

34th Meeting of the Japan Business Council for Trade and Investment Facilitation

Issues and Requests for Improvements on Trade and Investment Barriers in 2025 Features of the Survey Results



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Secretariat: Japan Machinery Center for Trade and Investment

JMC

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1. Issues and Requests — Survey Methodology

1. Survey Methodology

The secretariat (Japan Machinery Center for Trade and Investment) requested member organizations of the Japan Business Council for Trade and Investment Facilitation (approximately 130 organizations) to solicit and compile responses. Each organization, in turn, requested responses from its own member companies and organizations.

2. Survey: 17 Categories

1	Regulations and Barriers to Foreign Capital (Restrictions on Entry, Restrictions on Withdrawal of Operations, Reduction of Preferential Policies, Restriction on Profits Remittance Abroad, etc.)	2	Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics	3	Issues Arising from Economic Security
4	Exchange Controls and Finance	5	Taxation Systems	6	Employment
7	Issues Related to Expatriates, Seconded Employees, etc.	8	Implementation of Intellectual Property Rights (IPRs)	9	Industrial Standards, Approval of Safety Standards
10	Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations	11	Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.	12	Government Procurement
13	Issues Related to Digital Data	14	Issues Related to Human Rights Due Diligence	15	Issues Arising from New Infectious Diseases
16	Issues Arising from Regional Conflicts	99	Others		

3. Survey Period

Request: November 2024 / Collection: End of February 2025

4. Announcement of Survey Results

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

1. Issues and Requests — Survey Methodology

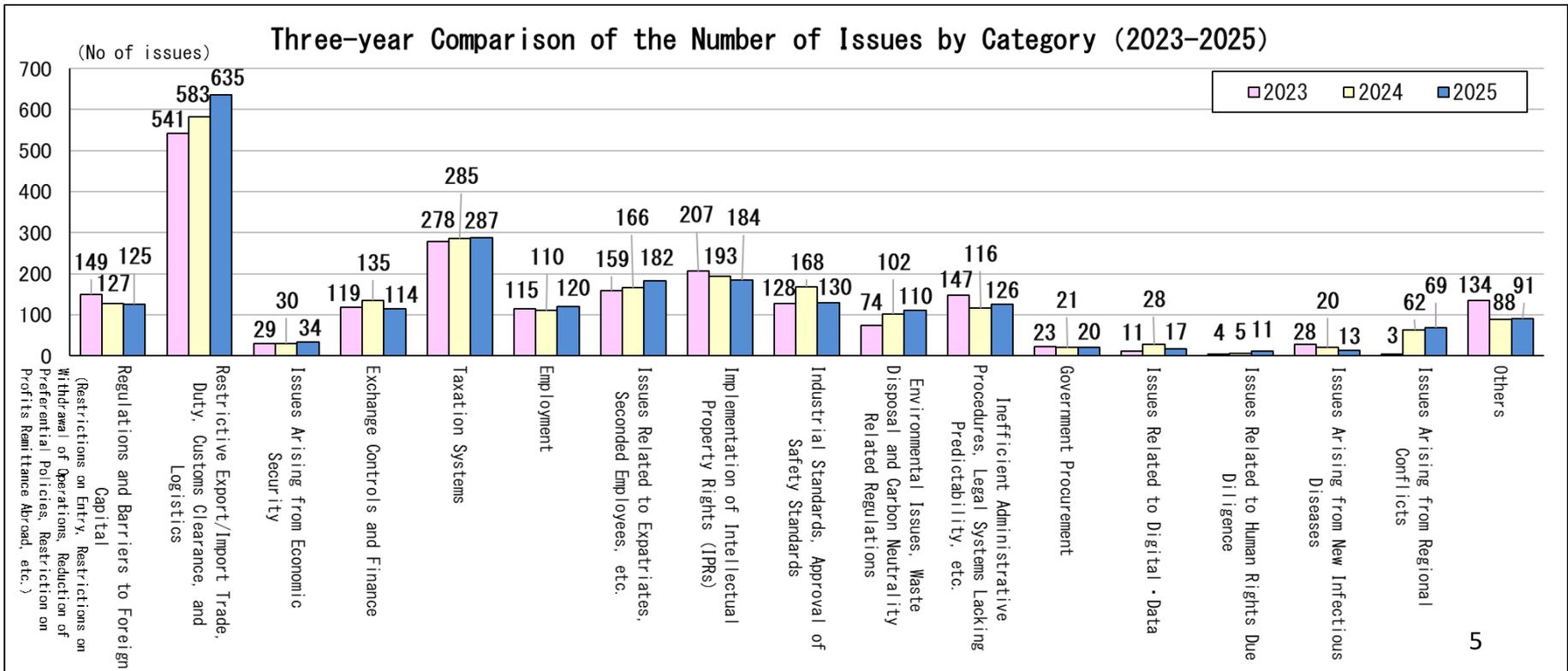
List of Members of the Japan Business Council for Trade and Investment Facilitation

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

2. Overview of Survey Results ①: Issues by Category

◆ Key Points

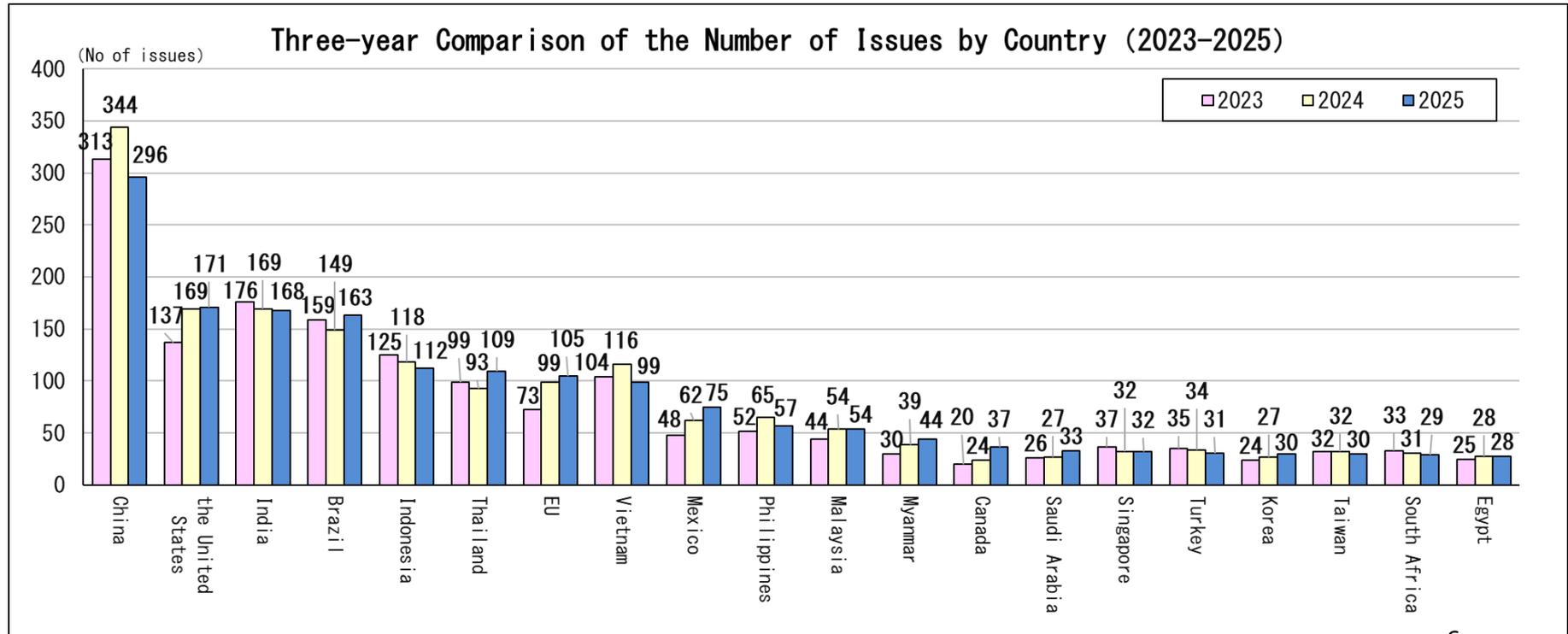
- The total number of issues raised was 2,268, an increase of 29 from the 2024 edition (2,239).
- Overall, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised with “Taxation Systems,” “Implementation of Intellectual Property Rights (IPRs),” and “Issues Related to Expatriates, Seconded Employees, etc.” rounding out the top four.
- Areas showing year-on-year increases were “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics,” “Issues Related to Expatriates, Seconded Employees, etc.,” “Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.,” and “Employment.” Areas showing decreases were “Industrial Standards, Approval of Safety Standards,” “Exchange Controls and Finance,” and “Implementation of Intellectual Property Rights (IPRs).”



2. Overview of Survey Results ②: Issues by Country and Region

◆ Key Points

- As in previous years, China remains in the top spot, but the United States replaced India to take second place in fiscal year 2025. (India came in third by a narrow margin.)
- Canada, which had been increasing each year in the number of issues, entered the top 20 at 13th place due to an increase in issues concerning “Issues Related to Expatriates, Seconded Employees, etc.” Conversely, Russia, whose number of issues had been decreasing each year, fell to 23rd place and dropped out of the top 20, mainly due to decreases in issues related to “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” and “Industrial Standards, Approval of Safety Standards.”

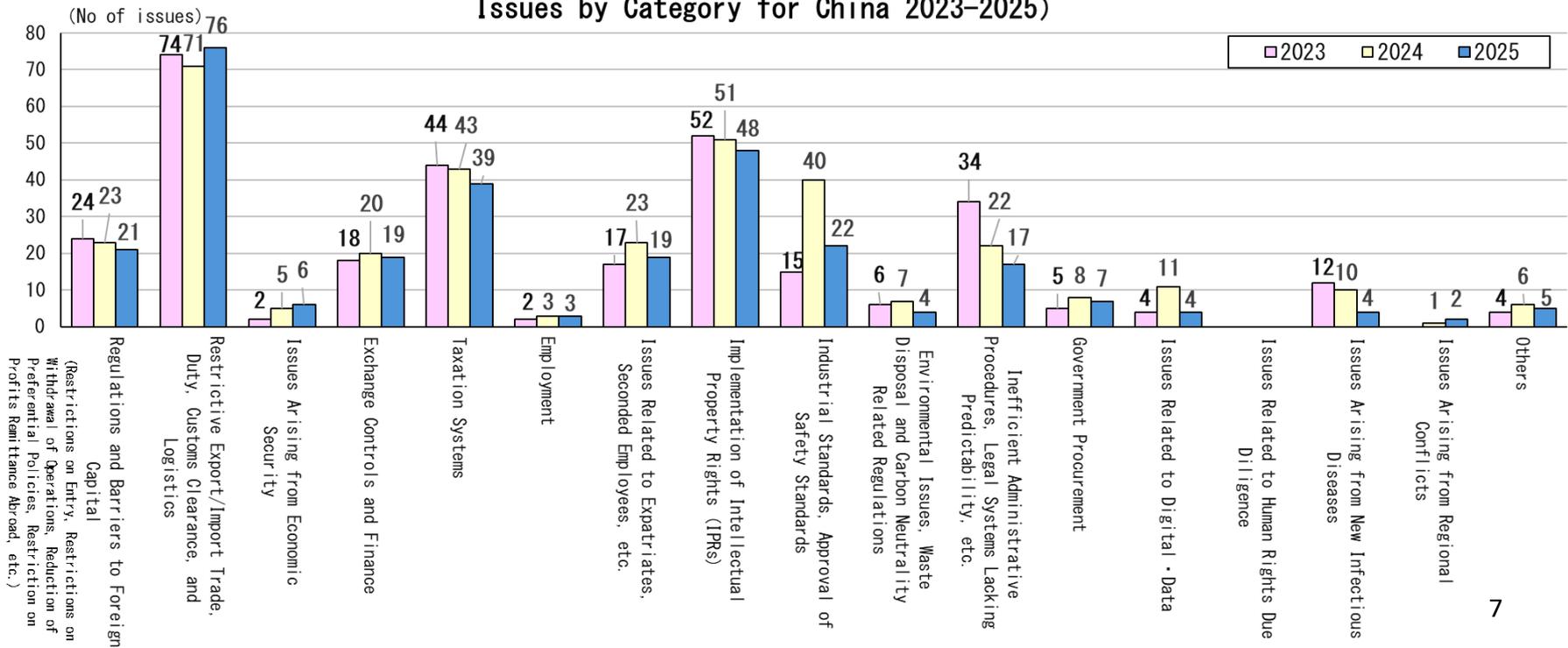


3. Northeast Asia: China ①

◆ Key Points

- The number of issues raised was 296, again the highest globally this year. This represents a decrease of a little over 10% from the previous year (344).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including the U.S. administration’s high tariff policy, arbitrariness in customs valuation and classification, and export controls on rare metals.
- In the second most common category, “Implementation of Intellectual Property Rights (IPRs),” issues were raised regarding counterfeit goods and inadequate examination of utility model rights. The third category, “Taxation Systems,” cited issues regarding non-refunds or delays in value-added tax (VAT), responses to BEPS, and arbitrariness in transfer pricing investigations. The fourth category was “Industrial Standards, Approval of Safety Standards,” followed by “Regulations and Barriers to Foreign Capital” in fifth place.

Issues by Category for China (2023–2025)



3. Northeast Asia: China ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- As retaliatory measures against the invocation of Section 301 of the Trade Act, China has imposed additional tariffs on imports from the United States, and the impact on the profitability of Chinese subsidiaries has continued. Revising supply chains is not easy, and that fact has given rise to concerns about a decline in business competitiveness.
- With President Trump beginning a second term, the U.S.–China trade conflict is likely to intensify. Further imposition of high tariffs by both sides could significantly increase import and export costs and potentially affect normal trade operations.
- Interpretations of HS codes differ among customs officials.
- Export restrictions on antimony-related products came into effect in September 2024, followed by restrictions put in place in February 2025 on products related to tungsten, bismuth, molybdenum, indium, and tellurium. Some of these products have a high degree of dependence on China. While companies are working to use up previously accumulated inventories and shift sourcing to other countries, identifying substitute products with quality comparable to Chinese products remains a challenge.
- Sales pitches for trade data are being made by the Japan offices of companies headquartered in China. The trade data offered—covering importers and exporters, countries of origin and destination, HS codes, and other details—encompasses comprehensive global export information. Some companies have actually obtained such data, leading to complaints and causing significant disruptions to business operations.

(2) Implementation of Intellectual Property Rights (IPRs)

- With regard to enforcement against counterfeit goods, it has been pointed out that disclosure to rights holders of information on infringement facts, penalties imposed on infringers, and the disposal of infringing goods is insufficient. As a result, infringers often continue their activities and commit repeated infringements even after being initially detected.
- Utility model applications are registered without undergoing substantive examination. As a result, cases are frequently observed in which applications filed by third parties in Japan, or technologies dating back more than 20 years, have been recently registered as utility model rights in China. The China National Intellectual Property Administration (CNIPA) states that it examines such applications relating to known art in terms of protectability, novelty, and description requirements to prevent their registration. However, examination results are not disclosed, making the authenticity of these claims unclear.

3. Northeast Asia: China ③

(3) Taxation Systems

- Regarding value-added tax (VAT), while tariff rates are determined based on HS codes for components and products in connection with imports and exports, there are cases in which VAT is not fully refunded. From an operational perspective, prescribed procedures are followed for each import and export transaction, which is cumbersome.
- Compliance with BEPS has brought about significant changes in responses to transfer pricing taxation. Corporate burdens have increased markedly, including the expansion of required documentation such as Master Files and Country-by-Country Reports, as well as enhanced disclosure requirements for transfer pricing documentation.
- Tax collection under transfer pricing taxation is sometimes based on unique interpretations. In addition, the content of such remarks and the standards applied differ by region.

(4) Industrial Standards, Approval of Safety Standards

- Different criteria may be applied at the product certification testing stage and at the post-distribution market sampling inspection stage of standards. Specifically, under the fire safety requirements of China's product safety standard "GB 4943.1-2022," which is based on the international standard "IEC 62368-1," compliance may be achieved by either using materials of a specified flame-retardant grade or passing a combustion test conducted on the actual product. However, there have been cases in which products were deemed non-compliant during market sampling inspections because, although they met the former requirement, they did not satisfy the latter.

