METI Priorities Based on the 2010 Report on Compliance by Major Trading Partners with Trade Agreements (April 1, 2010)

The 2010 Report on Compliance by Major Trading Partners with Trade Agreements – WTO, FTA/EPAs, and BITs －, was today adopted by the Industrial Structure Council's Subcommittee on Unfair Trade Policies and Measures, and published. The Report addresses the consistency of wide-ranging trade policies and measures of major trading partners with WTO agreements and other international rules, and requests improvements of those policies and measures. The Ministry of Economy, Trade and Industry (METI) will seek the improvements requested of these deficient policies and measures, and accordingly, take all opportunities and routes available, including bilateral dialogues and the dispute resolution mechanisms provided for by the World Trade Organization (WTO), Economic Partnership Agreements (EPAs), etc.

METI has long been exerting its maximum efforts and taking every opportunity to remove impediments in the measures of foreign governments to trade, investment and other business activities of Japanese enterprises. The world has witnessed, after having experienced a serious economic crisis occurring in 2008, not only the world-wide proliferation of large-scale governmental programs taken by various countries and economies for boosting their economies, but also actions which may represent movement toward protectionism, including import duty hikes, the increased preferential treatment of domestic products in government procurement, the introduction of apparently unnecessary technical regulations. Since 2009, METI, in collaboration with related ministries, agencies and organizations, including the Japan External Trade Organization (JETRO), has stepped up its systematic efforts to expedite information gathering on trade measures that appear motivated by protectionist considerations, and has accordingly taken actions. These coordinated efforts by the government and industries successfully achieved significant improvements in a number of cases, as summarized in the "Status of Recent METI Priorities" annexed hereto. The Report also observed a recent upward trend in the number of deficient domestic policy measures, while recognizing the long-standing issue of border measures including tariff classifications and antidumping duty measures. METI will aggressively address this new challenge.

Against this background, METI hereby announces the cases it currently gives a high priority to its trade policy and its approaches to tackle these priority issues.

Last, but not least, METI should note that the forum for the Improvement of the Business Environment introduced by the EPAs as new frameworks for dialog provide effective tools for dispute resolution. In its quest for solutions on trade issues, METI will exert maximum effort to enhance collaboration between the government and Japan's industry in negotiating with foreign governments, whether or not within the framework for inter-governmental consultations.

Issues on which Japan Urges Prompt Implementation of the WTO Recommendations

With regard to the following issues involving China and the United States, as a result of recourse made by Japan and other Members to the WTO dispute settlement procedures, the WTO Dispute Settlement Body (DSB) adopted recommendations that require China and the United States to bring their measures into conformity with relevant WTO Agreements. Japan will continue urging both countries to implement the WTO recommendations promptly and fully and to take appropriate action in accordance with the recommendations.

○ China
- Prompt Implementation of the WTO Recommendations concerning the Protection and Enforcement of Intellectual Property Rights

Note: This still needs to be on list because the United States and other Members including Japan have yet to confirm China's reporting on the implementation of the WTO recommendations in DS362 panel to the DSB meeting of March 19, 2010.

○ The US
- Halt of Distribution of Duty Revenues Collected through Anti-dumping and Countervailing Duty Measures against Goods Already Passed Custom Inspection to U.S. Companies Based upon the Byrd Amendment
- Prompt Implementation of the WTO Recommendations on the Zeroing Methodology
- Prompt Implementation of the WTO Recommendations on Anti-dumping Measures against Hot-Rolled Steel Products from Japan

Issues Already Referred to the WTO Dispute Settlement Mechanism

The following issue involving the European Union (EU) has already been referred to the WTO dispute settlement procedures by Japan, the United States and Chinese Taipei. Japan will keep seeking improvements of the measures concerned through the WTO mechanisms in cooperation with the United States and Chinese Taipei.

○ EU
- Elimination of Import Duties Imposed on Products Covered by the Information Technology Agreement

Issues, while not having been Referred to the WTO Dispute Settlement Mechanism, for

which Solutions Continue to be Sought

With regard to the following issues, although they have not been referred to the WTO dispute settlement procedures, solutions will be sought through the WTO mechanisms and bilateral consultations.

○ China
- Correction of Discrimination of National Indigenous Innovation Product Accreditation System and Other Government Procurement

Note: China's accession to the Government Procurement Agreement is still under negotiation. However, METI listed those measures because China's introduction of them directly contravenes the sprit of the Government Procurement Agreement.

- Negotiation on Export Restrictions on Raw Materials
- Improvement with regard to Inappropriate Application of Anti-dumping Measures
- Handling of Counterfeit, Pirated and Other Infringing Products

○ Asian Countries and Territories
- Handling of Counterfeit, Pirated and Other Infringing Products

○ The United States
- Securing the WTO-consistent implementation of the "Buy American" Clause Included in the American Recovery and Reinvestment Act of 2009

○ Canada
- Abolition of the "Local Content Requirement" in the Feed-in Tariff Program

○ Russia
- Abolition of the Measure to Increase Duties on Vehicles, etc.

Note: Russia's accession to the WTO is still under negotiation. However, METI listed this measure because Russia introduced it in direct contravention to the spirit of WTO Agreements while negotiating WTO accession.

○ Argentina
- Improvement of Application of the Non-Automatic Import Licensing System for Elevators, etc.

(ANNEX) **Status of Recent METI Priorities in 2009**

Country	Priority Issues	Actions Taken and Resulted Improvements
China	Correction of Imposition of Customs Duties for Automobiles on Automobile Parts	In January 2009, the WTO Appellate Body concluded that the measure taken by China is inconsistent with Article 3 of the GATT because it falls under internal charges and foreign-made parts are treated less favorably than Chinese-made parts. China expressed its intention to implement the WTO recommendations. On September 1, 2009, China abolished the measure following the recommendations.
	Handling of Counterfeit, Pirated and Other Infringing Products	Japan has been addressing this issue by means of both requests for improvement of the systems and the provision of action-based cooperation at forums including the Japan-China Economic Partnership Consultation held in October 2008, the Consultation between Heads of Patent Offices of Japan and China held in January 2009, and by the dispatch of a joint government-private mission concerning the protection of intellectual property rights in February 2009, etc. A Panel to examine the issues, such as China's criminal thresholds, was established in September 2007 based on a request from the United States, and Japan participated in the proceedings as a third party. In January 2009, the Panel concluded that the measure taken by China partly violates WTO agreements. In March 2009, this conclusion was adopted by the DSB. At the DSB meeting of March 19, 2010, China reported that it had implemented the DSB recommendations on the DS362 Panel, but the United States, the complainant, requested information including formal documentation, on the related amendment.
	Improvement with regard to Inappropriate Application of Anti-dumping Measures	Japan requested China to improve the anti-dumping measures at a series of meetings, including the Transitional Review Mechanism on China at the Anti-Dumping Committee in October 2008. Furthermore, Japan informed China of problems with individual cases and requested the country to implement its AD system in accordance with WTO agreements through the submission of the Government of Japan's comments to the other country.
	Withdrawal of the proposed Chinese Compulsory Certification (CCC) for IT Security Products	This issue was discussed at the meetings of the WTO TBT Committee in March, July and November 2008 and March 2009. At these meetings, Japan, the United States, EU and Korea expressed concerns that the system could be a barrier to foreign trade. At first, this system was scheduled to be in effect from May 1, 2009. However, in response to the request from the other states, China announced on April 29, 2009 that the application of the Chinese Compulsory Certification (CCC) System would be limited to the IT security products procured by the Chinese Government and this application will commence on May 1, 2010. Japan requested the withdrawal of the measure at the Second Japan-China High-Level Economic Dialogue and at the meetings of the WTO TBT Committee in June and November 2009. In March 2010, China announced the CCC System should not be applied to procurement by state-owned companies at the WTO TBT Committee, etc. Japan will continue to consult with China on this issue. (on April 1, 2010)

