METI Priorities Based on the 2026 Report on Compliance by Major Trading Partners with Trade Agreements (Wednesday, June 12, 2026)

The 2026 Report on Compliance by Major Trading Partners with Trade Agreements was published today by the Industrial Structure Council's Subcommittee on Unfair Trade Policies and Measures. The Report points out a wide range of trade policies and measures of major trading partners that are questionable in light of the WTO Agreements and other international rules.

The WTO dispute settlement system not only recommends the correction of measures that are found inconsistent with the rules, but also includes procedures to monitor the implementation of recommendations and to authorize countermeasures in cases of failure of implementation thereof. In this way, WTO recommendations are implemented at a high rate and thereby contribute to maintaining the effectiveness of the WTO rules. However, with the prolonged vacancy for the Appellate Body member positions since December 2019, "appeals into the void" have been made in WTO DS cases, leaving the cases pending and unresolved. As a result, the WTO dispute settlement system is in a critical situation where rules-based governance for international trade would not work well. METI will continue to work for the realization of dispute settlement reform. At the same time, METI will make efforts to ensure that disputes are resolved in accordance with the rules in the interim until the reform is realized, including the utilization of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA).

In recent years, there has been an increasing concern that non-market measures by some emerging countries could present a risk to the foundation of the multilateral trading system, including fair competition and market functions. Unfair trade policies and practices have thus become issues of concern in the international arena. As a consequence of such policies and practices, there are scattered cases where unilateral measures are taken to correct such economic imbalances. Furthermore, amid rising geopolitical tensions and increasing attention to supply chain risks, countries and regions are increasingly tilting toward domestic-first policies, raising fundamental questions about the balance between the free trade system and economic security. Under these circumstances, METI will make further efforts to make rules for ensuring level playing field through various fora such as the WTO and G7, thereby maintaining a "free, fair, transparent, predictable, and stable trade and investment environment." In addition, there is an increasing concern about economic coercion, which is the use of or the threat of the use of economic coercive measures that interferes with legitimate sovereign choices of another government. Considering such situation, METI will enhance cooperation and strengthen coordination with like-minded partners to evaluate, prepare for, deter, and respond to such economic coercive measures.

At the G7 Trade Ministers' Meeting in May 2026, the ministers adopted the G7 Trade Ministers' Communique that expressed grave concerns regarding economic coercion, including coercion through arbitrary export restrictions that may lead to supply chain disruptions, notably for critical minerals, and undermine economic security and resilience, and sought to deter and stand ready to take actions, where necessary, against economic coercion.

From this point of view, in addition to the systemic problems mentioned above, METI will prioritize addressing the following cases based on the policies and measures as specified in the 2026 Report. The details of each case are illustrated in the Reference below.

(1) Measures to resolve issues through bilateral and multilateral consultations

With respect to the following issues, METI will examine the possible use of the WTO DS procedures while working on resolving issues through bilateral consultations, WTO ordinary committees, etc.

- China: Export Control Law
- China, Hong Kong, Macao, Russia: Suspension of Import of Japanese Aquatic Products in Response to Discharge of ALPS Treated Water into the Sea
- China: Preferential Treatment for Domestic Companies and Domestic Products in Government Procurement
- China, The United States, India and Indonesia: Inappropriate Application of Trade Remedy Measures
- The United States: Import Adjustment Measures Pursuant to Section 232 of the Trade Expansion Act of 1962, etc.
- Indonesia: Import Restriction Measures on Steel Products, Textile Goods, and Electrical Products
- EU: Regulation on a Carbon Border Adjustment Mechanism (CBAM)
- EU: Cumulative Trade Restrictive Measures on Steel Products
- EU: F-Gas Regulation
- France: Subsidies for Electric Vehicles

* As for the following issues, METI will proceed with policy measures, including rule-making, to ensure a level playing field, in addition to the efforts to address these issues through the WTO and bilateral consultations with possible use of the WTO DS Mechanism based on the current WTO rules.

- China: Industrial Subsidies
- China: Regulations Related to Cybersecurity and Data
- China: Forced Technology Transfer
- Vietnam: Regulations Related to Cybersecurity and Data

(2) Issues for which the WTO DS procedures have already started

With respect to the following issues, Japan referred them to the WTO DS procedures and will request each country to abolish or correct the measures through the procedures.

- Korea: Measures Affecting Trade in Commercial Vessels 【Consultation】(The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is in charge)*
- India: Tariff Treatment on Certain Goods in the ICT Sector 【Appellate Body】
- India: Safeguard Measures on Hot-Rolled Steel Coils【Appellate Body】

* The case is handled by MLIT, and METI provides certain legal advice.

(Reference 1) Details of the Individual Trade Policies and Measures Listed in the METI Priorities Based on the 2026 Report on Compliance by Major Trading Partners with Trade Agreements

Details of the individual trade policies and measures listed in the 2026 METI Priorities are as follows.

(1) Measures to resolve issues through bilateral and multilateral consultations

- **China: Export Control Law**

(Regulations on Export Control and Its Operation by China)

The Chinese government had implemented the security export control regulation in which only items related to weapons of mass destruction were subject to the regulation. In October 2020, China established the Export Control Law, adding a number of products and technologies that are related to conventional weapons to the restricted items, and at the same time, including various new measures such as retaliatory measures, re-export measures, deemed export regulations, etc. The Export Control Law came into force on December 1, 2020.

In addition, in December 2024, the Regulations on Export Control of Dual-Use Items and Dual-Use Items Export Control List as subordinate regulatory instruments enforcing the Export Control Law entered into force. The Regulations designate dual-use items – items that can be used for both military and civil applications - as subject to export control, and govern the export control of all dual-use items, which used to be enforced by several subordinate regulations.

Under these laws and regulations, the Chinese government has successively enforced export control measures on items such as gallium, germanium, graphite, antimony, tungsten, and rare earth ‐related items, citing the need to protect national security and interests since August 2023. In addition, in December 2024, China announced that it would in general prohibit all exports to the United States of dual-use items relating to gallium, germanium, antimony, and superhard materials, and enforce stricter end-user and end-use checks on exports of dual-use graphite items to the United States (with some of these measures temporarily suspended until November 2026). Subsequently, as described below, further measures were introduced, including an exclusive ban on the export of all dual‐use items to Japan, giving rise to concerns that China may be operating its export control arbitrarily.

The details of the new measure are not yet clear. There is a risk that an excessive export restriction that has little relevance to the national security objective may be implemented, in light of the following considerations: the scope of controlled items may become excessively broad considering the fact that the policy objectives of the Export Control Law explicitly include protection of “state interests”; Chinese regulatory authorities may require to disclose technical information in excess of what is necessary for the determination of whether the regulation is applicable or not to the subject product or for identifying end users and end uses and; the Export Control Law has a provision of retaliatory measures against discriminatory export restrictions imposed by other countries. Moreover, Article 17 of the Export Control Law and Article 26 of the Regulations authorize Chinese government officials

to conduct site visits and on-site inspection at premises in foreign territories. It is essential to monitor their operation and ensure that their operation does not infringe upon enforcement jurisdiction of other countries. In addition, under the Export Control Law, violations by organizations and individuals outside China are also subject to the discipline of the Export Control Law (Article 44), including its re-export regulations (Article 45). Regarding re-export regulations, Article 49 of the Regulations on Export Control of Dual-Use Items states that the Chinese government may "request" to enforce the relevant provisions of the Regulations when organizations and individuals outside China (a) provide certain dual-use items manufactured outside China that include specific dual-use items of Chinese origin, (b) provide dual-use items manufactured outside China using specific technologies or items of Chinese origin, or (c) provide specific dual-use items of Chinese origin to specific destination countries, regions, organizations, or individuals outside China. In fact, entities and individuals outside China have been subject to the export ban on dual-use items for U.S. military end uses, export control measures on medium and heavy rare earth-related items, and the export ban on dual-use items to Japan. These re-export regulations may lead to excessive extraterritorial enforcement of domestic law that is not permissible under international public law, depending on the circumstances to which the re-export regulations apply and the way they are enforced. Therefore, it is necessary to monitor future developments, including clarifications through subordinate regulatory instruments and specific enforcement cases.
The excessive restrictions by the Chinese government described above are unlikely to satisfy the requirements for justification under the national security exceptions (Article 21 of the GATT) and might be found inconsistent with the prohibition of import/export restrictions (Article 11 of the GATT).

Japan has been taking actions seeking for a fair and transparent system which reflects international rules and practices at meetings of the WTO Council on Trade in Goods after March 2018 and bilateral talks between METI and the Chinese Ministry of Commerce. In addition, the establishment of Japan-China dialogue on export control was agreed in November 2023, and following the first dialogue held in January 2024, five rounds of dialogues were held until September 2025. Japan requested China to enhance the transparency of the system and operate it in a manner consistent with the Agreements. Japan will continue to monitor the operation of the Export Control Law, and will proceed with discussions for the resolution of problems in bilateral and multilateral consultations.