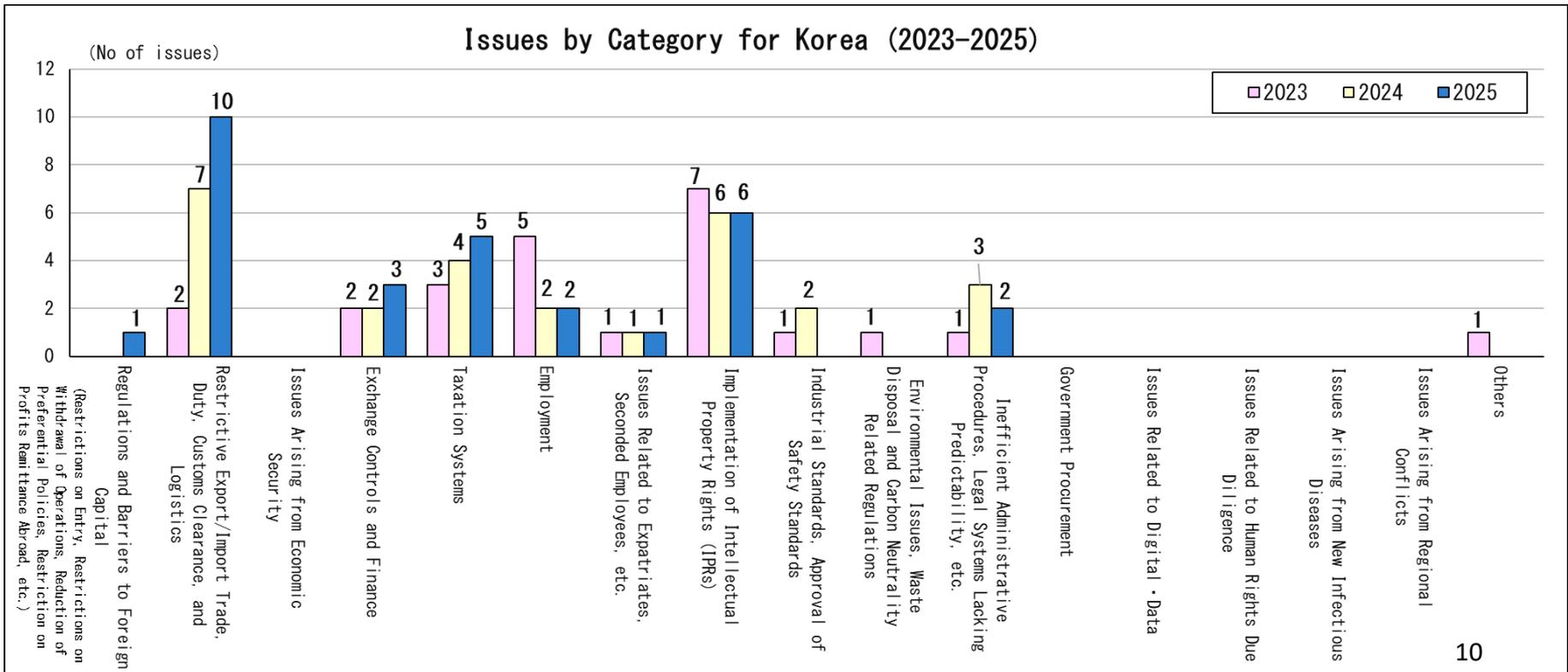
(5) Regulations and Barriers to Foreign Capital

- In medical device bidding, eligibility is often limited to domestically manufactured products, with imported products being excluded and only products that have been recognized as having unique functions being given consideration. In addition, it has been pointed out that domestic manufacturers receive preferential treatment with respect to registration periods and other terms.

3. Northeast Asia: Korea ①

◆ Key Points

- The number of issues raised was 30, an increase of approximately 10% from the previous year (27).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including tariff disparities between Japan and Korea under RCEP and tariff disadvantages under FTAs.
- In the second most common category, “Implementation of Intellectual Property Rights (IPRs),” issues continued to be raised regarding the requirements for asserting non-exclusive licenses and ambiguities in the provisions on indirect infringement.
- The third category, “Taxation Systems,” cited issues regarding transfer pricing taxation and heavy tax burdens at the time of importation.



3. Northeast Asia: Korea ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Under RCEP, gas turbines and steam turbines exported from Japan to Korea are subject to Korean import tariffs, while exports from Korea to Japan are duty-free. In addition, Japanese-made bearings are excluded from tariff concessions, and issues have been raised about the unilateral and unfair nature of this situation. Furthermore, it has been pointed out that Japan is at a tariff disadvantage compared with the EU and the United States, which have FTAs with Korea.

(2) Implementation of Intellectual Property Rights (IPRs)

- With respect to non-exclusive licenses that cannot be asserted against third parties unless registered, given the reality that such licenses are frequently granted in open innovation, the need to continually register and manage them imposes a significant burden on companies.
- Although the Patent Act provides for indirect infringement, its scope is limited to exclusive parts (i.e., those used solely for production or solely for implementing a method). If this interpretation is applied strictly, it is considered difficult to obtain relief under the indirect infringement provisions.

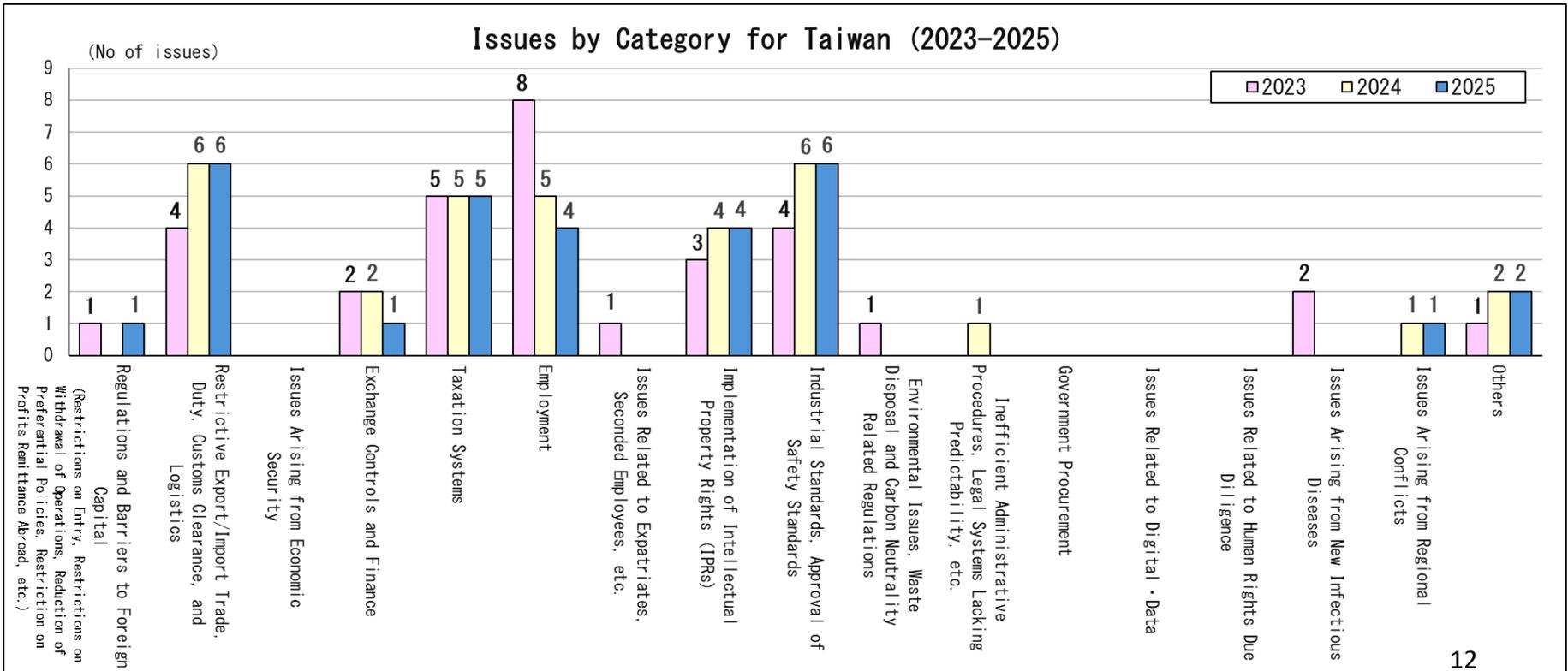
(3) Taxation Systems

- With respect to the Advance Pricing Arrangement (APA) for transfer pricing, there have been cases in which applications were not accepted unless they aligned with the intentions of the tax authorities. In addition, it has been pointed out that transfer pricing assessments for setting corporate income taxes are relatively high compared to those in other countries.
- For products where the combined CIF price and customs duties exceed KRW 2,000,000, a tax of 26% is imposed on the amount exceeding KRW 2,000,000 and an additional special consumption tax of 20% is imposed at the time of import. Furthermore, an education tax equivalent to 30% of the special consumption tax amount is also imposed, resulting in a heavy tax burden.

3. Northeast Asia: Taiwan ①

◆ Key Points

- The number of issues raised was 30, nearly the same as the previous year (32).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” and “Industrial Standards, Approval of Safety Standards” were tied for the highest number of issues raised. The former category includes ongoing issues regarding requirements for the submission of certificates of origin for steel products and mandatory import declarations. The latter category includes the issue that the simplification of the review of medical device manufacturing licenses has not resulted in substantive simplification.
- In the second most common category, “Taxation Systems,” issues were raised that procedures for applying the Tax Agreement between Japan and Taiwan are overly cumbersome.



3. Northeast Asia: Taiwan ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Issues persist regarding the submission of certificates of origin for steel products and the mandatory import declaration requirements for certain steel products.
- It has been pointed out that rising import and export costs (including ocean freight, air freight, and fuel surcharges) are forcing companies to raise their selling prices.

(2) Industrial Standards, Approval of Safety Standards

- Although procedures to simplify the review of medical device manufacturing licenses are stipulated by law, in practice, the need to explain Japan's complex regulatory framework results in an extremely time-consuming process, meaning that substantive simplification has not been achieved.
- It has been pointed out that certification rules for radio equipment, which are clearly defined in Japan for functions such as the automatic straight-line guidance function in agricultural machinery, are not clearly understood by the competent regulatory authority in Taiwan, making it impossible even to conduct testing.

(3) Taxation Systems

- Regarding the Tax Agreement between Japan and Taiwan, it has been pointed out that practical implementation is difficult because, for business income without a permanent establishment (PE), application procedures for tax exemption that differ from those applied to other countries are necessary. Furthermore, although it should be possible, in principle, for the Taiwanese side to apply for a refund of the withholding tax on system usage fees paid to Japan, the process is difficult to utilize due to the extensive documentation required.

4. Asia Pacific: Indonesia ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Applications are required to be submitted at the time of customs clearance under the Japan–Indonesia Economic Partnership Agreement (JIEPA). However, due to the time required for document preparation on the Japanese side, applications are effectively unfeasible for air shipments. As with other EPAs, there are calls to allow retroactive applications.
- With respect to HS codes at the time of import declaration, there are cases in which HS codes with arbitrarily higher tariff rates are applied. Furthermore, even when applying for HS codes used by other countries for the same products, instructions are sometimes issued to use different HS codes.
- Regarding legally recognized tax exemption measures, despite presenting written confirmation from the tax authorities and completing customs clearance procedures, customs inspections have in some cases invalidated such confirmations by customs authorities, resulting in instructions to make additional payments for past imports.
- With the strengthening of preferential policies for domestic products, regulations such as import permits have been tightened. In the current manufacturing sector, where many products cannot be substituted with domestic alternatives due to quality and other constraints, this has escalated into problems affecting factory operations.

(2) Taxation Systems

- During tax audits, unreasonable demands for large additional tax payments are sometimes imposed. Failure to make advance payment exposes taxpayers to significant penalty risks during objection procedures and subsequent tax litigation. Even if a taxpayer prevails in court several years later and receives a refund, interest for the elapsed period is not paid (although recent information indicates that interest for the elapsed period may now be refunded).
- In Indonesia, when importing goods, 10% of the import value is paid as a prepaid income tax (corporate income tax). If this prepaid tax becomes an overpayment due to factors such as deteriorating business performance, a refund may be requested. However, refunds typically take more than one year from the time of application, significantly impacting cash flow.

4. Asia Pacific: Indonesia ③

(3) Regulations and Barriers to Foreign Capital

- Despite the limited number of domestic manufacturers, excessive and unrealistic quantified local procurement targets have been imposed, with penalties applied in cases of non-compliance. Items that should legally qualify for import tax exemptions are sometimes denied such exemptions due to local procurement requirements. Furthermore, bidding regulations mandate compliance with local content requirements, resulting in higher-cost equipment specifications and making it difficult to demonstrate competitiveness.

(4) Implementation of Intellectual Property Rights (IPRs)

- Patent holders are obligated to use their patents locally in Indonesia. Failure to fulfill this obligation within 36 months of a patent grant may result in the establishment of compulsory licenses or patent revocation based on court decisions. However, there are calls for the abolishment of this working requirement.

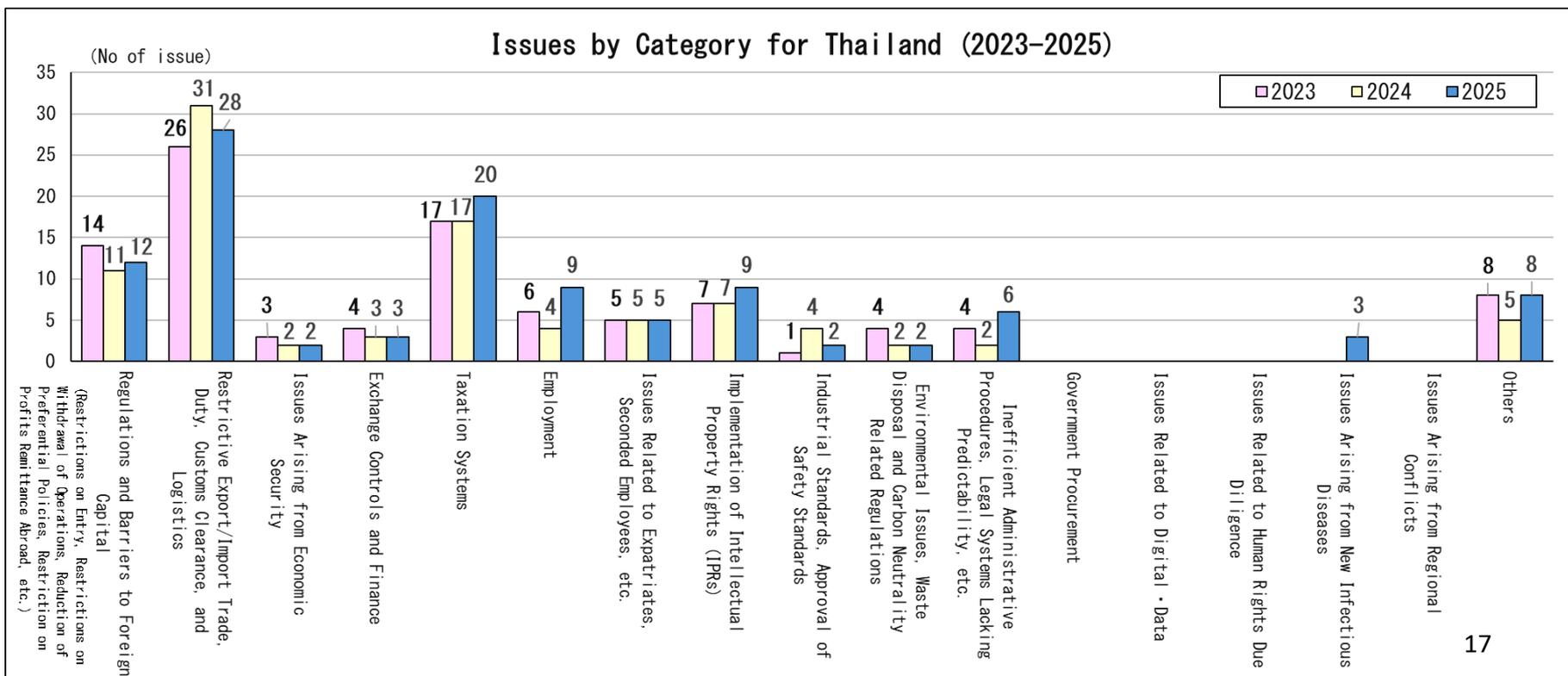
(5) Employment

- The sharp rise in the minimum wage has increased the burden of labor costs, contributing to declining profitability.
- Companies entering the local market are required to hire three Indonesian workers for every foreign worker employed. Furthermore, while foreign employees are prohibited from holding multiple positions simultaneously, no such restrictions apply to local employees.