Asian Countries and Territories (Note)	Handling of Counterfeit, Pirated and Other Infringing Products	Japan has requested these countries and territories to improve relevant legislation and strengthen enforcement efforts in multilateral and bilateral discussions under the auspices of APEC, WIPO, WTO, etc., and provides support for the development of human resources in relevant national or regional organizations.
US	Halt of Distribution under the Byrd Amendment	Japan took countermeasures against the US in September 2005. The US repealed the Byrd Amendment in February 2006. However, since the distribution of duties will be continued under the transitional clause, Japan urged the U.S. to halt the distribution and extended the validity of the countermeasures. As the US had still not yet suspended the distribution, however, Japan further extended the validity of the countermeasures by one year in September 2008, following its alteration of commodity items and duty rates. Moreover, since the distribution under the transitional clause still continued in 2008, Japan further extended the validity of countermeasures by one year in September 2009, following its alternation of duty rates.
	Prompt Implementation of the WTO Recommendations on the Zeroing Methodology	In January 2007, the WTO Appellate Body fully accepted Japan's claims and concluded that zeroing is inconsistent with WTO agreements. However, since the U.S. had not clarified the particulars of actions taken by the deadline for the WTO recommendations, Japan submitted to the WTO a request for authorization to impose countermeasures against the U.S. in January 2008. In April 2008, Japan asked for the establishment of a compliance panel based on the mutual agreement between Japan and the U.S. In April 2009, the compliance panel fully accepted Japan's claims, and concluded that the U.S. has not abolished zeroing and therefore has not fulfilled its obligation to implement the WTO recommendations. The U.S. appealed the compliance panel's rulings to the WTO Appellate Body in May 2009. However, the Appellate Body released the report fully supporting the decision of compliance panel and established the United States had failed to comply with the DSB's recommendations and rulings. Since the United States has not implemented the above ruling yet, Japan is now in preparation for arbitration procedures to determine the level of retaliatory measures.
	Prompt Implementation of the WTO Recommendations on Anti-dumping Measures against Hot-Rolled Steel Products from Japan	The bill that aims to implement a part of the WTO recommendations which the U.S. had not implemented was discarded due to the prorogation of the 109th Congress at the end of 2006. In January 2007, the U.S. Government expressed its intention to work with the new Congress on this issue. Since the United States has not yet implemented the WTO recommendations, Japan has made a request for prompt implementation of the recommendations at meetings in the Japan-U.S. Regulatory Reform Initiative in October 2008, and on other occasions, as well as at meetings of the DSB. However, the United States has yet to have fully implemented the WTO recommendations.
	Handling of Measures to Invalidate the	In August 2006, Japan submitted an amicus brief to the U.S. Federal Court of Appeals arguing that the preliminary anti-suit injunction

	Damages Recovery Law that was Enacted to Counteract the US Anti-dumping Act of 1916	regarding the Damages Recovery Law should be vacated. Accepting Japan's arguments, the U.S. Federal Court of Appeals decided to vacate the preliminary anti-suit injunction in June 2007. The defeated U.S. company appealed to the U.S. Federal Supreme Court. In June 2008, the U.S. Federal Supreme Court rejected the appeal. Furthermore, following the dicision by the U.S. Federal Court of Appeal, a Japanese company filed a complaint against U.S. companies under the Damage Recovery Law to the Tokyo District Court in August 2007. Reconciliation between the companies in Japan and the U.S. was brought about in September 2009 .
Asian Countries and Territories (Note)	Handling of Counterfeit, Pirated and Other Infringing Products	Japan has requested these countries and territories to improve relevant legislation and strengthen enforcement efforts in multilateral and bilateral discussions under the auspices of APEC, WIPO, WTO, etc., and provides support for the development of human resources in relevant organizations.
EU	Correction of Duty Rates on Products Covered by the Information Technology Agreement	A series of consultations have been held, including those between Mr. Akira Amari, then Minister of METI, and Mr. Peter Mandelson, then European Commissioner for Trade. Since the EU has not demonstrated a willingness to solve the problem, however, Japan, together with the US and Chinese Taipei, requested consultations under the WTO dispute settlement procedures in May 2008. In July 2008, consultations were held between Japan and the EU. Since a response indicating a willingness to cooperate in the solution of the problem was not received from the EU, Japan requested for the establishment of a panel. The panel was established in September 2008. At present, the panel is conducting its examination.
India	Abolition of Special Additional Duties on Imported Products	Through several bilateral consultations, India's Finance Ministry responded to METI that they would consider (i) prompt refund of the additional custom duty and (ii) simplification of the refund system. Japan will continue to urge India to improve its tax system. At the end of February 2010, the tax refund system was improved since India's Finance Ministry announced to abolish the additional customs duty against main items, executed on the same day.
Russia	Repeal of Increases in Customs Duties on Automobiles, etc.	Since the Russian government's Government Committee on Trade Protection Measures and Tariff Policy recommended in November 2008 the increase of import tariffs to Russian government, Japan has on several occasions conveyed requests to the Russian government, including an appeal made by the Japanese Embassy in Russia, that the tariff increases not be implemented. Minister of Economy, Trade and Industry Nikai also sent letters to Russia's Minister of Economy and Development, and to its Industry and Trade Minister requesting that the tariff increases be repealed. Prime Minister Aso used the opportunity of February 2009 Japan-Russia summit meeting to express concern to Russian President Medvedev. Prime Minister Aso also mentioned the issue to Russian Prime Minister Putin on his visit to Japan. At the APEC Ministerial Meeting in November 2009, Minister of Economy, Trade and Industry Naoshima requested to Mr. Nabiullina, Minister of Economy and Development, to repeal these tariff increases.