(Export Ban and Re-export Controls on Dual-Use Items Targeting Japanese Entities)

On January 6, 2026, China imposed a ban on the export of "all dual-use items" to Japan. This measure exclusively targets Japan among other countries and regions and is clearly distinct in nature from conventional export controls implemented by other countries, in that it covers beyond military end users and military end uses, comprehensively prohibiting export transactions of all dual-use items with an ambiguous scope language covering "any other end users and end uses that contribute to the enhancement of Japan's military capabilities," thereby constituting an excessively broad and non-transparent measure. Furthermore, on February 24, 2026, China placed 20 Japanese entities on its Restricted Namelist and, in principle, prohibited exports of all dual-use items, including the re-export of

Chinese-origin dual-use items by entities and individuals in third countries, to those listed entities. In addition, China included other 20 Japanese entities in its Watch List, denying those entities' access to general licenses and the simplified export certification procedures (including registration and information submission mechanisms) and subjecting those entities to stricter export licensing reviews.

These measures against Japan are all based on Export Control Law and its subordinate regulations and have been introduced and implemented as part of China's export control regime. Moreover, these measures target all dual-use items and impose a blanket prohibition on exports, or licensing practices effectively restricting exports of all dual-use items, based solely on the identity of the end user, without conducting appropriate case-by-case assessments of individual transactions. As such, they must be regarded as export restrictions with little relevance to national security objectives.

Such export restrictions are unlikely to satisfy the requirements for justification under the national security exceptions (Article 21 of the GATT) and are therefore highly likely to be inconsistent with the prohibition of import/export restrictions (Article 11 of the GATT).
Japan will continue to strongly protest these measures to the Chinese side and demand their withdrawal.

- **China, Hong Kong, Macao, Russia: Suspension of Import of Japanese Aquatic Products in Response to Discharge of ALPS Treated Water into the Sea**

The discharge of ALPS treated water into the sea from TEPCO's Fukushima Daiichi Nuclear Power Station in Japan (from August 24, 2023) prompted the following countries and regions to impose import restrictions on Japanese aquatic products to address food safety concerns.

- China (24 August 2023 – 28 June 2025): Complete suspension of the import of Japanese aquatic products
- Hong Kong (24 August 2023 -): Suspension of the import of aquatic products from 10 prefectures (Tokyo, Fukushima, Ibaraki, Miyagi, Chiba, Gunma, Tochigi, Niigata, Nagano, Saitama)
- Macao (24 August 2023 -): Suspension of the import of fresh food, etc., from the above 10 prefectures
- Russia (16 October 2023 -): Complete suspension of the import of Japanese aquatic products

The IAEA has concluded that the discharge of ALPS treated water into the sea from TEPCO's Fukushima Daiichi Nuclear Power Station is consistent with international safety standards and would have a negligible radiological impact on people and the environment. The import suspension measures are thus suspected to be unfair import restriction measures that are not based on scientific principles required by the SPS Agreement.

Japan has been requesting an immediate lifting of these measures during bilateral consultations and at various WTO committees. With respect to China's measures, on September 20, 2024, "Shared Recognition between Japan and China" was announced. According to the "Shared Recognition", "the Japanese side welcomes the additional

measures on the long-term international monitoring to be taken under the framework of the IAEA at the important stages of the discharge into the sea, based on the interest of all stakeholder countries including China, and ensures that all stakeholder countries including China will effectively participate in that monitoring, thereby their independent sampling and the interlaboratory comparisons (ILC) will be conducted" and "China will effectively participate in the long-term international monitoring under the framework of the IAEA, and, after conducting the monitoring activities such as the independent sampling by the participating countries, will initiate adjustment of the measures, based on scientific evidence, thereby steadily restoring imports of aquatic products from Japan which meet the standards." Regarding the Additional Measures on monitoring under the IAEA framework, as of March 2026, samplings has been carried out seven times in total by analytical laboratories of the participating countries including China since October 2024. Besides, at Sixth Japan-China High-Level Economic Dialogue in March 2025, both sides expressed their appreciation for the steady implementation of the "Shared Recognition between Japan and China" mentioned above, and concurred on promoting relevant consultations towards the resumption of imports of Japanese aquatic products. Under such circumstances, since March 2025, the authorities of Japan and China have conducted technical consultations on the resumption of exports of Japanese aquatic products to China. At the technical consultation on May 2025, Japan and China reached an agreement on the technical requirements that are necessary for the resumption of exports to China. In June 2025, China issued an announcement (General Administration of Customs Announcement No. 140 of 2025) to resume imports of aquatic products from regions other than ten prefectures (Fukushima, Miyagi, Ibaraki, Tochigi, Gunma, Saitama, Tokyo, Chiba, Niigata, and Nagano). As a result, procedures for the re-registration of export-related facilities on the Japanese side were initiated. However, as of the end of March 2026, although the Japanese side has applied for re-registration of approximately 700 export-related facilities to the Chinese authorities, only three facilities have completed the process, and no additional facilities have been approved since July 2025.

Japan will continue to strongly call on the Chinese side to facilitate the trade, including the prompt and smooth re-registration of export-related facilities on the Japanese side. Additionally, it will call on all countries and regions that are implementing import restrictive measures to lift them immediately. At the same time, it will continue its efforts to ensure the safety of the discharge of ALPS treated water into the sea and to disseminate relevant information.

- **China: Preferential Treatment for Domestic Companies and Domestic Products in Government Procurement**

Domestic products remain the primary focus of the government procurement in China, with restrictions on and exclusions of the procurement of imported products.

The Government Procurement Law of the People's Republic of China, which came into effect in January 2003, carried out the first round of public comment on the proposed amendments from December 2020 to January 2021 and the second round from July to

August 2022, respectively. The proposed amendments include new provisions that would provide preferential treatment to domestic products in the review process for Chinese domestic products meeting certain criteria, such as added value ratios, and the creation of a security review system based on provisions concerning "protecting national security." These provisions could potentially provide preferential treatment to domestic products and companies beyond the scope of government procurement. Furthermore, the expansion of the scope to include public-interest state-owned enterprises could potentially conflict with the national treatment obligations stipulated in Article 3,4 of the GATT or Article 17 of the GATS, and could create serious compatibility issues with the WTO Government Procurement Agreement (GPA), which China is currently negotiating to join. Therefore, it is necessary to closely monitor the movement of future amendments.

In addition, there are reports that China has issued a notice instructing preferential treatment for domestic products through undisclosed documents, such as Document No. 551, the list of “安可” (secure and controllable) products and services, and Document No. 79. In fact, some Japanese companies have reported that domestic products are imposed as a condition in the bidding process.

Furthermore, in March 2023, the new standards for government procurement of four items including computers (desktop computers, portable computers, operating systems, and databases) published, require that subject products must be in line with the “evaluation results” of the Chinese authorities as a mandatory procurement condition. Since the evaluation is limited to the products of Chinese companies only, it is practically impossible to bid subject products made by foreign companies for procurement.

December 2024, public comments were solicited regarding the "Notice on Matters Relating to Domestic Product Standards and Implementation Policies in the Field of Government Procurement" and it came into effect in January 2026. According to the notice, the domestic product standards required for government procurement in China will include the following conditions: 1) the product must be produced in China, with a change in attributes from raw materials or components to the final product; 2) the cost of components produced domestically must reach a specified percentage; and 3) for certain products, key components must be produced in China, and the major processes must be completed domestically. In addition, when domestic products and non-domestic products compete in government procurement bid in China, a price discount of 20% will be applied to domestic products, and evaluations are conducted based on the discounted price.

If the percentage of domestically produced components that will be established in the future becomes unreasonably high, foreign companies in China may be placed at a disadvantage. Furthermore, if the application of domestic product standards is expanded to procurements that do not strictly qualify as "government procurement," it could potentially violate the national treatment obligation under Article 3 of the GATT.

Japan has submitted its government’s opinion in response to the public comment on the draft revision of the Government Procurement Law solicited by the government of China in 2022 as well as the public comments on domestic product standards in 2024. In addition, Japan has expressed its concerns about the preferential treatment for Chinese domestic products and companies at bilateral and multilateral consultations. Japan will continue to

advance discussions to resolve these concerns.

- **China, The United States, India and Indonesia: Inappropriate Application of Trade Remedy Measures**

Trade remedy measures implemented by China, etc. have demonstrated inconsistencies with the Agreement on Safeguards and the Anti-Dumping Agreement, including a lack of objectivity in determining the conditions for initiating trade remedy measures, as well as failures to notify the relevant committees in a timely manner. Japan has been conveying its views and requesting improvements with regard to their trade remedy measures that are considered inappropriate, through the submission of government opinions, participation in public hearings, and engagement in the WTO Committee on Safeguards and the WTO Committee on Anti-Dumping Practices. Japan will continue to call for corrective actions.

Anti-dumping duties are, in principle, subject to expiry (sunset) after five years. However, in China and certain other countries, extensions based on lenient determinations have been observed in sunset review proceedings. Japan has been requesting the early termination of such measures in the WTO Committee on Anti-Dumping Practices. As a result of these efforts, in August 2018, the United States' anti-dumping measures on steel products, which had been in place for more than 35 years, were terminated following a sunset review. Japan will continue to work toward improving the operation of the sunset review procedure in China and certain other countries, as well as toward the early termination of unjustifiably prolonged anti-dumping measures against Japan.