4. Asia Pacific: Thailand ①

◆ Key Points

- The number of issues raised was 109, an increase of a little less than 20% from the previous year (93).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including changes to items subject to import valuation, inconsistent HS code interpretations, and problems with the incentive payment distribution system.
- In the second most common category, “Taxation Systems,” issues were raised that BOI incentives and tax law benefits do not always align, as well as the relationship between BOI tax benefits and the introduction of the global minimum tax.
- In the third category, “Regulations and Barriers to Foreign Capital,” issues were raised regarding restrictions on entry of foreign capital in the service sector.



4. Asia Pacific: Thailand ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Due to exchange rate fluctuations, there have been cases where, for products stored by a Thai sales company in a bonded warehouse, the price at the time of entry into the bonded warehouse (import) rose to a price higher than the price at the time of removal (sale), resulting in a reverse margin situation. In such cases, Thai Customs has taken the position of imposing VAT based on the import price. When the legal basis for this treatment was requested, the request was refused, and customs clearance was suspended.
- Interpretations of HS codes are inconsistent and vary depending on the customs officer in charge, and there is no publicly available information regarding the full HS code digits used by the officials responsible.
- When a violation of the Customs Act is determined, 25% of the penalty amount is granted as an incentive to the customs officer handling the case. As a result, goods may be classified under an HS code with a higher tariff rate than the declared code, leading to the issuance of substantial additional tax assessment notices and requiring significant time and cost to address.

(2) Taxation Systems

- BOI incentives and tax law benefits do not always align. For example, utilizing the tax law's double deduction for utility and domestic transportation expenses may reduce the scope of the withholding tax exemption on dividends derived from BOI business profits.
- The introduction of the global minimum tax will result in taxation on the difference between the corporate income tax rate after a 50% reduction (e.g., 10%) and the global minimum tax rate of 15%. As a result, companies may no longer be able to fully benefit from BOI incentives, which were a key factor in selecting Thailand as the location for incorporation.

(3) Regulations and Barriers to Foreign Capital

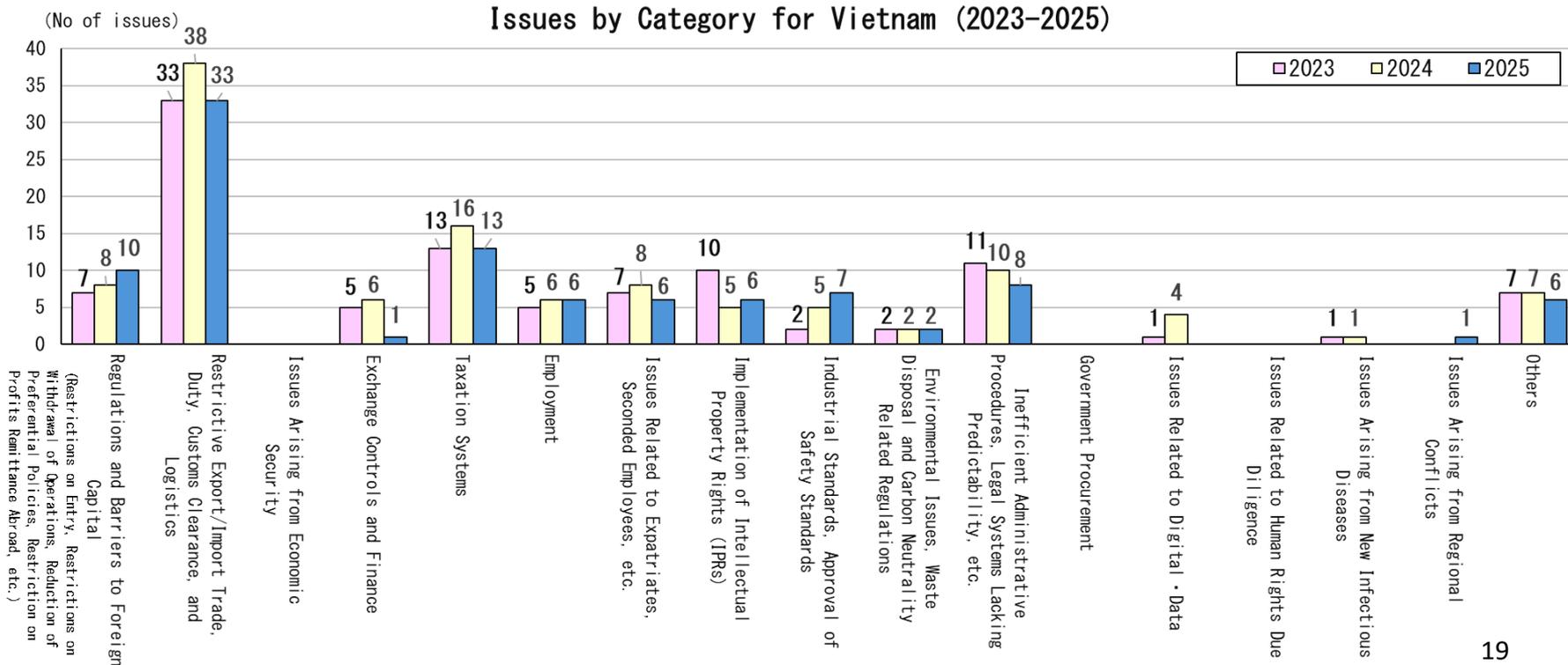
- Restrictions under the Foreign Business Act on foreign companies entering the service sector remain in place.

4. Asia Pacific: Vietnam ①

◆ Key Points

- The number of issues raised was 99, a decrease of more than 10% from the previous year (116).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” stands out as having the most raised issues, including safeguards on steel products, high export tariffs on coal products, EPA certificates of origin, and customs clearance procedures.
- In the second most common category, “Taxation Systems,” issues were raised regarding the difficulties and delays in VAT refund procedures and the foreign contractor tax. The third category, “Regulations and Barriers to Foreign Capital,” cited issues regarding restrictions on entry of foreign capital into transportation services, pharmaceutical distribution and sales, and construction sectors.

Issues by Category for Vietnam (2023–2025)



4. Asia Pacific: Vietnam ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Issues have been raised regarding the extension of safeguards on steel products, the imposition of export taxes on coal and related products, and export taxes applied when Export Processing Enterprises (EPEs) export iron scrap procured within Vietnam.
- Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is based on the principle of a self-certification system, a country can use third-party certification and self-certification by approved exporters if it notifies the other parties when the CPTPP enters into force for that country. Vietnam is currently subject to third-party certification; however, in consideration of the administrative burden and time required for each shipment, it has been requested that producer self-certification be permitted.
- Prior to customs declaration, a paper-based application with all required documents must be submitted to the Vietnam Telecommunications Authority (VNTA) for each shipment. In addition, after customs clearance, documents demonstrating compliance with Vietnam's quality control regulations must be submitted. As a result, extensive documentation must be submitted throughout the customs process, making the procedures cumbersome.

(2) Taxation Systems

- VAT refund applications are subject to tax audits, and disagreements with tax auditors frequently arise, resulting in lengthy processing times from application to refund and requiring significant man-hours for practical operations and cumbersome procedures.
- When foreign companies bear the cost of domestic transportation in Vietnam, a 1% foreign contractor tax (FCT) is imposed on the total contract value, which restricts the activities of foreign companies in Vietnam.

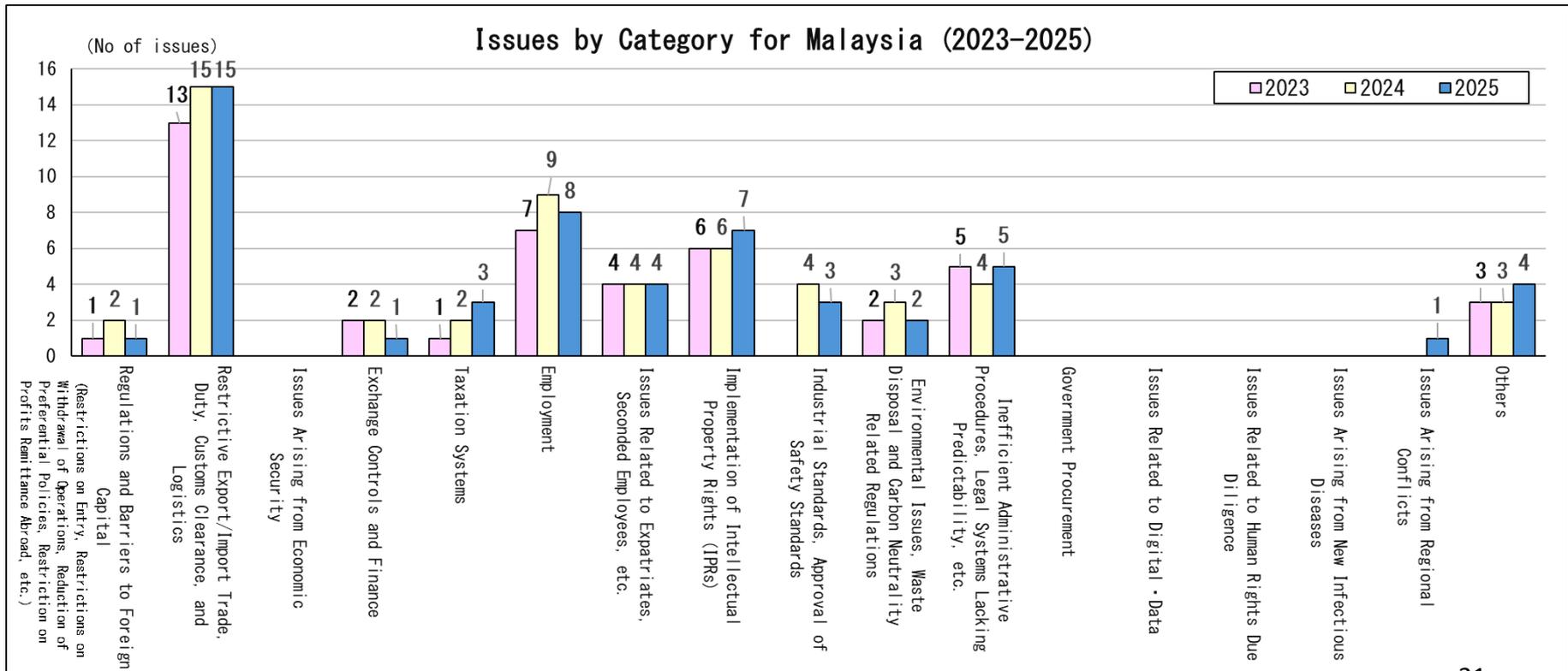
(3) Regulations and Barriers to Foreign Capital

- In the transportation services, pharmaceutical distribution and sales, and construction sectors, issues were raised regarding restrictions on entry of foreign capital.

4. Asia Pacific: Malaysia ①

◆ Key Points

- The number of issues raised was 54, the same as the previous year (54).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including various regulatory measures for steel products and the CPTPP certificate of origin system.
- In the second most common category, “Employment,” many pointed to the domestic labor shortage and the sharp rise in the minimum wage.
- In the third category, “Implementation of Intellectual Property Rights (IPRs),” issues were raised regarding inadequate measures to combat counterfeit goods.



4. Asia Pacific: Malaysia ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- The regulatory measures for steel products include anti-dumping measures for cold-rolled steel sheets and tin plates, an import licensing system, and the requirement to obtain a certificate of conformity assessment upon import. Compliance with these measures imposes a significant burden in terms of time, effort, and cost.
- Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is based on the principle of a self-certification system, a country can use third-party certification and self-certification by approved exporters if it notifies the other parties when the CPTPP enters into force for that country. Malaysia is currently subject to third-party certification; however, in consideration of the administrative burden and time required for each shipment, it has been requested that producer self-certification be permitted.

(2) Employment

- Increased manufacturing labor costs due to a higher minimum wage significantly impact business operations.
- As local employees increasingly move away from the manufacturing industry, recruiting skilled personnel has become difficult. Talented individuals are leaving Malaysia for overseas destinations such as Singapore, making recruitment even harder.

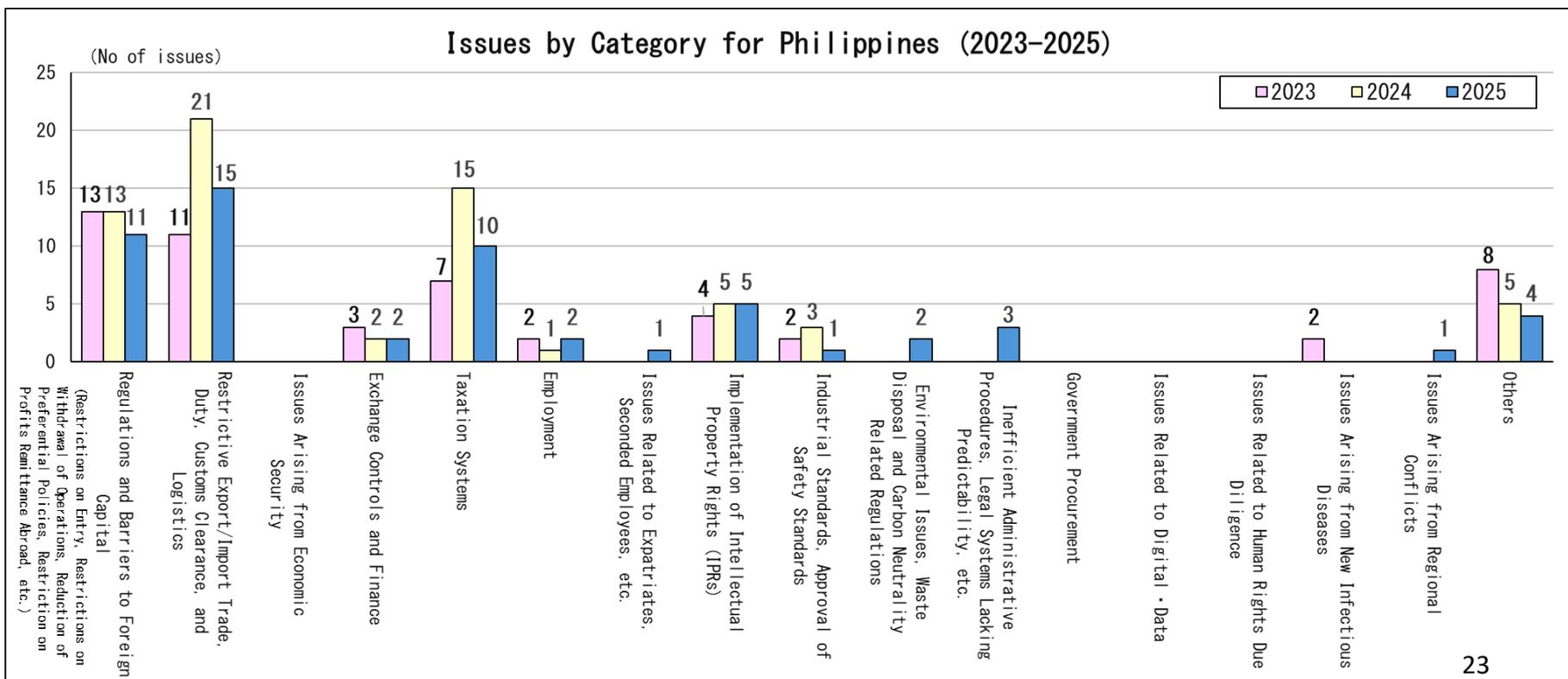
(3) Implementation of Intellectual Property Rights (IPRs)

- To have counterfeit goods seized at the border, it is necessary to file an advance notice that must include specific information, such as the date the suspected goods are to clear customs, the container numbers, and the port where the customs clearance is to occur. As a result, filing such declarations is difficult, which causes border seizures to not be effectively implemented.
- In administrative enforcement against counterfeit goods, decisions regarding penalties are often not made even several years after such goods have been detected, and some malicious infringers resume trading in counterfeit goods immediately after being identified.

