions are favoring Chinese companies that have advantages such as channels to government officials, resulting in a lack of fairness and transparency.

3. Northeast Asia China ③

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

- High duties were imposed on many items, such as clock products, camera parts, projectors, and display products.
- There was also a continuation of issues concerning the abuse of antidumping measures on items such as steel products and stainless steel.
- When importing sample and used products, decisions by customs and customs officials regarding matters such as import licenses are inconsistent.
- The implementation of the Export Control Law introduced in 2020 is unclear.
- It was pointed out that the number of samples required when hazardousness of importing chemicals is high, which is costly, and that the tightening of regulations means that previously used customs and warehouses can no longer be used, etc.
- Although the products may go through unpacking inspection during customs clearance, there have been cases of products being damaged due to mishandling.
- There continued to be a lack of consistency regarding customs classifications, including different decisions being made by different customs officials in charge of customs clearance.
- Respondents still faced issues using FTAs for shipments destined for ASEAN and South American countries where they were unable to use or were delayed in using an FTA because the organizations issuing proofs of place of origin had unique requirements that differed from (or were not mentioned in) the terms of the FTA.
- Issues related to food import restrictions due to radioactive contamination continue.
- For import declarations, in cases where the invoice price does not match the declared price, it is extremely difficult to amend the declaration unless there is an obvious 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 ④

⑤ Taxation Systems

- The criteria for PE certification regarding the provision of services are unclear and widely interpreted. (There are regional differences in implementation.)
- Although the preferential policy on individual income taxes is scheduled to be abolished at the end of 2023, there have been calls to extend it to 2024 and beyond. To receive a refund of personal income tax, the former expatriate must maintain a bank account and complete the necessary procedures, which may require a business trip even after returning to their home country.
- There were many issues concerning the refund and levy of value added tax. The situation of “provisional value added tax > value added tax on borrowing” persists, value added tax on sales in bonded areas is not refunded, some items not eligible for refund is damaging competitiveness, steel products are not eligible for refund, exports to Taiwan are not refunded, and so on. In addition, in some cases, companies in the Shanghai Pilot Free Trade Zone (SHFTZ) are not allowed to issue their own value added tax invoices and are not allowed to receive export refunds.
- There were many issues concerning transfer pricing taxation system. There continued to be issues such as the lack of clarity in the law regarding the period for verification by transfer pricing documentation, requests for clarification in accordance with OECD principles, the time-consuming advance pricing agreement (APA) (bilateral) between Japan and China, and requirements to provide excessive information after the introduction of transfer pricing documentation.
- Other issues included the risk of taxation on the reorganization of group companies, the exclusion of borrowing from affiliated companies in China from the Thin Capitalization Rule, the obstacle to profit repatriation due to withholding tax on dividends between parent companies and subsidiaries, cumbersome tax litigation procedures, and the introduction of the Stamp Tax Law in 2022, which will result in double taxation for foreign companies, etc.

3. Northeast Asia China ⑤

⑥ Implementation of Intellectual Property Rights

- There were requests to allow amendments when applying for the Patent Prosecution Highway (PPH).
- Information regarding intellectual property rights (IPR) examination, etc. is provided inadequately and late.
- For patent licenses, the responsibilities required of the licensor are too heavy, and as a result, they are forced to leave the situation unlicensed.
- It is impossible to oppose third parties without registering a non-exclusive license but considering the current situation in open innovation, this registration is unrealistic. Also, in cases where the licensing agreement itself is a secret, it is preferable to avoid it becoming public through registration. The risk of litigation was already apparent, and there were calls to implement a countermeasure system.
- Although punitive damages have been stipulated for willful infringement, if criminal charges are applied it would be enough.
- A system for awarding damages was established and there were calls for compliance and active implementation of the system.
- Although a system for protecting new drug application data is being developed, the provisions are weak and vague. In 2021, a system to compensate for the time taken to review new drug applications for marketing approval was introduced, but the detailed regulations have not yet been established.
- Although patent linkage has been established, the proper operation of the system is in jeopardy, for example, the average trial period for patent infringement lawsuits is more than one year, while the suspension period for generic drug approvals is nine months.
- Although the novelty of utility models is now examined through a rudimentary prior art search, there are cases where technology that are virtually identical to prior art are registered.
- There is no substantive examination in the examination of design rights, and rights are granted even if there is no substantial novelty.
- The details of hearings of administrative decisions and court rulings related to intellectual property rights are not fully disclosed to the public. It places a tremendous burden on the organization to respond and prepare.
- The policing of counterfeit goods is inadequate. Penalties are not sufficient to deter re-offending. Unclear treatment of counterfeit goods after customs seizure, which places a heavy burden on rights holders.

3. Northeast Asia China ⑥

⑦ Employment

- The issuance of visas to Japanese nationals has been unstable, adversely affecting their postings and business trips to China. The introduction of a points system for foreign workers has created hurdles such as required academic background that make it hard to acquire visas for expatriate employees. In some cases, the procedures and documents required vary depending on the city or the official in charge.
- Overtime restrictions under labor laws are too strict, making it difficult to provide adequate service to customers.

⑧ Exchange Controls and Finance-Related Issues

- For non-trade remittances to non-Chinese destinations, there are excessive procedures by multiple relevant authorities and banks, as well as restrictions on the amount of money.
- If the fee is not received within 90 days of export from China, subsequent remittances from overseas will be extremely complicated. It will be difficult to do business with suppliers whose payment site is 90 days or more away.
- Remittances in Chinese yuan from China to Japan cannot be implemented in a stable manner.
- Due to foreign currency restrictions, only cash received from USD transactions (e.g., sales in USD) is permitted as a source of repayment of USD borrowings.

⑨ Industrial Standards, Approval of Safety Standards

- The law requires that the manufacturer's name and address be written in Chinese, and the same may be required for B2B parts and other items.
- There were calls to open the 60 GHz band in China in line with global trends.
- 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 digitization.

3. Northeast Asia China ⑦

⑩ Environmental Issues and Waste Regulations

- Regarding waste collection, there are contradictions between the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes promulgated in 2020 and the China WEEE regulation, which places excessive requirements on electrical and electronic manufacturers.
- The government can order the suspension of operations in cases of atmospheric pollution, but the conditions for lifting these orders are unclear, making it impossible to plan for the resumption of operations.

⑪ Indigested Legislation, Abrupt Changes

- China is not a signatory to the Hague Convention, so the apostille is not valid. Therefore, the signature on the power of attorney, etc., certified by a Japanese notary public must separately visit the China Visa Application Service Center to obtain consular certification, which is a cumbersome and time-consuming procedure.
- Unfair price sales are rampant in the parts industry. This is due to the receipt of government subsidies based on the amount of sales and the supremacy of sales expansion with a view to IPOs.
- The review period is long due to the complexity of regulations such as the National Medical Products Administration (NMPA) and complexity of the required documents.
- The Data Security Law, the Chinese Cybersecurity Law, and the Personal Information Protection Law call for the strengthening of information control, but there were concerns that the lack of detailed regulations would make it difficult to deal with the situation.

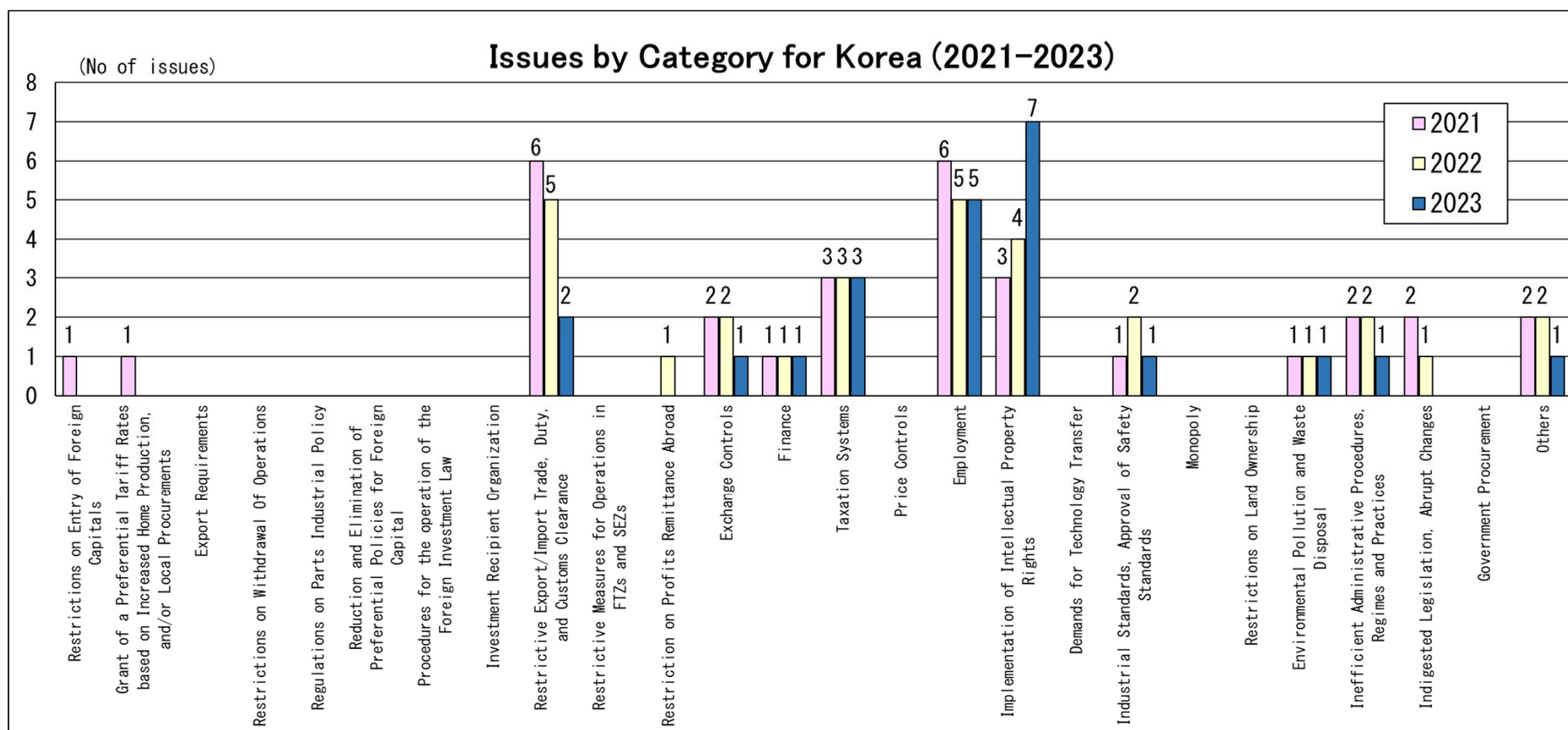
⑫ Issues Related to the COVID-19 Pandemic

- There were continuing concerns about the adverse effects of the COVID-19 pandemic, including delays and cumbersome procedures related to visa issuance, container shortages and low sea shipments, and the suspension of cargo handling that requires strict temperature control.

3. Northeast Asia Korea ①

◆Key Points

- The number of issues identified was 23, a decrease from the previous year (29).
- The top three categories with the most issues were “Implementation of Intellectual Property Rights,” “Employment,” and “Taxation Systems,” with “Restrictive Export/Import Trade, Duty, and Customs Clearance” decreasing and “Implementation of Intellectual Property Rights” increasing.



3. Northeast Asia Korea ②

① Implementation of Intellectual Property Rights

- It is impossible to oppose third parties without registering a non-exclusive license, but considering the current situation where non-exclusive licenses are frequently used in open innovation, this registration is unrealistic.
- Although indirect infringement is provided for by law, there is concern that software-related patents may not be saved by this provision, since there are cases where the modules that make up the software are made versatile.

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

- High duties on clock products and prolonged anti-dumping on stainless steel products have been pointed out.

③ 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 employment conditions, and strong labor unions.
- It was pointed out that the penalties under the “Serious Accidents Punishment Act” are too severe, the scope of the act is broad, and the provisions are vague.

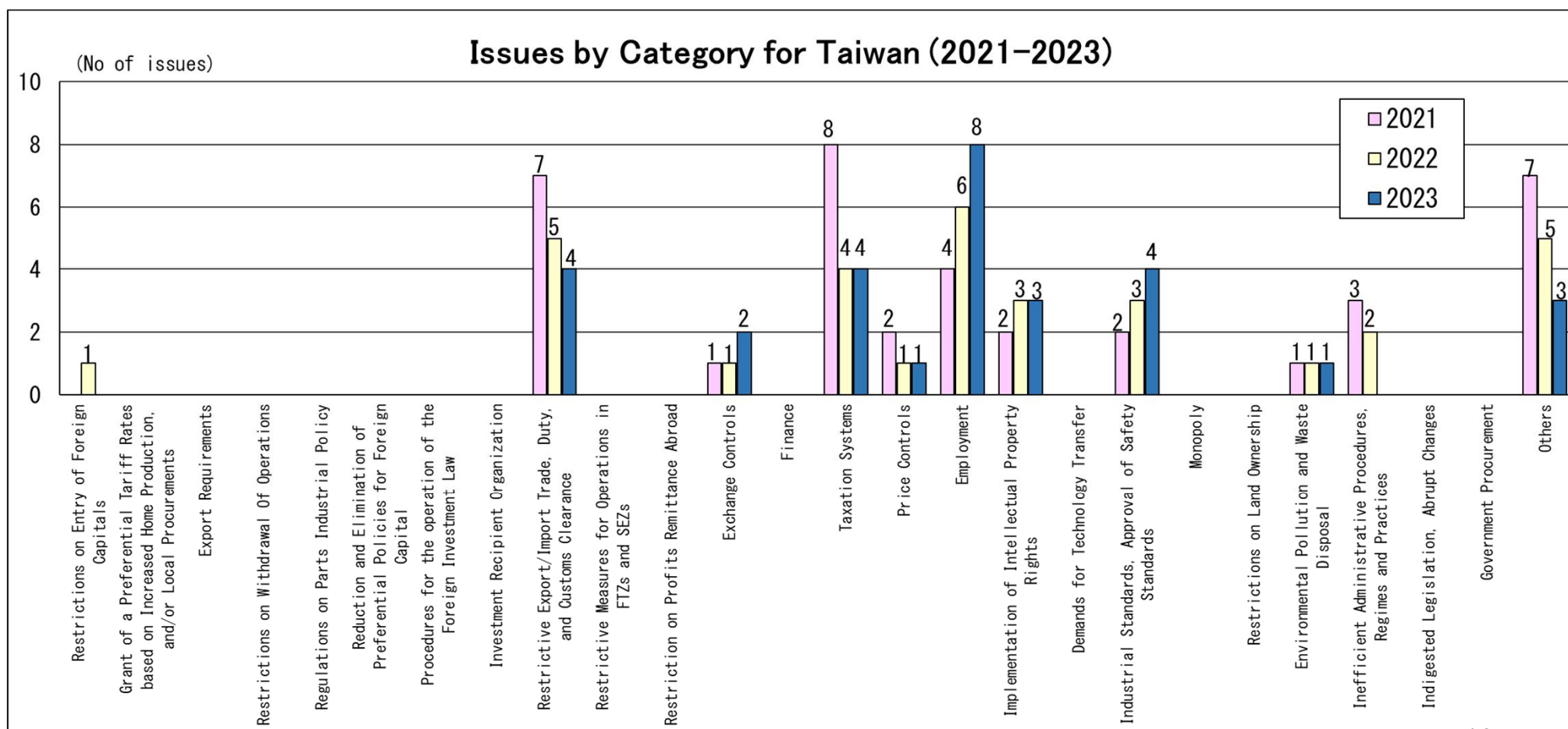
④ Industrial Standards, Approval of Safety Standards

- Packaging regulations require products to be assessed by a specialist organization before they are sold, 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

- The number of issues identified was 30, roughly the same as in the previous year.
- The top four categories with the most issues were “Employment,” “Restrictive Export/Import Trade, Duty and Customs Clearance,” “Taxation Systems,” and “Industrial Standards, Standards and Safety Certification.” While “Employment” and “Industrial Standards, Approval of Safety Standards” showed an increase, “Restrictive Export/Import Trade, Duty and Customs Clearance” showed a decrease.
- The COVID-19 issue affects logistics services and the entry of foreign nationals into the country.



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.

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

- There were continuing issues with high tariffs on clock products, as well as continuing issues with the submission of proofs of place of origin for steel products and the import declaration system.

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.