- **The United States: Import Restrictions Pursuant to Section 232 of the Trade Expansion Act of 1962 and Other Legal Instruments**

(Section 232 Measure on Steel / Aluminum)

The U.S. announced on February 10 and 11, 2025 a presidential proclamation regarding additional tariffs on imports of steel and aluminum products into the U.S under Section 232 of the Trade Expansion Act of 1962 (hereinafter "Section 232") and abolishing the existing country- and product-specific exemption system, and thereby imposed a uniform 25% tariff on all imported steel and aluminum products effective March 12, 2019 (for aluminum products, the tariff rate was increased from 10% to 25%) and expanded the scope of steel and aluminum derivative products subject to the additional tariffs. The U.S. subsequently expanded the scope of the covered derivative products and increased the tariff rate for imported steel and aluminum products to 50% ad valorem. On the other hand, the U.S. published the presidential proclamation dated June 1, 2026 and announced decreasing the tariffs on certain products, including the decrease in the tariff rates on certain steel and aluminum derivative products from 25% to 15%, as a temporary measure limited to the period from July 8, 2026 to December 31, 2027 to encourage foreign direct investments into the U.S. In addition, the June 2026 proclamation set forth that, from July 8, 2026 to December 31, 2027, the Section 232 additional tariffs will cease to apply to certain Japanese steel and aluminum derivative products subject to 15% or more MFN tariff rates, the basic

tariff rate of the U.S., and applies to those subject to less than 15% MFN tariff rates in a way that the sum of the MFN tariff rate and the Section 232 tariff rate applying to each steel or aluminum product is equal to 15% *ad valorem* (the original 25% tariffs will apply to these derivative products starting from January 2028). The same steel and aluminum derivative products originating in the EU, United Kingdom, South Korea, Taiwan, Switzerland, Argentina and other countries are also eligible for these temporary decreased tariffs.

An increase in tariffs exceeding the U.S. bound rates is likely to violate Article 2 of the GATT (Schedules of Concessions). The U.S. invokes Article 21 of the GATT (Security Exceptions), asserted that the Article confers a self-judging authority to Members and that WTO panels do not have jurisdiction over the issue of whether a particular measure is justified by the Article; however, the previous WTO panel reports (such as DS512 and DS567) denied such propositions. Excessive expansion of the coverage of the Security Exceptions would risk leading to more pervasive abuse of the Security Exceptions and causing widespread chilling effects on global trade, causing disruptions in the relevant global markets and sever adverse effects on the multilateral trading system at large.

(Section 232 Measure on Automobiles and Auto Parts)

In November 2018, the U.S., Canada, and Mexico signed the USMCA Agreement. At the same time, the Side Letters concerning automobiles and auto parts, were exchanged between the ministers of the U.S. and Mexico and between the ministers of the U.S. and Canada. The Side Letters memorializes the agreement that if the U.S. imposes a measure pursuant to Section 232 on automobiles or any auto parts, the U.S. shall exclude from such measures a certain number of automobiles and auto parts and to all light trucks imported from Mexico and Canada.

On March 26, 2025, under the Second Trump Administration, the U.S. issued a presidential proclamation titled “Adjusting Imports of Automobiles and Automobile Parts Into the United States,” and began imposing additional tariffs of 25% on automobiles starting April 3, 2025, and on major automobile parts starting May 3, 2025, based on Section 232. Notably, for automobiles eligible for preferential tariffs under the USMCA, additional tariffs are imposed only on the value of non-U.S. content of those automobiles, based on declarations of the value of the U.S. content included in each model. The value of non-U.S. content is calculated as the total value of the automobile minus the value of U.S. content. For auto parts eligible for preferential tariffs under the USMCA, additional tariffs will be imposed only on the value of non-U.S. content of those auto parts, and will not be applied to those parts until such time that the Secretary of Commerce establishes a process to apply the tariff exclusively to the value of the non-U.S. content of those parts and publishes notice in the Federal Register. Since there has not been the federal register notice of the Secretary of Commerce to the effect that such a process is established to date, this Section 232 tariff has not been applied to auto parts eligible for preferential tariffs under the USMCA.

On the other hand, for automobiles and auto parts originating in Japan, in accordance with the agreement between Japan and the U.S. dated July 22, 2025, this Section 232 additional tariff has ceased to apply to Japanese automobiles and auto parts subject to 15% or more MFN tariff rates, the basic tariff rate of the U.S., and applies to those subject to less than

15% MFN tariff rates in a way that the sum of the MFN tariff rate and this Section 232 tariff rate applying to each automobile or auto part is equal to 15% *ad valorem*. The same applies to automobiles and auto parts originating in the EU and South Korea.

Imports of automobiles and auto parts from Japan, an ally of the U.S., do not pose a threat to U.S. national security and, on the contrary, make significant contributions to the U.S. industry and employment.

In addition, many Japanese companies, including automobile manufacturers, have presence in the United States, Mexico, and Canada, and are conducting business activities utilizing the USMCA. Considering the impact on these companies, Japan will continue to closely monitor future developments regarding compliance with and enforcement of the USMCA Side Letters.

(Section 232 Measure on Copper)

Starting from August 1, 2025, the U.S. has imposed a 50% Section 232 tariff on the copper content of all imported semi-finished copper products (such as copper pipes, wires, rods, sheets, and tubes) and copper-intensive derivative products (such as pipe fittings, cables, connectors, and electrical components). Although copper input materials, including copper ores, concentrates, mattes, cathodes, and anodes, are not subject to the Section 232 tariffs under the August 2025 proclamation, the U.S. President will determine in the future whether imposing a phased universal import duty on refined copper of 15% starting on January 1, 2027, and 30% starting on January 1, 2028, considering an update on domestic copper markets, including refining capacity and the market for refined copper in the United States, that is to be submitted to the President from the Secretary of Commerce by June 30, 2026.

Imports of semi-finished copper products and copper derivative products from Japan, an ally of the U.S., do not pose a threat to U.S. national security and, on the contrary, make significant contributions to the U.S. industry and employment.

(Section 232 Measure on Medium – and Heavy-Duty Trucks and Buses)

Based on the presidential proclamation dated October 17, 2025, starting from November 1, 2025, the U.S. has imposed a 25% additional tariff on medium – and heavy-duty trucks and their parts, and a 10% additional tariff on buses and other vehicles. For medium – and heavy-duty trucks that qualify for preferential tariff treatment under the USMCA, except for buses and other vehicles and knock-down kits of medium – and heavy-duty trucks, if an importer of such trucks submits documentation identifying the amount of U.S. content in each model, the additional tariff applies exclusively to the value of the U.S. content of those trucks, which is calculated by subtracting the value of the U.S. content in the truck from the total value of the truck. Similarly for medium – and heavy-duty truck parts that qualify for preferential tariff treatment under the USMCA, the additional tariff only applies to the value of the non-U.S. content of such parts; however, the proclamation provides that imports of medium – and heavy-duty truck parts that qualify for preferential tariff treatment under the USMCA would not be subject to the additional tariffs until such time that the Secretary of Commerce establishes a process to apply the additional tariff exclusively to the value of the non-U.S. content of such parts and publishes a notice in the Federal Register,

(Section 301 Investigation Relating to Structural Excess Capacity and Production in Manufacturing Sectors)

On March 11, 2026, the U.S. initiated an investigation under Section 301 of the Trade Act on acts, policies, and practices relating to structural excess capacity and production in manufacturing sectors. This investigation takes issue with "structural excess capacity," which, according to the initiation notice, is characterized as underutilized industrial production capacity that is sustained through governmental interventions or policies incentivizing companies to maintain or grow their unused capacity inefficiently. The U.S. alleges that 16 countries and regions subject to this investigation, including Japan, have been maintaining production capacity untethered from the incentives of domestic and global demand, leading to the problems such as overproduction, large or persistent trade surpluses, and underutilized production capacity. The U.S. insists that such structural excess capacity and production present a serious challenge to U.S. efforts to re-shore supply chains and provide good-paying jobs for American workers.

Subsequently, on March 17, 2026, the U.S. requested public comments from stakeholders. The initiation notice provided specific problems for each trading partners subject to the investigation. With respect to Japan, the initiation notice asserted that there is a large and growing number of Japanese automotive firms that are unprofitable, or cannot meet interest expenses through their operations, in the same way as some Chinese automotive firms are, and that there exists structural excess capacity and production in the Japanese automotive sector. Further, it pointed out that, while Japan had a global goods trade deficit of approximately $36 billion in 2024, Japan had a bilateral goods surplus with the U.S. of $57 billion in 2024, and that Japan maintains a global goods trade surplus in sectors such as automobiles and auto parts, and optical, photo, technical, and medical apparatuses, with the automotive sector accounting for more than one-third of Japan's export to the U.S.

In response to the request for public comments, Japan has submitted its comments stating its position that Japan is cooperating with like-minded countries, including the U.S., to address non-market policies and practices, which would lead to excess capacity, and that Japan is also working, both bilaterally and with like-minded countries, to strengthen disciplines against non-market policies and practices regarding subsidies and state-owned enterprises. Japan also emphasized in its comments that the policies and practices of Japan do not constitute non-market policies or practices, and that there exists no "structural excess capacity and production" in Japan. Japan will continue cooperating with the investigation while requesting that the U.S. treat Japan appropriately, so as to ensure that Japan's efforts and positions are given due appreciation.