4. Asia Pacific: Philippines ①

◆ Key Points

- The number of issues raised was 57, a decrease of approximately 10% from the previous year (65).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including final adjustments of customs values in import clearance procedures, excessive value-added tax (VAT) burdens, and underdevelopment of road and port infrastructure.
- In the second most common category, “Regulations and Barriers to Foreign Capital,” issues were raised regarding the reduction of preferential tax treatment for Philippine Economic Zone Authority (PEZA) companies. The third category, “Taxation Systems,” cited issues such as arbitrary tax audits and delays in, or non-refunds of, VAT.



4. Asia Pacific: Philippines ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- If the import price (FOB) falls below the reference unit price set by customs, importers may be required to submit supporting documents, provide explanations, or revise the declared value.
- At the time of importation, customs duties are settled. Some pointed out that duties are recalculated based on the highest value among the invoice prices, the home consumption value stated in SGS's clean report of findings, or the actual home consumption value in the exporting country, with the difference settled at the exchange rate prevailing at the time of arrival. In addition, an excessive 12% value-added tax (VAT) burden is imposed.
- Frequent road congestion has led to traffic paralysis, causing problems such as employees being unable to arrive at work on schedule and parts not being delivered as planned.
- Due to the low cargo handling capacity at Manila Port, cargo congestion at the port has become a chronic issue.

(2) Regulations and Barriers to Foreign Capital

- Following amendments to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the VAT zero-rating incentive for PEZA companies has been significantly limited, resulting in VAT being incurred on purchases of goods and services. In a situation where the normal VAT refund system is not functioning, such VAT must be treated as a substantive cost.

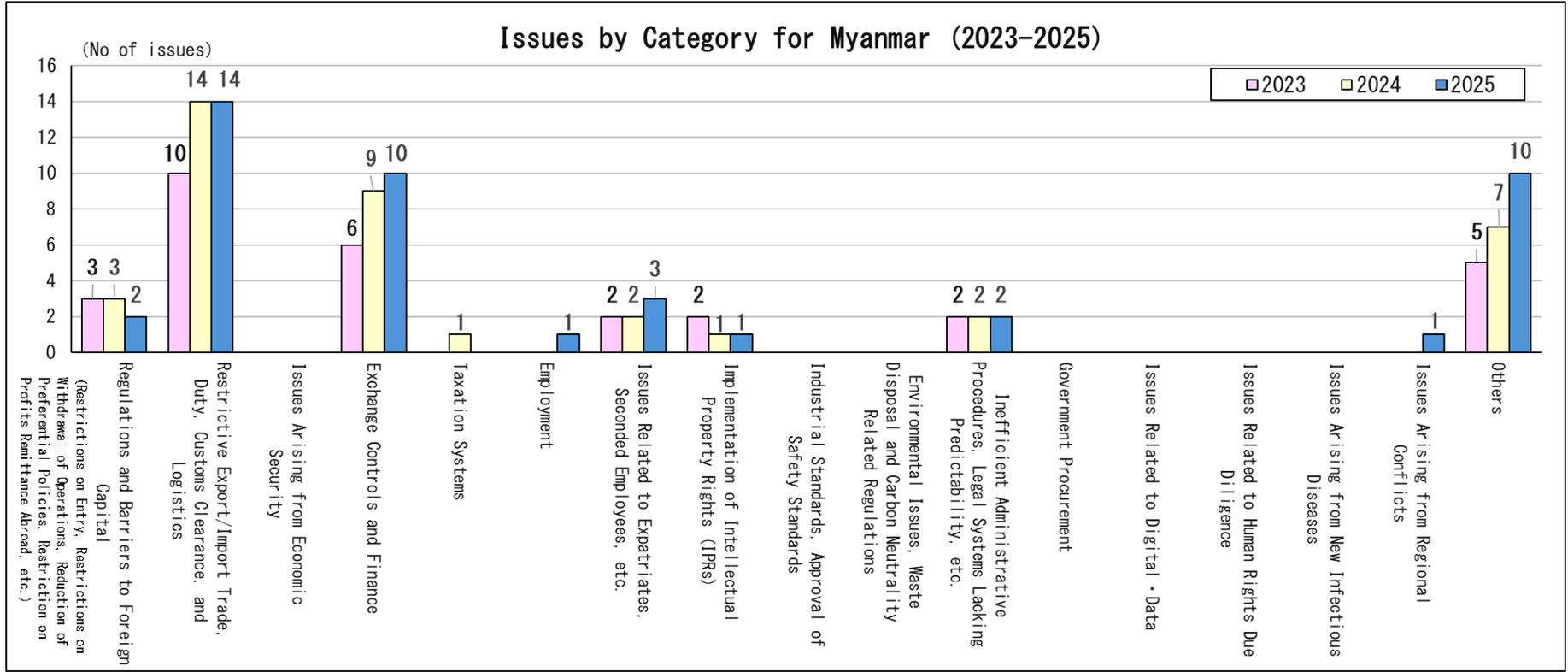
(3) Taxation Systems

- Tax audits require the submission of extensive documentation and involve unilateral and illogical additional tax assessment notices, resulting in substantial time and cost burdens each time. The burden of proof rests entirely with the taxpayer, highlighting issues with the current audit approach.
- When local subsidiaries apply for VAT refunds, the process is typically completed within about one year in countries such as Indonesia. However, in the Philippines, refunds may in some cases remain incomplete even after 10 years.

4. Asia Pacific: Myanmar ①

◆ Key Points

- The number of issues raised was 44, an increase of approximately 10% from the previous year (39).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, with many related to applying for and acquiring import licenses.
- In the second most common category, “Exchange Controls and Finance,” many issues were pointed out regarding difficulties with foreign currency exchange and remittance. An equal number of issues were raised in the “Others” category, mainly concerning underdevelopment of the electricity infrastructure and political instability.



4. Asia Pacific: Myanmar ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- When importing into Myanmar, customers are required to obtain import licenses themselves. However, cumbersome procedures, lengthy approval processes, and frequently changing regulations result in significant delays prior to shipment.
- Foreign currency shortages have restricted the issuance of import licenses, hampering trade operations.
- Even when importers in Myanmar apply for import licenses, issuance can take time and in some cases prevent pharmaceuticals from being delivered by the scheduled delivery date (which can take several months to up to half a year).

(2) Exchange Controls and Finance

- Since April 2022, approval from the Foreign Exchange Supervisory Committee (FESC) has been required for foreign currency purchases or exchanges and overseas remittances. However, application form procedures and approval criteria remain unclear, and amid a worsening foreign currency shortage, obtaining such approval has become extremely difficult.

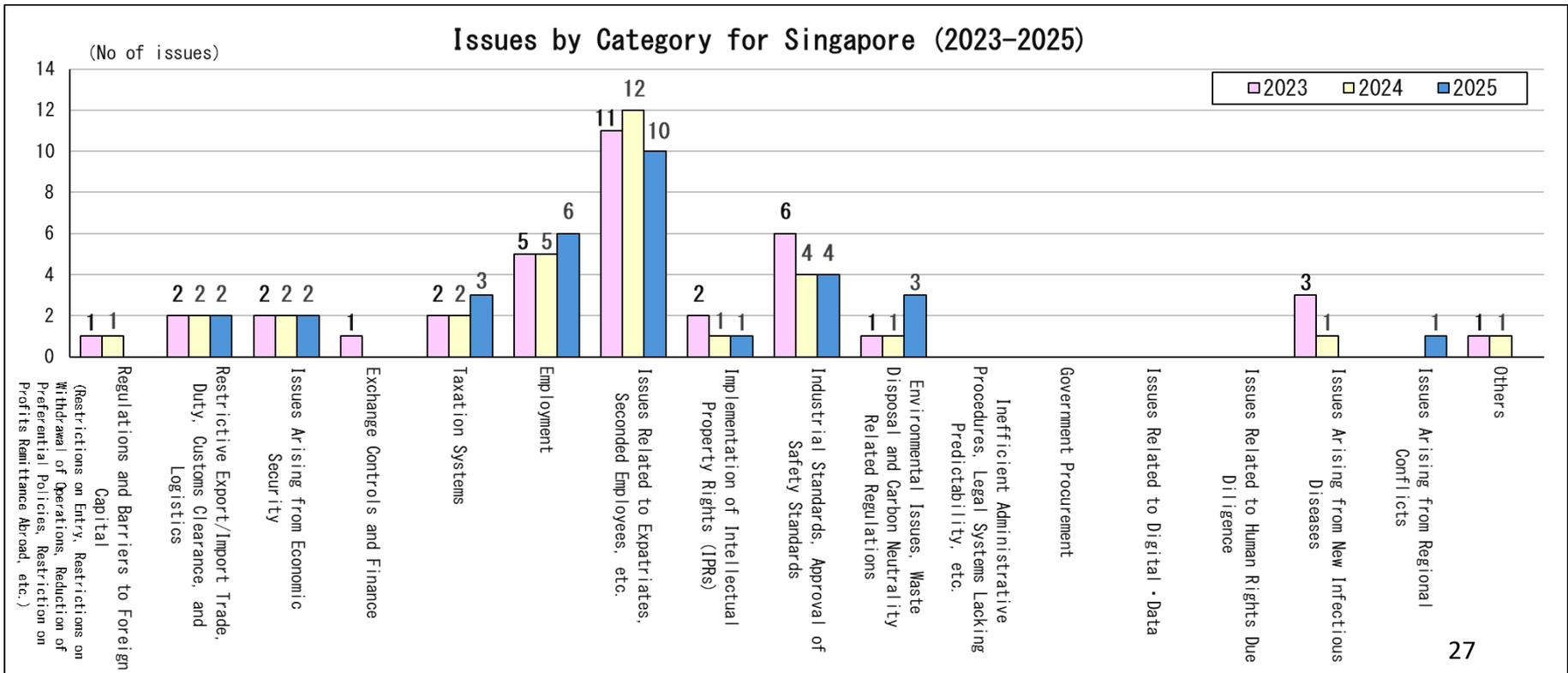
(3) Others

- Many issues have been raised regarding the underdeveloped electricity infrastructure and its chronic scheduled blackouts as well as frequent unplanned outages. During these periods, companies are forced to use generators, which results in a decline in productivity and incurred fuel costs.
- Since the February 2021 coup, the military has remained in power. The implementation of the People's Military Service Law in February 2024 has raised issues about potential shortages of younger labor. While public security remains relatively stable in major urban areas such as Yangon, armed clashes between pro-military and anti-military forces continue in rural regions, making the situation highly uncertain.

4. Asia Pacific: Singapore ①

◆ Key Points

- The number of issues raised was 32, the same as the previous year (32).
- By category, “Issues Related to Expatriates, Seconded Employees, etc.” and “Employment” had the most issues raised. The majority of issues in the former category concern the tightening of work visa acquisition requirements and the COMPASS (Complementarity Assessment) system used in that process, which have been cited as severely impacting business operations. The latter pertains to issues concerning Singapore’s preferential employment policy for locals and restrictions on hiring foreign workers.
- The third category, “Industrial Standards, Approval of Safety Standards,” cited issues including the lack of transparency in pharmaceutical evaluations, which are perceived as undervaluing technological innovation.



4. Asia Pacific: Singapore ②

(1) Issues Related to Expatriates, Seconded Employees, etc./Employment

- Originally, to prioritize the hiring of Singaporeans, there was a period during which local applicants had to be considered before Japanese expatriates could be hired, making immediate replacement of expatriates difficult. Introduced in September 2023, the Complementarity Assessment Framework (COMPASS) is said to have made obtaining and renewing expatriate visas more challenging than ever, particularly impacting the business operations of small and medium-sized enterprises. In addition to salary and educational qualifications, COMPASS now also considers nationality ratios and local employment rates.
- When accompanying family members, a graduation certificate may be required for a spouse's visa application, and an English translation of vaccination records is required for children's visa applications.

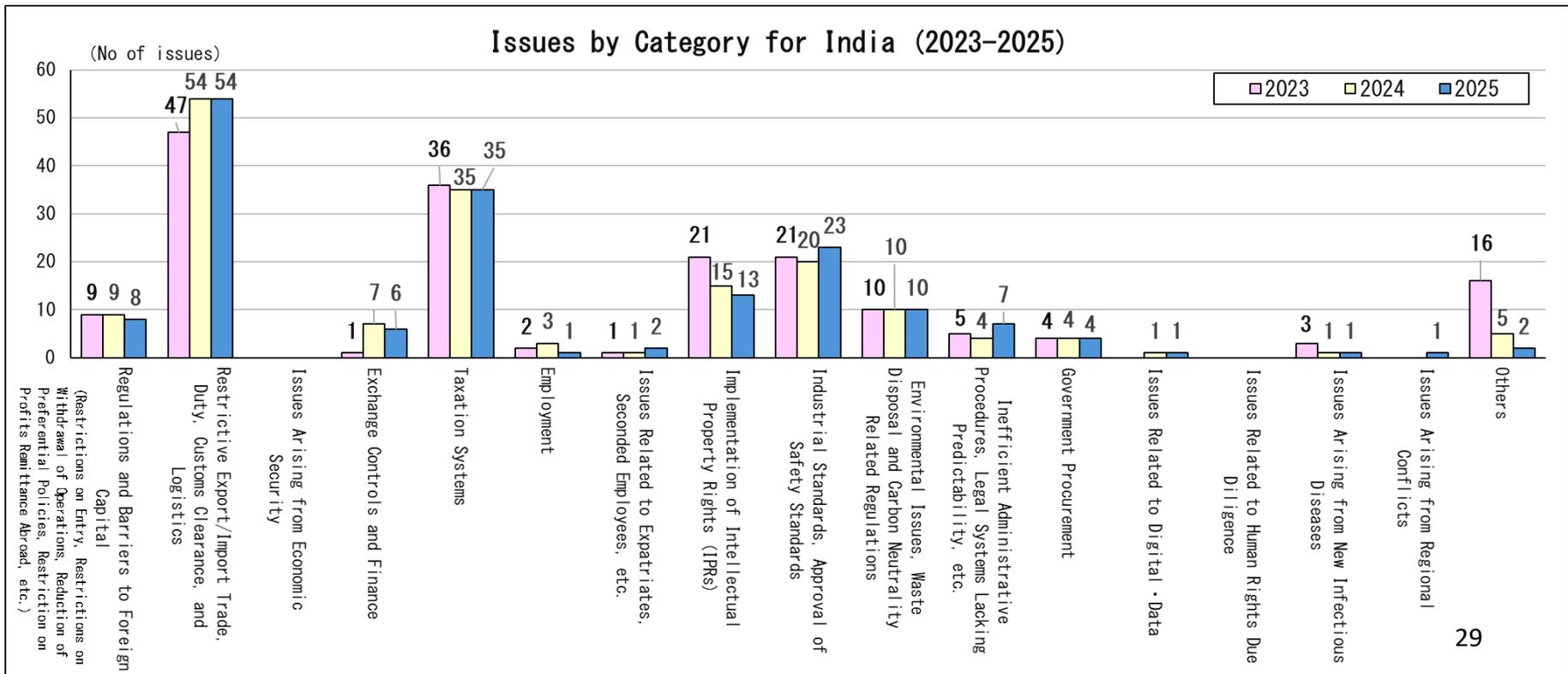
(2) Industrial Standards, Approval of Safety Standards

- Issues have been raised that the drug pricing process lacks transparency and is not well-suited for evaluating innovative pharmaceuticals, resulting in drug evaluation delays in areas that receive less focus from evaluation bodies. Additionally, the system's undervaluation of innovation makes it commercially unviable for companies to launch specialized niche cancer treatment drugs.