Argentina	Repeal of Increases in Customs Duties on Automobiles, etc.	In March 2009, METI conveyed to the Argentine Ambassador to Japan requests for the WTO-consistent implementation of the non-automatic import licensing system, which achieved some improvements; for example, the Argentine authorities issued an import license for certain products. In July 2009, however, other products such as switch boards, power generators were newly covered by this non-automatic import licensing system, and thus, impediments to imports still remain. In August 2009, the Japanese embassy in Argentina requested the Argentine Ministry of Production to take positive action on the matter.
Ukraine	Repeal of Increases in Customs Duties	In June 2009, WTO BOP committee recommended that Ukraine should eliminate the custom duties by September 7, 2009. In response to the recommendation Ukraine abolished it by the time. Japan will continue to watch closely how Ukraine side acts in relation to the issue. However, on January 11, 2010, Prime Minister Tymoshenko stated to the effect that the「閣僚会議」 will seek the revival of the 13% charges on import duties on automobiles. Continued monitoring is needed.

Summary of METI Priorities in 2010 and the State of Play of METI Priorities in 2009

Set forth below are a summary of METI priorities in 2010 and the state of play of METI priorities in 2009:

China:

Correction of Automotive Policy Order Imposing Customs Duties Applicable to Automobiles on Automobile Parts

China introduced and put into force in part a measure whereby imported automobile parts are subject to the 25% import duty rate applicable to whole vehicles rather than the 10% import duty rate applicable to auto parts, if imported automobile parts are found to have the characteristics of whole vehicles, for example, (i) they are knockdown parts, (ii) they constitute a combination of particular components (for example, vehicle bodies, engines), or (iii) the total price of the imported parts accounts for 60% or more of the total value of the finished automobile, for the purpose of increasing the production capacity of complete vehicles and auto parts in China, and tightening the enforcement of customs duty collection on imported automobile parts. Although the entry into force of the measure was originally scheduled for July 1, 2006, with respect to imported parts that meet criterion (iii) above, the Government of China announced in that month that it would be postponed for two years.

In March and April 2006, Japan participated as a third party in the consultations for the WTO dispute settlement procedures which were initiated by the joint request of the United States, the EU and Canada. In May and June 2006, Japan had informal bilateral consultations on the issue with China. Subsequently, a panel was established at the DSB meeting held in October 2006 pursuant to the joint request of the United States, the EU and Canada, with Japan continued participating in the panel process as well as a third party.

The panel report issued in July 2008 accepted the claims of the complainants, and concluded that the Chinese system is inconsistent with the WTO Agreements, in that (i) the measure taken by China is inconsistent with Article III of the GATT because it is deemed as an “internal charge” and it treats foreign-made parts less favorably than Chinese-made parts and (ii) (even if the WTO Appellate Body considers the measure as a customs duty) the measure will be inconsistent with Article II of the GATT because it imposes tariffs at rates in excess of the bound tariff rates on foreign-made parts. In September 2008, China appealed to the WTO Appellate Body. However, the WTO Appellate Body report issued in January 2009 also concluded that the measure mentioned in above item (i) is WTO-inconsistent (as for the matter mentioned in above item (ii), the WTO Appellate Body found it

unnecessary to examine the matter because the measure was determined to consistute “internal charges”.)

In September, 2009, China withdrew the measure that wasinconsistent with WTO agreements so as to solve this issue.

Withdrawal of the proposed Chinese Compulsory Certification (CCC) for IT Security Products

In January 2008, the Chinese Government announced that with effect from May 1, 2009, 13 IT security products, including firewalls and smart card OSs, will be newly covered by the Chinese Compulsory Certification (CCC) System.

This issue was discussed at the meetings of the WTO TBT Committee in March, July and November 2008 and March 2009. At these meetings, Japan, the United States, the EU and Korea expressed concerns that the system could be a barrier to foreign trade. In addition, Japan raised various issues in regard to this matter at bilateral meetings with the Chinese Government in close coordination with the United States, the EU, Korea, etc. As a result, China announced on April 29, 2009 that the application of the Chinese Compulsory Certification (CCC) System would be limited to the IT security products procured by the Chinese Government and this application will commence on May 1, 2010.

After the announcement that this system would be limited to government procurement, problems remained because it was necessary to clarify the target and scope of the system This was again discussed at the second meeting of the Japan-China High-Level Economic Dialogue. We expressed our concerns at the TBT committee in June and November, 2009. In March 2010, following an appeal by Japan and other nations, China presented documentationto the effect that showed that the system was not applied to procurement by state-owned enterprise.And China also made some remarks on this point during that month’s TBT Committee. Following this, Japan agreed on the execution of a regular conversation concerning the certification of the IT security products with China. Japan will continue consultation on this matter through that mechanism. (As of April 1, 2010)

Prompt Implementation of the WTO Recommendations concerning the Protection and Enforcement of Intellectual Property Rights

On August 13 2007, the United States requested the establishment of a panel concerning certain measures pertaining to the protection and enforcement of intellectual property rights in China. The United States claimed that these measures are inconsistent with Article 9.1, 14, 41.1, 46, 59, and 61 of TRIPS Agreement with regard to four matters as follows:

(i) the thresholds that must be met in order for certain acts of trademark counterfeiting and copyright piracy to be subject to criminal procedures and penalties;
(ii) the treatment of goods that infringe intellectual property rights and thus are confiscated by the Chinese customs authorities;
(iii) the denial of copyright and related rights protection and enforcement to creative works of authorship, sound recordings and performances that have not been authorized for publication or distribution within China; and
(iv) the lack of criminal procedures and penalties for unauthorized reproduction or unauthorized distribution of copyrighted works.

At its meeting on 25 September 2007, the DSB established a panel and Japan participated as a third party in the panel process.

The Panel report agreed with the United States' claim by concluding that (ii) the custom measures are inconsistent with Article 59 of TRIPS Agreement insofar as infringing goodsbe released into the channels of commerce following removal of their infringing features, and(iii) the copyright law is inconsistent with Articles 9.1 and 41.1 of the TRIPS Agreement. On the other hand, the Panel held that the United States had not fulfilled the burden of proof with respect that the thresholds of criminal penalties are inconsistent with Article 62 of the TRIPS Agreement (in relation to the claims (i) and (iv) above), and that customs measures put infringing goods up at auction (in relation to the claim (ii) above).