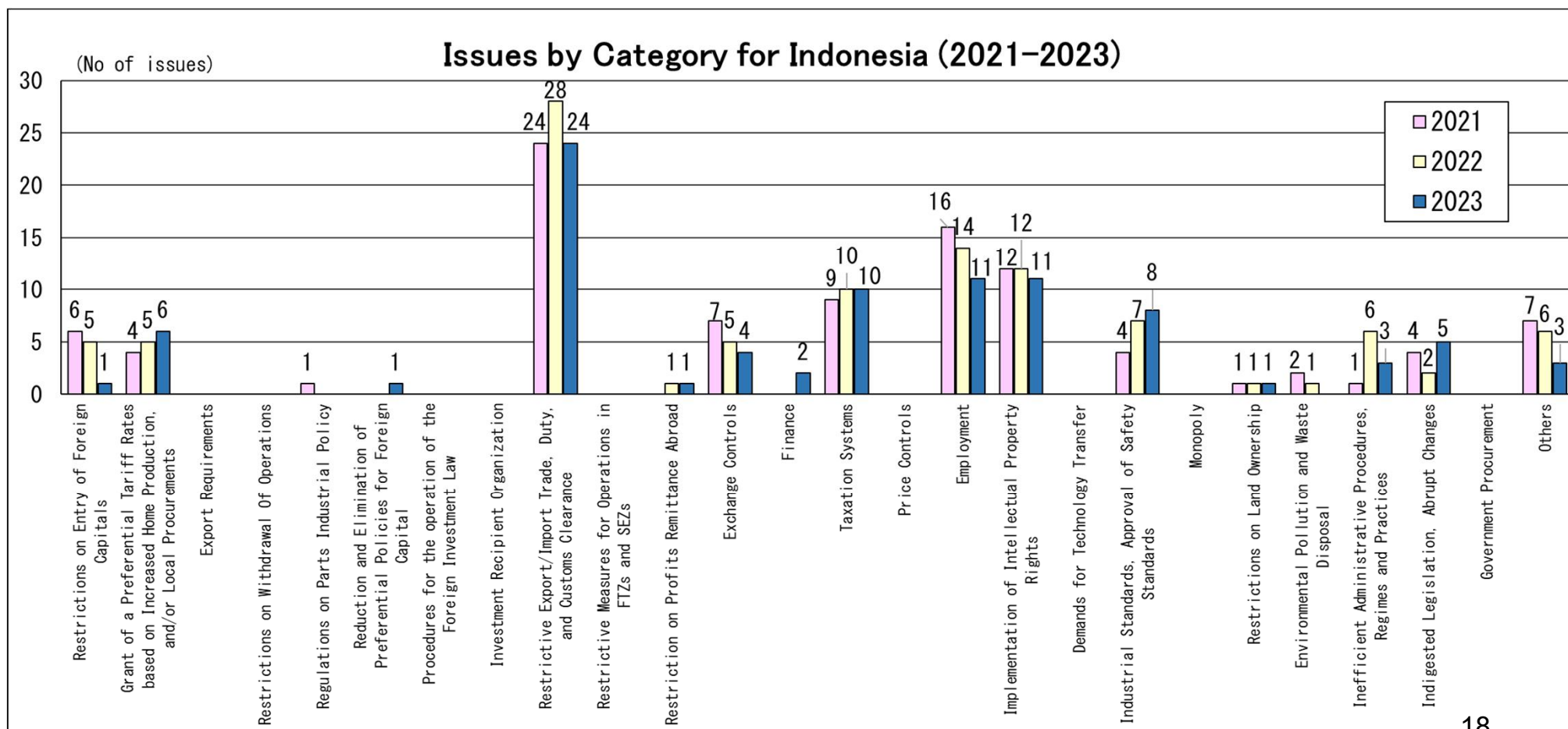
④ Employment

- There was a chronic shortage of labor, exacerbated by the COVID-19.

4. Asia Pacific Indonesia ①

◆Key Points

- The number of issues identified was 91, a decrease from the previous year (103).
- The top four categories with the most issues were “Restrictive Export/Import Trade, Duty and Customs Clearance,” “Employment,” “Implementation of Intellectual Property” and “Taxation Systems,” with “Employment” showing a decrease.
- There were not many, but there were also issues of “Grant of a Preferential Tariff Rates based on Increased Home Production,” and “Exchange Controls.”



4. Asia Pacific Indonesia ②

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

- While the Commodity Balance System, due to be implemented in January 2023, has been postponed for one year, the old system has been closed, making it impossible to renew import permits. Although the situation has gradually improved since mid-February, confusion remains.
- When raw materials are brought into a bonded area under the VAT exemption treatment, the tax voucher must be issued after the product receipt certificate is approved. As a result, despite being FOB, invoices could not be issued until the shipment arrived at the factory, negatively impacting cash flow.
- There were continuing issues of opacity and arbitrariness in customs clearance procedures, such as arbitrary HS classifications and instructions to pay duties retroactively after tax exemptions granted on an ongoing basis were declared invalid.
- There was also a continuation of issues concerning the abuse of antidumping and safeguard measures on items such as steel and alloy steel and the imposing of import restrictions.
- 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.
- Increased preferential treatment for domestic products and stricter regulations on import permits, etc., have had a negative impact on factory operations.

② Issues Concerning Preferential Duties Including the Japan-Indonesia EPA

- 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 documents were not arrived in time, there were calls for retroactive applications to be accepted.

4. Asia Pacific Indonesia ③

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

- The Omnibus Law passed in 2020 resulted in stricter regulations and increased the initial investment amount.
- 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, which is an onerous process. For some items, there was an obligation to apply for an import license online in advance.

④ Exchange Controls and Taxation Systems

- Foreign exchange transactions are not freely available, such as transactions between rupiah and foreign currency are limited to actual demand, and cross-border transactions within groups are not possible.
- Denials of royalties and brand fees, additional collection decisions due to transfer pricing system, and unrealistic denials freeze large sums of money. Even if the company wins the case in court after receiving the additional tax penalty, no interest is paid during this period.
- 10% of the import price must be paid as prepaid income tax, and if there is an overpayment, it is time consuming to claim a refund.

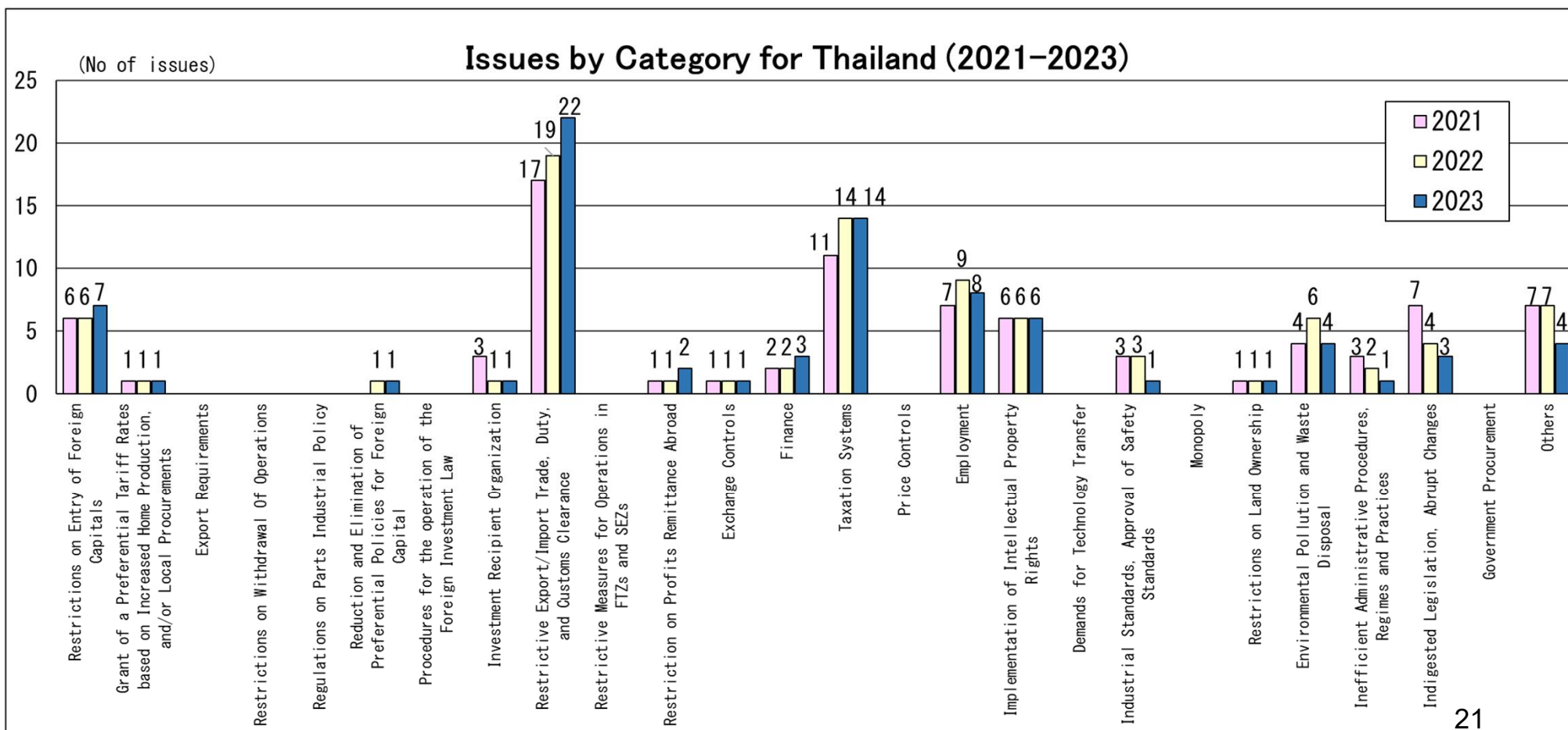
⑤ Implementation of Intellectual Property Rights

- Patent owners are required to implement their patents in Indonesia. Although it is possible to request a deferment of implementation, it is burdensome, such as having to implement within 36 months.

4. Asia Pacific Thailand ①

◆Key Points

- The number of issues identified was 80, roughly the same as in the previous year (84).
- The top three categories with the most issues were “Restrictive Export/Import Trade, Duty and Customs Clearance,” “Taxation Systems,” and “Employment,” with “Restrictive Export/Import Trade, Duty and Customs Clearance” showing an increase.
- Other issues such as “Restrictions on Entry of Foreign Capitals” and “Implementation of Intellectual Property Rights” were also pointed out.



4. Asia 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 due to their being no system for approving transactions prior to import approval, 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.
- There continued to be issues concerning mandatory standards, abuse of antidumping measures on steel products, etc.
- Customs officials vary in their interpretation of HS codes, and procedures such as appeals are time-consuming.
- Within the ASEAN region, electronic and paper proofs of place of origin are mixed, and preferential duties cannot be used if the information on the paper and electronic proofs is different. However, since electronic data can only be viewed by government agencies in each country, there is no way to confirm this.
- It is difficult to deal with the fact that chemical imports require labeling of all ingredients.
- Some items require a TISI (Thai Industrial Standards Institute) license prior to customs clearance, which limits the quantity per invoice.
- For products subject to import restrictions, individual approvals must be obtained from each agency with jurisdiction over the restrictions, which is a cumbersome process with varying lead times and is a difficult task.
- The draft detailed regulations of the Trade Controls of Weapons of Mass Destruction (TCWMD) Act (2019) have been published in 2021, but the detailed operation has not been determined and could be hindered if suddenly introduced in the future.

4. Asia 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 services. Therefore, flexible support for group companies is not possible.
- Information on foreign business licenses, which are required for foreign companies to operate locally, is unorganized and difficult to understand. In addition, the cost of acquiring a license is high.
- 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 investment incentives system introduced in 2015, BOI investment incentives have been reduced in practice. In addition, the time required to obtain approval for the disposal of parts or equipment, etc. that utilize the BOI incentives is long.

③ Taxation Systems

- Foreign currency restrictions (BOI incentives) have been relaxed, but are not harmonized with tax aspects and there is a risk of taxation.
- Thailand's tax laws are vague and application can depend on the judgement of the official in charge. In the case of prior period adjustments, an additional 1.5% interest (surcharge) is required as a late payment charge.
- There was a request to eliminate VAT/Specific Business Tax levied on foreign exchange and fund transactions.
- There were complaints that the dividend withholding tax rate under the Tax Treaty between Japan and Thailand is 15%, which is higher than that under treaties with other countries, resulting in poor investment efficiency. The royalty withholding tax rate is also high at 15%.
- The tax refund process is taking too long. (Request to expedite the tax process)

4. Asia Pacific Thailand ④

④ Local Employment, Expatriates, and Other Issues

- Procedures for acquiring and renewing work permits are cumbersome and time consuming. Companies are required to employ four Thai nationals for each Japanese employee.
- The minimum wage increases erratically and cannot legally be lowered, making it difficult to control labor costs.

⑤ Implementation of Intellectual Property Rights

- Anti-counterfeiting measures have improved but remain insufficient. Accession to intellectual property treaties (PCT, Madrid Protocol, etc.) has not progressed.
- The only requirement for novelty is that the invention must not have been publicly known and used in Thailand prior to filing. Thus, there is a problem that a patent right is granted in Thailand even if the invention is publicly known outside Thailand.
- There was a call for improvement since the applicant cannot file a voluntary divisional application. There was also a request for a provision that the application be published promptly after 18 months, as there is no clear provision as to when the application should be published.

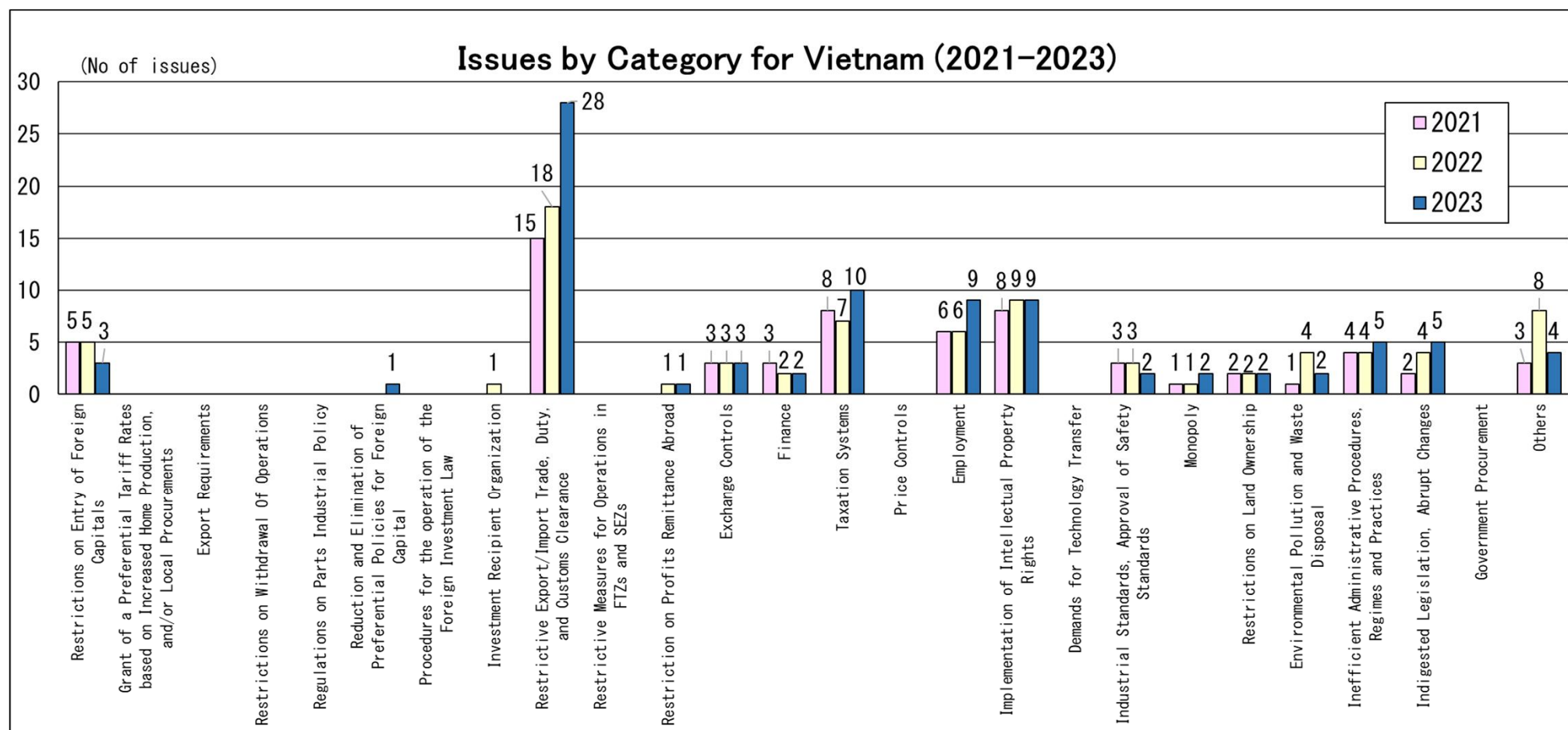
⑥ Others

- 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.
- There were calls for a careful preparation period for the WEEE legislation. Environmental awareness and education of the public is also necessary.
- The power infrastructure is inadequate, and there are power outages and temporary blackouts. Electricity base rates have been increased by 60%.
- The area was severely damaged by the 2011 floods, and the flood control measures taken since then have been inadequate.