(Section 301 Investigation Related to the Failure to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced With Forced Labor)

On March 12, 2026, the U.S. initiated an investigation under Section 301 of the Trade Act on acts, policies, and practices of countries relating to the failure to impose and effectively enforce a prohibition on the importation of goods produced with forced labor. This investigation takes issue with "forced labor," which, according to the initiation notice, may be

understood as work or service extracted from a person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily. Targeted jurisdictions in this investigation are as many as 60 countries and regions, including Japan. The U.S. asserts that none of the investigated countries and regions has effectively enforced a regulation prohibiting imports and sales of products produced using forced labor, thereby allowing firms to continue to source, use, and profit from imported products produced with forced labor, and forcing U.S. products to compete in those markets with foreign goods produced with an artificial cost advantage, which would lead to decrease in sales and profits, exit from the market, or harm to U.S. workers and citizens. Accordingly, the U.S. insisted in its initiation notice that ending forced labor is a key priority and an economic and national security imperative for the U.S. Subsequently, on March 17, 2026, the U.S. requested public comments from stakeholders.

In response to the request for public comments, Japan has submitted its comments emphasizing its position that human rights abuse in supply chains, including forced labor, are unacceptable and that Japan's industry and trade policies are conducted in accordance with international standards. Japan also pointed out in its comments that Japan has published the "Guidelines on Respecting Human Rights in Responsible Supply Chains" in 2022 and has been calling on private businesses to undertake measures to respect human rights in accordance with international standards. Japan will continue cooperating with the investigation while requesting that the U.S. treat Japan appropriately, so as to ensure that Japan's efforts and positions are given due appreciation.

(Tariff measures under Section 122 of the Trade Act)

In the proclamation dated February 20, 2026, the U.S. stated that special measures to restrict imports in the form of *ad valorem* duties are required to address the fundamental international payments problems, such as the large and serious deficits in the balance on goods and services, balance on primary income, and balance on secondary income, and the sharp deterioration of the net international-investment position of the U.S., which significantly harm U.S. national interests, including economic and national security interests, and imposed a 10% additional tariff on all imports starting from February 24 until July 23. This additional tariff is generally applied to all goods, but certain goods are exempted, including (i) 1,655 articles enumerated in Annex II to the proclamation, including certain critical minerals, certain metals, energy and energy products, natural resources, fertilizers, certain agricultural products, pharmaceuticals and pharmaceutical ingredients, semiconductors, semiconductor manufacturing equipment, and electronics, (ii) all articles that are already subject to Section 232 measures (to the extent a tariff imposed under Section 232 applies to part of an import, the surcharge imposed in this proclamation shall apply to the part of the import to which Section 232 tariffs do not apply), (iii) articles of civil aircraft, (iv) goods of Canada or Mexico that satisfy the rules of origin under the USMCA, (v) textile and apparel articles of the CAFTA-DR countries under the CAFTA-DR, and (vi) religious articles, donations, and information materials, including publications, films, posters, records, photographs, CD-ROMs, arts, and news articles. The U.S. notified this tariff measure to the WTO General Council and Committee on Balance-of-Payments Restrictions

pursuant to paragraph 9 of the WTO Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994, as a measure based on the Understanding and Article XII of the GATT.

An increase in tariffs exceeding the U.S. bound rates is likely to violate Article 2 of the GATT (Schedules of Concessions). A measure inconsistent with an obligation under the GATT may nevertheless be justified if it is a restriction on the quantity or value of imported goods in order to safeguard its balance of payments implemented in accordance with Article XII of the GATT. Article XII requires a measure based on it not to exceed the extent necessary to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or, in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves, and obligates the measure to be progressively relaxed as such conditions improve. Further, when the WTO is called upon to consider or deal with problems concerning monetary reserves, balances of payments, or foreign exchange arrangements, it must consult fully with the IMF and accept all findings of statistical and other facts presented by the IMF. In particular, the WTO must accept the IMF's determination as to "what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves, or a reasonable rate of increase in its monetary reserves" and as to "the financial aspects of other matters covered in consultation," in connection with the requirements for applying Article XII of the GATT. With this measure being under review at the WTO at this moment, Japan will continue closely monitoring developments of this measure in the light of its position that all trade measures should be consistent with the WTO Agreements, while it awaits findings of the relevant facts by the IMF.

- **Indonesia: Import Restriction Measures on Steel Products, Textile Goods, and Electrical Products**

While Indonesia has conventionally and frequently used various import restriction measures, recently there has been a series of moves to revise, abolish, or strengthen the import restriction system. In addition to the establishment, revision, and abolition of import approval and registration systems by item, the "Commodity Balance System (Neraca Komoditas)" (Presidential Decree No. 32 of 2022) should be noted as a move to collectively manage import restriction systems across items, whereby approval of subject imports and exports is conducted according to the supply-demand balance determined by the government. Although a policy to expand items subject to the system had been once indicated, presidential Decree No. 7 of 2025 enforced in February 2025 has designated nine items, oil, natural gas, sugar, salt, corn, rice, beef, aquatic products and garlic.

An SPI (import license) is required to import subject products even if those aren't subject to the Commodity Balance System, and import approval will be granted based on the supply-demand balance of the items determined by the government. However, there have been delays and troubles in the operation of SNAS-NK, which is compatible with the new system, causing major confusion such as import delays. In particular, the system had a serious impact on steel products, with import applications themselves being blocked on the system

for a long period of time.

Furthermore, subsequent revisions to ministerial decrees of the Minister of Trade led to the re-division of regulations that had previously been collectively managed, resulting in the establishment of different application procedures, requirements, and processing arrangements depending on the items. With regard to apparel products, a technical diagnostic certificate has been required pursuant to Minister of Trade Regulation No. 17 of 2025, which came into force on August 30, 2025, thereby strengthening import restrictions.

As a result, significant delays in import licensing procedures for many products, including steel products, fiber products, and electrical products (such as air conditioners) persist. In addition, import licenses are only granted for quantities far below the number of applications, which has become a constant situation. The above situations may violate the provisions of elimination of "discretionary (…) import licensing schemes" (Article 11 of the Agreement on Safeguards) and general elimination of quantitative restrictions (Article 11 of GATT) set forth in the WTO Agreement. There is also a possibility of violating the Agreement on Import Licensing Procedures in the lack of WTO notification, uncertainty of the procedures, including application requirements, screening criteria, and screening period, and furthermore, in a significant delay in import approval procedures as well, if it occurs.

Japan has expressed its concerns to the Indonesian government on various occasions, including at various WTO committees. Japan will continue to closely monitor the transition and operation of the system, and will also encourage the Indonesian government to reduce the impact on Japanese products.

- **EU: Regulation on a Carbon Border Adjustment Mechanism (CBAM)**

In July 2021, the European Commission published a draft regulation on the Carbon Border Adjustment Mechanism (CBAM) and the European Commission, the European Parliament, and the European Council subsequently made adjustments and the regulation was enacted in May 2023. The CBAM would impose a levy on importers of goods imported into the EU based on the embedded emission of the product. The amount of the levy would be calculated by multiplying CBAM certificate price (P/CO2-ton), emissions per unit of product (CO2-ton/Q), and amount of product imported (Q) together. The CBAM certificate price would be linked to the emissions trading price in the EU-ETS, the EU's greenhouse gas emissions trading system. In the CBAM, the carbon price (tax, levy, fee or in the form of emission allowances under a emission trading system) paid outside the region will be taken into account as a burden accompanied with carbon emission outside the region in a manner of a deduction from the levy. The CBAM entered into force in October 2023, and was subject to a transitional period until the end of 2025. During the transitional period, importers were not obliged to pay the import levy, but were obliged to report information such as emissions per unit of product. The CBAM is to be reviewed during the transitional period, and the reported information is being used to examine the possible expansion of the scope to other goods and services and to further develop methodologies for calculating emissions, in the view of improving the CBAM definitive regime applying after the expiry of the transitional

period. In addition, in February 2025, the European Commission announced an omnibus package that includes the simplification of environmental regulations, which also featured proposals for simplifying and strengthening the effectiveness of the EU's CBAM. The proposed amendments to the CBAM were promulgated and entered into force in October of the same year. From January 2026, the CBAM entered its definitive enforcement period, and various implementing regulations and other relevant measures have been published.

Since the CBAM is a border measure that imposes a levy on imports, it will naturally have an impact on trade, but the basic premise is that it must be designed to be consistent with WTO rules such as national treatment. In particular, whether the CBAM can satisfy justifications under WTO rules may become an issue. An issue closely related to consistency with rules is that restrictions on trade need to be the minimum necessary to achieve the objective, with many issues to be considered in this regard. For example, first, in order to be considered a measure aimed at preventing carbon leakage, it would need to be confirmed that the carbon intensity of imported goods exceeds that of domestically produced goods. This is because if the carbon intensity of imported goods is equal to or lower than that of domestic goods, there is no carbon leakage associated with imports, and there is thus no basis for requiring the payment of a levy at the border. In addition, how to measure and evaluate carbon emissions per unit of a good on the same international basis, and how to compare the intensity of measures taken by each exporting country, including how to verify the carbon cost of each country's emission reduction efforts, are all issues that require careful consideration.