By the DSB meeting on 19 March 2010, China had completed all necessary domestic legislative procedures for implementing the DSB's rulings. However, the United States requested China to provide official copies of the amendments to its Copyright Law and Customs regulations. Japan will examine the contents of amended law and regulations, and continue to monitorChinese measures to make sure that they correspond with the WTO recommendations.

Correction of Discrimination in National Indigenous Innovation Product Accreditation System and Other Problems in Government Procurement

In November 2009, the National Indigenous Innovation Product Accreditation system was jointly

published by the Ministry of Science and Technology (MOST), National Development and Reform Commission (NDRC) and Ministry of Finance (MOF). The system specifies the subject products in the following six categories: (i) computers and peripheral devices; (ii) communication products; (iii) advanced office equipment; (iv) softwares; (v) new energy and new energy equipment; and (vi) highly energy-efficient products, as “Indigenous Innovation Products”, provided that their producers hold related intellectual property right in China, and their trademark is originally registered in China. Products covered in the catalogue of the Indigenous Innovation Products will enjoy preferential treatment in the government procurement.

Both of the government of Japan and Japanese industries voiced serious concerns that the indigenous innovation product accreditation system would lead to discriminatory treatment against foreign products and will be in breach of the G20’s commitments that voiced opposition to the protectionism.

Industrial associations of Japan, the U.S. and EU sent a letter of protest in December 10, 2009, and both the U.S.government and EU also issued letters expressing concern and requesting consultations.

In order to clarify the criteria for the accreditation of applicable products and other details, the government of Japan has inquired them from the government of China through a diplomatic channel. The Ambassador in Beijing, on behalf of the government of Japan, delivered a letter, dated December 22, expressing concern to the Chinese government on December 23, 2009. At the Japan-China Science and Technology Cooperation Committee held in Beijing on February 4, 2010, Ambassador Katori for Science and Technology voiced concern about that system. The Chinese Vice Minister for Science and Technology answered that this system is not discriminatory against imports, and however, the transparency of the accreditation process will be sought.

On February 1, 2010, we received a reply letter from the Minister of Science and Technology, but it still leaves uncertainty with respect to the subject product categories and standards for application of this system, and thus, the government of Japan has further requested explanation of the Ministry.

Japan will continue taking actions regarding the Indigenous Innovation Accreditation System for the government procurement.

In January 2010, the Legislative Affairs Office of the State Council issued a draft Implementing Regulation of the Government Procurement Law. Japan considers that the draft Regulation would

not be consistent with the principles of the national treatment of the GPA and thus, would provide discriminatory treatment to foreign products and enterprises. On February 5, the government of Japan submitted comments on it, requesting that the Implementing Regulation keep consistency with the GPA, and strongly expecting China to quickly accede the GPA.

In addition, Japanese industries, including JMCTI (Japan Machinery Center for Trade and Investment), the Japanese Chamber of Commerce and Industry in Beijing, China, the Japan External Trade Organization (JETRO), and Japan Electronics and Information Technology Industries Association (JEITA), submitted a joint opinion requesting that the Implementing Regulation keep conformity with the GPA.

The series of Chinese measures, including the Indigenous Innovation Product Accreditation system, and the draft Implementing Regulation, in the area of government procurement will not be found inconsistent with the GPA unless and until China has joined it. Japan will monitor discriminatory measures in the Chinese government procurement that run counter to the spirit of the GAP, while China is negotiating the accession to the GPA.

Negotiation on Export Restrictions on Raw Materials

The Chinese government maintains the export licensing requirements for a number of raw material products in order to exercise control over the parties permitted to export these products and the quantities that can be exported. Further, the Chinese government imposes high rates of export taxes on exports of these products, for example, 40% on coke, 20% on rare earth, and 15% on zinc, in 2009. These measures would be inconsistent with China's WTO obligations, specifically, under GATT Article XI, which sets forth the general elimination of quantitative restrictions, and under China's Protocol on Accession, including commitments on the removal of export duties or the ceiling of export duty rates, while the Chinese government alleges that they are WTO-consistent because they are measures taken for environmental protection and conservation of exhaustible natural resources.

In the Japan-China High Level Economic Dialogue held in June 2009, the Minister of Economy, Trade and Industry urged Minister of Commerce to improve this matter, following negotiation with the Chinese government at the working and senior official levels; for example, in April 2009, the METI held a dialogue between the governments and industries of Japan and China, called Japan-China Rare Earth Exchange Conference, and the METI Vice Minister urged Chinese Vice-Minister of Commerce to take actions in May 2009. At the meeting in October 2009, the METI Minister receive the message from China's Minister of Commerce to confirm that the export

restraints are taken for environmental protection, and do not target specific countries, and his commitment to make Japan's concern known to the pertinent ministries and agencies, following which Japan has reiterated requests on this issue vis-à-vis the Government of China, for example, in the exchange of views conducted by the METI Vice Minister and the Vice-Minister of Industry and Information Technology.

In this connection, in June 2009, the United States and EU simultaneously requested consultations under the WTO Dispute Settlement rules, followed by Mexico in August 2009, with respect to measures on the following nine items and processed or semi-processed products using them as raw materials: bauxite, coke, fluorspar, magnesium, manganese, silicon-carbide, silicon metal, yellow phosphorus, and zinc. Since the consultation failed to achieve solution, a panel has been established in January 2010. Japan has participated in this panel proceeding as a third party.
Japan will continue requesting that breaches of China's commitments in its Protocol for Accession be rectified, as well as that China's trade policy be implemented in a transparent and foreseeable manner.

Improvement with regard to Inappropriate Application of Anti-dumping Measures

Following its accession to the WTO in December 2001, China initiated 148 anti-dumping (AD) investigations until December 2009, 27 of which involved Japanese products. However, it is generally pointed out that AD investigations in China have the following problems:

(i) The Ministry of Commerce (MOFCOM, China's investigating authority) initiates investigations without examining the accuracy and adequacy of the evidence provided in the application concerned.

(ii) It is unclear how MOFCOM evaluates all relevant economic factors and indices having a bearing on the state of the industry, and MOFCOM doesn't disclose sufficient basis for "an objective examination" regarding a causal relationship between the dumped imports and injury to the domestic industry, in particular separating and distinguishing the injurious effects of other causal factors from the effect of dumped imports.

(iii) By applying the "facts available," MOFCOM uniformly applies unfair anti-dumping duties ranging from several dozens of percent to over 100% to other exporters or producers who are not known to MOFCOM and to whom a notice of the initiation of an investigation or a copy of the full text of the application concerned is not given.