5. Southwest Asia: India ①

◆ Key Points

- The number of issues raised was 168, nearly the same as the previous year (169).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including high import tariffs, indirect taxes, arbitrary tariff classification, and matters related to EPA rules of origin and CAROTAR2020.
- In the second most common category, “Taxation Systems,” issues were raised regarding opaque tax audits and GST taxation on seconded employees.
- The third category, “Industrial Standards, Approval of Safety Standards,” cited issues regarding the opaque execution of mandatory certification systems and the unclear application of the Machinery and Electrical Equipment Safety Order. The fourth category, “Implementation of Intellectual Property Rights (IPRs),” and the fifth category, “Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations,” were also pointed out.



5. Southwest Asia: India ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- High import tariffs apply to contact lenses and care products, while ITA-covered items such as ink cartridges, compact printers, and toner cartridges are subject to tariffs.
- There is an issue regarding which tariff classification importers should apply, as they may be directed to use higher-rate classifications to increase tax revenue. Issues were also raised regarding the lack of clear criteria for judgment and the absence of explanations for the basis of application, as well as the extremely ambiguous nature of the interpretations.
- To qualify for the Japan–India Comprehensive Economic Partnership Agreement (CEPA), both the value-added rules and the change in tariff classification (CTC) must be met, requiring significant time and effort.
- The Customs Act was amended in September 2020 to tighten FTA/EPA examinations at the time of import. Under the new customs regulations (CAROTAR 2020), importers using a preferential certificate of origin are required to maintain origin information and provide detailed documentation upon request by customs authorities. Complying with this requirement demands significant man-hours.

(2) Taxation Systems

- In tax audits, unfair and unreasonable additional tax assessments imposed at the sole discretion of tax inspectors are prevalent.
- Following a Supreme Court ruling that classified seconded employees labor costs as payments for personnel dispatch services to local subsidiaries, instances have emerged where indirect taxes (Goods and Services Tax, GST) have been imposed.

5. Southwest Asia: India ③

(3) Industrial Standards, Approval of Safety Standards

- In India, products imported for domestic sale require approval from the Bureau of Indian Standards (BIS). However, the approval period is not consistent, and the certification can be put on hold for an extended period depending on product category, country of origin, and other factors, which makes it difficult to predict the launch timing for new products.
- Under the Machinery and Electrical Equipment Safety (Omnibus Technical Regulation) Order, 2024, which were scheduled to take effect in August 2025, only products covered by the new Safety Order and which have BIS/ISI certification will be eligible for import into India after the Order take effect. For products composed of numerous and complex parts, many manufacturers have not yet completed procedures to ensure compliance with these standards, creating significant constraints on exports to India. (Note: Enforcement of the Order has since been postponed to September 2026.)

(4) Implementation of Intellectual Property Rights (IPRs)

- Criminal enforcement has long been used as a measure against counterfeit goods, but many cases take more than a decade from detection to the imposition of criminal penalties. Consequently, enforcement has an insufficient effect in deterring infringers, and counterfeit goods remain prevalent in the market.

(5) Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations

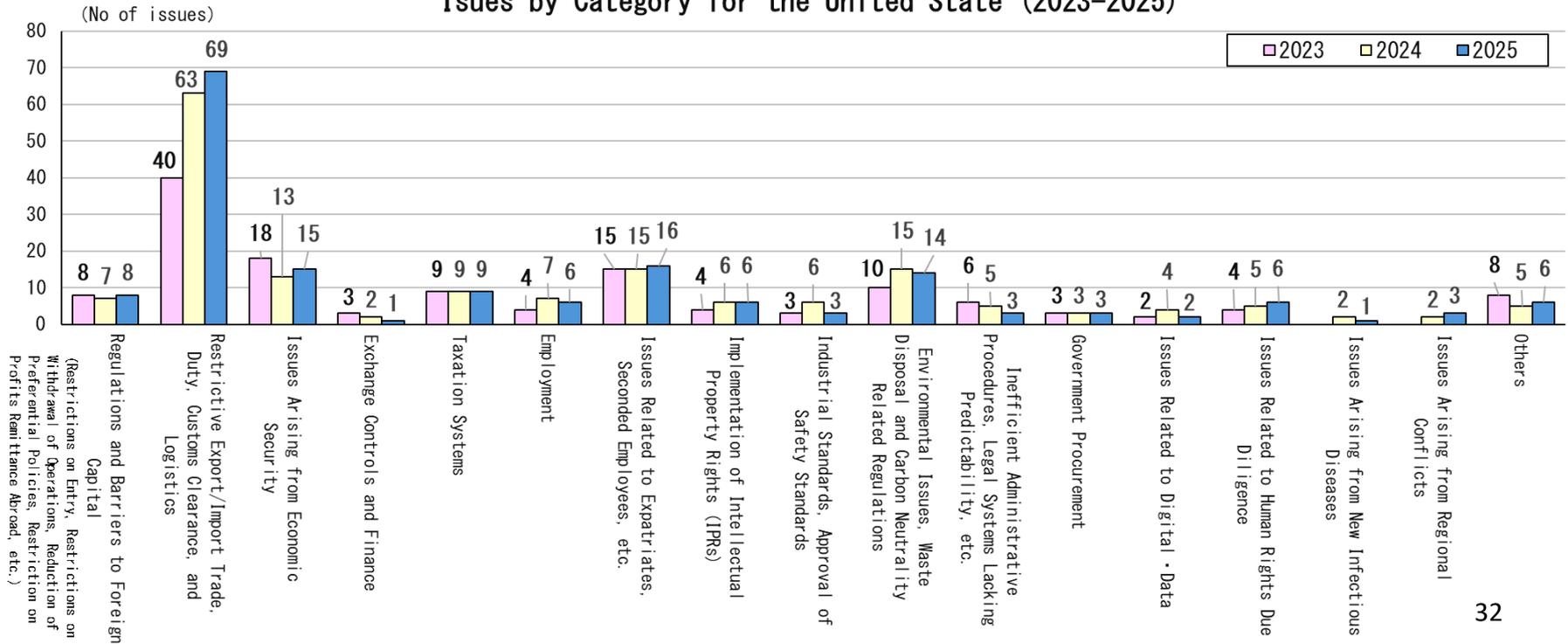
- The 2022 Plastic Waste Management Rules impose unrealistic requirements, such as banning packaging thinner than 50 µm and banning multi-layer packaging. Moreover, not only domestic packaging producers but also packaging users are subject to the same obligations as producers. Since many plastic packages are used across regions, complying with India's unique packaging regulations poses a significant burden.

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

◆ Key Points

- The number of issues raised was 171, nearly the same as the previous year (169).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” stands out as having the most raised issues, with numerous remarks regarding the U.S. administration’s tariff policies (Section 301, Section 232, IEEPA).
- In the second most common category, “Issues Related to Expatriates, Seconded Employees, etc.,” issues were raised regarding stricter visa issuance and longer screening times. The third category, “Issues Arising from Economic Security,” cited concerns about government procurement regulations under the U.S. National Defense Authorization Act 2023. The fourth category covered “Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations,” and the fifth category was “Taxation Systems.”

Issues by Category for the United State (2023–2025)



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

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- (Tariff Policy: Section 301 against China) Increased costs due to additional tariffs on Chinese products are requiring additional man-hours for negotiations to pass on costs to customers, changes to the invoicing system, and other related tasks. Furthermore, significant effort is needed to accommodate customer requests to change delivery locations, etc. to avoid tariffs. If the company must absorb the increased costs itself, this could negatively impact business performance.
- (Tariff Policy: Section 232 on Automobiles) Although additional tariffs on automobiles have not yet been decided (Note: tariffs took effect on April 3, 2025), if imposed on imports from Japan or Mexico to the U.S. (Note: At the time of implementation, vehicles meeting the USMCA rules of origin for automobiles would then be subject to additional tariffs applied only to the value of the non-U.S.-origin parts), this would significantly affect U.S. operations.
- (Tariff Policy: IEEPA) For Chinese products, this tariff would be applied in addition to the additional tariffs under Section 301, further increasing the burden. For Mexico and Canada, cost impacts would be substantial whether final assembly occurs at U.S. manufacturing facilities or products are imported into the U.S. after final assembly in either country.

(2) Issues Related to Expatriates, Seconded Employees, etc.

- Following the presidential order to strengthen security screenings and examinations for foreign nationals applying for U.S. visas, entry into the United States, or U.S. immigration benefits, longer processing times for visa issuance and screenings are anticipated.

6. North America/Central and South America: United States ③

(3) Issues Arising from Economic Security

- U.S. National Defense Authorization Act (NDAA) 2023: Enacted in December 2022, this law prohibits U.S. federal agencies from procuring semiconductors, semiconductor products, products incorporating such semiconductor products, or services using these products designed, manufactured, or provided by three specified Chinese semiconductor manufacturers, effective December 23, 2027. There are concerns that, for all products incorporating Chinese-made semiconductors destined for the U.S., frequent and burdensome requests may arise, such as investigations tracing the entire supply chain or providing written assurances that semiconductors from specific manufacturers are not included.

(Note: NDAA 2025, the updated version of the law, has been in effect since December 2024.)

- NDAA 2025: Enacted on December 23, 2024, this law prohibits the Department of Defense from procuring semiconductor manufacturing equipment or semiconductor design tools from companies supplying semiconductors, semiconductor manufacturing equipment, or semiconductor design tools to Huawei Technologies Co., Ltd., its affiliates, etc. It also prohibits the Department of Defense from procuring products from Chinese military end-users as established under NDAA 2024. There are many other China-related policies stipulated in NDAA 2025, including the prohibition of the Department of Defense from contracting with entities or individuals lobbying on behalf of the Chinese military and the use of federal funds for solar energy products manufactured using forced labor in the Xinjiang Uyghur Autonomous Region or other regions.

6. North America/Central and South America: United States ④

(4) Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations

- California has adopted regulations prohibiting the use of recycling symbols on products or packaging that could mislead consumers into believing the items are recyclable. As a result, many recycling symbols required by regulations in Japan, Europe, and other parts of Asia cannot be displayed, placing a significant burden on manufacturers to redesign packaging labels specifically for the U.S. market.

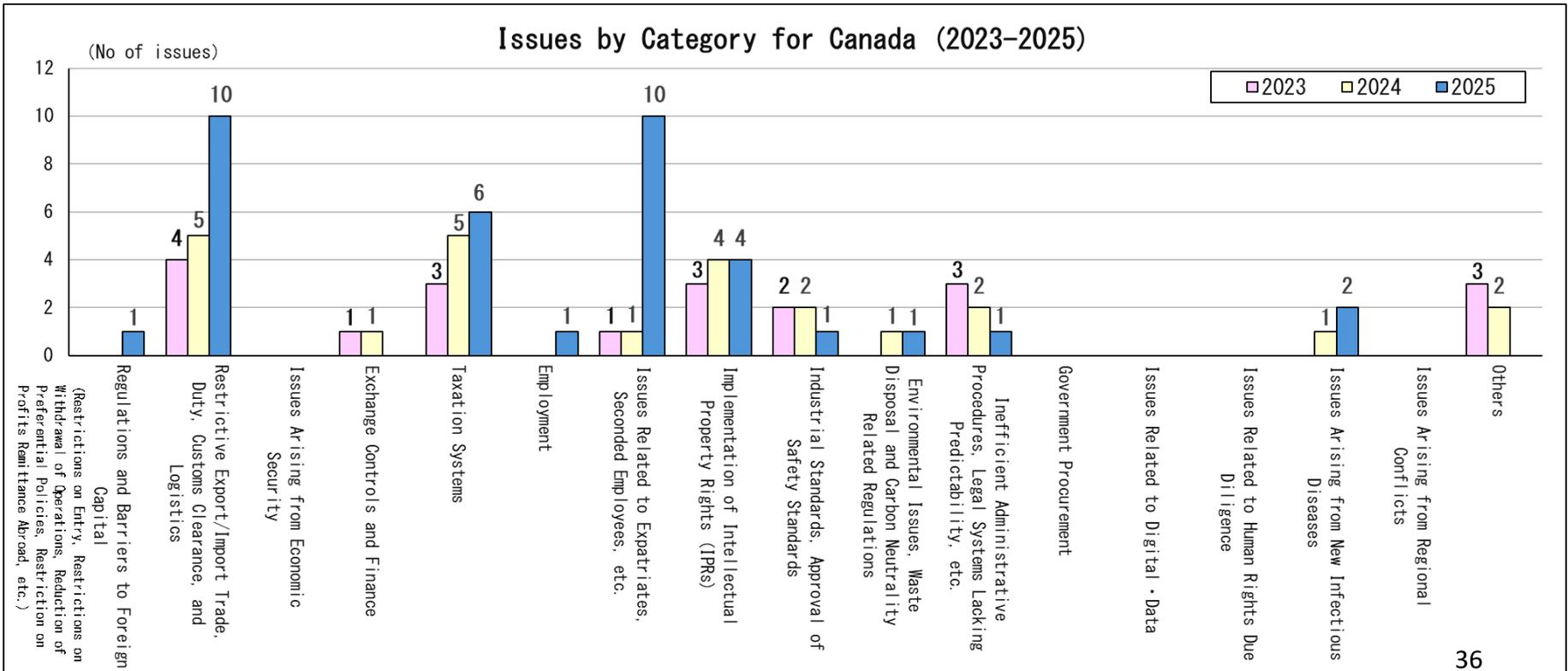
(5) Taxation Systems

- Corporate income tax and sales tax systems and rates vary significantly by state and county. Frequent changes significantly increase the workload for accounting staff and the costs of utilizing audit firms.

6. North America/Central and South America: Canada ①

◆ Key Points

- The number of issues raised was 37, a significant increase from the previous year (24).
- In the most commonly cited category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics,” concerns were raised regarding the U.S. administration’s tariff policies, the strict application of rules of origin under the USMCA, and the continuation of anti-dumping measures for steel products. The same number of issues were raised related to “Issues Related to Expatriates, Seconded Employees, etc.,” specifically regarding delays in visa acquisition and renewal procedures and the ETA (Electronic Travel Authorization) system.
- In the second most common category, “Taxation Systems,” issues were raised regarding the collection of withholding tax on dividends and similar payments to parent companies.



6. North America/Central and South America: Canada ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Regarding the U.S. administration's tariff policy, it has been pointed out that Canada is highly dependent on trade with the United States and is therefore particularly vulnerable to the impact of tariff issues. Concerns have been raised that this could result in higher vehicle prices, difficulties in selling products to U.S. customers, and the application of across-the-board tariffs to allied countries, including Japan.
- With respect to the strict rules of origin under the USMCA, it has been pointed out that stringent product category classifications have been applied to recreational vehicles (RVs) manufactured at U.S. plants within the group. It has also been pointed out that, because the origin requirements are so demanding, imports from Asia will remain less expensive even after taking tariffs into account.
- Concerns have been raised regarding the continuation of anti-dumping measures for steel products.

(2) Issues Related to Expatriates, Seconded Employees, etc.

- Regarding delays in visa acquisition and renewal procedures, issues raised include the lengthy waiting period after application (ranging from 1–2 months to 5–6 months depending on the visa type), as well as the cumbersome process for confirming the validity period of the ETA (Electronic Travel Authorization).
- Issues were raised regarding the mandatory surrender of Japanese driver's licenses when obtaining a Canadian driver's license, as well as the cumbersome procedures for closing bank accounts after expatriates return to Japan.