4. Asia Pacific Vietnam ①

◆Key Points

- The number of issues identified was 88, an increase of just over 10% from the previous year (78).
- The category with by far the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems,” “Employment,” and “Implementation of Intellectual Property Rights.”
- Other issues, although not as numerous, included restrictions on the entry of foreign capital.



4. Asia Pacific Vietnam ②

① Issues Concerning Restrictive Duties and Customs Clearance, Etc.

- Continuing issues included safeguards and import licensing requirements, on steel products and export taxes on coal and related products, etc.
- 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 where the import tax was levied or not, depending on the customs office or the official in charge.
- The post-clearance investigation process was complex and subject to repeated review by several different government agencies.
- Companies used the advanced ruling system, but it was not convenient, in addition to taking a long time to get responses.
- Since the transactions are between the same group of companies, Vietnam Customs, concerned about the possibility of import prices leading to “transfer pricing,” has refused to use the invoice price as the declared import price and has long used the highest price as the declared import price.
- Construction equipment older than 10 years cannot be imported, although it is said that this is due to concerns about occupational accidents. Also, right-hand-drive machines cannot be imported, but most pile-driving machines in Japan are right-hand-drive.
- Tri-nation transactions may no longer be allowed. In addition, there is a risk of purchase price leakage to sales destinations because tri-nation transactions require customs documentation at the time of customs clearance by suppliers.
- There are no FTA application procedures and rules for imports from Export Processing Enterprises (EPEs) through bonded warehouses by non-EPEs in Vietnam.
- Under the July 2022 decree, the customs has ruled that EPE companies that loan jigs and molds to domestic suppliers and receive parts supplies are considered outside the scope of the EPE company’s activities and must pay customs duties and VAT. However, since the purpose was to supply parts to support exports, the payment were traditionally exempt.

4. Asia Pacific Vietnam ③

② Restrictions on Foreign Capital, Lack of Preferential Treatment Policies for Foreign Capital, Etc.

- The entry of foreign capital is restricted in areas such as construction and pharmaceutical wholesale.
- The company has been in business with Vietnamese partners for 30 years to create local jobs, but has struggled due to competition from cheap foreign products.

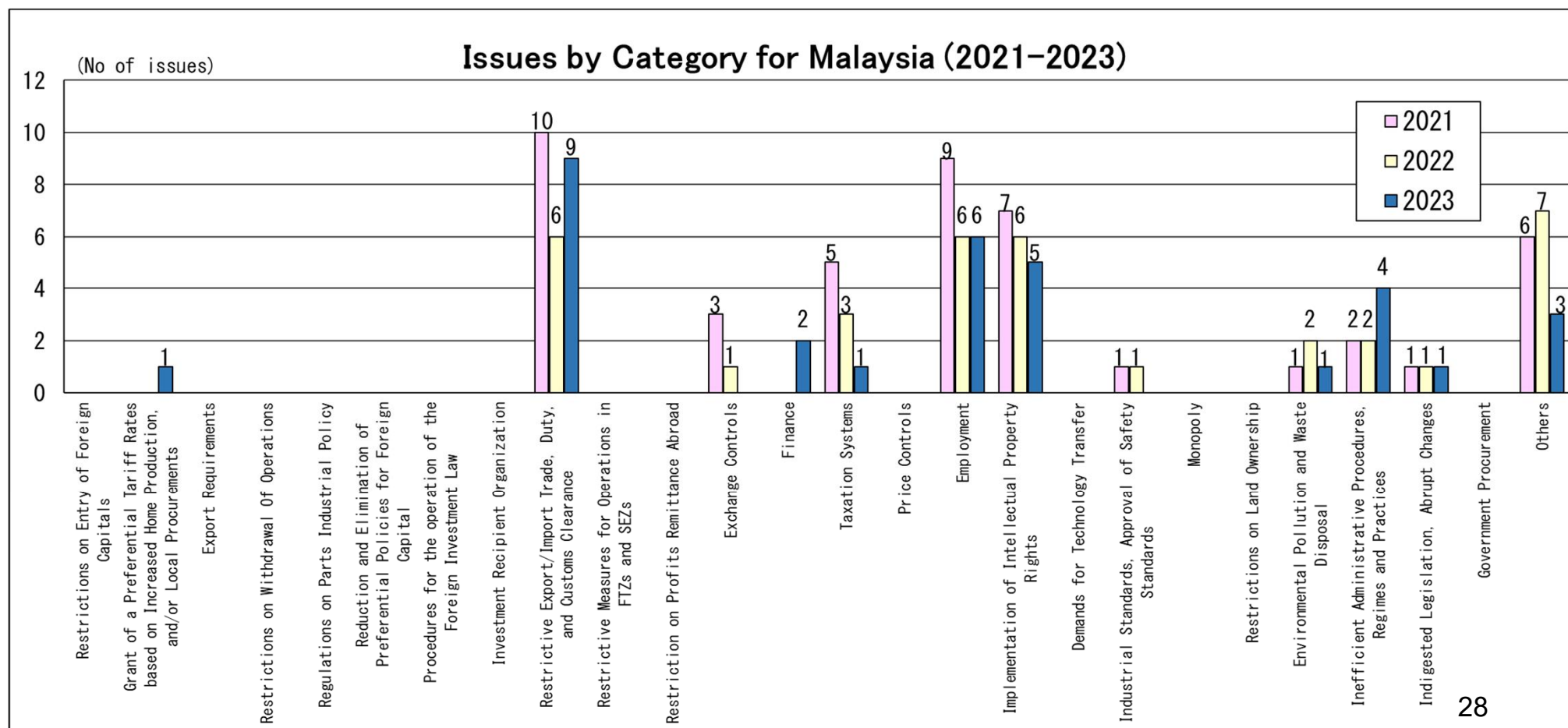
③ Other Issues

- Although the tax treaty between Japan and Vietnam stipulates that short-term visitors are exempt from individual income tax, the treaty provisions do not work effectively because registration procedures are required to apply, and even if the procedures are completed, the exemption may not be granted.
- Investment projects are limited to a maximum of 70 years and must be terminated upon completion.
- VAT refunds are available if certain conditions are met, but there are often problems with tax audits at the time of the refund. There have also been cases where refunds are no longer available due to a change in the system in 2016.
- 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 Security Agreement.
- A priority certificate must be filed within three months of filing a patent application. In practice, only patent applications that are filed in the Vietnamese language are granted. Patents for computer programs and use inventions are not granted.

4. Asia Pacific Malaysia ①

◆Key Points

- The number of issues identified was 33, roughly the same as in the previous year (35).
- The top three categories with the most issues were “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Employment,” and “Implementation of Intellectual Property Rights.”
- Other issues included “Home Production Requests, Local Procurement Rates and Benefits” (imposition of high excise taxes on substandard products) and “Finance” (exchange rate risk due to new foreign exchange regulations), etc.



4. Asia Pacific Malaysia ②

① Issues Concerning Restrictive Duties, EPAs, Etc.

- Companies are obligated to acquire proof of conformity assessment for steel products. 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 abuse of antidumping measures.
- The COs in the Japan-Malaysia EPA must be written in accordance with HS2002. On the other hand, the latest HS code is 2022. Therefore, there are cases where Malaysian Customs may judge it as a mistake and as a result, preferential duties cannot be used.
- MCMC labels must be affixed to the smallest package unit for export, but quality cannot be guaranteed if the moisture-proof covers covering multiple units are opened.

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.
- Once a regular substantive examination has been requested, it is not possible to switch to a modified substantive examination. There were some continuing issues that procedures for divisional application and changing the scope of rights were not smooth.

③ Finance

- Some of the measures in the new foreign exchange regulations have significant business implications.
- In domestic transactions, only the Malaysian ringgit is accepted and the key currency (USD, etc.) cannot be used. When purchasing from overseas through a trading company, transactions are made in USD in the exporting country, but in the domestic market, transactions are made in ringgit, which requires frequent checking of the exchange rate.

4. Asia Pacific Malaysia ③

④ Employment

- In addition to the employer's share of the poll tax for foreign workers starting in 2018, the minimum wage has been increased starting in 2022.
- While Malaysians tend to dislike manufacturing and are forced to hire foreigners, there were concerns that stricter regulations on hiring foreigners would stall factory operations.
- The issue of the maximum number of visa appointment slots has improved with the availability of e-visa applications. However, there are currently only five agency quotas per day, and after the visa is issued, new applications can only be made for the number of cases for which the visa was issued, making the process cumbersome. In addition, there have been issues such as unannounced changes in the agency in charge and the large number of documents required.

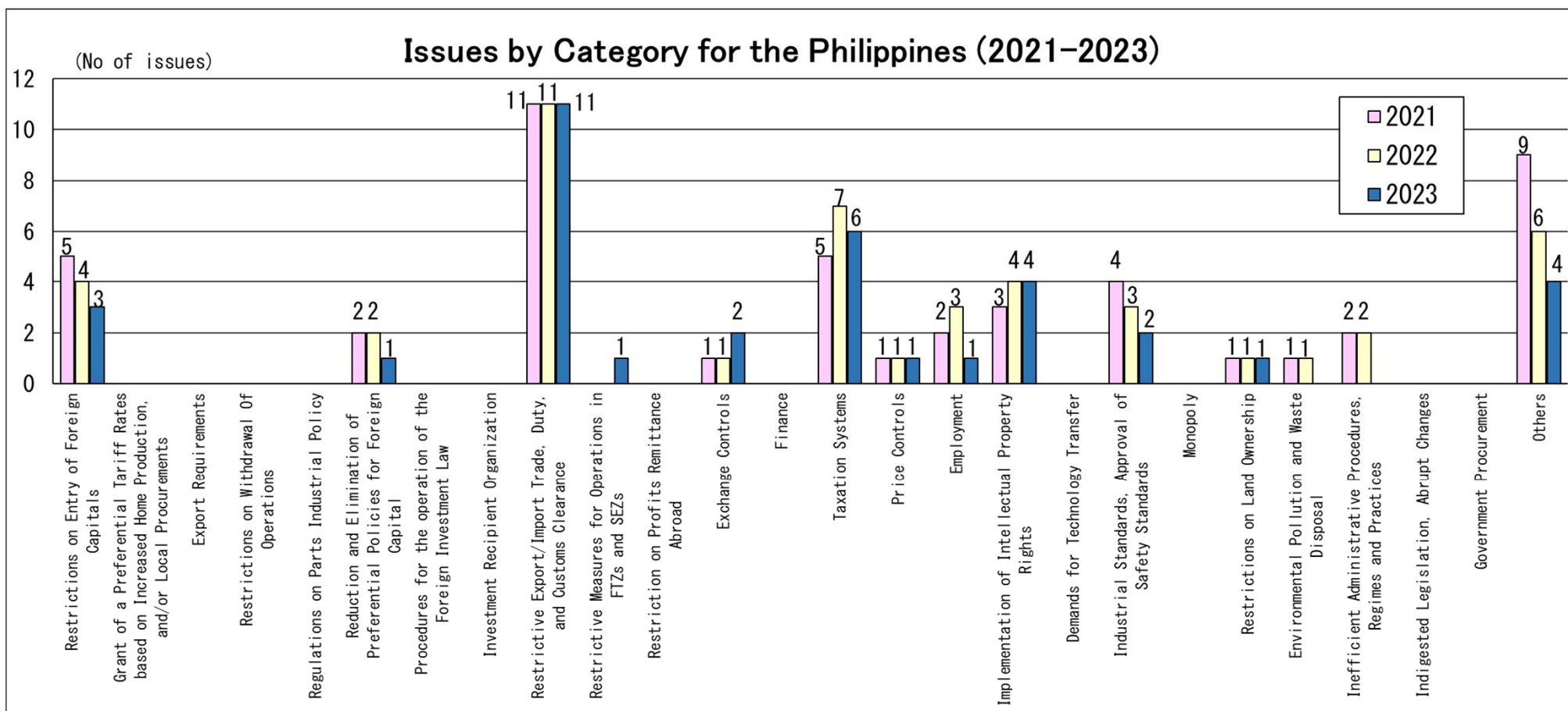
⑤ Other Issues

- Since a high excise tax is levied on products with less than 30% domestic content, the company has no choice but to use local suppliers, making it less competitive with neighboring countries.
- There were concerns about the fairness and sustainability of the Directive on Waste Electrical and Electronic Equipment (WEEE), which is due to become law by 2024, because the criteria for calculating and reviewing the recycling fee rate and the treatment of parallel imports were unclear.
- Suddenly, in December 2022, it was announced that electricity prices would go up from January 2023, mainly for foreign companies, increasing electricity prices for the manufacturing sector by about 40%. There were concerns about the sudden price increase and the need for adequate preparation time.
- There were issues regarding the maintenance of infrastructure, including the vulnerability of the water supply and inadequate flood control measures.

4. Asia Pacific Philippines ①

◆Key Points

- The number of issues identified was 37, a decrease of just over 20% from the previous year (46).
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems” and “Implementation of Intellectual Property Rights” with many issues as well.
- While the end of the COVID-19 pandemic led to more stringent cargo labeling requirements, there were some reports of a slowdown in pharmaceutical shortages.



4. Asia 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, requiring approval from many departments. In addition, the customs clearance system is fragile, with slow processing speeds and frequent system crashes, resulting in many cases where the time required for clearance procedures prevented parts from being delivered as scheduled.
- An online customs clearance system has been introduced, but in reality, the official in charge checks the soft-copied customs documents, which takes half a day to two days, depending on the customs clearance location.
- After 2021, electronic locks must be installed and removed on export/import cargo, but import containers are hindered by the fact that removal services are only available until 20:00.

② Shrinking of Preferential Treatment Policies for Foreign Capital

- There were many issues regarding the reduced VAT exemption incentives granted by the Philippine Economic Zone Authority (PEZA), which made it difficult to continue doing business in the Philippines.

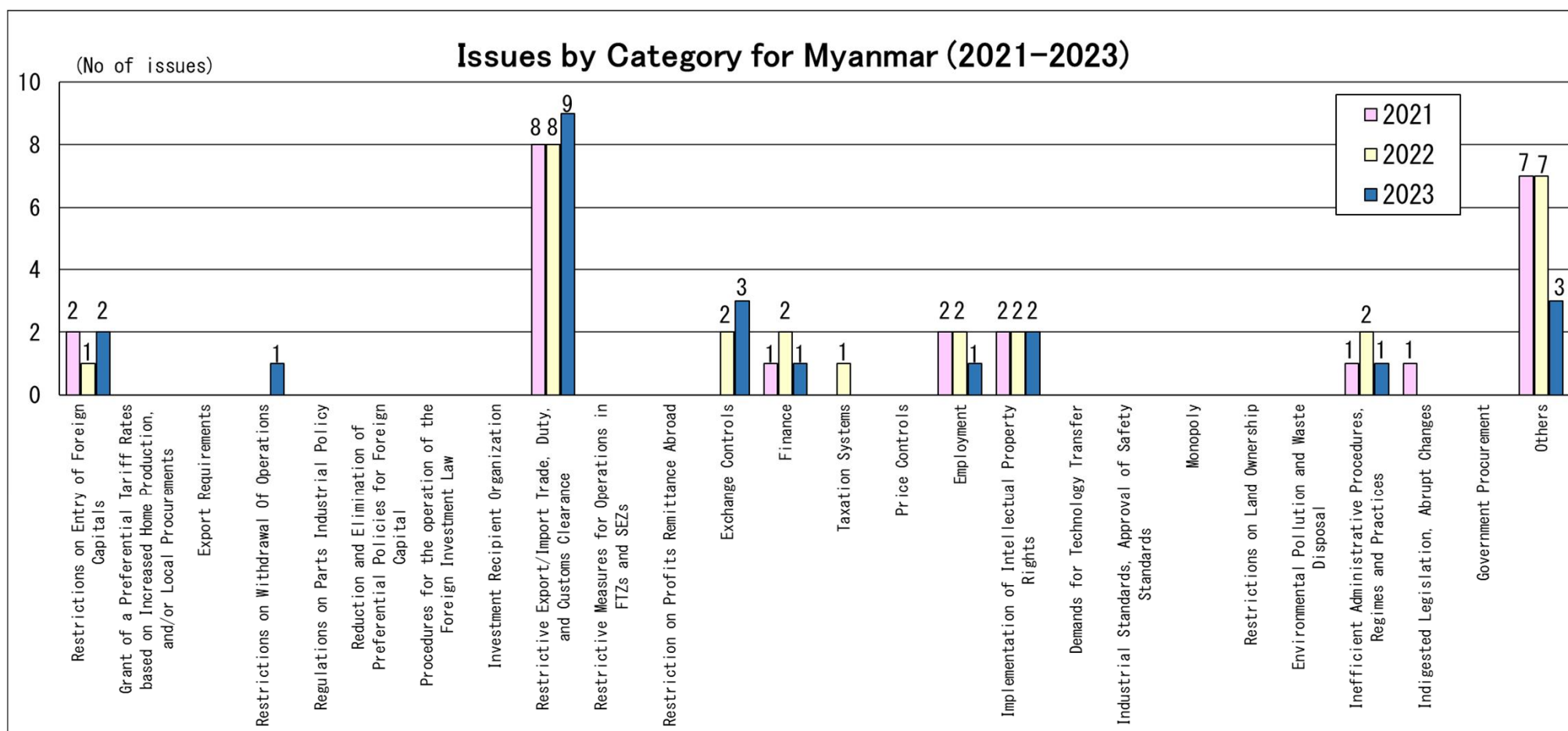
③ Taxation Systems

- The imposition of increased withholding tax on sales of goods and services from the top 20,000 taxpayers and high tax payers to domestic businesses had a significant impact on cash flow and took time due to extensive documentation requirements and the need to undergo investigations to obtain refunds. In addition, there were issues with the way tax audits are conducted, such as the large amount of documents required, illogical additional tax collection, and the burden of proof on the taxpayer.