Japan requested China to improve the procedures and practices of the AD investigations at various meetings, including the Transitional Review Mechanism on China at the WTO Anti-Dumping

Committee in October 2008 and the Japan-China Economic Partnership Consultation. Furthermore, the Government of Japan had consultations with, and submitted comments to, MOFCOM, in each case where Japan found procedures inconsistent with WTO agreements and inappropriate practices. Japan will continue to urge MOFCOM to implement AD investigation systems in a manner consistent with WTO agreements and, based opinions or requests of Japanese companies, Japan will also strongly ask MOFCOM to conduct investigations in an appropriate manner.

Handling of Counterfeit, Pirated and Other Infringing Products

Although China has implemented a series of legislative amendments concerning measures against counterfeit, pirated and other infringing products since it acceded to the WTO, its legislative systems and enforcement are still inadequate, and examination procedures take a long time. It is essential to implement measures to strengthen the protection of rights-holders.

Japan has participated in the consultations and the panel proceedings regarding the issue of the protection of intellectual property rights in China for which the US filed a lawsuit against China with the WTO in April 2007. The panel report, which was issued in January 2009 and approved by the DSB in March 2009, concluded that criminal thresholds don't violate the TRIPS Agreement but the protection of copyrights for works not approved in China and the treatment of products forfeited by the customs authorities violate the TRIPS Agreement.

Through various bilateral and multilateral conferences and frameworks, including a joint mission of the government and industry concerning the protection of intellectual property rights in February 2009, Japan requested China to improve its domestic legislation, enforce legal protection appropriately and effectively, and strengthen administrative and judicial enforcement. In addition, Japan has provided support for the development of human resources in relevant organizations such as customs, police, courts and administrative agencies that deal with intellectual property rights. Japan has also provided support for the improvement of legal systems in China's administrative and judicial institutions. These efforts are aimed at solving problems associated with both personnel and institutions.

Furthermore, the Office of Intellectual Property Protection, the government's unified contact established within METI, has been responding to the requests of individual enterprises for advice and information and supporting various industry activities such as discussions with the Chinese government and Chinese industry representatives. Japan also conducted questionnaire surveys to determine the damage suffered by Japanese enterprises and the current status of controls by Chinese

authorities.

Some improvement has been observed, as evidenced by the increase in the number of criminal prosecutions for infringement of intellectual property and the lowering of criminal thresholds for enterprises. However, the abundance of counterfeit, pirated and other infringing products is still a major concern. The damage suffered by Japanese companies has been huge and, accordingly, Japan will continue to request that China introduce and enforce legislation appropriately, take steps to strengthen criminal and administrative controls, and provide information regarding enforcement of relevant regulations.

Asian Countries and Territories (ASEAN Countries, Korea, Chinese Taipei, Hong Kong and India)

Handling of Counterfeit, Pirated and Other Infringing Products

While awareness of the need for the protection of intellectual property rights is growing in Asian countries and territories, much remains to be improved in terms of legal systems and their administration, and it is absolutely essential to strengthen the protection of the holders of intellectual property rights.

Japan has requested—through various opportunities and frameworks for multilateral as well as bilateral discussion, such as APEC, WIPO, WTO, and EPAs with various countries—that the Asian countries and territories administer relevant legal systems appropriately and effectively and strengthen enforcement efforts by administrative and judicial branches. In February 2008, a joint government-private mission was dispatched to India for the first time. During the meetings that took place, experts in intellectual property rights from both countries exchanged views and Japan asked India to strengthen the protection of intellectual property rights in that country.

Japan has also supported the development of human resources in relevant local organizations such as customs, police, and administrative offices related to intellectual property rights, making strenuous efforts toward solving the problem in both personnel and institutional aspects.

As ASEAN countries often become locations of distribution of infringing products, it is essential to promote exchanges of information on cases of infringement of intellectual property rights among the countries concerned to help rectify these conditions. Japan has been leading international efforts to strengthen the protection of intellectual property rights: for example, the establishment of a joint session between experts from customs and intellectual property fields that was proposed by Japan was agreed at the APEC IPEG in June 2007; then, a joint session between experts from customs and

intellectual property fields was held in Peru in February 2008.

Further, mainly through the Office of Intellectual Property Protection, the Government of Japan's unified contact established within METI, Japan supports various activities, for example, responding to the requests of individual enterprises for advice and the provision of information.

However, the actual proliferation of counterfeit, pirated and other infringing products in Asian countries and territories, including the manufacture and distribution of infringing products, still poses great concern. Also, given the serious damage suffered by Japanese companies, Japan will continue to request that these countries and territories provide information on the appropriate improvement and administration of their legal systems concerned regarding the enforcement of intellectual property rights.

United States:

Handling of Measures to Invalidate the Damages Recovery Law that was Enacted to Counteract the Anti-dumping Act of 1916

In 1999, Japan and the EU filed complaints against the US with claims that remedy measures against dumping under Article 810 of the 1916 Revenue Act (1916 Anti-Dumping Act, "the 1916 AD Act") are not AD duties permitted by the GATT and AD agreements and that provisions regarding the triple damages and others are inconsistent with WTO agreements. At the September 2000 DSB meeting, the reports of the panel and the WTO Appellate Body giving nearly complete approval to the claims of Japan and the EU were adopted, confirming that the 1916 AD Act is inconsistent with WTO agreements.

In the time since, the U.S. has not taken any corrective measure to amend or abolish the 1916 AD Act. In a lawsuit demanding damage recovery under the 1916 AD Act lodged against a Japanese company in May 2004, the U.S. Federal District Court handed down a judgment ordering the Japanese company to pay damages that amounted to approximately ¥4 billion. In response to this move, Japan introduced in December 2004 a special measures law (the Damage Recovery Law), which enables Japanese companies that have incurred damages through lawsuits under the 1916 AD Act to recover these damages, and put the law into effect in the same month.

In December 2004, the U.S. repealed the 1916 AD Act. However, the repealing act carried a grandfather clause that the effect of the repeal did not extend to cases pending before the courts on the day of the repeal. Thus, the lawsuit against the Japanese company continued. In June 2006, the Japanese company lost the case and was forced to pay the large amount of damages previously

ordered.

Based on a petition submitted by the U.S. company as plaintiff, the U.S. Federal District Court issued a preliminary anti-suit injunction prohibiting the Japanese company from filing a suit in Japan to obtain relief under Japan's Special Measures Law. The Japanese company then submitted an appeal to the U.S. Federal Court of Appeals complaining about this injunction. In August 2006, the Government of Japan submitted an *amicus brief* to the US Federal Court of Appeals arguing that the preliminary anti-suit injunction should be vacated on the grounds that it invalidated remedy measures provided by Japan relating to damages incurred by private individuals through measures in violation of international law, and thus should not be justified from the viewpoint of international comity.