(3) Taxation Systems

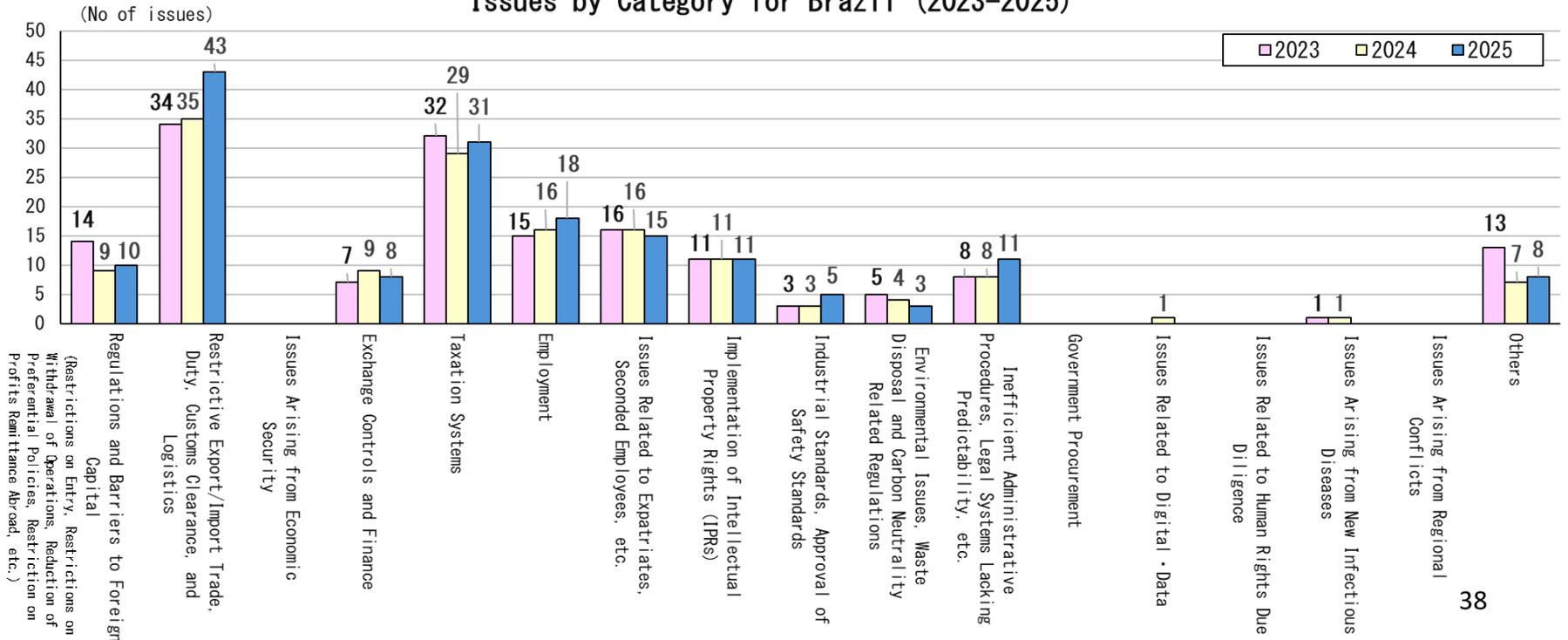
- Issues have been raised regarding the collection of withholding tax, including pre-approval procedures for tax exemptions for short-term business trips from Japan to Canada, as well as the withholding tax applied when paying loan guarantee fees or dividends to the parent company.

6. North America/Central and South America: Brazil ①

◆ Key Points

- The number of issues raised was 163, an increase of approximately 10% from the previous year (149).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including calls for the conclusion of a Japan–Mercosur EPA, cumbersome and delayed import procedures, and the rampant prevalence of illegal and smuggled imports.
- In the second most common category, “Taxation Systems,” issues were raised regarding the prolonged and complex transition to the new tax system and the resulting compliance burden.
- The third category, “Employment,” cited issues about overly protective labor legislation and rising labor costs.
- In the fourth category, “Issues Related to Expatriates, Seconded Employees, etc.,” issues were raised regarding the complexity of, and delays in, visa issuance procedures.
- The fifth most common categories were “Implementation of Intellectual Property Rights (IPRs)” and “Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.”

Issues by Category for Brazil (2023–2025)



6. North America/Central and South America: Brazil ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- In recent years, while Mercosur has concluded EPAs with Mexico and other countries, is negotiating with Korea, the EU, etc., and is considering negotiations with China, Japan has yet to enter into any such negotiations. To ensure that Japan does not fall behind competitively, there are strong calls for the initiation of EPA negotiations.
- Due to the recent instability in overseas shipping, impact of severe weather on logistics infrastructure, strikes by customs officers, and cumbersome and complex customs clearance procedures, companies are facing difficulties in obtaining imported parts on schedule.
- Illegal and smuggled imports of electronic equipment are rampant (including transshipment via Mercosur countries such as Uruguay and Paraguay and courier-based imports from Miami, USA). Due to insufficient collection and enforcement of import tariffs and domestic distribution taxes, significant price disparities have emerged compared with locally produced goods, officially imported products, and items sold through legitimate distribution channels, thereby hindering the development of domestic industries.

(2) Taxation Systems

- A reform bill for Brazil's tax system, long criticized as complex and subject to frequent revisions at the federal, state, and municipal levels, was passed in December 2023. However, the transition period to the new tax system is lengthy, spanning from 2026 to 2033. During this period, both the old and new tax systems will be applied in parallel, further complicating practical operations. In particular, tax payment procedures and system requirements during this parallel period remain unclear, potentially necessitating substantial additional man-hours and significant system investment going forward.

6. North America/Central and South America: Brazil ③

(3) Employment

- Labor laws impose many restrictions on companies from a worker-protection standpoint, and the interpretation of individual laws is complex, requiring the engagement of specialized consultants to address each case. As a result, there is a significant risk of labor litigation being initiated by former employees.
- Because salary reductions are essentially prohibited, labor costs continue to rise year after year and have become increasingly steep.
- Due to mandatory local hiring requirements, Brazilian employees must account for at least two-thirds of both total payroll and headcount. This makes it difficult for small and medium-sized enterprises to establish businesses.

(4) Issues Related to Expatriates, Seconded Employees, etc.

- The process of obtaining long-stay visas for expatriates and seconded employees from Japan is very complicated and time-consuming.

(5) Implementation of Intellectual Property Rights (IPRs)

- Border enforcement by customs is limited to stopping trademark-infringing products, and there are no provisions for intercepting patent-infringing products. In addition, such controls carried out only ex officio, and there is no registration system that allows rights holders to apply for border protection.

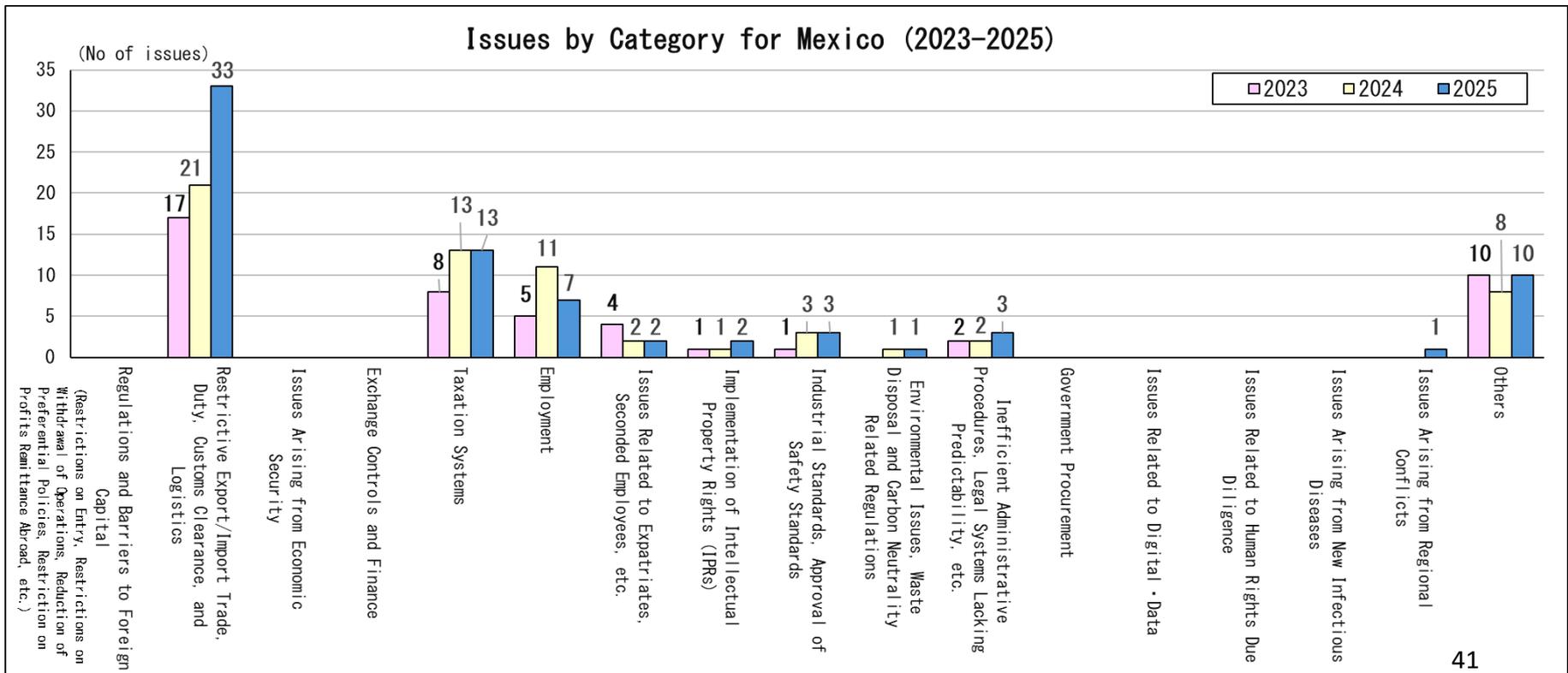
(6) Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.

- Nearly all procedures involving government agencies are complex and time-consuming. Delays in processes such as work visa applications, registration of new executives, trademark registration, and bonded warehouse applications are causing disruptions to business activities.

6. North America/Central and South America: Mexico ①

◆ Key Points

- The number of issues raised was 75, an increase of 20% from the previous year (62).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including the impact of the U.S. administration’s tariff policies, stricter USMCA rules and conditions, and cumbersome customs clearance procedures.
- In the second most common category, “Taxation Systems,” issues were raised regarding delays in VAT refunds and tight deadlines for tax audit filings and reporting. The third category, “Others,” cited issues regarding oligopolistic or monopolistic structures in rail transport and the power sector, as well as the deterioration of public safety.



6. North America/Central and South America: Mexico ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Mexico's economy is heavily dependent on exports to the United States (exports to the U.S. exceeded USD 500 billion in 2024, accounting for 28% of Mexico's GDP). As such, a decline in exports caused by additional tariffs would deal a significant blow to the Mexican economy.
- The Regional Value Content (RVC) required under the USMCA increases year by year, contributing to downward pressure on profit margins.
- Importing components requires the submission of numerous documents to customs and customs brokers, consuming significant man-hours. In addition, submission of further documentation is often requested, which sometimes causes import procedures to take longer than anticipated.

(2) Taxation Systems

- Frequent requests from tax authorities related to VAT refunds that go beyond the requirements set out in the guidelines ultimately increase the workload and cause delays in refunds.
- Since 2022, listed companies and corporations above a certain size have been required to submit tax audit reports. With a fiscal year-end of December 31, the tax filing deadline is March 31, followed by a May 15 deadline for submitting the tax audit report. It has been pointed out that this timeframe is too short given the scope of the audit.

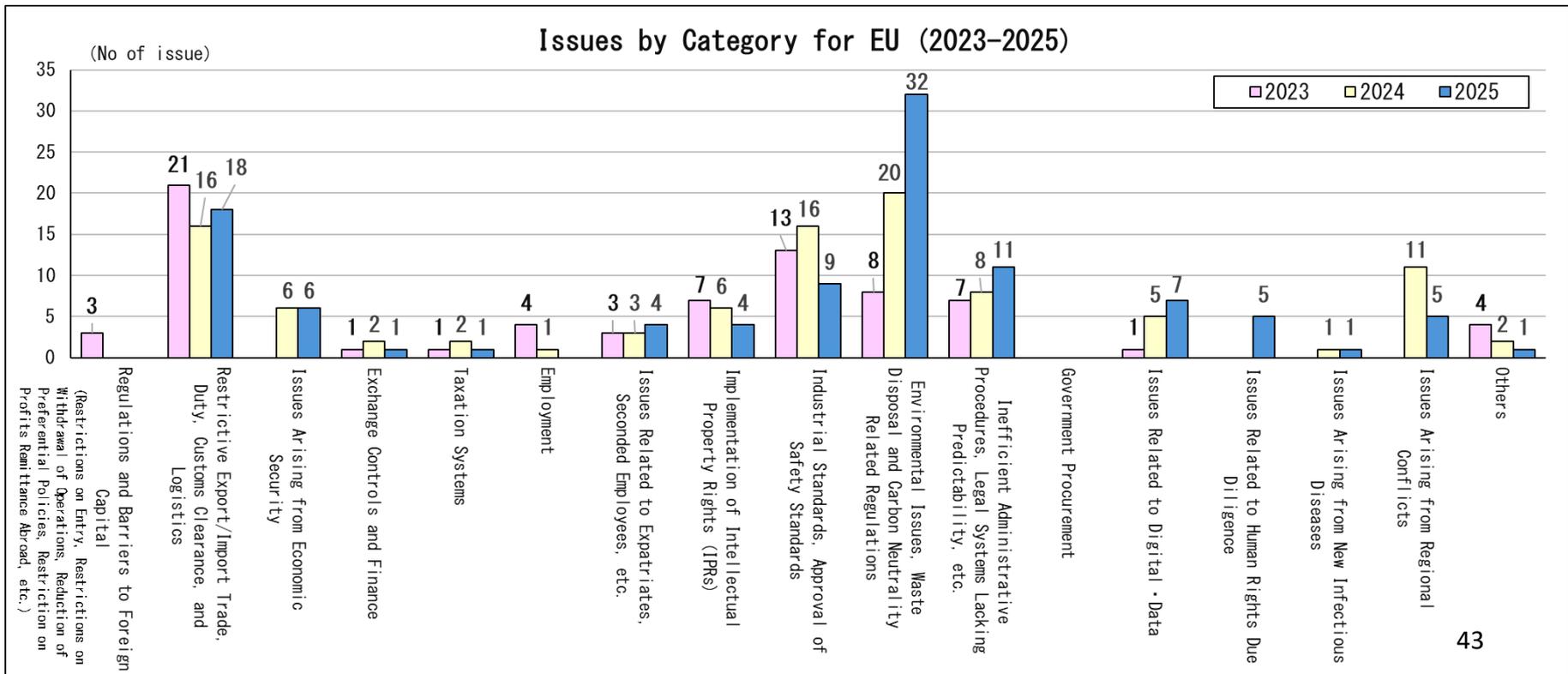
(3) Others

- Rail transport services are dominated by two companies, resulting in poor logistics quality and frequent incidents of theft. Business activities that deal with electric power cannot be conducted without licensing agreements with a state-owned monopoly under the Electricity Industry Law, leading to high energy costs that negatively affect production activities.
- Deteriorating public safety has caused retail stores to shorten operating hours or close, adversely affecting the overall economy.

7. Europe: EU ①

◆ Key Points

- The number of issues raised was 105, a slight increase from the previous year (99).
- By category, “Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations” saw a significant increase and accounted for the largest number of issues raised, including the lack of clarity and insufficient consideration in environmental regulations in areas such as packaging and packaging waste regulations, PFAS regulations, and the Carbon Border Adjustment Mechanism (CBAM).
- In the second most common category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics,” concerns were raised regarding the U.S. administration’s tariff policies, and issues were noted concerning inconsistencies in customs procedures. The third category, “Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.,” cited issues regarding the Corporate Sustainability Reporting Directive (CSRD).



7. Europe: EU ②

(1) Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations

- Regulations mandating the recycling or reuse of packaging materials and the reduction of packaging waste have been enacted. However, while deadlines and requirements have been established, the details have not been sufficiently communicated, raising concerns about delays in compliance. Therefore, there are calls for the development of concrete guidelines in collaboration with industry. In addition, member countries imposing their own packaging requirements, or demanding proprietary markings on a global basis while prohibiting markings used in other countries, are increasing the burden on businesses.
- A PFAS (per- and polyfluoroalkyl substances) regulation proposal was released in 2023; however, it is problematic in that target products and related items are designated without sufficient risk assessments or consideration of alternative options.
- The CBAM transition period began in October 2023, and from 2025, the calculation of carbon content using EU-specified methodologies will become mandatory. However, the calculation methodology is extremely complex, making compliance particularly difficult for small and medium-sized producers. Furthermore, it remains unclear what qualifies as the “carbon tax paid in Japan” that should be eligible for deduction.