Another issue is that a "Temporary Decarbonisation Fund" has been proposed as a provisional support measure for EU-based companies producing goods covered by the CBAM. According to materials published by the European Commission and its Q&A, the purpose of the Temporary Decarbonisation Fund is to provide support to manufacturers of EU-made products facing a particularly high risk of carbon leakage, including the relocation of the industries outside the EU, as a result of decline in the competitiveness of EU products exported to third-country markets due to the burden incurred under the EU-ETS, leading to those EU products being replaced by cheaper substitutes from other countries with higher embedded emissions. This suggests that the measure is intended to enhance the competitiveness of products exported by the EU to third-country markets. Depending on how the details of the scheme is designed and administered going forward, it may create, in a trade-distortive manner, export incentives similar to export subsidies, which are one of the prohibited subsidies under Article 3.1(a) of the WTO Agreement on Subsidies and Countervailing Measures, and thus may, in substance, be found to constitute an unjustifiable export support that circumvents the WTO rules.

Japan, should continue discussing, through bilateral channels with the EU as well as in various fora such as the WTO, so as to ensure that imported products are not treated unfavorably in the specific design and operation of the CBAM.

In December 2023, the United Kingdom also announced that it would introduce its own CBAM by 2027, and conducted a public consultation on the introduction of the CBAM from March to June 2024. In October of that year, the UK government's response to the

comments submitted to the public consultation was published, and the mechanism is scheduled to be introduced in January 2027. In addition, Australia, following the first round of public consultation in 2023, conducted a second round of public consultation in October 2024 on policy options to address carbon leakage, including a border carbon adjustment. Taiwan has also begun considering a CBAM for cement and steel products. Japan should also continue to monitor closely and respond appropriately.

- **EU: Cumulative Trade Restrictive Measures on Steel Products**

The EU has imposed safeguard measures on a wide range of steel products since July 2018, and has strengthened them year by year. These safeguard measures operate through the imposition of country-specific tariff-rate quotas (TRQs) for major exporting countries, along with separate residual quotas for all remaining exporting countries; imports exceeding these quota volumes are subject to an additional tariff of 25%. With respect to the residual quota, new per-country caps were introduced for hot-rolled steel sheets (Category 1) from July 2024 and for cold-rolled steel sheets (Category 2) from April 2025. Following these changes, imports of the relevant Japanese steel products have declined sharply.

In August 2024, the EU also initiated an anti-dumping (AD) investigation into hot-rolled steel sheets imported from four countries – Japan, Egypt, India, and Vietnam – and imposed AD duties in September 2025. However, due to the effects of the steel safeguard measures, the total volume of EU imports of hot-rolled steel sheets has hardly increased. The increase in imports from the four countries subject to this AD investigation merely reflects a substitution within the TRQs under the safeguard measures, offsetting declines in the EU market shares of other exporting countries, and therefore does not create a situation that could cause injury to the EU domestic industry. Furthermore, as a result of the strengthening of the safeguard measures on hot-rolled steel sheets since July 2024, imports of hot-rolled steel sheets from Japan in the second half of 2024 decreased by 51.2% year-on-year; however, this fact has not been adequately taken into account.

Further, in September 2025, the EU initiated an AD investigation into cold-rolled steel sheets; similarly, there is a risk that the effects of the strengthening of the safeguard measures on cold-rolled steel sheets since April 2025 will not be properly taken into account.

Moreover, as a "replacement" for the steel safeguards expected to expire at the end of June 2026, the EU initiated, in October 2025, proceedings to modify its tariff concessions under Article XXVIII of the GATT 1994. In substance, however, this constitutes a new trade restriction that would further reduce the total volume of TRQs by half. The EU asserts that steel products from FTA partner countries, including Japan, will also be subject to this new measure from July 2026. However, tariff concessions under regional trade agreements (RTAs) cannot be modified through a modification of tariff concessions under Article XXVIII of the GATT 1994. Therefore, this measure would be inconsistent with various RTAs, including the Japan-EU EPA. In addition, there are concerns that the EU may not be complying with the procedural requirements and obligations to “endeavour to maintain a general level of reciprocal and mutually advantageous concessions” prescribed in Article XXVIII of the GATT 1994.

Japan will closely monitor developments regarding the EU's various steel measures and call on the EU to take appropriate decisions. In addition, with regard to the EU's steel measures that are not consistent with international agreements, Japan will work toward their rectification in coordination with industry and other countries.

- **EU: F-Gas Regulation**

In order to protect the ozone layer and reduce global warming, with a target of reducing emissions of fluorinated greenhouse gases ("F-Gases") by two-thirds by 2030, the EU has implemented regulations regarding F-Gases in stages. The EU revised the regulation in February 2024 to completely prohibit the use of F-Gases by 2035 for split type air conditioners (whose refrigerants circulates across indoor and outdoor units) with a capacity of 12 kW or less, and by 2032 for self-contained type air conditioners (whose refrigerants is contained only in the outdoor unit).

This 2024 revision that completely bans F-Gases risks prohibiting all split type air conditioners, which are technically more difficult to use highly flammable refrigerants as a substitute for F-Gases refrigerants due to their design, from being put on the EU market in the future. In this respect, a large portion of the split type air conditioners sold in the EU market are imported from outside the EU. On the other hand, self-contained type air conditioners, in which it is relatively easy to replace F-Gases refrigerants with highly flammable refrigerants as their refrigerants is contained only in the outdoor unit, are mostly supplied by domestic manufacturers in the EU market. Therefore, there is a concern that the regulation prohibiting F-Gases completely would accord less favorable treatment to split type air conditioners produced outside the EU than to self-contained type air conditioners, which are the like domestic products produced in the EU. This may infringe upon the national treatment obligation (GATT Article 3, Paragraph 4), under which a WTO Member is required to accord imported products treatment no less favorable than that accorded to like domestic products.

Moreover, the regulation uniformly prohibits the use of F-Gases with lower Global Warming Potential (GWP) than alternative refrigerants, which would contribute to the objective of reducing greenhouse gas emissions, without taking into account the availability of alternative refrigerants. In addition, since no assessment of the safety risks associated with the use of highly flammable refrigerants and the greenhouse effect associated with the use of low-GWP F-Gases has been conducted, the regulation is suspected of not being designed to be sufficiently relevant to its objective. This might make it difficult to justify the regulation under the general exception of the GATT. Moreover, the aforementioned disadvantages cannot be described as being solely based on legitimate regulatory distinctions, which may violate Article 2.1 of the TBT Agreement.

Furthermore, the regulation may violate Article 2.2 of the TBT Agreement as a more trade-restrictive measure than necessary to achieve a legitimate objective because it uniformly prohibits the use of F-Gases even when there is no availability of alternative refrigerants, as described above. In addition, considering all the facts above, the measure may be

inconsistent with the EU's obligation to provide national treatment under Article 8.8 in Chapter8, Section B (investment liberalization) of the Japan-EU Economic Partnership Agreement.

The Japanese government submitted its comment at the time of the TBT Notification and has expressed its concerns at consultations through the Committee on Regulatory Cooperation under Japan-EU EPA in April 2026 as well as the WTO TBT Committee in March 2026 and the WTO Trade in Goods Council in May 2026. Japan will continue to closely look into the developments of the details of the revision of the regulations and encourage the system to be balanced in terms of safety, energy efficiency, and other aspects.

- **France: Subsidies for Electric Vehicles**

In July 2023, the French government announced an amendment to the eligibility requirements for the subsidy for the purchase of electric vehicles (EVs) to take into account CO2 emissions from the manufacturing and transportation of the vehicles, and came into effect in October of the same year. The amendment sets an environmental score to be calculated from the CO2 emissions of EVs during their manufacturing and transportation processes, and vehicles with an environmental score of 60 or higher will be eligible for the subsidy. For the purchase of a passenger car, 27% of the purchase price will be subsidized up to a certain cap amount. The environmental score is assessed as the sum of CO2 emissions calculated by multiplying the emission factor and the amount used, etc., for each of the following items: (i) emissions from the manufacture of steel, aluminum, and other materials; (ii) emissions from the manufacture of batteries; (iii) emissions from intermediate assembly, etc., excluding batteries; and (iv) emissions during transportation. Emission factors for (i) through (iii) are set by country or region, while for (iv), emission factors are set by country or region for overland (rail and road) transportation and uniformly by distance for marine transportation. If there is an objection to the calculation of the environmental score, there is a provision allowing recalculation and reapplication of CO2 emissions based on actual measured values. Subsequently, the French government has announced that it will reduce the subsidy amount for EVs from a maximum of 7,000 euros to a maximum of 4,000 euros in 2025. In addition, the budget for EV subsidies in 2025 was reduced to two-thirds of the original size. On the other hand, on October 1, 2025, the French government introduced an additional subsidy amount of 1,000 euros for eligible vehicles that are assembled in Europe and are equipped with batteries made in Europe.