In June 2007, the U.S. Federal Court of Appeals accepted arguments in Japan's *amicus brief*, and decided to vacate the U.S. Federal District Court's grant of the preliminary anti-suit injunction and remanded the case for dismissal of the US company's claim regarding the anti-suit injunction. In response to this, the US Federal District Court formally dismissed the claim by the U.S. company in August 2007. In November 2007, the dissatisfied US company appealed to the U.S. Federal Supreme Court. In June 2008, however, the US Federal Supreme Court rejected the appeal. As a result, the judgment made by the US Federal Court of Appeal to vacate the U.S. Federal District Court's grant of the preliminary anti-suit injunction became final.

On the other hand, some senators have repeatedly submitted a bill to Congress to in effect invalidate Japan's Damages Recovery Law since 2008. Therefore, Japan will continue to closely watch movements in the US and respond appropriately.

After the U.S. Federal Court of Appeal rejected the complaint by the U.S. company, a Japanese company filed a complaint with Tokyo District Court against U.S. companies under Damage Recovery Law in August 2007. In August2009, the Japanese and U.S. companies reached an amicable solution, and accordingly, it was announced that all disputes relating to the 1916 AD Act ended.

Halt of Distribution under the Byrd Amendment

A certain amendment to the Tariff Act of 1930 of the United States, as widely known as the "Byrd Amendment", provides for the distribution of duty revenues collected through anti-dumping (AD) and countervailing duty (CVD) measures to US companies, including such companies that have petitioned for the relevant measures.

The panel was established at the request of 11 countries and territories, including Japan and the EU. In January 2003, the WTO Appellate Body found that the Byrd Amendment is inconsistent with WTO Agreements and recommended that the United States bring it into conformity with them. However, the December 2003 deadline for implementation passed without the United States having amended or abolished the Byrd Amendment. In response to the US failure to comply, an application to impose retaliatory measures submitted by Japan and seven other countries and territories including the EU was approved in November 2004. The EU and Canada implemented the retaliatory measures in May 2005, Mexico in August, and Japan in September. Japan imposed an additional duty at the rate of 15% on 15 products, including bearings and steels.

In February 2006, an act to repeal the Byrd Amendment was enacted in the United States. However, the transitional clause of the act permits the distribution of duty revenues on entries of goods made and filed before October 1, 2007. As long as the distribution continues even after the repeal of the Byrd Amendment, the inconsistency with WTO Agreements will remain and there still remain unfair competitive advantages for U.S. producers. In consideration of this situation, Japan twice extended the effective term of the retaliatory measures by one year in September 2006 and in September 2007. Nevertheless, since no move toward a halt of distribution was observed in the United States, Japan further extended the effective term of the retaliatory measures by one year in August 2008 with subject items and duty rates changed. (An additional duty rate of 10.6% was adopted on two models of bearing products. Because distribution based on transitional measures was made by United States during 2008, the effective term of the countermeasure has been extended for another year in September, 2009. (An additional duty rate of 9.6% was adopted on two models of bearing products.)

Japan requested that the U.S. Government cease distribution without regard to the transitional clause on the occasions of the Japan-US Regulatory Reform Initiative and WTO DSB meetings. Japan will continue to cooperate with other Members to strongly urge the US Government to promptly halt the distribution and correct the inconsistency with the WTO agreements.

Prompt Implementation of the WTO Recommendations on the Zeroing Methodology

The U.S. applies an AD procedure known as “zeroing,” under which price differences for each transaction or model exported at higher prices than domestic prices are treated as zero and dumping margins for overall products are artificially inflated. The zeroing procedure for calculating dumping margins is unfair since in actual practice it ignores transactions in which dumping is not occurring.

For this reason, Japan requested consultations with the U.S. under WTO dispute settlement

procedures in November 2004, and asked for the establishment of a panel in February 2005. During the panel proceedings it argued that not only the actual application of zeroing by the US in individual AD cases, but also the zeroing methodology as such were inconsistent with WTO agreements. The WTO Appellate Body in its report issued in January 2007 fully accepted Japan's claims, ruling that zeroing was inconsistent with the WTO agreements throughout AD procedures, and recommended that the U.S. bring the zeroing measure into conformity.

In February 2007, Japan presented its request concerning specific issues to be implemented to the USTR and the Department of Commerce through letters from METI's Vice-Minister and had several consultations with the U.S. for implementation in cooperation with the EU, etc. However, since the U.S. had not fully implemented the recommendations by the end of the reasonable period of time (December 24, 2007,) Japan submitted to the WTO a request for authorization to impose countermeasures against the U.S. in January 2008, aiming to reserve the right to invoke the countermeasures. Following this, the U.S. alleged at the DSB meeting that it had fully implemented the recommendations, even though it actually had not. Thereafter, Japan and the U.S. reached agreement on subsequent procedures in March 2008, and Japan requested the WTO to establish a compliance panel to confirm the U.S.'s failure to take measures to comply with the recommendations in April 2008. The compliance panel in its final report issued in April 2009 fully accepted Japan's claims, and concluded that the U.S. has not rectified the zeroing methodology as such and the actual application of zeroing in individual AD cases and therefore has not fulfilled its obligation to implement the WTO recommendations. The U.S. appealed the compliance panel's rulings to the WTO Appellate Body in May 2009. In August, the Appellate Body issued a report fully supporting the panel report, thereby finally concluding that the United States has not fulfilled its obligation to implement the WTO recommendations and rulings. Since no movement toward implementation has been observed, Japan is preparing for the arbitration procedure to determine the level of authorized retaliatory measures.

Japan will continue to urge the US to abolish the practice of zeroing through two channels: the WTO dispute settlement procedures and the DDA rules negotiations.

Prompt Implementation of the WTO Recommendations on Anti-dumping Measures against Hot-Rolled Steel Products from Japan

With regard to AD measures that the United States imposed on certain hot-rolled steel products from Japan in June 1999, both the panel established upon the request of Japan and the WTO Appellate Body determined that the methodology of calculating the margin of dumping was inconsistent with WTO agreements and in August 2001, the DSB recommended that the United States bring the

measure into conformity with the relevant agreement.

During the original reasonable period of time for implementation (which ended in November 2002), the United States failed to fully implement the recommendations, including the amendment of the US anti-dumping duty statute. Japan and the United States subsequently agreed to extend the period three times. In May 2005, a bill to implement the recommendations was introduced in the US House of Representatives (H.R. 2473,) but there was no prospect of adoption by the end of the extended period for implementation (end-July 2005.) In July 2005, recognizing the US's intention to continue efforts to enact the bill, Japan reached an understanding with the United States that the period of time for compliance would not be extended any further and that Japan would retain its right to invoke retaliatory measures at any future date.