(2) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- The Trump administration’s assumption of office in the United States has heightened the possibility of tariffs being imposed on the EU. Should such tariffs be imposed, there is a risk that product sales from the EU to the U.S. would decline as U.S. customers shift their sourcing away from the EU.
- Customs clearance procedures are not standardized among EU member states.

(3) Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.

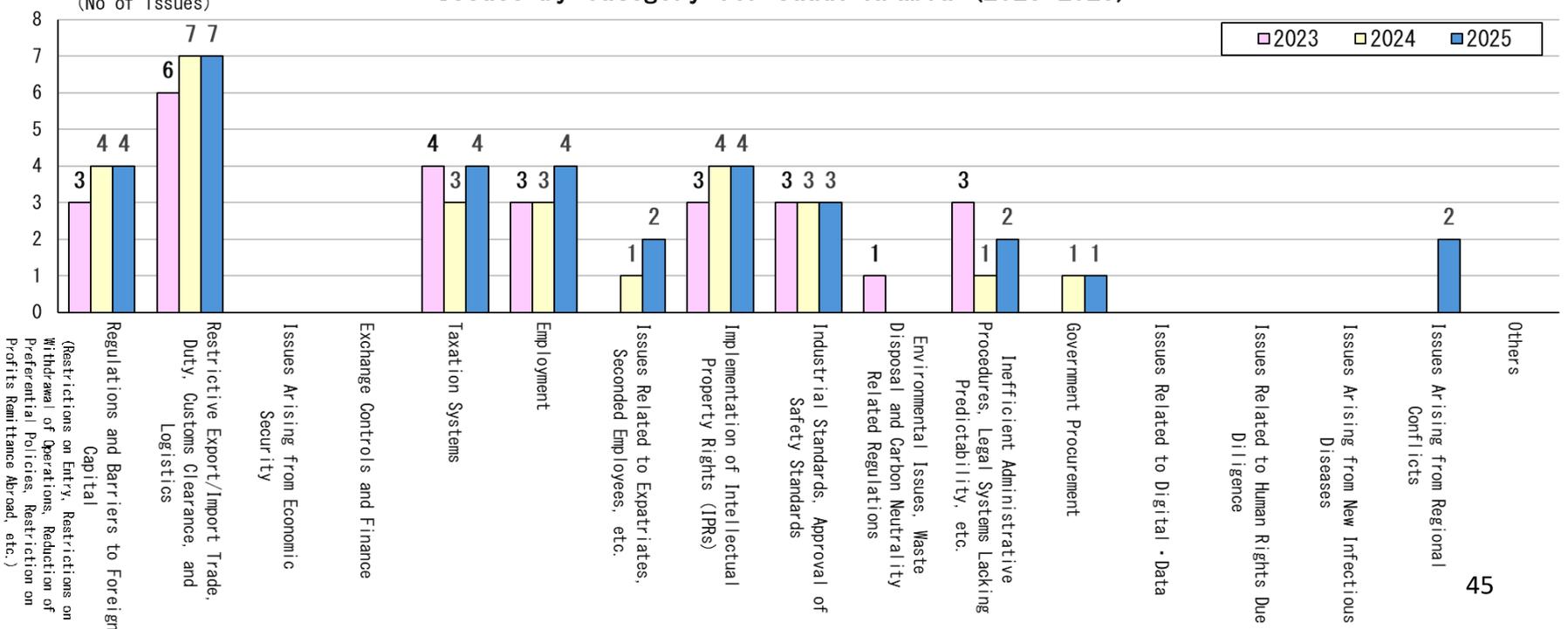
- Due to the lack of clarity in the audit standards under the Corporate Sustainability Reporting Directive (CSRD), companies preparing for its application are compelled to take a conservative approach, resulting in significant preparation costs.

8. Middle East and Africa: Saudi Arabia ①

◆ Key Points

- The number of issues raised was 33, an increase of approximately 20% from the previous year (27).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including continuing issues regarding the difficulty and lack of clarity in the SABER import registration system.
- “Regulations and Barriers to Foreign Capital,” “Taxation Systems,” “Employment,” and “Implementation of Intellectual Property Rights (IPRs)” were all tied for the second most common category. Within “Regulations and Barriers to Foreign Capital,” issues were raised about local content requirements; within “Taxation Systems,” disparities in corporate income tax treatment for foreign companies; within “Employment,” policies promoting the employment of Saudi nationals; and within “Implementation of Intellectual Property Rights (IPRs),” delays in enforcement procedures at the Saudi Authority for Intellectual Property and insufficient disclosure of detection results.

Issues by Category for Saudi Arabia (2023–2025)



8. Middle East and Africa: Saudi Arabia ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- There is a regulatory measure requiring all imports to be pre-registered on an online platform called SABER, but the rules are unclear and change frequently, and the process for obtaining a Certificate of Conformity (CoC) is also unclear and can take over a year.

(2) Regulations and Barriers to Foreign Capital

- Local procurement obligations have been imposed on business investment projects, including EPC and PPP; however, the required procurement ratios do not align with the conditions for locally sourced products, creating difficulties in meeting required construction timelines and performance requirements.

(3) Taxation Systems

- While foreign-affiliated companies are subject to a 20% corporate income tax, local companies and companies from GCC countries are subject only to a 2.5% Zakat (almsgiving/tax). This disparity undermines fair competition in business investment projects, including PPPs involving foreign-affiliated and local companies.

(4) Employment

- There is a policy known as “Saudization,” which promotes the employment of Saudi nationals and mandates that a certain percentage of the workforce employed be Saudi.

(5) Implementation of Intellectual Property Rights (IPRs)

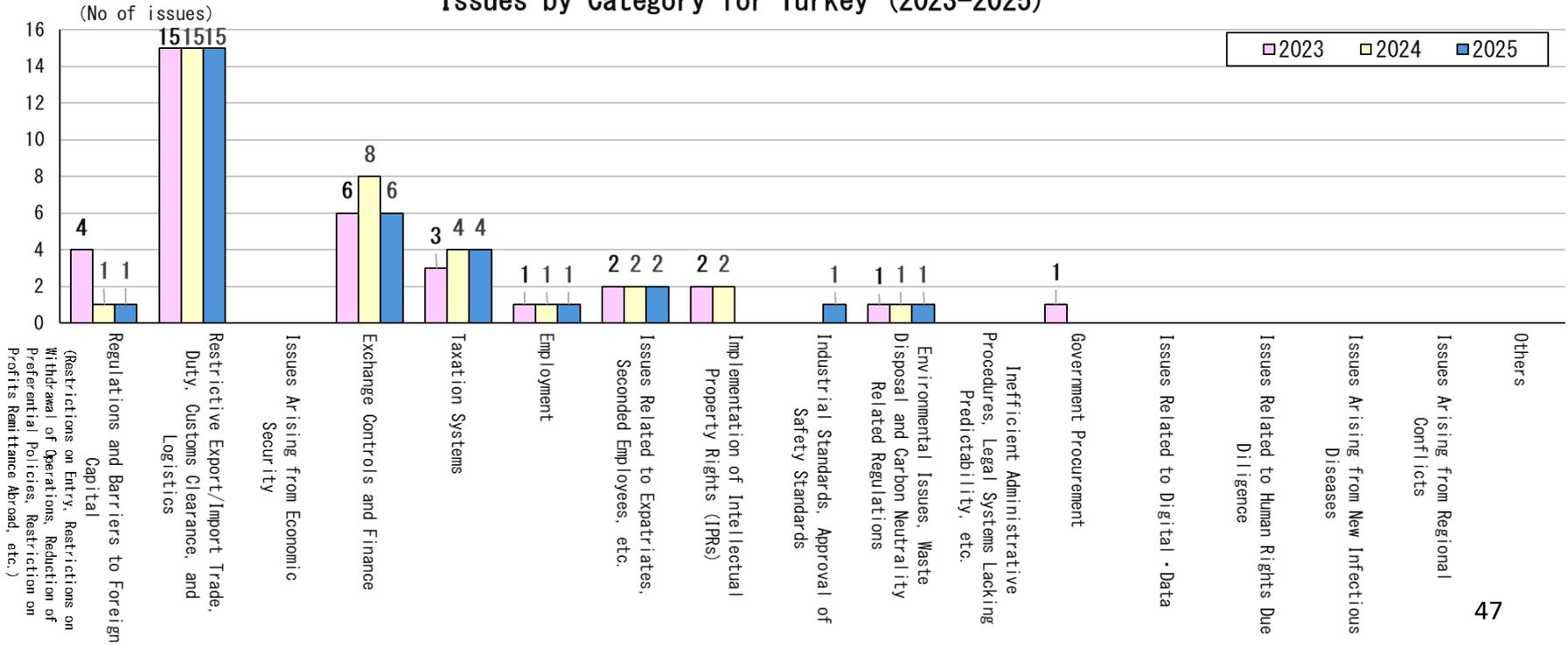
- In 2021, jurisdiction over trademark enforcement was transferred from the Ministry of Commerce to the Saudi Authority for Intellectual Property. However, the time from filing a complaint to detection has increased, and the disclosure of detection results is now more limited than in the past.

8. Middle East and Africa: Turkey ①

◆ Key Points

- The number of issues raised was 31, nearly the same level as the previous year (34).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised. These included issues regarding additional tariffs imposed on Japanese products and tariff disadvantages relative to countries with existing FTAs, such as the EU, leading to calls for the conclusion of a Japan–Turkey FTA.
- In the second most common category, “Exchange Controls and Finance,” issues were raised regarding regulatory measures for foreign currency-related transactions, including the inability to settle domestic foreign-currency transactions and regulations on foreign currency borrowing.
- The third category, “Taxation Systems,” cited issues regarding the imposition of the Resource Utilization Support Fund (RUSF).

Issues by Category for Turkey (2023–2025)



8. Middle East and Africa: Turkey ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- With regard to Turkey's additional tariff measures (particularly on construction machinery and watches) and its high import tariffs, Japanese exports have been placed at a disadvantage compared with exports from the EU, with which Turkey has a customs union, and from countries with which it has concluded FTAs. As a result, there have been calls for the conclusion of a Japan–Turkey FTA.
- For construction machinery, only units manufactured in the current year are eligible for import customs clearance, which prevents shipments during the October-December period.

(2) Exchange Controls and Finance

- With regard to domestic foreign-currency settlements, amendments to the Law on the Protection of the Value of Turkish Currency in 2022 mandate that payments for goods sold to domestic companies be collected in Turkish lira rather than in a foreign currency, forcing companies to bear an exchange rate risk when selling imported goods. In addition, the prohibition on domestic foreign-currency settlements has led to higher currency conversion fees, severely impacting corporate profitability.

(3) Taxation Systems

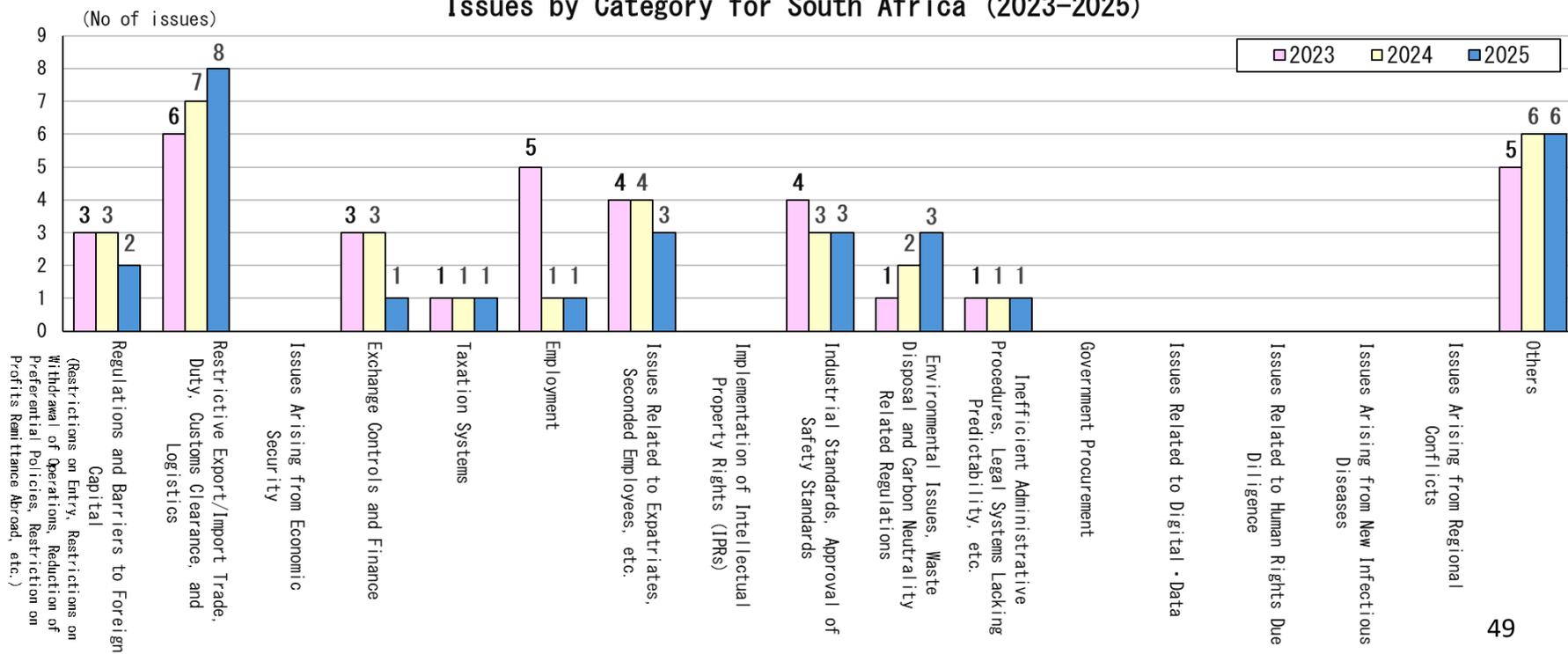
- Since imported goods are subject to the payment of the RUSF (Resource Utilization Support Fund) levy of 6% in addition to customs duties, if proof of payment for imported goods cannot be presented at customs clearance, companies must borrow additional funds from local banks to proceed with the clearance. This reduces capital efficiency and profitability. The RUSF is also applied to loans from non-residents to residents, further reducing the overall capital efficiency of the group.

8. Middle East and Africa: South Africa ①

◆ Key Points

- The number of issues raised was 29, nearly the same level as the previous year (31).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised. These included issues regarding high import tariffs on certain home appliances and tariff hikes on steel products, as well as calls for the conclusion of an FTA with Japan.
- In the second most common category, “Others,” issues were raised regarding underdeveloped electricity and water infrastructure.
- The third most common category saw an equal number of issues raised across “Issues Related to Expatriates, Seconded Employees, etc.,” “Industrial Standards, Approval of Safety Standards,” and “Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations.”

Issues by Category for South Africa (2023–2025)



8. Middle East and Africa: South Africa ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- High tariffs have been imposed on home appliances, such as televisions, air conditioners, and refrigerators, with additional excise taxes also levied. However, single-tub washing machines and beauty appliances are duty-free, and issues have been raised about the lack of clarity in the criteria for import taxes and the roadmap for corrective measures. In addition, there are cases in which tariffs of 10–15% have been imposed on steel products that were previously duty-free. There are also calls for the conclusion of a Japan–South Africa FTA.

(2) Others

- With respect to infrastructure development issues, there are calls for a stable electricity supply, and issues have been raised regarding ongoing water outages.

(3) Issues Related to Expatriates, Seconded Employees, etc.

- The process of obtaining a work permit is time-consuming, and the necessary procedures are unclear. The fact that some permits are non-renewable is also an issue.