4. Asia Pacific Myanmar ①

◆Key Points

- The number of issues identified was 23, a slight decrease from the previous year (27).
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Exchange Control” and “Others” (insufficient transportation and electrical infrastructure).



4. Asia Pacific Myanmar ②

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

- There was a demand for a response to the increase in cargo imports, including the development of a bonded warehouse system in line with industrial development.
- There were calls to abolish the import license system, although some improvements were made, such as reducing the number of target items.
- A government notice circulated that 100% of motorcycle imports should be electric vehicles, and companies are under pressure to respond.

② Difficulties in Remitting Foreign Currency

- Regulations have been announced for the remittance of dollars from Myanmar to foreign countries. There are official and market exchange rates, with a 14-86% premium for imports.

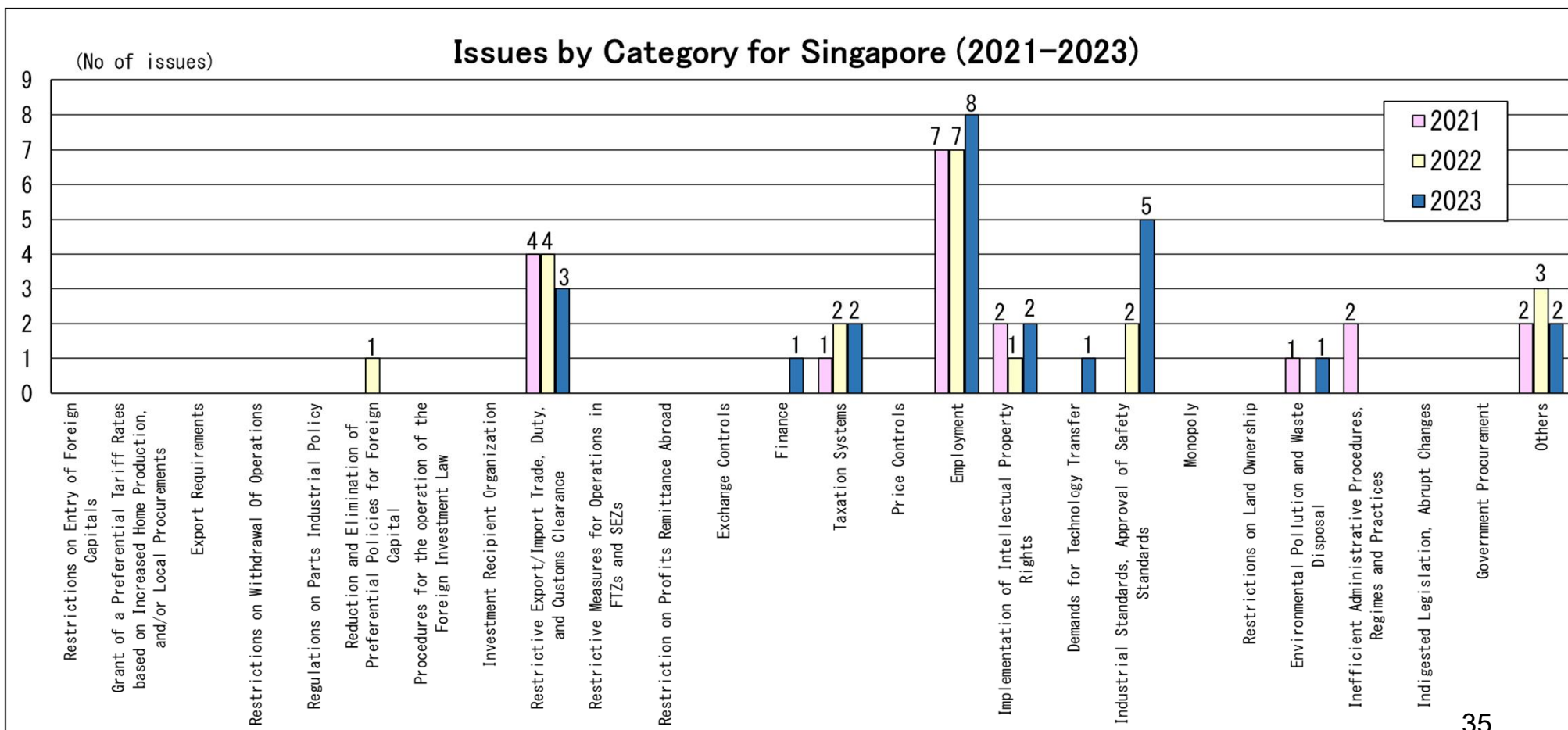
③ Others

- Policies and regulations have changed frequently since the military government took over.
- There were requests for infrastructure development, such as alleviating traffic congestion in Yangon City, efficient movement of people and goods to the Thilawa Special Economic Zone, and adequate power supply.

4. Asia Pacific Singapore ①

◆Key Points

- The number of issues identified was 25, an increase from the previous year (20).
- The category with the most issues was “Employment,” mainly difficulties in acquiring work visas, followed by “Industrial Standards, Approval of Safety Standards” and “Restrictive Export/Import Trade, Duty and Customs Clearance.”
- Regarding COVID-19, there were issues such as even stricter visa issuance and differences in vaccination requirements for entry into Japan between Japan and Singapore.



4. Asia Pacific Singapore ②

① **Employment**

- Traditionally, priority recruitment policy for nationals has been applied to citizens, but since the COVID-19 pandemic, these policies have become even stricter. On the other hand, young Singaporeans tend to prefer white-collar jobs, so there is no choice but to hire foreign workers.
- With the introduction of COMPASS, scheduled to begin in September 2023, companies with a high proportion of foreign nationals will find it even more difficult to send expatriates or hire foreign nationals.
- Salaries in Singapore are skyrocketing, and the job-hopping culture makes it difficult to retain talent.

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

- There were complaints of longer import processing days as a result of the loss of the ability to defer payment of Goods and Services Tax (GST) at the time of import from 2020.
- 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.

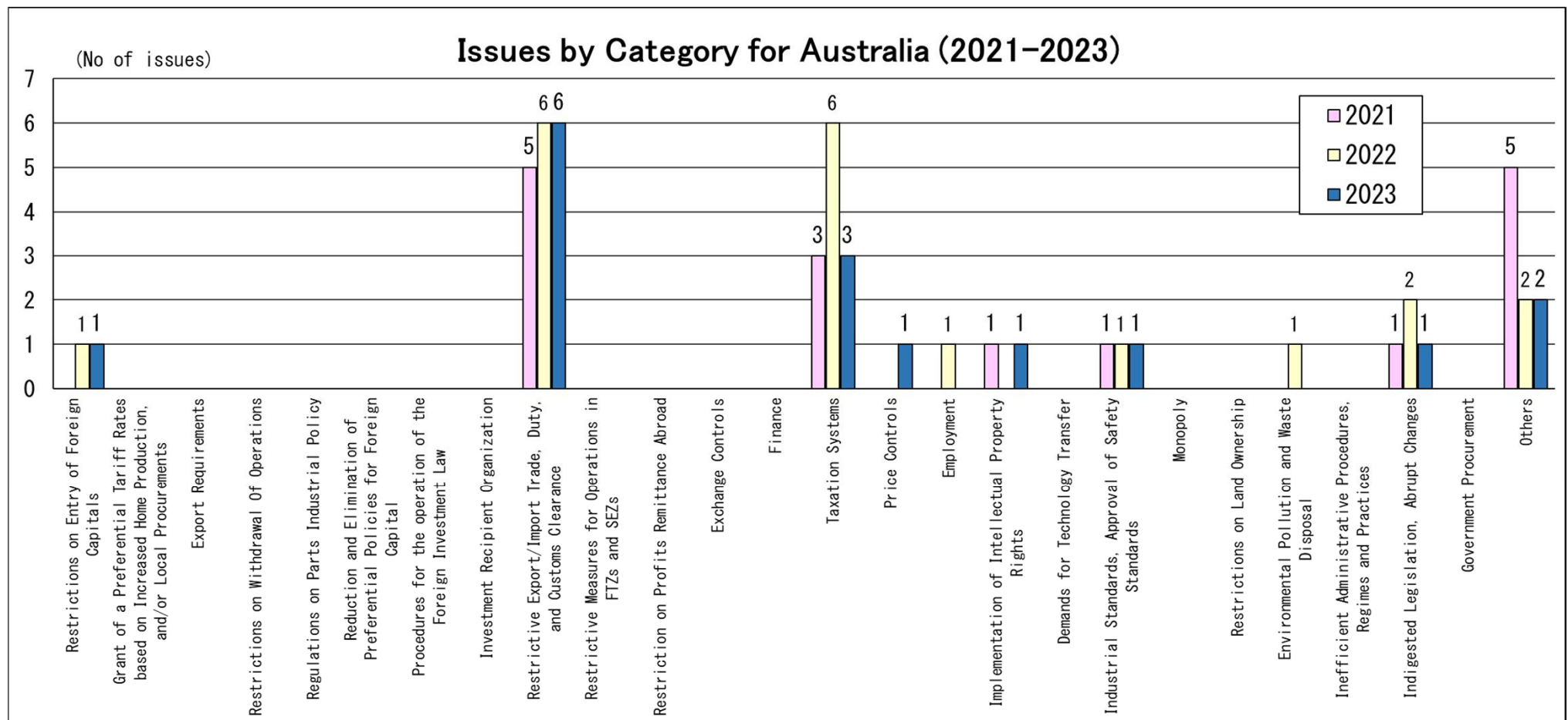
③ **Industrial Standards, Approval of Safety Standards**

- The process for setting pharmaceutical prices is opaque and not appropriate for assessing innovative pharmaceuticals. It also disregards innovation, and special niche products for cancer treatment are not commercially viable.

4. Asia Pacific Australia ①

◆Key Points

- The number of issues identified was 16, a slight decrease from the previous year (20).
- There were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Taxation Systems.”
- Regarding COVID-19, there were issues of prolonged issuance of work visas and stricter requirements for entry into the state.



4. Asia Pacific Australia ②

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

- There were many continuing issues such as the abuse of antidumping measures on steel products and fumigation requirements for imported wood products.
- Proposed changes to the Australian Domestic Gas Security Mechanism (ADGSM) could ban LNG exports at the discretion of the Minister in the event of a quarterly gas shortfall.

② Taxation Systems

- Companies with a turnover of A\$100 million or more are required by the authorities to disclose the company name, turnover, taxable income and the amount of company tax to prevent inappropriate tax burdens and tax avoidance by multinational companies. Even unlisted companies are required to disclose as much detailed information as listed companies if their parent company has a global consolidated turnover of A\$1 billion or more.
- The Australian Taxation Office has classified profit margins by industry into three tiers. There were calls for the elimination of specific target profit rates for transfer pricing investigations and amended declarations, as they may lead to different results from the functional risk analysis and are not reasonable.
- When a foreigner buys a residential property in Australia, each state imposes a stamp duty surcharge for foreigners of approximately 7-8% on top of the regular stamp duty. Should be abolished to promote residential investment.

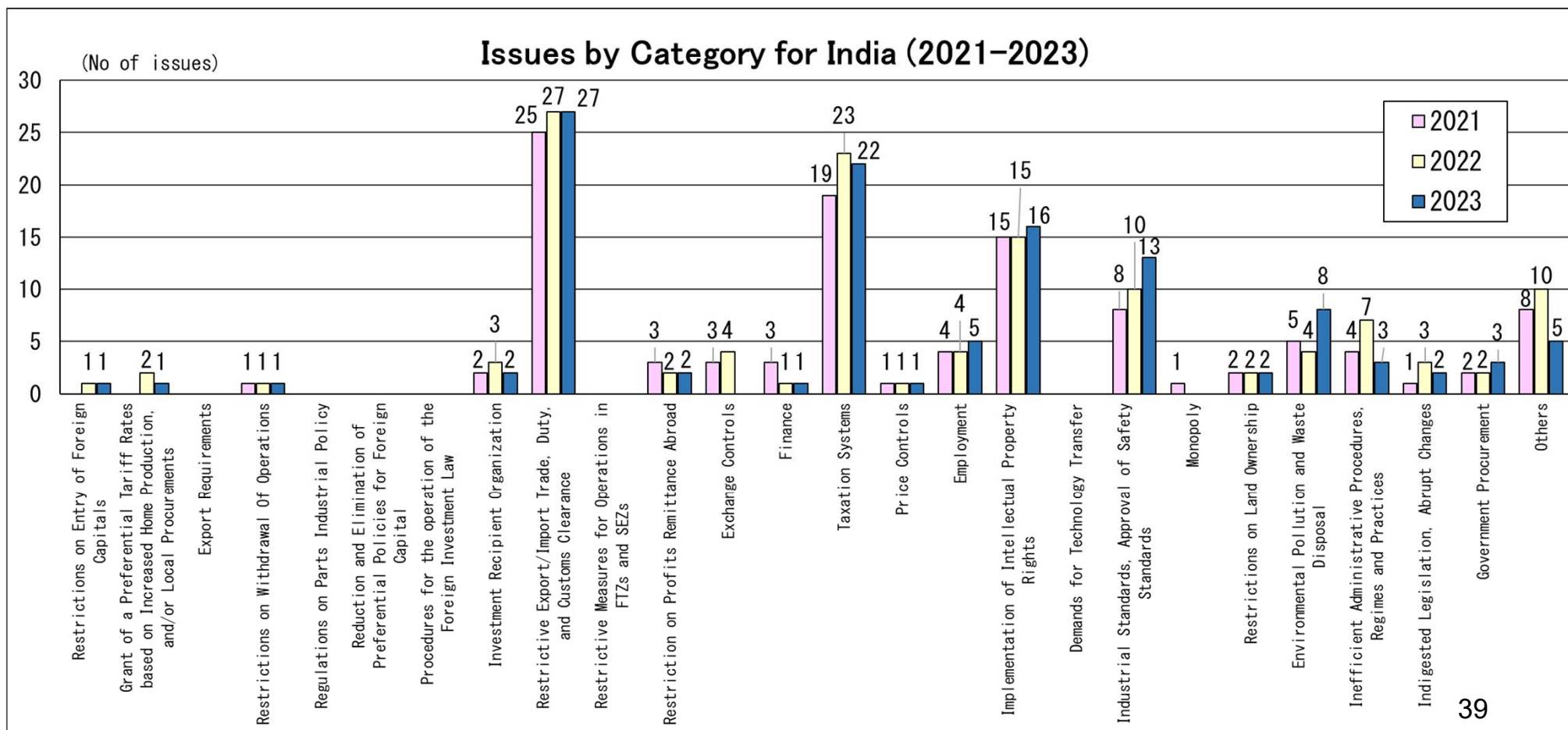
③ Others

- In December 2022, a cap of A\$12 per gigajoule was announced for the wholesale price of gas. Government intervention may lead to mistrust among foreign investors.
- Especially in the summer, electricity supply and demand are tight, and in some cases aluminum smelters have been severely impacted. The cost of electricity is also high, undermining international competitiveness.

5. Southwest Asia India ①

◆Key Points

- The number of issues identified was 115, second only to China, a slight decrease from the previous year (122).
- There were many issues identified in the categories of “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Taxation Systems,” “Implementation of Intellectual Property Rights,” and “Industry Standards, Approval of Safety Standards.”
- Regarding COVID-19, there were issues with obtaining PCR-negative certificates and taxation of ATM or debit card withdrawals and use in Japan, where the company has temporarily taken refuge.