However, despite requests from Japan for the full and prompt implementation of the recommendations at several meetings, including the Japan-U.S. Regulatory Reform Initiative in December 2006, the 109th Congress did not pass the bill and it was discarded at the end of 2006. Consequently, in January 2007, then Minister of Economy, Trade and Industry Akira Amari again requested the then USTR Susan Schwab to make further efforts to implement the recommendations as soon as possible. At the DSB meeting in January 2007, the US Government expressed its intention to work with the new Congress on this issue. Although Japan has made several requests at DSB meetings and the Japan-U.S. Regulatory Reform Initiative in October 2008, the U.S. has not fully implemented the recommendations.

Japan will continue to request, at the DSB meetings and bilateral consultations such as the Japan-US Regulatory Reform Initiative, the United States to exert sincere efforts to fully and promptly implement the recommendations and rulings.

Securing WTO-Consistent Implementation of the "Buy American" Clause Included in the American Recovery and Reinvestment Act of 2009

In the United States, the Federal Government has been long obligated under the Buy American Act of 1933 to purchase U.S. products or use U.S.-made materials when it concludes contracts to purchase products or construct public buildings. Because the Buy American obligation of the act was amended to make it inapplicable to the contracting parties to the WTO's Government Procurement Agreement (GPA), in order to ensure that the act remain consistent with the GPA.

However, the American Recovery and Reinvestment Act enacted in February 17, 2009 contains the

so-called “Buy American” clause under which all of the iron, steel, and manufactured goods used for a project for the construction, alteration, or repair of a public building or public work conducted under the act must be produced in the United States. (However, there is a provision that if inconsistent with the public interests, or if sufficient and reasonably available quantities of products of a satisfactory quality are not produced in the US, or if the total cost of a project increases by 25% or more due to the use of US-made products, the “Buy American” clause will not apply.)

The American Recovery and Reinvestment Act also contains a provision that obligates the United States Department of Homeland Security to procure US-made textile items(those directly related to the national security interests) such as clothing and tents, but this provision will not apply if there exist no such products that can meet certain conditions.

The act stipulates that these provisions shall be applied in a manner consistent with US “obligations under international commitments.” Therefore, one may tell that certain consideration was made to respond to concerns of other countries.

However, the adoption of a clause giving preferential treatment to domestic products in itself runs counter to the commitment of the international community to act against protectionism that was underscored at the Summit on Financial Markets and the World Economy held in November 2008. While Japan is expecting the US economy to make an early recovery, Japan must watch closely to see if the United States does apply the American Recovery and Reinvestment Act in a responsible manner with due regard to its international commitments and the commitment of the international community to act against protectionism.

From this perspective, Japan made clear that it will monitor the implementation of the Act at the meetings of February and May, 2009 of the WTO GPA Committee, and also, in Spring 2009, pointed out at the meeting of the Japan-U.S. Regulatory Reform Initiative that the United States follow the national treatment principle thoroughly in government procurement, and revise protectionist measures including the Act. Further, in May and June, 2009, Japan submitted public comments on the proposed federal procurement regulations and guidance of Office of Management and Budget (OMB) pertaining to the implementation of the “Buy American” clause, requesting that they ensure the more non-discriminatory implementation of the clause, and that no “Buy American” clause be newly introduced to any other law or regulation.

European Union

Elimination of Customs Duties on Products Specified as Non-dutiable by the Information

Technology Agreement

In the EU, while computers, computer-related equipment, semiconductors and other products subject to the WTO ITA (Information Technology Agreement) are imported free of duties, high tariffs are imposed on electrical appliances such as televisions and video apparatus, which are not covered by the ITA. Amid the diversification and sophistication of these products in recent years, the EU has already imposed or is currently considering imposing custom duties on such products that should be covered by the ITA through arbitrary changes of its tariff classifications.

Given that technological developments take place quickly in the IT sector, the ITA from its beginning addressed the need to respond to technological progress by, for example, providing, "Each party's trade regime should evolve in a manner that enhances market access opportunities for information technology products" (Paragraph 1 of the ITA declaration) and stipulating for agreement by consensus to incorporate additional products covered by the ITA. However, Japan is seriously concerned that recent developments taking place within the EU to impose tariffs on certain IT products incorporating multiple and/or advanced functions through technological development could go against the basic principle of the ITA, as well as its achievements to date (tax concessions made by various countries).

In January 2007, the Minister of Economy, Trade and Industry Akira Amari requested the European Commissioner for Trade Peter Mandelson to resolve this problem, and there have also been several meetings between the Vice-Minister of METI and the Director General for Trade of the European Commission to discuss resolution of this problem.

However, the EU didn't make an effort to solve this problem. In May 2008, therefore, Japan requested consultations under the WTO dispute settlement procedures in cooperation with the US and Chinese Taipei, claiming that the imposition of customs duties on these products is inconsistent with the WTO ITA. In July 2008, Japan held consultations with the EU.

However, Japan did not receive a satisfactory response from the EU at the consultations. Therefore, Japan requested the establishment of a panel in cooperation with the U.S. and Chinese Taipei. The panel was established in September 2008. At the panel meetings of May and July 2009, Japan made presentations on its claim, clarifying the deficiencies of the EU's treatment at issue. The issuance of the panel report is scheduled for July 2009 or later.

Canada

Abolition of "Local Content Requirement" in the Feed in Tariff Program.

Last May, in order to promote the use of renewable energy, the government of Ontario enacted the "Green Energy Act, 2009", and revised relevant laws, having established a feed-in tariff (FIT) program, whereunder electricity generated using renewable energy will be purchased. The program sets forth certain local content requirements, which intend to limit the scope of electric power subject to the program to electric power generated with photovoltaic cells, or wind-power generation systems which meet the minimum requirement for using parts and components produced in Ontario at a certain standard percentage or more.

When electricity producers which wish to participate in the program purchases photovoltaic cells or wind-power generation systems, the local content requirements provide an incentive for such producers to purchase those produced in Ontario or those produced using more parts and components produced in Ontario in preference to those produced. Further, in producing generation-related products for power generators which wish to participate in the program, the program provides incentives for producers to use Ontario parts in preference to foreign ones. The local content requirements would treat imported products less favorably, thereby being inconsistent with the WTO rules.

Japan has conveyed concern on this program to the government of Ontario through the local consular office, and contacted the federal government of Canada at a high level. Japan will continue to urge them to abolish the requirements at every opportunity.