(4) Industrial Standards, Approval of Safety Standards

- Issues have been raised about the prolonged certification acquisition period for wireless devices and the disparity in processing time compared with locally manufactured products.

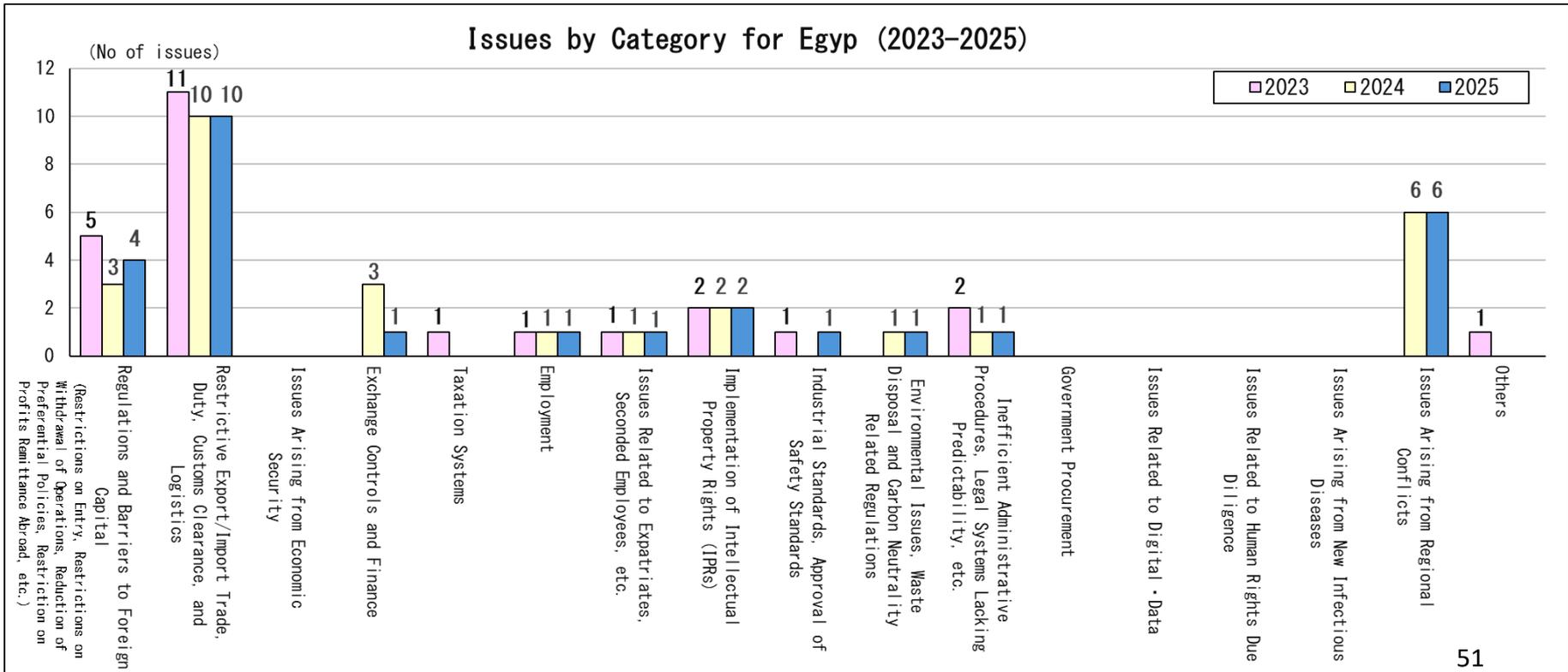
(5) Environmental Issues, Waste Disposal and Carbon Neutrality Related Regulations

- Under preferential measures for the production and consumption of environmentally friendly vehicles scheduled to take effect from 2026 onward, electric vehicles and fuel cell vehicles are covered, while hybrid and plug-in hybrid vehicles are excluded.

8. Middle East and Africa: Egypt ①

◆ Key Points

- The total number of issues raised was 28, the same as the previous year.
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including sudden changes in tariff rates, lack of transparency in implementation, and underdeveloped and unclear non-preferential rules of origin. There are also calls for the conclusion of a Japan–Egypt FTA.
- The second most common category, “Issues Arising from Regional Conflicts,” still includes many issues that were raised related to shipping delays, route changes, increased logistics costs, and extended lead times resulting from Russia’s invasion of Ukraine, the Israel–Gaza conflict, and attacks on vessels by Houthi forces.



8. Middle East and Africa: Egypt ②

(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Because customs implements changes to tariff rates without a grace or enforcement period, companies must address and negotiate the new rates with the authorities each time a change occurs.
- Non-preferential rules of origin remain incomplete and unclear, making it difficult for companies to make self-determinations.
- Egypt has concluded FTAs with the EU and Turkey, but not with Japan, resulting in Japanese products being placed at a disadvantage.
- When exporting designated items to Egypt, issues have been raised regarding the cumbersome pre-registration of manufacturing plants and companies with the General Organization for Export and Import Control (GOEIC), as well as the procedures required to respond to GOEIC requests for new factory registrations.

(2) Issues Arising from Regional Conflicts

- Due to Russia's invasion of Ukraine and the worsening situation in the Middle East, cargo bound for Europe has been rerouted around the Cape of Good Hope to avoid passage through the Red Sea and the Suez Canal, extending voyage times by approximately one week.
- Attacks on merchant vessels by Yemen's Houthi forces have reduced the number of ships transiting the Suez Canal to less than half, and the Egyptian government's canal toll revenue has continued to decline sharply. As most merchant vessels now use the Cape of Good Hope route, prolonged lead times, higher logistics costs, and other adverse impacts on global trade transactions continue.
- Since the Russia-Ukraine conflict began, export controls to various countries have become increasingly stringent. Even for export declarations of medical devices, as well as their consumables and parts, inquiries regarding product specifications, materials, and intended use, along with requests for submissions of the export control classification certificate, have increased, significantly raising operational burdens.

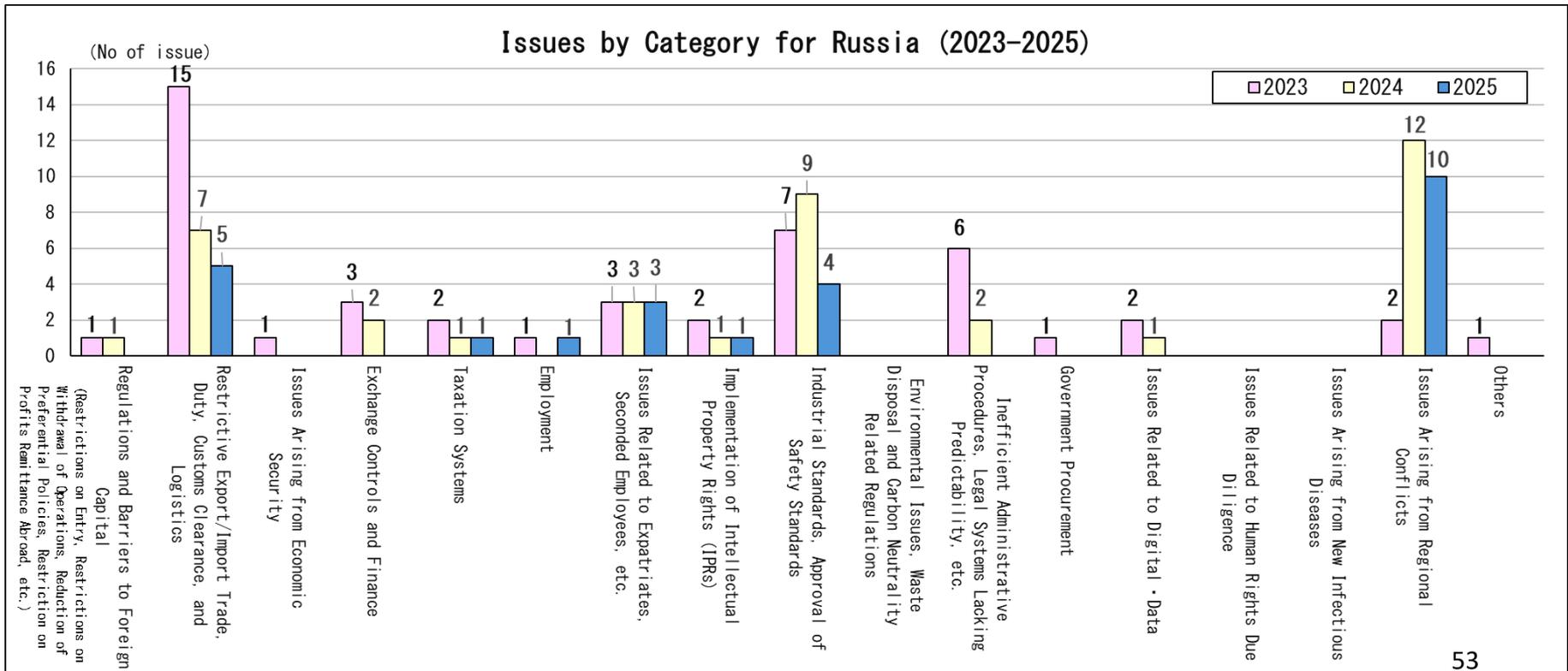
(3) Regulations and Barriers to Foreign Capital

- The inability to establish wholly foreign-owned companies is a major obstacle to establishing local subsidiaries.

(References) Russia ①

◆ Key Points

- The number of issues raised was 25, a decrease of more than 30% from the previous year (39).
- By category, “Issues Arising from Regional Conflicts” had the most issues raised, including trade disruptions caused by sanctions against Russia and restrictions on foreign currency remittances.
- In the second most common category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics,” issues were raised regarding cumbersome import procedures and stricter export controls. The third category, “Industrial Standards, Approval of Safety Standards,” cited issues related to the application of Russia-specific EAEU (Eurasian Economic Union) regulations.



(References) Russia ②

(1) Issues Arising from Regional Conflicts

- Trade has become difficult due to sanctions imposed by various countries following Russia's invasion of Ukraine. For example, strengthened bank compliance checks have made remittances more difficult, while shipowners' avoidance of calls at Russian ports and difficulties in securing vessel allocations have introduced risks that are not normally anticipated into the basic business environment, reducing business predictability.
- Due to the impact of Western economic sanctions against Russia, foreign currency remittances in U.S. dollars, euros, or yen that would benefit the Russian economy have become virtually impossible. At present, transfers from Japan to the Moscow office can only be made in the local currency, the ruble.

(2) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- The issue of cumbersome and delayed import procedures is partly due to the extensive documentation required for customs clearance. For example, requirements for parts include photographs taken before and after packaging, photographs of the parts alone, and weight information such as net and gross weight, making the process time-consuming.
- Export regulations on medical devices have become significantly stricter, severely restricting shipments to Russian medical facilities. Meanwhile, China, which does not impose such export restrictions, is dominating the Russian market.

(3) Industrial Standards, Approval of Safety Standards

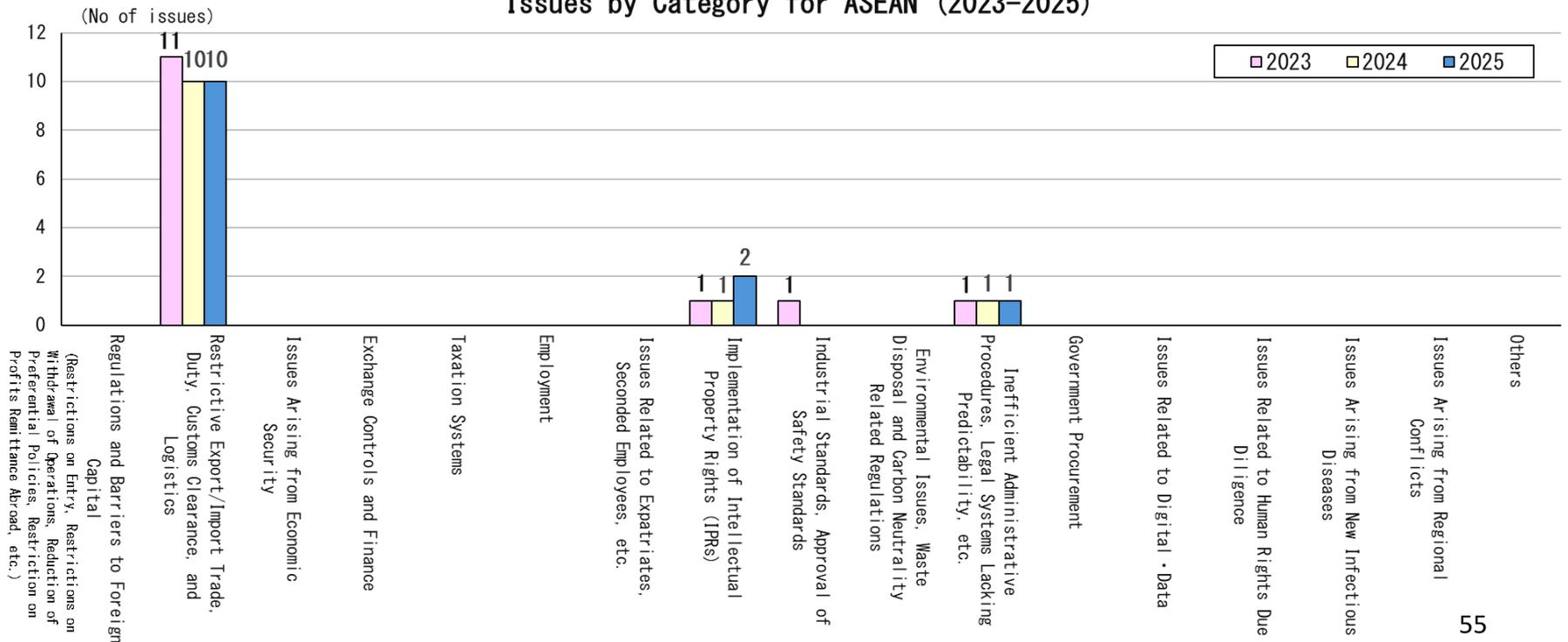
- Regarding Eurasian Economic Union (EAEU) regulations, Russia's unilateral implementation of relaxed regulations that allow exceptions has caused disruptions in the Russian market and issues such as the inability to export products to other EAEU member countries. For example, while EAEU rules require the Eurasian Conformity (EAC) mark to be affixed at the time of customs clearance, Russia is the only country that does not require it at that stage and instead allows the affixation to occur up to the point of sale, making it difficult to distinguish compliant from non-compliant products.

(References) ASEAN ①

◆ Key Points

- The number of issues raised was 13, nearly the same as the previous year (12).
- By category, “Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics” had the most issues raised, including deficiencies in the ATIGA certificate of origin system and its operational framework, as well as differing interpretations among national customs concerning the back-to-back certificate of origin under the AJCEP.
- In the second category, “Implementation of Intellectual Property Rights (IPRs),” issues were raised regarding the prevalence of counterfeit goods and insufficient enforcement measures.
- The third category, “Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.,” included calls for the promotion of electronic signatures.

Issues by Category for ASEAN (2023–2025)



(1) Restrictive Export/Import Trade, Duty, Customs Clearance, and Logistics

- Regarding the ATIGA certificate of origin system, although the requirement to state FOB prices on Form D has been abolished, this change does not apply to certain countries (Indonesia, Laos, and Cambodia). In addition, for shipments between neighboring countries with short transit times, Form D may not arrive in time. Furthermore, the implementation of e-ATIGA is limited to certain countries.
- Regarding the application of back-to-back certificates of origin under the AJCEP, interpretations differ among national customs. For example, there is information indicating that Indonesian customs does not accept back-to-back certificates of origin issued by Singapore customs.

(2) Implementation of Intellectual Property Rights (IPRs)

- Counterfeit and imitation products are widespread across ASEAN countries, resulting in lost business opportunities, infringement of intellectual property rights, and damage to brand image due to substandard products.

(3) Inefficient Administrative Procedures, Legal Systems Lacking Predictability, etc.

- In some ASEAN countries, the lack of government promotion of electronic signatures has led to cases where contractual counterparties refuse their use. As a result, transactions must be conducted on a paper basis, incurring postal costs and time delays and creating disadvantages for both parties.

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