5. Southwest Asia India ②

① Taxation Systems

- In May 2022, the Supreme Court ruled in a case in which a Japanese company provided temporary staffing services to an Indian company that performed back-office operations for a U.S. company, that the Japanese company was the employer of the loaned employees and that GST should be paid. In response, the GST authorities in India are investigating foreign companies to levy GST on secondment refunds and salaries and benefits of foreign loaned employees retroactive to 2017. Not a few number of companies have already paid their taxes and are being charged interest on arrears at 18% per annum. There were calls for the issue, such as the cumbersome nature of dealing with investigations, the deterioration of cash flow, the risk of retrospective penalties, and the unclear guidelines.
- 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%.
- If withholding tax is withheld under the domestic laws of India, the 2020 amendment exempts the filing of tax return as a non-resident. However, if the withholding tax is levied at a rate lower than the withholding tax under the domestic law in accordance with a tax treaty, the foreign corporation will still be required to file a return in India. Therefore, there was a request to exempt the taxpayer from all tax filing obligations and to complete the tax return only by withholding tax.
- A new nexus rule based on Significant Economic Presence (SEP) for non-residents has been introduced in the Indian tax laws from April 2022. There was a view that any transaction, digital or otherwise, could fall under the SEP category.
- Tax investigations in India are rife with additional taxes that cannot be said to be fair or reasonable at the sole discretion of the tax inspector. In some cases, the taxpayer may win the case in litigation, but it takes a long time for the case to be concluded.
- There was a request that India's own Equalization Levy (under moratorium) be eliminated after the BEPS “Pillar One” is implemented.

5. Southwest Asia India ③

② Issues Caused by CAROTAR 2020

- With regard to CAROTAR 2020, which came into effect in September 2020, there were cases where excessive demands were made again in 2022. On the other hand, thanks to the efforts of the Japanese Embassy in India in lobbying the Indian government, the situation has improved significantly, and bank guarantees are no longer required for import customs clearance under the FTA. As a result, although some point out that the lead time for customs clearance has improved, the procedures are still complicated and burdensome.

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

- There continued to be issues concerning the abuse of antidumping and safeguard measures on steel products and the complicated indirect taxation of clock products.
- There are no duties, but high Social Welfare Surcharge and GST are levied. In addition, the import of precision machinery such as semiconductor manufacturing would be subject to basic customs duty as “for the purpose of sale.” Even if the duties on raw materials were zero, these would make it difficult to manufacture in India.
- There continued to be issues concerning the levying of duties on information and communications devices that are considered to be ITA specified items.
- The application of HS codes is under the authority of customs officials, and there is no function for a third-party organization, etc., to make decisions. As a result, there were still cases where HS classification was arbitrarily decided by the customs, resulting in the classification of high tariff items, or cases of litigation, etc.
- 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. In addition, the amount of work required is enormous.

5. Southwest Asia India ④

④ Issues Concerning Industry Standards and Approval of Safety Standards, Such as BIS Certification

- Although India is a member of the CB Scheme, according to a public notice issued by the Indian Ministry of Electronics and Information Technology, CB Reports issued by overseas certification bodies for TVs, smartphones, rechargeable batteries, etc. are no longer acceptable and testing by the Bureau of Indian Standards (BIS) designated body is required. There were issues identified such as the huge cost of even having to re-approve existing models, the fact that information on new products is published on the BIS website as soon as the product registration is completed, the fact that there is insufficient preparation time when mandatory standards are updated, etc.
- In 2022, the e-waste regulations were revised to expand the scope of items covered. However, the industry was not given enough time to prepare, and some of the regulations were revised again just before they went into effect, placing an undue burden on the industry.
Medical devices were also included in the scope of the regulation, but substances exempted from RoHS were also included in the scope of the regulation. Solar panels are also subject to the same restrictions and cannot be marketed because they contain lead, a substance exempted from RoHS.
- The Battery Waste Management Rules, which took effect immediately in August 2022, included requirements not found in other countries, such as the display of a unique battery recycling mark and the reporting of weight data for all battery constituents, making it difficult to comply.
- There were complaints about delays in the promulgation of standards for 4K TVs. The same was true for 2K TVs, which may result in unnecessary costs due to the inability to take adequate time to respond.

5. Southwest Asia India ⑤

⑤ Environmental and Waste Disposal Issues

- There were issues concerning the prohibition of packaging less than 50 µm thick and the prohibition of multi-layer packaging, among other unrealistic requirements. In addition, not only domestic packaging producers, but also users of packaging are subject to the same obligations as producers. Many details are unclear and information gathering has been a struggle. Many plastic packages are used in common with other regions, making compliance with India's unique thickness regulations a major burden.
- Operational issues have been identified in the energy efficiency labeling program, such as small fiscal year display, lack of reliability due to voluntary reporting, etc.
- There was also a problem with the policy of converting to renewable energy, which is slowing down investment due to lack of financing.
- There was a request to participate in the bilateral credit program. This would enable the Japanese government to provide partial support for the initial investment costs.

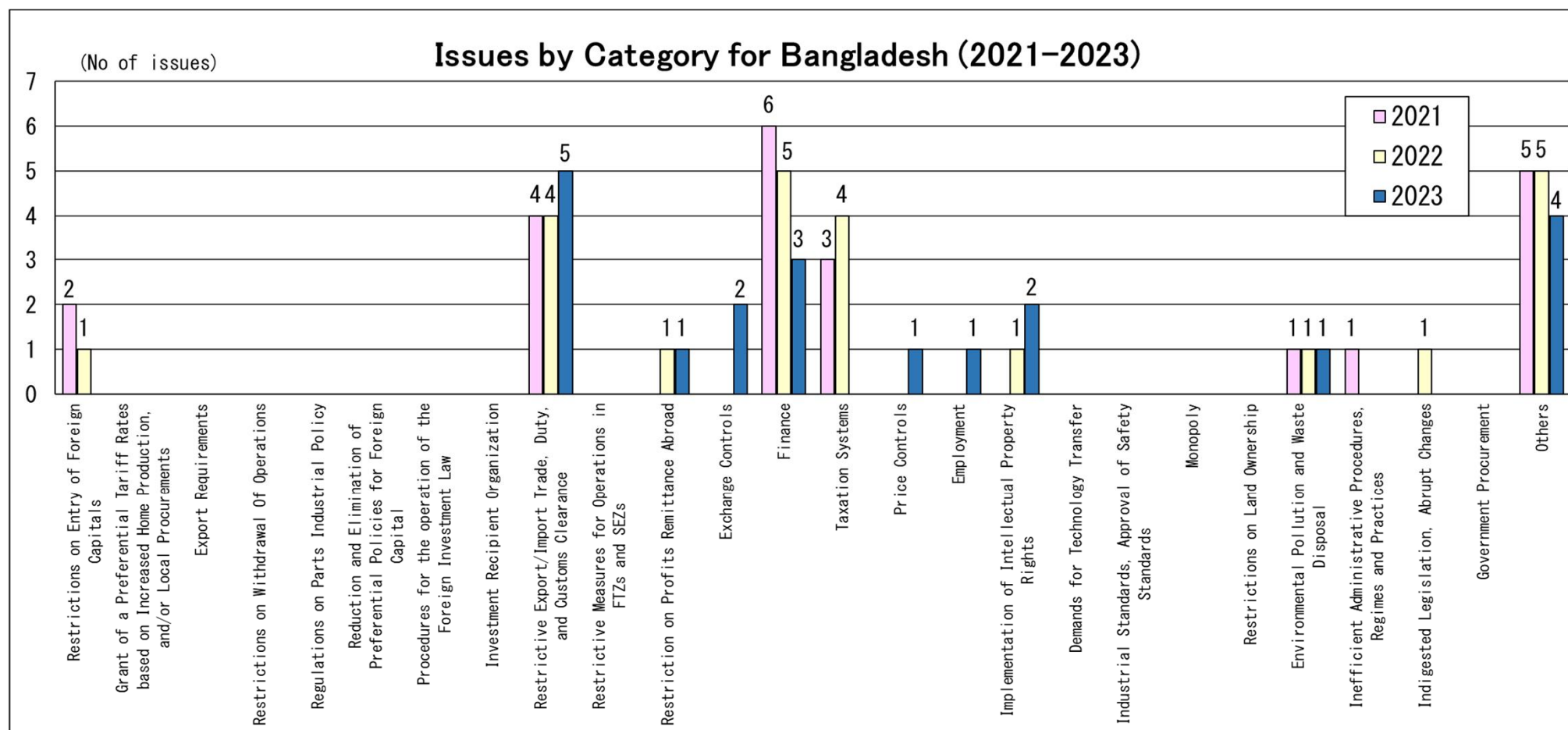
⑥ Other Issues

- No opportunity to bid due to preference given to local companies in government procurement.
- Frequent changes in the content of letter of credit (L/C) transactions in government business negotiations cause confusion and increase costs in the field.
- There were continuing issues of delays due to complex administrative procedures and inadequate infrastructure such as power, communications, ports, roads, and telecommunications.

5. Southwest Asia Bangladesh ①

◆Key Points

- The number of issues identified was 20, roughly the same as in the previous year (23).
- The categories with the most issues were “Restrictive Export/Import Trade, Duty and Customs Clearance” and “Finance,” while “Others” included instability of logistics infrastructure and gas supply, security instability, and unjustified demands for money.



5. Southwest Asia Bangladesh ②

① Finance

- There were many cases of delays to settlements by letter of credit (L/C). With the decline in foreign exchange reserves since the second half of 2022, it has taken longer to open import L/C.
- In Bangladeshi banks, there were issues such as the inability to contact the person in charge by phone, etc., and the need to visit the bank in person just to complete the procedures.
- Overseas remittances are strictly restricted, making it difficult to send money abroad from Bangladesh for payments. There are risks in exporting machinery.

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.
- Customs clearance documents must be sent in advance and original documents must be submitted, and it takes time to prepare shipping documents. In addition, the requirements vary depending on the customs official in charge.
- 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.

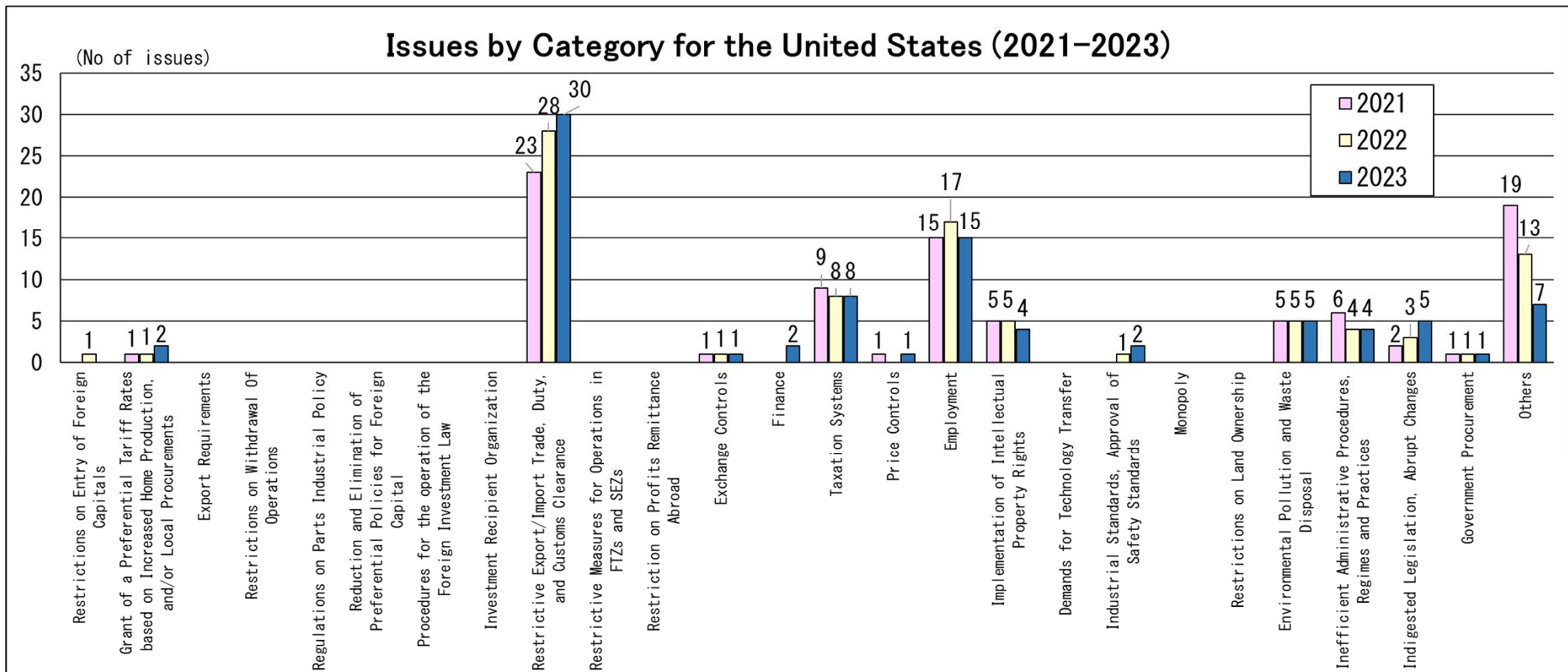
③ Other Issues

- There were issues such as the lack of clarity in some of the WEEE regulations, poor infrastructure such as ports and roads, irregular gas price increases, security concerns, and illegal demands for money.

6. North America / Central and South America the United States ①

◆Key Points

- The number of issues identified was 87, roughly the same as in the previous year (88).
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Employment” and “Taxation Systems” with many issues as well.
- Others, in the category of “Indigested Legislation, Abrupt Changes,” identified issues with rules and regulations (e.g., the National Defense Authorization Act, the Foreign Investment Risk Review Modernization Act, and the Uyghur Forced Labor Prevention Act) triggered by the U.S.-China trade friction.



6. North America / Central and South America the United States ②

① Issues Caused by US-China Trade Friction

- Many companies complained about the negative impact on their business activities from various laws and regulations imposed due to the U.S.-China trade friction (including the National Defense Authorization Act for Fiscal Year 2019, the Export Control Reform Act, and the Foreign Investment Risk Review Modernization Act), complicated export control procedures, restrictions on the export of emerging technologies, restrictions on foreign companies' investment in the U.S., and increased tariff rates on Chinese goods, a de facto ban on the export of semiconductor manufacturing equipment and related technology to China, and the Uyghur Forced Labor Prevention Act, etc.

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 on labeling place of origin, and idiosyncratic labeling requirements, as well as the abuse and prolongation of antidumping and countervailing duties on steel products.
- In the USMCA, there are still some uncertainties regarding origin determination, such as the labor value ratio.
- There were calls for the reinstatement of the Generalized System of Preferences which expired at the end of 2020.
- The Biden administration has ruled out continuing Phase 2 of the Japan-U.S. Trade Agreement. However, there were calls to negotiate tariff reductions on batteries for electric vehicles and other products, and to make the rules of origin difficult to use with only a change in tariff classification.

6. North America / Central and South America 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, rising wages, and labor shortages.

⑤ Taxation Systems

- Up to 2021, the limit for deductible business interest expense was set at “earnings before interest, taxes, depreciation and amortization (EBITDA) x 30%,” which was revised to “earnings before interest and taxes (EBIT) x 30%” from 2022 onwards. As this raises borrowing costs, there were calls for a return to the previous limit.
- There were concerns that the introduction of the Base Erosion and Anti-Abuse Tax (BEAT) would result in the ineffectiveness of the application of foreign tax credits in the calculation of BEAT tax amounts, that the minimum tax portion would result in double taxation, and that a new tax burden would be imposed on the depreciation of assets for leasing purposes.
- There were concerns that the November 2022 “Draft Treasury Regulations,” which were understood to be intended to limit the application of foreign tax credits by U.S. corporations for digital tax and taxes based on gross receipts imposed in foreign countries, could limit or prohibit the deductibility of foreign taxes, which has long been allowed.