India

Abolition of Special Additional Duties on Imported Products

As ties between the Japanese and Indian economies increase, many Japanese enterprises point out that India's complicated taxation and tariff systems pose a trade barrier. There is a possibility that some of these systems violate WTO agreements. For example, when products are imported into India, a "Countervailing Duty (Additional Duty,)" "Special Additional Duty" and "Education Cess," in addition to "Basic Custom Duty (applicable duty rate)," are collected by customs offices. It is noted that the imposition of these duties possibly violates WTO agreements. As for the Countervailing Duty and Special Additional Duty, in particular, the WTO Appellate Body in 2008 considered these to be in violation of the GATT. However, India still continues to apply these duty rates. On the occasion of inter-governmental consultations, including Japan-India EPA negotiations, Japan has requested the government of India to change its customs tariff system, including the Special Additional Duty, to make it more transparent and consistent with WTO agreements. Japan must make use of various opportunities to urge India to improve its customs tariff system.

As for the Special Additional Duty, the Government of India introduced a refund system in 2007. However, it is necessary to note that the introduction of the refund system doesn't guarantee consistency with WTO agreements. A problem that has been pointed out with regard to the refund system is that conditions for application are too rigid and the details of the procedure are unknown. Although it can be appreciated to some degree that a relaxation of application conditions was announced in November 2008, there have only been a limited number of cases where a refund was actually provided since the introduction of the new conditions. Therefore, it is necessary to urge India to further improve the refund system.

In order to seek a solution on this issue, Japan has aggressively held several rounds of informal bilateral consultations with the government of India; for example, in July 2009, Mr. Ishige, METI Vice Minister, urged Mr. Chawla, Secretary of Economic Affairs, Ministry of Finance to take appropriate actions.

At the end of February 2010, the Ministry of Finance of India publicly announced, and made immediately effective, the removal of the Special Additional Duty on major items, giving rise to improvements in the measure. However, some deficiencies, including the exclusion of automobiles from the scope of removal, are still pointed out, and therefore, it is necessary for Japan to continue requesting that the government of India make further revisions.

Russia

Repeal of Increases in Customs Duties on Automobiles, etc.

In January 2009, Russia, which has the largest economy of non-WTO Member countries, raised the rates of customs duties on automobiles and trucks and on a part of steel products and agricultural machinery in February 2009. Russia raised the rates of customs tariffs on special purpose vehicles, including mobile cranes, in April 2009, and further raised the rates of customs tariffs on LCD and plasma TVs in May, 2009. Moreover, in October 2009, Russia announced measures to extend the original nine-month effective term of the import duty increase on automobiles and trucks by another nine-month period, and in December 2009, announced measures to extend the original period of the import duty increase on steel products by another nine-month period.

The import duty hike on automobiles resulted in decrease in the number of automobiles exported to Russia in 2009, leaving a one-tenth of the 2008 figure on a cumulative basis.

It is difficult to question the consistency of the measure with international trade rules (i.e. the WTO

Agreements) because Russia has not yet acceded the WTO. However, on the ground that the measures taken by Russia will not contribute to the promotion of free and open trade—the basic principle of the WTO—and rather run counter to the declaration of the summit meetings of the Group of Twenty and so on, the Government of Japan has repeatedly requested that Russia should immediately abolish the measures increasing the rates of said customs tariffs. The Government of Russia has taken note of concerns expressed by the Government of Japan. At present, however, there is no action taken by Russia to repeal the measures. Mr. Naoshima, the Japanese Minister of Economy, Trade and Industry, demanded improvement to Russian Minister for Economic Development, Nabiullina. At present, however, there is no action taken by Russia to repeal the measures.

Russia explains that the measures are reflecting the domestic economic climate. Nevertheless, Japan will not overlook such measures that have a large impact on the Japanese industries, and will reiterate requesting the repeal thereof through all available channels.

Argentina

Improvement of Application of the Non-Automatic Import Licensing System to Elevators, etc.

In November 2008, Argentina changed its import licensing system for elevator products from automatic to non-automatic to meet the necessity to establish a mechanism for the monitor and control during customs clearance procedures of certain types of imported metallurgical products. In addition, the import licensing system for other products was also changed from automatic to non-automatic. This led to a situation where an elevator product exported from Japan to Argentina arriving at port couldn't be landed because an import license had not been obtained. Delivery of the product was delayed and warehousing charges incurred.

The WTO's Agreement on Import Licensing Procedures stipulates that if a non-automatic import licensing system is introduced, the system should not restrict importation and an import license should be issued within 30 days, in principle, from the date of the import application.

In the case under review, an import license was not issued for the elevator product imported from Japan even after the lapse of 30 days from the date of the import application, and there is a high possibility that this violates the WTO rules. Therefore, METI requested the Argentine Ambassador to Japan to apply the non-automatic import licensing system in a manner consistent with the WTO rules, including the issuance of an import license for the elevator product concerned. In Argentina, the Government of Japan requested the Argentine authorities concerned to take positive action on the

matter.

In response to the request made by Japan, the Argentine side replied that they would make an effort to solve the problem as early as possible. After the request, an import license was issued for a portion of the products, including the elevator products kept at the Argentine port. Although there are moves toward improvement for certain products, there are some indications that the import licensing system will be introduced for other products.

Japan will continue to watch closely how the Argentine side acts in relation to this matter.

Ukraine

Repeal of Increases in Customs Duties

With respect to the increase in the rates of customs duties made effective by Ukraine on March 7, 2009, in June, Japan, in concert with the EU and the United States, delivered a démarche (diplomatic joint representation) in Kiev requesting the withdrawal of the custom duty hike. Immediately thereafter, a meeting of the WTO BOP Committee was held to request rectification of Ukraine's import duty increase, which was inconsistent with the WTO Agreement. In July 2009, at a meeting of the General Council, the Chair of the WTO BOP Committee reported that Ukraine had committed to eliminate all concerned measures by September 7, 2009.

Nevertheless, in Ukraine, the Chair of the taxation and tariff committee of the Ukraine Supreme Council (comparable to the Diet in Japan) submitted a bill for amendment to enable the subject import duty increase to be extended for 12 months at the maximum. Due to the summer break of the Council in July, that bill was left unfinished, and consequently, the original import duty increase expired as of September 7, 2009. The expiration was announced through the WTO as of September 9, 2009.

It is considered that this result in the case of Ukraine's measure at issue has been achieved by Japan's effort to reiterate requests for withdrawal through multiple channels, i.e., alone in Ukraine and in cooperation with other Members through the WTO forum in Geneva; for example, in Ukraine, in addition to the delivery of the aforesaid démarche, even during the summer break of the Ukraine Supreme Council, the Government of Japan requested the removal of the import duty hike to the Vice Prime Minister and the Parliamentary members in August and September. Japan will keep on alert to ensure that no such protectionist measure will be taken again.