Emissions during transportation are included in the calculation of the environmental score, which is an eligibility requirement for the subsidy. In the case of marine transportation, emissions during transportation are calculated by multiplying the transportation distance by a uniform emission factor. In the case of land transportation, emission factors for rail and road transportation are set higher for Asian countries than for European countries. Due to these designs, the treatment of imported vehicles differs depending on the length of transportation distance and method of transportation, which may violate Article 1.1 (Most-Favoured-Nation Treatment obligation) and Article 3.4 (National Treatment obligation) of GATT. In addition, the CO2 emission factors for steel and battery production, etc., used to

calculate the environmental scores are set uniformly by country or region, and European countries and regions, including France, have factors that are better than those of other countries and regions, making imported vehicles harder to score and less eligible for the subsidy than French and European-made vehicles. Therefore, as unfavorable treatment of some imported vehicles, there is a possibility of violating Article 1.1 (Most-Favoured-Nation Treatment obligation) and Article 3.4 (National Treatment obligation) of GATT.

Japan has expressed its concern to the French government on various occasions, and has also expressed its concern to the EU about the extension of this measure and similar measures to other countries and sectors through various talks. Japan will seek to correct measures that are inconsistent with the WTO agreement, and will closely monitor the situation in cooperation with industry and other countries to ensure that such measures do not extend to other sectors or countries.

- **China: Industrial Subsidies**

The government of China has not fully fulfilled its notification obligation under Article 25 of the Agreement on Subsidies and Countervailing Measures (ASCM), which requires members to provide notification of any subsidies that are specific every two years (in 2011, 2014, and 2017, the Unite States filed notifications of certain Chinese subsidies (so called “counter notification”) that China should have provided notifications for, including support regimes for China’s strategic emerging industries). In July 2016, the government of China provided notifications for subsidies by its local governments for the first time. However, the issue that the subsidies for which notification should have been provided has not been sufficiently resolved. Insufficient transparency of subsidies would likely encourage market-distorting subsidies, and is suspected to have led to excess capacity in certain industries such as steel and aluminum.

Regarding the problem of excess capacity in some industries including aluminum and steel caused by Chinese government subsidies, there may be some subsidies that are inconsistent with Article 5 of the ASCM as they have an adverse effect on the interests of other member countries. Furthermore, it is concerning that a variety of the governmental financial support initiatives including loans by state-owned enterprises and government funds: i) increases government influence on major companies, ii) may promote concentration of private capital, and a huge amount of capital would flow into certain industries that would result in excess capacity, and iii) may be used for acquiring foreign companies that have highly advanced technology.

The issue of China's industrial subsidies has also been highlighted in the OECD reports. For example, the OECD series of reports on “Measuring distortions in international markets”, published in January 2019, December 2019, and May 2021, indicate the relationship between distortion of conditions of competition and the large amount of government support in the manner of below-market borrowings and equity in various industries, including aluminum, solar PV and semiconductors in China and other countries.

Furthermore, the OECD reports from April 2023 also show i) that industrial firms based in China receive disproportionately more support overall than firms based in OECD members

and other non-OECD members such as India, Thailand, and Malaysia; ii) that state-owned enterprises play an important role as recipients as well as providers of subsidies; iii) that disclosure of information regarding government support and government ownership is limited and that the investment by China's government guidance funds aggravates this problem. Additionally, the OECD report from June 2024 points out features distinguishing China's government guidance funds from other government guidance funds. It highlights that the control of Chinese authorities over investment decisions made by government guidance funds remains significant, and there is a notable lack of transparency not only regarding the structure and ownership of the investment entities but also concerning investment criteria, investment records, and performance.

In the light of this situation, Japan has held several discussions with the government of China to solve the issue. For instance, the Japan-China Economic Partnership Consultation in February 2023, and the Japan-China High-Level Economic Dialogue in March 2025 .

Also, in the Subsidies Committee meetings and Trade Policy Review (TPR) of China at the WTO, together with the United States, the EU and others, Japan brought up discussions related to the issues of subsidies and excess capacity. At the TPR of China in 2024, particularly by developed member countries expressed concerns regarding China's opaque and pervasive non-market policies and practices and extensive market interventions using state-owned enterprises. Additionally, the WTO Secretariat's report at the TPR of China, also pointed out that information on government support for sectors such as steel, EVs, and semiconductors is unclear, where such support could have a significant global impact. It was also pointed out that details of investments by government guidance funds are not disclosed, and there has been no notification to the SCM Committee.

In addition, while not targeting specific countries, the Trilateral Meeting of Trade Ministers among Japan, EU and the U.S., started in December 2017, also has held discussions on strengthening rules on industrial subsidies and state-owned enterprises. G7 countries including Japan also has repeatedly referred to the need to address harmful industrial subsidies in the G7 Leaders' Communiqué. G20 has also discussed excess capacity in the steel sector and industrial subsidies.

Japan, in cooperation with other WTO members, will continue discussion with China bilaterally and multilaterally so that China enhances the transparency of its expenditure related to industrial subsidies and state-owned enterprises to ensure market-distorting measures are not taken, and that the system in China operates within the confines of the ASCM. Moreover, Japan will cooperate with other Members to accelerate discussions from multiple angles. This includes building a common understanding on the LPF through continued outreach efforts, enhancing transparency by monitoring and improving compliance with notification obligations, and considering potential updates to the WTO rules.

- **China: Regulations Related to Cybersecurity and Data**

Recently, the Chinese government has put in place various laws and regulations related to cybersecurity and data security. The Cybersecurity Law in June 2017, the Data Security

Law in September 2021, and the Personal Information Protection Law in November 2021, respectively, became effective. Additionally, China has legislated relevant laws and regulations related to the three laws mentioned above. The amended Cybersecurity Law, which took effect in January 2026, establishes new principle-based provisions on the application and sound development of artificial intelligence and amends the penalty provisions.

If these laws place foreign business operators in substantially less favorable competitive conditions than Chinese business operators, it might violate the national treatment obligations stipulated in Article 17 of GATS, as well as Articles 8.4 in Chapter 8 (Trade in Services) and 10.3 in Chapter 10 (Investment) of the RCEP Agreement. In addition, it might also violate the provisions of free flow of data across borders and prohibition of computing facilities location requirements in the RCEP Agreement (Articles 12.14 and 12.15 of the RCEP Agreement), depending on the implementations. Although not only the Japanese but also other foreign governments, and industry groups, etc., had submitted their opinion through the public consultation process and expressed their concerns to the Chinese government, these laws came into force without reflecting much of those concerns.

Japan has consistently sought the establishment of fair and transparent system for the regulation of cybersecurity and data that are consistent with international rules and practices. Most recently, Japan submitted comments in the public consultations held in March and October 2025 on the draft Cybersecurity Law Amendment and expressed concerns at meetings of the WTO Council for Trade in Services and the TBT Committee. Japan will continue to pay close attention to the status of amendments and operations of the Cybersecurity Law, Data Security Law, Personal Information Protection Law and relevant subordinate laws and regulations, and urge China to correct the status through WTO's Council for Trade in Services, TBT Committee meetings and bilateral consultations, etc. in cooperation with relevant countries.

- **China: Forced Technology Transfer**

In Paragraph 7.3 of its Protocol of Accession to the WTO, China commits to ensure that the distribution of means of approval for importation, the right of importation or investment by national and sub-national authorities is not conditioned on technology transfer requirements. In Article 10.6 of the RCEP Agreement, China also commits to prohibit performance requirements including technology transfer requirements and royalty regulations. In addition, the Chinese government stipulated in the Foreign Investment Law, which came into effect in January 2020, that administrative agencies and their officials must not use administrative means to force technology transfer. However, there remains concerns with the ambiguity of the conditions under which administrative agencies may request businesses to provide technical information, as well as the difficulties in collecting evidence when an unlawful request was made through state-owned enterprises or other public entities. There also continues to be systems in place that could result in forced technology transfer depending on their operation. In the WTO, Japan raised the issue of forced technology transfer at the 2021 Trade Policy Review requesting China to explain if any measure is taken

to prevent government authorities from coercing foreign investors and businesses to transfer their technologies, as well as available remedies for forced technology transfer.

In addition, while not targeting specific countries, at various international fora such as the G7 and the OECD , the issue of forced technology transfer has been discussed. For example, G7 members, including Japan, have repeatedly mentioned the need for addressing forced technology transfer in the past G7 Leaders Communiqués and trade ministers' statements. In particular, the G7 Trade Track in 2023, in which Japan was the presidency holder, classified not only cases of laws and regulations clearly specifying what constitutes forced technology transfer, but also cases that practically fall under requests for forced technology transfer, such as (1) a requirement for a joint venture with local capital as a condition of operating businesses in the country accepting investments (In many cases, domestic and foreign investment ratio is 51:49.), (2) a requirement for local production and procurement, and (3) national standards for individual industries, and exchanged opinions on the recognition of the current situation and the issues faced by each G7 member country. Furthermore, the OECD, in the Chair's Statement of the 2025 OECD Ministerial Council Meeting, states that it should continue to advocate for a level playing field among countries, help countries address non-market policies and practices, including forced technology transfer.

Japan, in cooperation with other member countries, will continue to proceed with discussions aimed at building common understanding and solving the problem through bilateral and multilateral consultations to ensure that the Chinese system is operated in a manner consistent with the rules and commitments including its Protocol of Accession to the WTO.