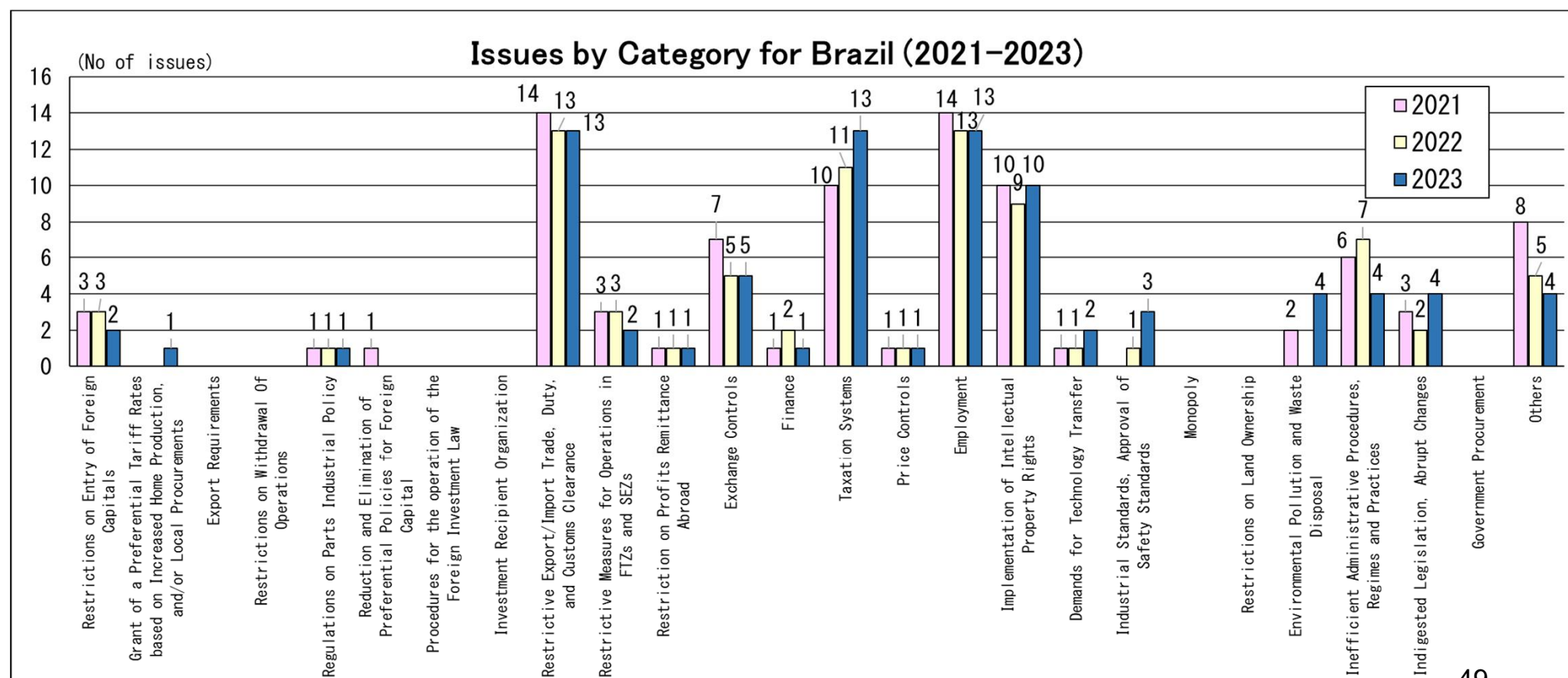
⑥ Environmental and Waste Disposal Issues

- There continued to be calls against excessive and unrealistic restrictions on per- and polyfluoroalkyl substances (PFAS).
- There were continuing concerns about regulations and risk assessment methods under the Toxic Substances Control Act (TSCA) for phenol, isopropylated phosphate (3:1) (PIP (3:1)), a substance that is not regulated in other countries, including in Europe.
- The State of California has banned the display of a recycling symbol that misleads consumers into believing that something is recyclable. Since all Japanese and European symbols also fall into this category, there was a significant burden to deal with as they had to be designed exclusively for the U.S.

6. North America / Central and South America Brazil ①

◆Key Points

- The number of issues identified was 84, a slight increase from the previous year (78).
- The categories of “Restrictive Export/Import Trade, Duty and Customs Clearance,” “Taxation Systems,” and “Employment” had the same number of issues (13) and were the most frequently identified. In “Taxation,” respondents pointed out the complex and multi-layered taxation system unique to Brazil, while in “Employment,” many pointed out the difficulty in obtaining visas and the overprotection of workers in the legal system.
- Regarding COVID-19, there were concerns about delays in customs clearance procedures.



6. North America / Central and South America Brazil ②

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

- Intermediary trade, where the customer is the consignee and payment is made through a subsidiary in Brazil, is not possible.
- Customs regulations are complex and it is difficult to obtain the necessary documents. In addition, there were many continuing issues such as complicated clearance procedures and the need to write in Portuguese, the long time required to obtain customs clearance, and frequent strikes by customs officials.
- Illegal imports and smuggling are rampant, and evasion of customs duties and public taxes inhibits normal sales activities.
- As the EPA between the EU and Mercosur has been agreed and negotiations with South Korea are underway, there were ongoing calls to conclude an EPA with Japan.

② Domestic Production Preferential Measures, Etc.

- The preferential taxation system for domestic production provides import and industrial tax exemptions for companies that produce domestically. In addition, companies are required to use at least a certain percentage of domestically produced goods.
- While set makers receive a benefit for importing parts and materials, parts manufacturers do not.

③ 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.
- The process of obtaining a visa is time consuming and the period of validity is short.

6. North America / Central and South America Brazil ③

④ Taxation Systems

- In addition to the complexity of the tax system, such as the many types of taxes, the tax system is frequently changed, making accounting and tax payment administration cumbersome. Therefore, specialists and tax consultants must be hired to deal with these issues, which is costly.
- The various tax burdens are heavy, and the selling prices of products are 2-3 times higher than in developed countries.
- Brazil has not adopted the transfer pricing methods recognized by OECD countries (CMP, TNMM, PS method, etc.). As a result, the determination of transfer prices is very difficult, since the price must be determined in such a way that the Brazilian company receives the appropriate income.
- In addition to withholding taxes, royalty payments are subject to a higher tax burden.
- State taxes imposed on goods imported into one state are difficult to obtain a full refund when the goods are sold in another state.

⑤ Implementation of Intellectual Property Rights

- The customs authorities' border control measures are limited to stopping products that infringe trademark rights, and there is no provision for products that infringe patents. Additionally, there is no registration system for right holders to apply for protection.
- After filing a patent application, the term of the right is shortened due to the time required for examination. In addition, renewal fees must continue to be paid even though the right has not vested.
- A divisional application can only be filed until the end of the patent examination. Therefore, the opportunity to file a divisional application is lost when a notice of allowance is published in the Official Gazette.

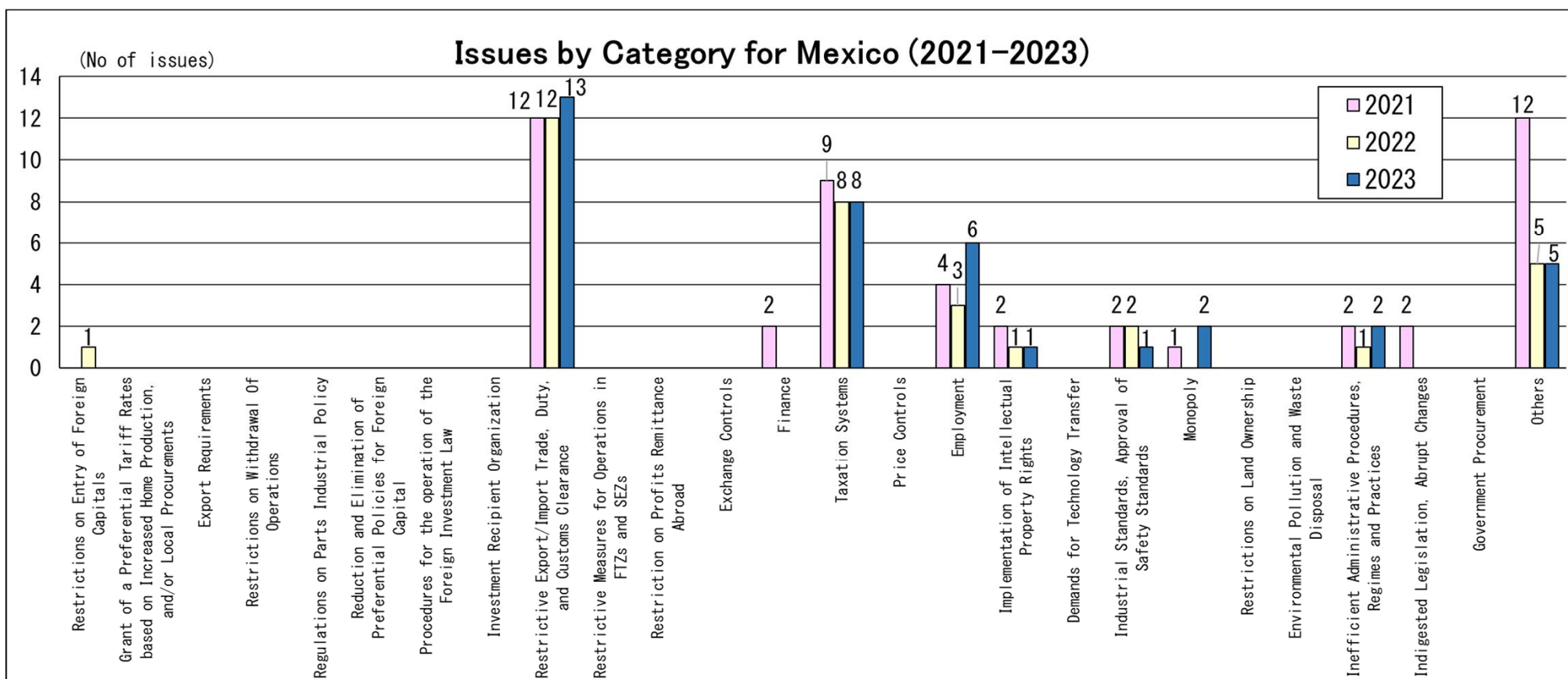
⑥ Others

- There were issues of inadequate infrastructure, such as ports and roads, and security problems, such as robberies.

6. North America / Central and South America Mexico ①

◆Key Points

- The number of issues identified was 38, a slight increase from the previous year (33).
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems” and “Employment” with many issues as well. This included some long-standing and ongoing issues, such as the Workers’ Profit Sharing (PTU) system of “Employment.”
- In the “Others” category, there were concerns about the deteriorating security situation.



6. North America / Central and South America Mexico ②

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

- The MFN duty rate on steel products was temporarily reduced (from 15% to 10%) starting in 2021, but 15% was reapplied and an extension was announced until the end of May 2023, although the rate was scheduled to be reduced in mid-2022. In addition, there continued to be complaints about the abuse of antidumping measures on steel products.
- In customs clearance, there were continuing complaints that each official had different requirements and that documentation was cumbersome.
- All export/import customs declarations are stored in a database by the customs authorities, but the database is not correctly constructed and the contents are different from the declarations.
- FTA preferential duties do not apply to imports of products from Asia. Local customs will not accept a re-invoice issued by another company located in a third country of the company.
- Following the transition from NAFTA to USMCA, the intra-regional value-added standard, which increases the percentage of automobile production at the point of origin each year, put pressure on earnings.
- Official standards have been revised to make the affixing of certification labels mandatory, significantly increasing man-hours and costs for exporters. There were concerns that price competitiveness would decline.

② Taxation Systems

- Monetary assets and liabilities are adjusted for inflation in the corporate tax calculation. If fixed assets are financed with debt, the effective tax rate would be higher than 37%.

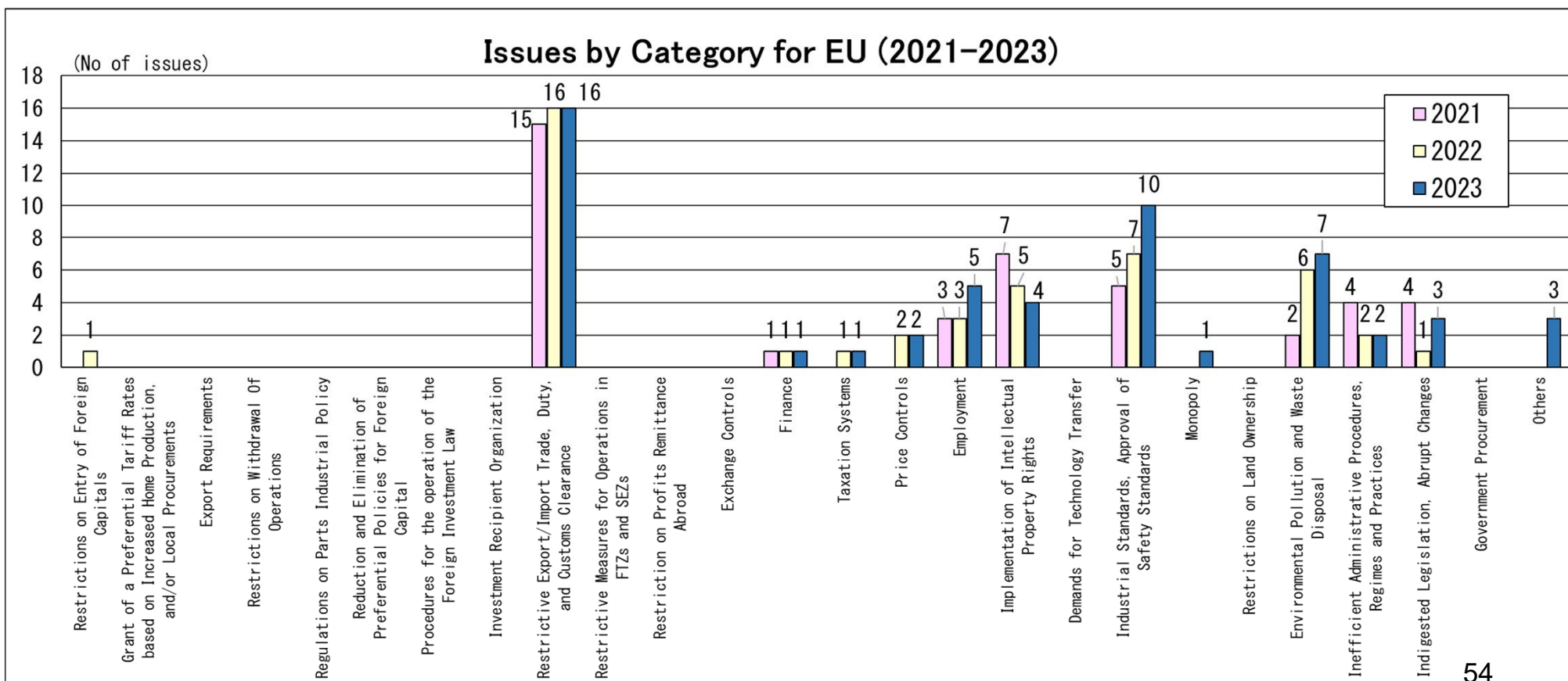
③ Monopoly

- The Mexico's Electricity Industry Law prevents private companies from providing renewable energy. They are also forced to buy electricity from high-cost state-owned power companies.

7. Europe and Russia EU ①

◆Key Points

- The number of issues identified was 55, an increase from the previous year (45).
- There were many issues identified in the categories of “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Industry Standards, Approval of Safety Standards,” and “Environmental and Waste Disposal Issues.”
- Other issues included concerns about rising wages and high inflation due to tight demand for labor post-COVID, and Ukraine-related issues such as the inability to collect accounts receivable from Russian businesses prior to the invasion.



7. Europe and Russia EU ②

① Japan EU EPA

- Respondents are claiming refunds for duties paid to authorities in Germany, the UK, Italy, Spain, and France, but each country interprets the rules differently, resulting in a lack of consistency and slow responses.
- 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.
- For clock products, it is necessary to obtain proof of place of origin for each model and shipping unit, including suffixes, which is very labor intensive.

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. Some users in the EU have also expressed opposition to the proposal, claiming that it will increase procurement costs.
- When using the advanced ruling system, it takes too long to gain approval (about 120 days).

③ Effects of Brexit

- The TCA does not include extended cumulation, which increases the cost of products manufactured in countries such as Japan, South Korea, and Turkey.
- In the TCA, there were calls for mutual recognition of patch testing 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.
- Additional documentation and duties are required when exporting from the UK to the EU.

7. Europe and Russia EU ③

④ Industrial Standards, Approval of Safety Standards

- In December 2022, the EU Health Commissioner recommended an extension of the deadline for the transition to the European Medical Devices Regulation (MDR), but the future is uncertain. The MDR review has been significantly delayed and there is a risk of a medical device shortage in the EU.
- While many enquiries were made to the notified body (NB), there were no responses regarding an overview of the MDR certification procedure and estimates. The cost of the review is also high.
- With regard to the EU Batteries Regulation, there is no delegated legislation or guidance that defines specific rules and companies are not yet in a position to comply with the regulation. There was a request for a sufficient transition period for the implementation of the regulation.
- According to the “proposal to amend the European standardisation regulation” adopted and implemented by the Parliament on November 30, 2022, third countries, including Japan, are excluded from the standardization decision-making process. As this may constitute a non-tariff barrier for third countries, there were calls to allow Japan’s involvement through the regulatory cooperation framework of the Japan-EU EPA.

⑤ Issues Concerning Environmental Regulations

- With regard to the review of exemptions to the RoHS Directive, the discussions took a long time and lost predictability, resulting in damage due to pre-arrangement and disposal of parts.
- 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.

⑥ Issues Arising from Russian Invasion of Ukraine

- Unable to collect accounts receivable from business with Russia prior to the invasion.

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).
- Digital taxation was introduced (under a moratorium) prior to the international agreement, and there were calls for its abolition.
- 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.
- Mineral oil saturated hydrocarbons (MOSH) and mineral oil aromatic hydrocarbons (MOAH) will be banned from 2025. Alternative technologies exist, but are inferior in cost and quality and should be delayed until sufficient technology can be developed.
- On January 1, 2022, a law came into effect requiring the disclosure of information on all chemical substances in products. This system goes beyond the REACH regulations and may hinder the free distribution of products within the EU.
- France has imposed its own labeling requirements that are not included in the EU Packaging Waste Directive, which 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.
- Germany does not have an accelerated examination system and there were calls for the introduction of such a system, although there is a patent highway system between Japan and Germany.
- Some lobbying groups are pushing for changes in patent law to revoke injunctions for complex products such as automobiles, which could result in lower royalty.