- **Vietnam: Regulations Related to Cybersecurity and Data**

The Vietnamese government enforced the Cybersecurity Law in January 2019, and in October 2022, Decree 53, stipulating the detailed requirements to store data within Vietnam and to establish branches or representative offices according to the Cybersecurity Law, was enforced.

If these obligations place foreign business operators in de facto less favorable competitive conditions than Vietnamese business operators in the sectors, the Draft Decree could be deemed as a violation of the national treatment obligations stipulated in Article 17 of GATS as well as Articles 9.4 and 10.3 of the CPTPP. Additionally, since Vietnam has agreed to the provisions of cross-border free flow of information and the prohibition of the requirement regarding location of computing facilities in the CPTPP and RCEP Agreements (Articles 14.11 and 14.13 of the CPTPP Agreement and Articles 12.14 and 12.15 of the RCEP Agreement)[1], the Cybersecurity Law could conflict with these provisions, depending on the implementation. Since Decree 53 requires a specific form in relation to the obligation to

[1] Under the CPTPP Agreement, the Japanese Government and Vietnamese Government have signed a side letter setting forth that measures based on the Vietnam's Cybersecurity Law and laws and regulations related to cybersecurity shall be exempted from the dispute resolution provisions for five years after its effectuation.

establish branches or representative offices in Vietnam, it might violate the market access obligations stipulated in Article 16 of GATS and the prohibition of requirement to establish an enterprise in its territory stipulated in Article 10.6 of the CPTPP Agreement.

In addition, in June 2025 the Vietnamese government released a draft “Cybersecurity Law” that integrated the Network Information Security Law (July 2016) and the Cybersecurity Law. At the draft stage, obligations requiring certain domestic and foreign enterprises to store data within Vietnam and requiring certain foreign enterprises to establish a branch or representative office in Vietnam had been removed; however, the Cybersecurity Law enacted in December 2025 (scheduled to take effect in July 2026) reinstates these obligations.

The Personal Data Protection Law, which was enforced in January 2026, requires business operators, when transferring personal data across borders, to conduct a cross-border personal data transfer assessment and to submit that assessment in advance to the Ministry of Public Security. The law also provides for administrative sanctions, including fines, against organizations or individuals that violate personal data protection provisions. These provisions are likely to contravene the national treatment obligations of Article 17 of the GATS and Articles 9.4 in Chapter 9 (Investment) and 10.3 in Chapter 10 (Cross-Border Trade in Services) of the CPTPP Agreement if, in practice, foreign business operators are treated substantially less favorably than domestic business operators in Vietnam.

The Data Law, which was enforced in July 2025, encourages domestic and foreign organizations and individuals who hold data to provide such data to state agencies, and requires organizations and individuals, at the request of competent authorities, to provide data to state agencies without obtaining the data subject’s consent in cases of an emergency or a threat to national security that does not amount to a formal declaration of emergency, or for the prevention of disasters, riots, or terrorism. Concurrent with the Data Law’s entry into force, the Vietnamese government promulgated decrees and decisions specifying the detailed regulations and implementation measures of the law. The decree on scientific, technological, and innovative activities and data-related services provides that "the head of the organization or the legal representative of the enterprise" (hereinafter "the head of the organization, etc.") providing data intermediary services must be a Vietnamese citizen or a person permanently residing in Vietnam. However, limiting the head of the organization, etc., to a Vietnamese citizen or a person permanently residing in Vietnam may raise issues regarding consistency with Vietnam’s commitments concerning national treatment under GATS and the service trade chapters in the respective EPAs, as well as the obligations related to senior management and boards of directors under the investment chapters in the respective EPAs.

Japan has consistently sought the establishment of fair and transparent system for the regulation of cybersecurity and data that are consistent with international rules and practices. Most recently, Japan submitted comments in the public consultations held in 2025 on the draft Cybersecurity Law and expressed concerns at meetings of the WTO Council for Trade in Services and the TBT Committee. Japan will continue to monitor legislative developments and their enforcement and implementation, and proceed with discussions pursuing improvements and clarifications in the WTO Council for Trade in Services, TBT Committee

meetings and bilateral consultations, etc. in cooperation with relevant countries.

(2) Issues that have been submitted to the WTO's trade dispute settlement procedures

- **Korea: Measures Affecting Trade in Commercial Vessels**

Since October 2015, Korea has been using public financial support by taking measures to support its domestic shipbuilding industry, which includes: (1) financial support by a public financial institution for a domestic shipbuilder (Daewoo Shipbuilding & Marine Engineering Co., Ltd.); (2) providing refund guarantees supporting orders placed with shipbuilders; (3) support for purchasing new commercial vessels for shipping companies through the New Shipbuilding Program (public-private fund); and (4) other measures such as subsidies for replacing current vessels with eco-ships (subsidizing a part of the price of new ship). As results of these public financial support measures, Korean companies were able to repeatedly make low cost orders for new ships, leading to a substantial drop in ship prices in the international markets. In addition, Japan's market share has fallen substantially due to lost orders and due to Japanese companies giving up on competing in the market because of the decline of the market ship price. These measures may be inconsistent with Article 5 of the Agreement on Subsidies and Countervailing Measures (ASCM). The public financial support likely distort the market and hamper early resolution of the excess supply capacity issues in the shipbuilding industry. Further, certain measures may be regarded as export subsidies prohibited under Article 3 of the ASCM.

Japan requested that Korea rapidly abolish the measures during the director-general-level talk between Maritime Bureau of MLIT and Ministry of Trade, Industry and Energy Korea (MOTIE) in October 2018, but the measures have not been withdrawn. Consequently, Japan requested bilateral consultations based on the WTO Agreements in November 2018 and in January 2020 and is consulting with Korea. Japan also has been raising concerns on Korea's support measures to its shipbuilding industry repeatedly through discussions at multilateral settings. In this regard, Japan requested Korea to explain its public financial support measures and to ensure their transparency at the Shipbuilding Committee of the OECD, in April 2026.

Japan will continue to request that Korea abolish these measures.

- **India**: **Tariff Treatment on Certain Goods in the ICT Sector**

In July 2014, the government of India, raised the tariff rate for some ICT products (HS code: 8517.62-90 and 8517.69-90 parts of telecommunication devices) to 10% which were set as 0% in India's Schedule of Concessions under the WTO Agreement. Thereafter, in July 2017, it raised the tariff rates for ink cartridges（HS code: 8443.9951 and 8443.9952）, mobile phones (HS code:8517.1210 and 8517.1290)[2] , base station（HS code:8517.6100）

[2] In January 2020, HS codes were altered accompanying the amendment of the tariff schedule of India, and the tariff classification now consists of HS8517.1211, 8517.1219, and 8517.1290.

and parts of telephone/telecommunication devices（HS code:8517.7090）. Furthermore, in December 2017, it publicly issued a notification to raise the tariff rate for mobile phones to 15%. In addition, in February 2018, it raised the tariff rate for mobile phones and parts of telecommunication devices（HS code:8517.6290）to 20%. In April 2018, it also raised the tariff rate for mobile phone printed circuit board assemblies（PCBA）（HS code:8517.7010）to 10% and in February 2020, further to 20%. In January 2022[3], it also raised the tariff rate for parts of telecommunication devices from 15% to 20% through the amendment of the tariff schedule of India.

These are clearly in violation of Article II of the GATT because, for example, India raised the effective tariff rates for products such as mobile phones, parts of telephone/telecommunication devices and base stations for which it has specified as duty-free based on 6-digit HS code in its Schedule of Concessions.

Japan repeatedly expressed concerns through the WTO Market Access Committee, the Information Technology Agreement (ITA) Committee, the WTO Council on Trade in Goods, the Embassy of Japan in India, etc., and requested that the Government of India provide a detailed explanation and promptly withdraw the measures. However, the government of India continued to provide the same response that “those products did not exist when the ITA was concluded, and therefore they are not subject to the elimination of tariffs which India promises under the ITA”, and so far, no improvement of the situation has been observed.

In May 2019 Japan requested that the government of India hold consultations based on the WTO Agreements and pursued the withdrawal of the measures. However, as the issue was not resolved through the consultations, in March 2020, Japan requested the establishment of a panel and in July 2020, the panel was established. In June and July 2020, EU and Taiwan also requested the establishment of a panel and the panels were established, respectively. In April 2023, the panel report was published which fully accepted Japan's arguments and found India's measures to increase tariffs on the ICT (information and communications technology) products to be inconsistent with the WTO Agreements.

In May 2023, India appealed to the WTO Appellate Body, and the case is pending the start of the Appellate Body procedure. Japan will appropriately respond in the Appellate Body procedure when it is resumed. Japan will also continue to request that India promptly and faithfully correct the measures.