7. Europe and Russia Main EU Member Countries ②

③ Italy

- Digital taxation was introduced (under a moratorium) prior to the international agreement, and there were calls for its abolition.
- The private copying levy for tv is high. It is possible to get an exemption for professional use but the procedures for this are cumbersome.
- There are many documents required to apply for a visa and it takes time to obtain them. The same applies to visas for accompanying family members.
- There continued to be calls for social security agreement to be made.
- There were calls for unification of standards and laws and regulations because of the increasing number and complexity of standards that differ from the European Medical Device Regulation (MDR) and other regulations, making them difficult to manage.
- Italy has imposed its own labeling requirements that are not included in the EU Packaging and Packaging Waste Directive, which may hinder the free distribution of products within the EU.

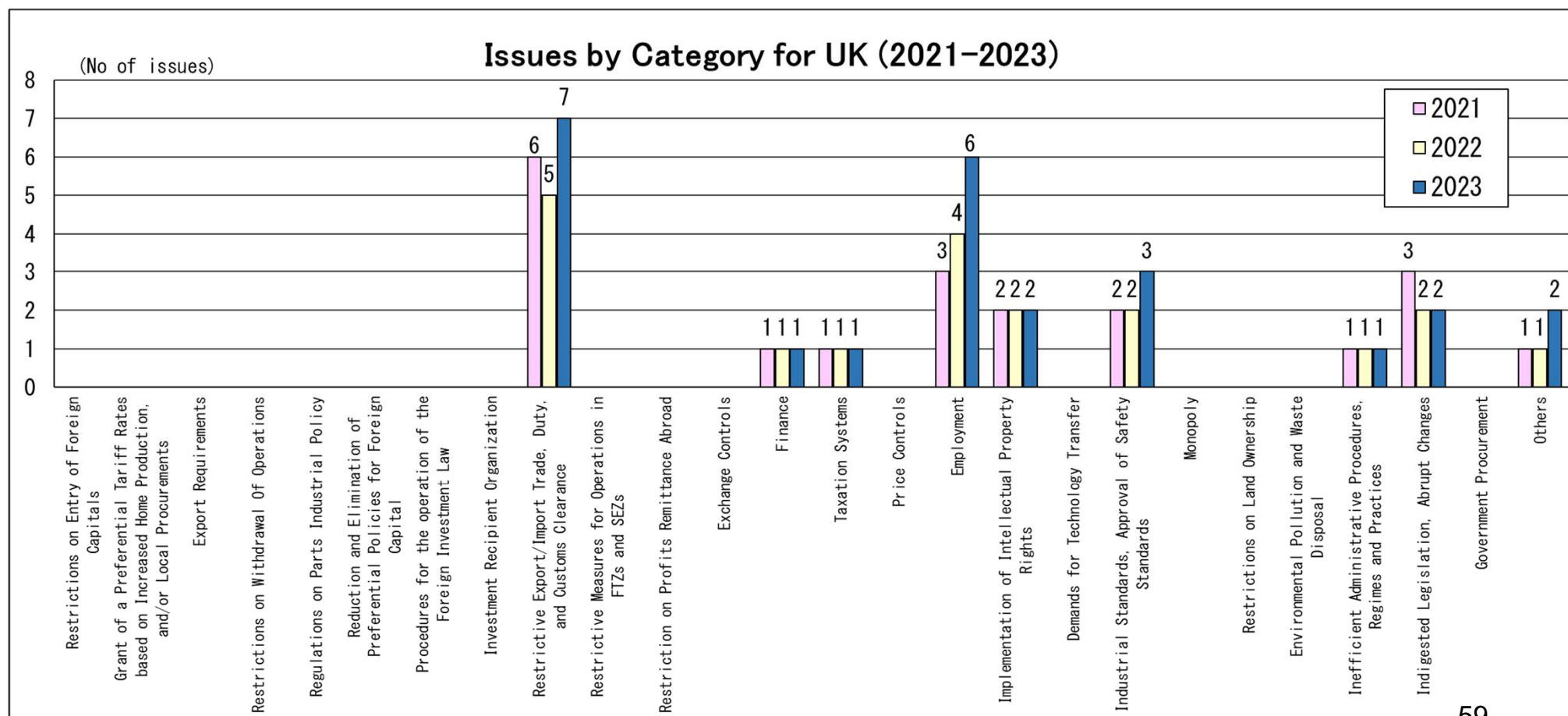
④ Spain

- Digital taxation was introduced (under a moratorium) prior to the international agreement, and there were calls for its abolition.
- Wage increases should be tied to price increases. Changes in treatment and layoffs are also difficult.
- Spain has imposed its own labeling requirements that are not included in the EU Packaging Directive, which may hinder the free distribution of products within the EU.
- Although the conclusion of a social security agreement has eliminated duplicate pension payments, the process is cumbersome because identification documents must be renewed each year.
- There were calls for harmonization of service parts retention periods and legally mandated guarantee periods, which were not in line with EU law.

7. Europe and Russia UK ①

◆Key Points

- The number of issues identified was 25, an increase from the previous year (19).
- There were many issues identified in the categories of “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Employment,” “Industry Standards, Approval of Safety Standards,” as well as a number of Brexit-related issues.
- The issues included the fact that it was taking longer than in the past to issue and renew UK visas due to the impact of the Russian invasion of Ukraine.



7. Europe and Russia UK ②

① **Effects of Brexit**

- 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.
- The TCA has resulted in costs such as the preparation of certificate origin, which was not previously required between the EU and the UK.
- There continued to be calls for the mutual recognition of patch testing of pharmaceutical products between the EU and the UK.
- There were continuing complaints about the cumbersome handling of the transition from CE marking to UKCA marking.
- 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.
- Securing EU migrant labor has become difficult after Brexit.

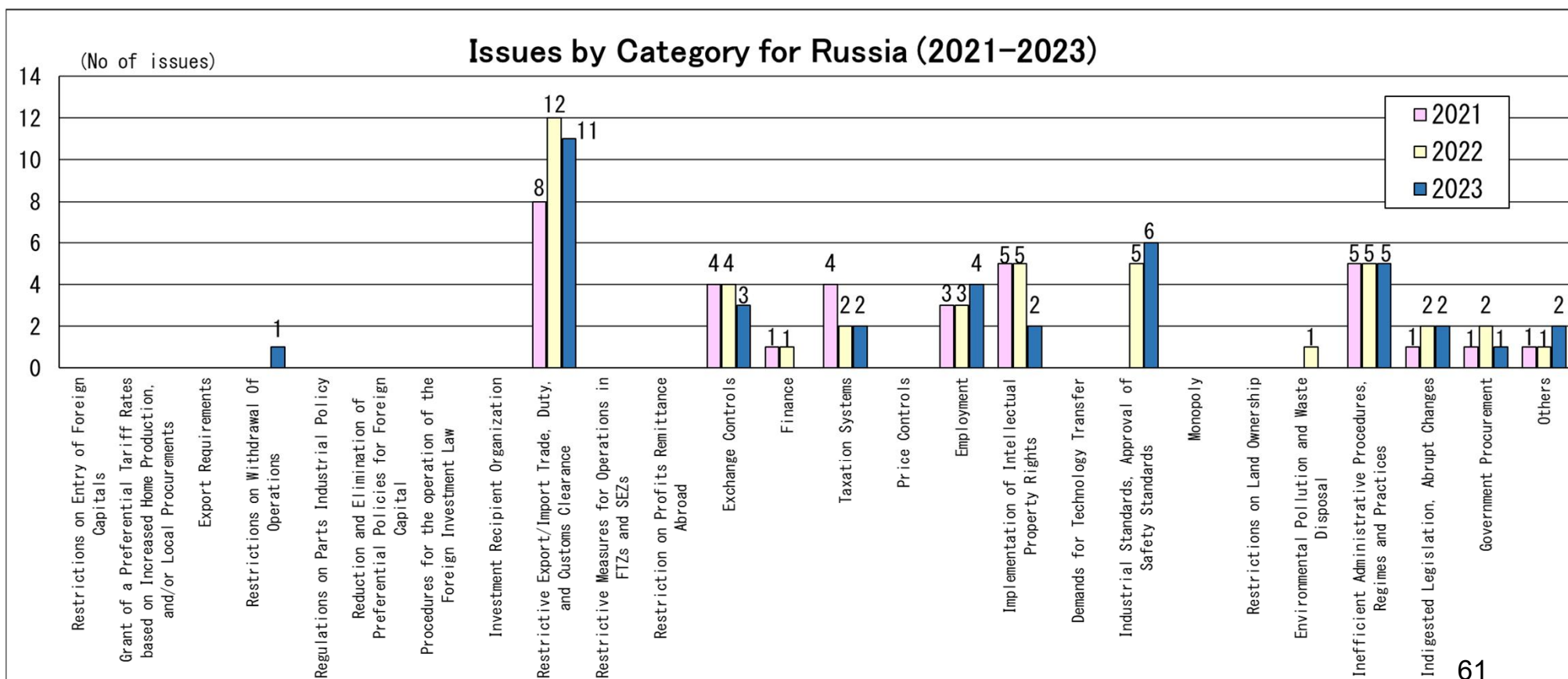
② **Other Issues**

- In addition to reporting to a trade information repository under the European Market Infrastructure Regulation (EMIR), the exemption procedure for intragroup transactions differs between the EU and the UK and is cumbersome.
- The transactions covered by the Modern Slavery Act and related monitoring standards are unclear. There are also few tools available to make this clearer.
- Digital taxation was introduced (under a moratorium) prior to the international agreement, and there were calls for its abolition.
- 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.
- The minimum wage in the UK, which is set taking into account price levels and other factors, is much higher than in other EU countries, putting pressure on businesses.

7. Europe and Russia Russia ①

◆ Key Points

- The number of issues identified was 39, a decrease from the previous year (43).
- There were many issues identified in the categories of “Restrictive Export/Import Trade, Duty, and Customs Clearance,” “Industry Standards, Approval of Safety Standards,” and “Inefficient Administrative Procedures, Regimes and Practices.”
- Regarding issues related to the invasion of Ukraine, there were concerns about trade and remittance restrictions in line with sanctions against Russia by major countries, as well as the destabilization of the business environment due to Russia’s countermeasures.



7. Europe and Russia Russia ②

⑥ Impact of Russian Invasion of Ukraine

- Following the invasion in February 2022, the trade environment changed rapidly due to sanctions against Russia, with some respondents noting that remittances and trade insurance became more difficult, logistics stagnated, export licenses were denied due to tighter export controls, and even items not subject to sanctions became more difficult to export.
- There were concerns that the business prospects were becoming less promising, partly due to the countermeasures taken by Russia.

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

- There were continuing issues such as arbitrary tariff classifications, cumbersome procedures such as many required documents and the need for handwritten signatures, high duties on clock products, high export taxes on timber, additional fines for altering invoice amounts, cumbersome administration of importing sample products, and the detrimental effects of stricter regulations on importing spare parts.

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.

7. Europe and Russia Russia ③

④ 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.

⑤ Industrial Standards, Approval of Safety Standards

- As a result of Russia’s own measures to relax the rules of the Eurasian Economic Union (EAEU), issues such as market disruption and the inability to export from Russia to other EAEU member countries have arisen.
- Regarding the registration of medical devices, there were continuing issues such as the need for apostille and other time-consuming and costly procedures, the length of time required for certification, and inconsistencies in the required documentation.

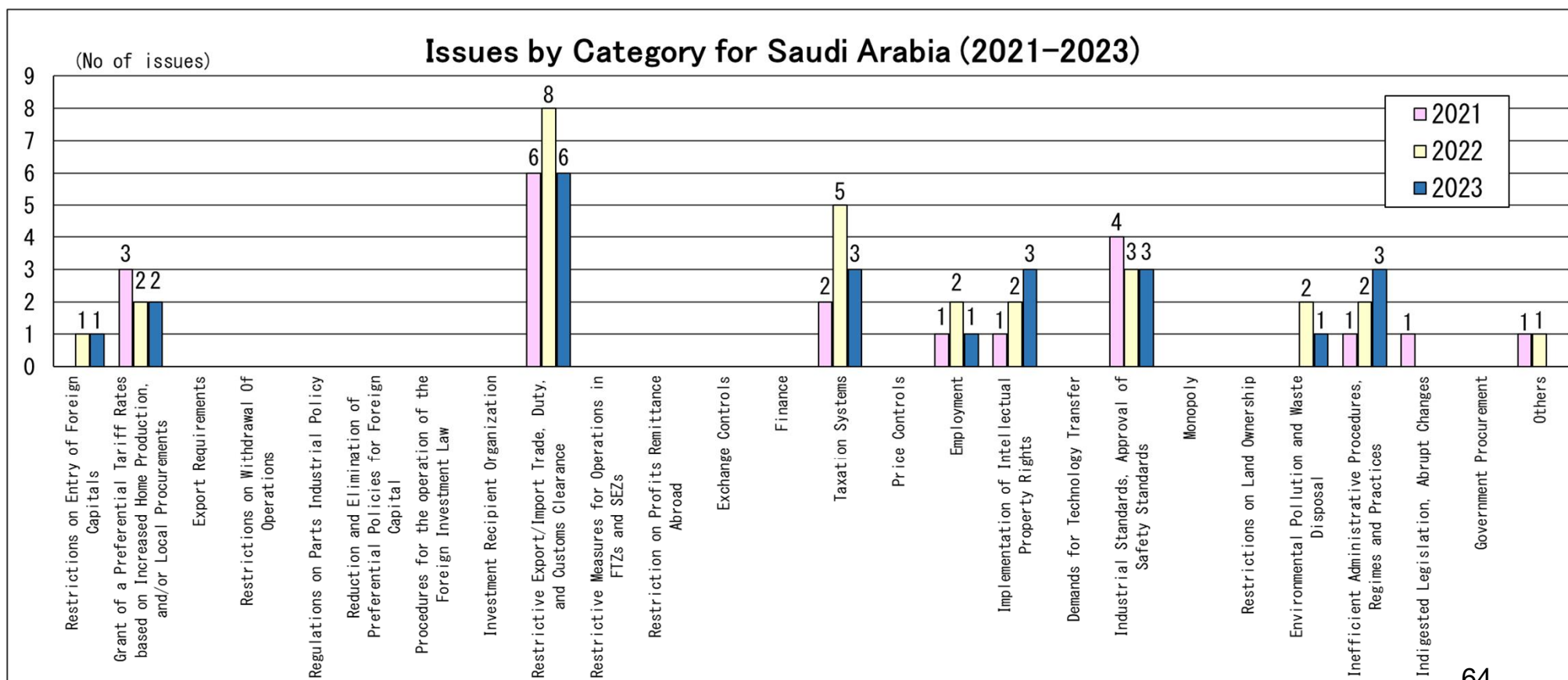
⑥ Inefficient Administrative Procedures, Regimes and Practices, Indigested Legislation, Abrupt Changes

- All companies that collect personal information (of employees, customers, etc.) must store said information within Russia and are not permitted to move it overseas. Additionally, 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.

8. Middle East and Africa Saudi Arabia ①

◆Key Points

- The number of issues identified was 23, a decrease from the previous year (28).
- The category with the most issues was “Restrictive Export/Import Trade, Duty, and Customs Clearance,” followed by “Taxation Systems,” “Implementation of Intellectual Property Rights,” “Industry Standards, Approval of Safety Standards,” and “Inefficient Administrative Procedures, Regimes and Practices” with many issues as well.
- There were many issues raised about the standard called SABER from the perspective of obtaining a certificate of conformity and import regulations.



8. Middle East and Africa Saudi Arabia ②

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

- Duty increases and customs inspections based on original Saudi Arabian standards are imposed on steel products.
- At container yards, containers are opened and subjected to unpacking inspections at a fairly high rate. This is time consuming and the cost of the inspection is borne by the shipper. Furthermore, cargo is often damaged during reloading.
- There continued to be issues with SABER, which was introduced in 2019. Obtaining a Certificate of Conformity (COC) takes time, and parts needed for periodic inspections also require a COC, resulting in shipping delays and extra expenses.

② Taxation Systems

- The corporate tax rate for foreign companies is 20%, while domestic and GCC companies are subject to only 2.5% Zakat, which is unfair.
- Suspected violations of the Japan-Saudi Arabia tax treaty include the application of domestic law tax rates despite the fact that royalties are involved, and the imposition of withholding tax even on income that could be classified as business income.

③ Industrial Standards, Approval of Safety Standards

- Issues were raised regarding uncommon requirements, such as CB Test Report of spare parts in SABER, and the company being registered in the SABER system without prior notice, even though it was not subject to the law or guidelines, and was effectively regulated, making it difficult to respond to the request.

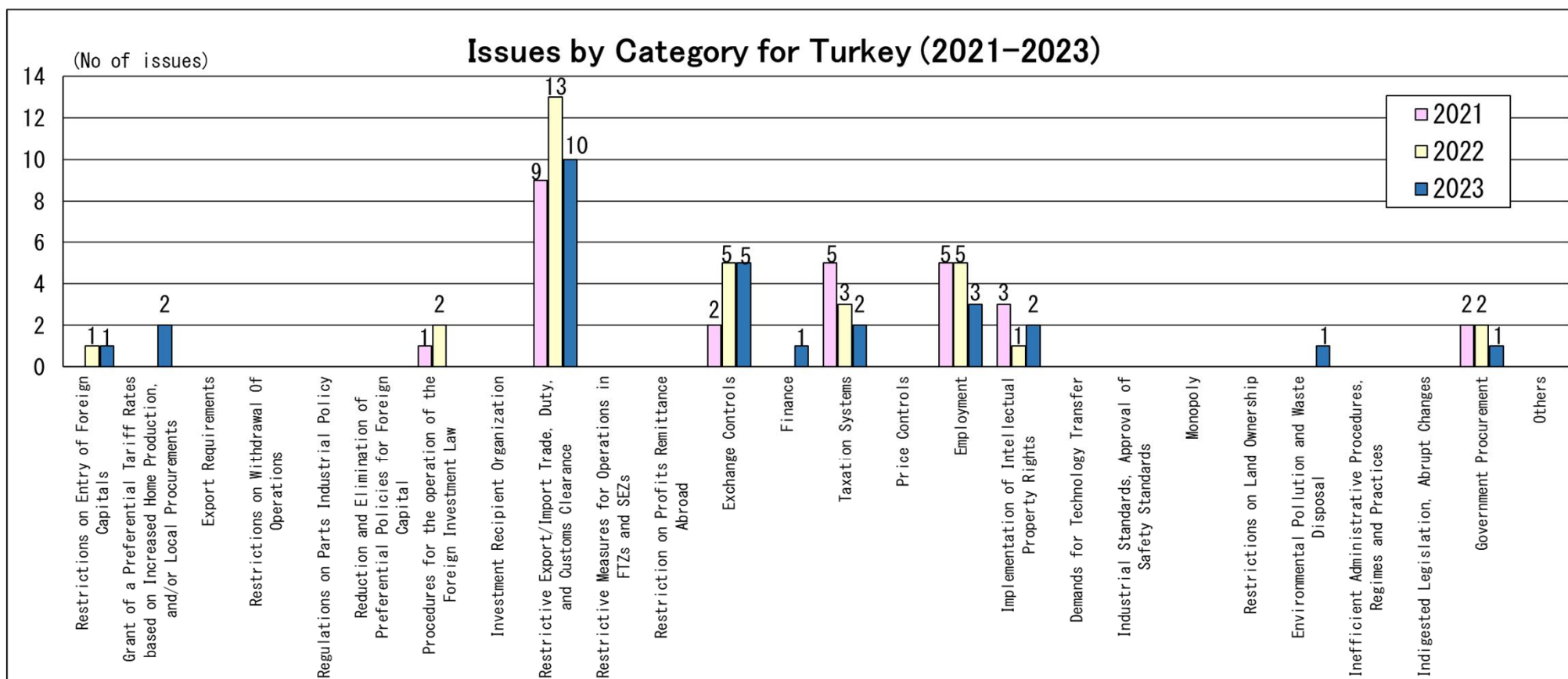
④ Inefficient Administrative Procedures, Regimes and Practices

- Insufficient information about the regional headquarters company (RHQ) system, scheduled to be introduced from 2024, has pointed out that companies that do not establish RHQs in Saudi Arabia may be at a disadvantage in government procurement.

8. Middle East and Africa Turkey ①

◆ Key Points

- The number of issues identified was 28, a slight decrease from the previous year (32).
- There were many issues concerning “Restrictive Export/Import Trade, Duty, and Customs Clearance” and “Exchange Controls.”
- Many have called for the conclusion of EPAs in response to high tariffs and additional tariff measures.



8. Middle East and Africa Turkey ②

① Issues Concerning Exchange and Finance

- Companies located in Turkey can only make foreign exchange forward contracts with Turkish banks. Companies obtaining cross-border financing are imposed RUSF (Resource Utilization Support Fund) and VAT, etc.
- The frequent issuance and revision of regulations by the Central Bank of the Republic of Turkey regarding domestic loans and foreign currency purchases, usually implemented on the same day, have resulted in a sudden inability to obtain loans or conduct foreign exchange transactions, which has had a tremendous impact on cash flows.
- As a result of the April 2022 amendment to the Turkish Currency Protection Law, Turkish domestic companies are now required to collect payments in Turkish lira, which puts them at risk due to exchange rate fluctuations.

② 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.
- Turkey's competitiveness is subordinate to that of the EU, which has a customs union, and South Korea, which has an FTA, and Turkey's exports to Japan are also subordinate to those of countries that have an EPA, so there are continued calls for an early 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.
- Import customs clearance for major construction models is only allowed for those manufactured in the current year, which has led to the avoidance of shipments at the end of the year and the concentration of shipments at the beginning of the new year, placing a burden on dealers.

8. Middle East and Africa Turkey ③

③ Employment

- Dispatching equipment and an installation instructor for a construction period of six months or more is considered a PE. However, establishing a PE requires the employment of five Turkish nationals for every foreigner, which is an obstacle to business.
- There is no social security agreement between Japan and Turkey, and social insurance for expatriate employees must be paid both in Japan and in their country of residence, which is a burden for Japanese companies.

④ Taxation Systems

- Turkey introduced a digital services tax in March 2020 (under a moratorium) ahead of an international consensus, but there were demands 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, the Resource Utilization Support Fund (RUSF) tax is levied in addition to the customs duty. The RUSF is also applied to loans from non-residents to residents, which reduces the overall capital efficiency of the group.

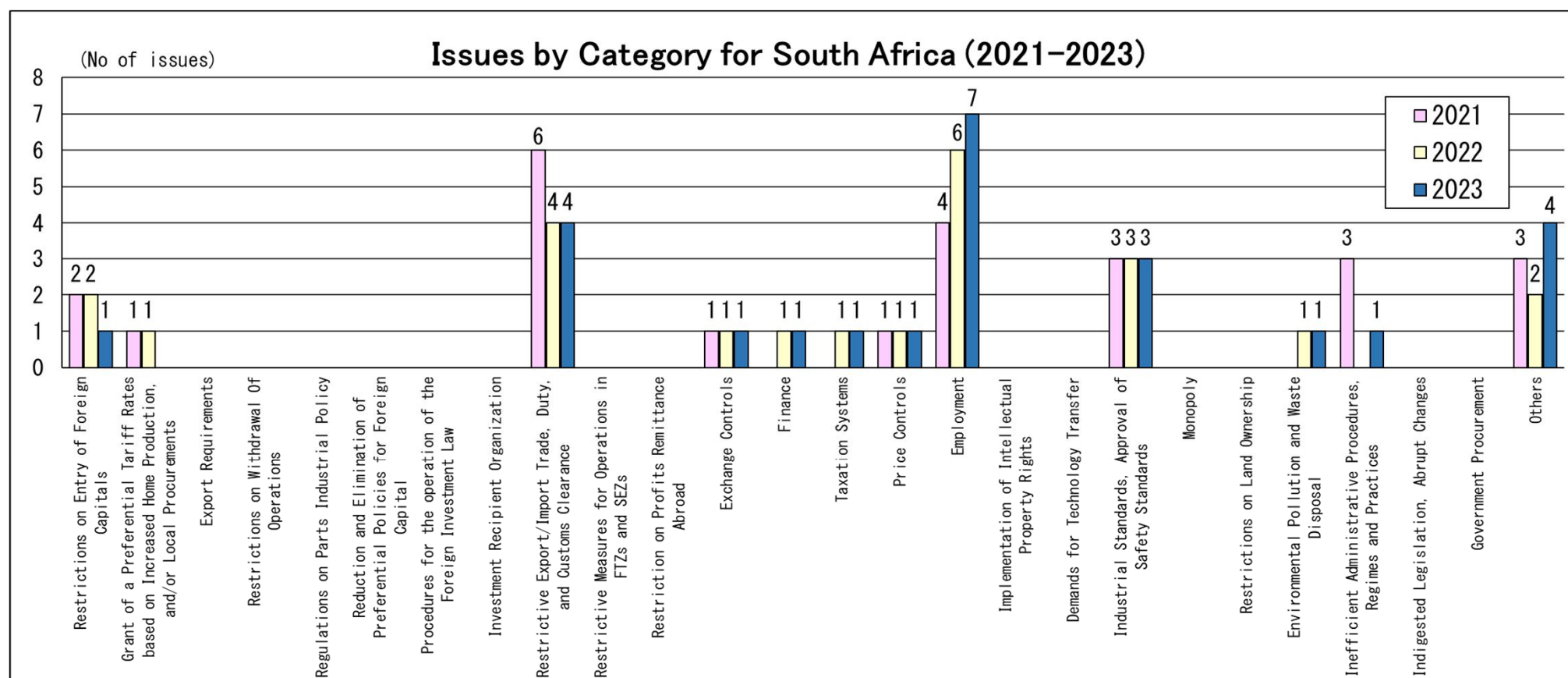
⑤ Government Procurement

- In public tenders for local government, Turkish-produced goods must be given preference. Local procurement is mandatory for railroad and energy-related projects. Additionally, companies proposing locally produced goods will receive a 15% price advantage rating in the bidding process.
- If the negotiated contract is tendered, it will be subject to Turkish lira contracts in accordance with the purchasing law of Turkey.

8. Middle East and Africa South Africa ①

◆Key Points

- The number of issues identified was 25, roughly the same as in the previous year (23).
- The category with the most issues was “Employment,” followed by “Restrictive Export/Import Trade, Duty, and Customs Clearance.”
- Regarding “Employment,” there continued to be issues raised against South Africa’s unique Broad-Based Black Economic Empowerment (B-BBEE) policy.



8. Middle East and Africa South Africa ②

① Issues Concerning the Broad-Based Black Economic Empowerment Program

- South Africa is promoting the Broad-Based Black Economic Empowerment (B-BBEE) program. Because of the nature of foreign capital, achieving “ownership,” one of the B-BBEE indicators, is challenging. If a supplier has a low B-BBEE level, purchases must be made from companies with high B-BBEE indicators, even if it means incurring higher costs, in order to achieve the desired indicator.

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.
- Japanese products are subordinate in the South African market, and there have been calls for the conclusion of an EPA.

③ Employment

- Obtaining work permits is a time-consuming and unclear process. The company has lobbied the South African government locally, but has not found a solution.
- 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 Other African Countries

① Egypt

- In some cases, the immediate implementation of tariff rate changes has resulted in material procurement delays and increased costs.
- Exporting products from non-ISO certified factories to Egypt is not possible. Even if the factories are certified, the procedures are cumbersome.
- In some cases, L/Cs are not issued for imports of automobiles and machinery, or they take several months to be issued.
- The fact that brand-name parts are not inspected during customs is being abused, 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 Nigeria

- Duties and import volume restrictions coexist to protect domestic industry.
- When importing completed vehicles, the authorities had the discretion to add the declared price to collect customs duties from the importer. The discussions were protracted and the vehicles were put up as collateral, resulting in problems such as not being able to sell them.
- The bank is unable to secure foreign currency due to a shortage. The official rate and the market rate are diverging.
- Tendering has become a breeding ground for corruption. Bribes may also be demanded.

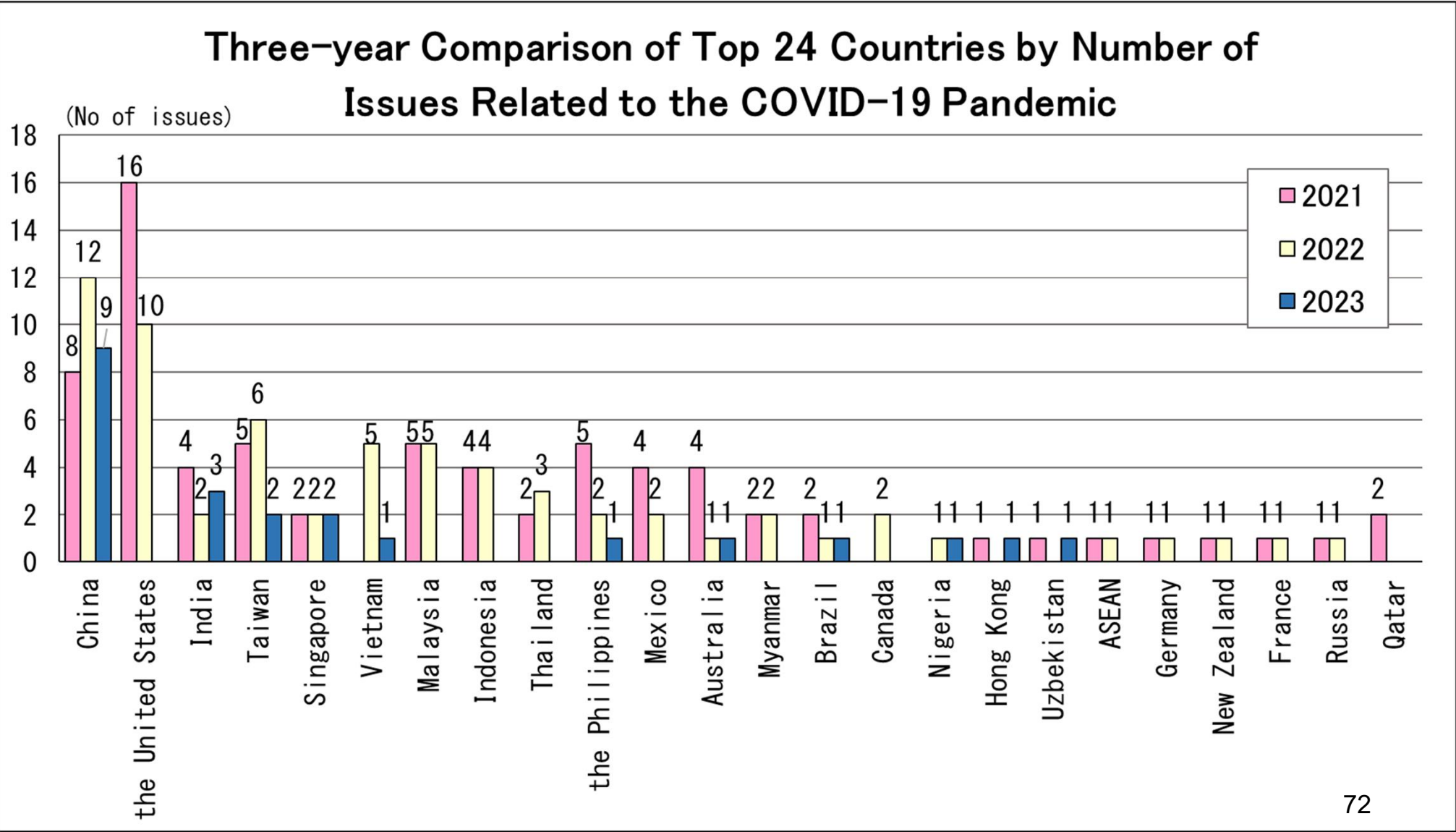
③ Iraq

- A liaison office is not stipulated in the Companies Law in Iraq. There were calls for a liaison office to be stipulated because although it is unavoidably a branch office, if there have been no commercial transactions for the past four years, there is a possibility of refusal to renew the registration or an order to close the office.
- In regions under the jurisdiction area of the Iraqi central government, vehicles must obtain visas at the Iraqi embassy when clearing customs, and in some cases, due to poor coordination within the administrative offices, the documents are not received in time, resulting in storage costs.
- 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.

(Reference) Issues Related to the COVID-19 Pandemic

◆Key Points

- The number of issues identified related to the COVID-19 pandemic has decreased significantly to 78 in 2021, 71 in 2022, and 23 in 2023, and the world is beginning to calm down.



(Reference) Issues Related to the Russia-Ukraine Conflict

◆Key Points

- The Russia-Ukraine issue, which began with the invasion in February 2022, was not indicated in the same year because the questionnaire deadline for FY2022 was in February, but nine issues were indicated in 2023.

	9	15	19	26	Total
	Restrictive Export/Import Trade, Duty, and Customs Clearance	Price Controls	Industrial Standards, Approval of Safety Standards	Others	
EU					
Ukraine					
Belarus					
Russia					
Total					

Country	Issues
EU	Significant increase in consumer price index
EU	Steel material price increase
Russia	Export sanctions
Russia	EAC certification system credits
Russia	Trade issues related to sanctions against Russia
Russia	Russian government restrictions on foreign companies from unfriendly countries
Ukraine	Entry and exit restrictions due to the Russia-Ukraine issue
Ukraine	Difficulties with logistics arrangements
Belarus	Export sanctions

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