- **India: Safeguard Measures on Hot-Rolled Steel Coils**

On September 7, 2015, the government of India initiated an investigation on hot-rolled steel coils and decided to impose provisional safeguard measures on September 9, 2015, which is only two days after the initiation. The provisional safeguard measures were imposed

[3] In January 2022, Through the amendment of the tariff schedule of India、telephones for other wireless networks, other than cellular networks（HS8517.12）was classified into HS8517.1300（Smartphones、the tariff rate 20％）and HS8517.1400（Other telephones for cellular networks or for other wireless networks、the tariff rate20％）, populated, loaded or stuffed printed circuit boards（HS8517.7010）was classified intoHS8517.7910（Populated, loaded or stuffed printed circuit boards、the tariff rate 20％）, (a) All goods other than the parts of cellular mobile phones and (b) Inputs or sub-parts for use in manufacture of parts mentioned at (a)（HS8517.7090）was classified into HS8517.7100（Aerials and aerial reflectors of all kinds; parts suitable for use therewith、the tariff rate 20％）andHS8517.7990（Other、the tariff rate 15％）.

on September 14, 2015 levying duties on hot-rolled steel coils. In March 2016 the government of India made a public notice on imposing the definitive safeguard measures for a period of two years and six months, starting from the date of levy of the provisional safeguard duty.

As required under the WTO Agreements, the investigating authority needs to clearly determine and demonstrate an increase in import resulting from the effect of the obligations incurred under the GATT 1994 as prescribed in Article XIX, paragraph 1 (a) of the GATT 1994. However, the Indian authority failed to clarify this in its investigation reports.

Moreover, as required under the WTO Agreements, the investigating authority needs to demonstrate the increase in import as the results of unforeseen developments, in addition to the effect of the obligations incurred under the GATT. However, although the investigation reports prepared by the Indian authority recognize such facts as excessive overproduction in China and demand increase in India as unforeseen developments as prescribed in Article XIX, paragraph 1 (a) of the GATT 1994, these facts are only changes in supply-demand relationships, which exert influence equally both on imported goods and domestic goods, and they do not cause disadvantageous changes in conditions of competition for domestic goods and do not fall under unforeseen developments.

Given these facts, the Indian authority cannot be seen to have properly demonstrated the fulfilment of the requirements for imposing safeguard measures under Article XIX, paragraph 1 (a) of the GATT 1994.

Furthermore, Japan understands that the Indian authority has not fulfilled other requirements for imposing safeguard measures. In addition, there were defects in the content of the notification to the WTO and thus the consistency of its procedure to the WTO Agreements is questionable.

Japan has carefully monitored the actions taken by the Indian authority concerning this issue since September 2015 when the investigation was initiated, and submitted government opinions, held bilateral consultations, and participated in public hearings procedures. In the written opinions submitted, Japan suggested that the safeguard measures at issue may violate the WTO Agreements and requested that due care be taken in conducting the investigation. Nevertheless, the Indian government decided to impose definitive safeguard measures following the investigations and has not corrected their measures since then. Therefore, in December 2016, Japan requested that India hold bilateral consultations under the WTO Agreements. In March 2017, Japan requested that the WTO establish a panel regarding the safeguard measures at issue and the panel was established in April 2017.

In November 2018, a panel report was published. The relevant safeguard measures lapsed during the consultation period, but most of Japan's arguments were accepted in the panel report. The report recommended that India bring the relevant measures into conformity as long as the effect remains since India's safeguard measures are inconsistent with the WTO Agreements. In December 2018, India appealed to the WTO Appellate Body and is waiting for the examinations at the Appellate Body. Japan will appropriately respond to the examinations of the Appellate Body when it is resumed.

(Reference 2) Development of Individual Trade Policies and Measures Described in "METI Priorities Based on the 2025 Report on Compliance with Trade Agreements by Major Trading Partners" for the Past One Year

Name of the Country	Trade Policies and Measures	Development
China	Export Control Law	Japan expressed its concerns at meetings such as the WTO Council on Trade in Goods and worked in coordination with like-minded countries to advocate for the establishment of fair and transparent system which reflects international rules and practices. In particular, regarding the measures against Japan, Japan strongly lodged a strong protest with the Chinese side and urge the withdrawal of the measures.
	Anti-Suit Injunctions (ASI) by Chinese Courts in Standard Essential Patent Lawsuits	In July 2025, the MPIA Arbitrators found in its arbitral award that China's ASI policy is inconsistent with the TRIPS Agreement. In August 2025, China informed the DSB of its intention to implement the award in a manner that respects its WTO obligations.
	Preferential Treatment for Domestic Companies and Domestic Products in Government Procurement	Japan expressed its concerns on the preferential treatment of domestic products in the local governments' procurements as well as the amendments to the Government Procurement Law at the WTO Council on Trade in Goods and the Commission on Government Procurement and other occasions. In December 2024, public comments were solicited regarding the "Notification on Matters Related to Domestic Product Standards and Implementation Policies in Government Procurement" to establish standards for domestic products required in government procurement, such as the proportion of domestically produced components. In response, the Japanese government submitted comments and expressed its concerns through opportunities such as bilateral meetings.
	Industrial Subsidies	In the WTO Subsidies Committee meetings, Japan expressed concerns that massive and opaque subsidies that deviate from market principles and create or maintain production capacity are contributing to the problem of overcapacity, together with the United

Name of the Country	Trade Policies and Measures	Development
		States, the United Kingdom, the European Union, Canada, and Australia. Japan also encouraged to take part in discussions not only developed Members, but also as many Members as possible, and emphasized the need to improve the transparency of subsidies.
	Regulations Related to Cybersecurity and Data	Japan submitted comments in the public consultations held in 2025 on the draft Cybersecurity Law Amendment and expressed concerns at meetings of the WTO Council for Trade in Services and the TBT Committee.
	Forced Technology Transfer	Japan conveyed its concerns at bilateral and multilateral consultations, while confirming the need for further discussions and action through the G7 and OECD.
China, Hong Kong, Macau, Russia	Suspension of Import of Japanese Aquatic Products in Response to Discharge of ALPS Treated Water into the Sea	Regarding China, in June 2025, China issued an announcement (General Administration of Customs Announcement No. 140 of 2025) to resume imports of aquatic products from regions other than ten prefectures (Fukushima, Miyagi, Ibaraki, Tochigi, Gunma, Saitama, Tokyo, Chiba, Niigata, and Nagano). As a result, procedures for the re-registration of export-related facilities on the Japanese side were initiated. However, as of the end of March 2026, although approximately 700 facilities on the Japanese side have applied for re-registration with the Chinese authorities, only three facilities have completed the process, and no additional facilities have been approved since July 2025. Japan continues to strongly call on the Chinese side to facilitate the export of Japanese aquatic products, and urges other countries/regions to immediately repeal import restrictions on Japanese aquatic products.
China, The United States, India and Indonesia	Inappropriate Application of Trade Remedy Measures	With regard to trade remedy measures considered inappropriate, Japan has raised its concerns in the WTO Committee on Safeguards and the WTO Committee on Anti-Dumping Practices, and other relevant bodies.
The United States	Tax Incentives for Electric Vehicles	In March 2024, China requested consultations on the U.S. EV tax credits and subsidies to renewable energy

Name of the Country	Trade Policies and Measures	Development
		project under the Inflation Reduction Act (IRA). Subsequently in July 2024, China requested the establishment of a panel, which was established in September (DS623). Japan participated in the discussion on DS623 as a third party; however, as this measure was withdrawn in September 2025, the panel report did not made any findings with respect to this measure.
	Import Adjustment Measures Pursuant to Section 232 of the Trade Expansion Act of 1962, etc.	The U.S. has imposed additional tariffs on steel and aluminum products (March 2025) and automobiles and automobile parts (April 2025) under Section 232 of the Trade Expansion Act, as well as additional tariffs on nearly all imports (same month) under the International Emergency Economic Powers Act (IEEPA). In response, Japan will strongly urge the U.S. government to reconsider these measures.
Indonesia	Import Restriction Measures on Steel Products, Textile Goods, and Electrical Products	Japan has been actively seeking for mitigation of effects on Japanese products, expressing concerns to the Indonesian government at meetings such as the WTO Council on Trade in Goods.
EU	Regulation on a Carbon Border Adjustment Mechanism （CBAM）	Japan has been engaging, and will continue to engage, with the EU through bilateral discussions, as well as in various fora such as the WTO, to ensure that imported products are not treated unfavorably in the design and operation of the CBAM.
	F-Gas Regulation	The Japanese government has expressed its concerns at consultations through the Committee on Regulatory Cooperation under Japan-EU EPA, as well as at the WTO TBT Committee and WTO Trade in Goods Council.
	Cumulative Trade Restrictive Measures on Steel Products	Japan has raised its concerns in various WTO committees, bilateral consultations, and other relevant fora.
France	Subsidies for Electric Vehicles	Japan has expressed its concern at WTO SCM Committee meetings and various other occasions.
India	Tariff Treatment on Certain Goods in the ICT Sector	In April 2023, a panel report was published. In May 2023, India appealed to the WTO Appellate Body and is waiting for the review at the Appellate Body.

Name of the Country	Trade Policies and Measures	Development
	Safeguard Measures on Hot-Rolled Steel Coils	India filed an appeal with the WTO Appellate Body in December 2018, and the appellate proceedings have remained suspended.
Vietnam	Regulations Related to Cybersecurity and Data	Japan submitted comments in the public consultations held in 2025 on the draft Cybersecurity Law and expressed concerns at meetings of the WTO Council for Trade in Services and the TBT Committee.
Korea	Measures Affecting Trade in Commercial Vessels	In November 2025 and in April 2026, Japan also requested that Korea explain its public financial support measures to ensure transparency at the Shipbuilding Committee of the OECD.