



## **U.S.-Japan Motor Vehicle Trade Non-Tariff Measures**

The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home. By cutting over 18,000 taxes different countries put on Made-in-America products, TPP makes sure our farmers, ranchers, manufacturers, service suppliers, and small businesses can compete—and win—in some of the fastest growing markets in the world. With more than 95 percent of the world’s consumers living outside our borders, TPP will significantly expand the export of Made-in-America goods and services and support American jobs.

### **EXECUTIVE SUMMARY**

The U.S.-Japan Motor Vehicle Trade provisions create groundbreaking new opportunities for U.S. automobile manufacturers in Japan. Non-tariff measures (NTMs) in Japan have limited access for U.S. motor vehicle exports to Japan. As part of a broader effort in TPP to create a trading environment that further opens markets to U.S. motor vehicle exports and enhances the

American position as a center of global manufacturing, the U.S. has addressed these barriers through bilateral negotiations with Japan in parallel with the broader TPP negotiations involving all TPP countries. Through long phase-outs of U.S. tariffs on motor vehicle imports, the TPP provides an expanded opportunity for U.S. firms to pursue these market-opening opportunities prior to any reduction in U.S. tariffs.

## **SUMMARY OF PROVISIONS**

TPP creates substantive, enforceable reforms covering topics including the following:

### **Transparency**

Japan's regulatory process is opaque and offers inadequate opportunities for foreign input and access to information. To address this problem, the TPP provisions will ensure that the committees advising Japan's regulators on significant regulatory issues operate in a transparent and open manner, with timely and public notice of their formation and of meetings, an opportunity for interested persons to participate in those meetings, and publicly available information on proposals. The agreement also requires that there be a 12-month period before regulations requiring a substantial change to motor vehicle design or technology come into effect.

### **Standards and New Technologies**

Japan's unique standards impose high costs on U.S. automakers operating in multiple markets. In addition, Japan has unnecessarily delayed permission to sell vehicles with advanced technologies. To address these issues, Japan has agreed to accept certain U.S. motor vehicle standards. In addition, the agreement requires that introduction of vehicles that include new technologies not be unduly delayed.

### **Preferential Handling Procedure**

The Preferential Handling Procedure (PHP) is important to U.S. motor vehicle producers because it allows them to sell cars in Japan using faster, less costly certification procedures. Under the TPP, Japan has agreed that it will not make the PHP program more costly or complex, and that motor vehicles certified using the PHP program will continue to be eligible for financial

incentives available to Japanese vehicles. As part of its entry to the TPP negotiations, Japan agreed to double the size of the PHP program.

## **Distribution**

Japanese zoning rules for motor vehicle distribution and repair facilities have made it harder for U.S. firms to sell in Japan. The TPP provides that zoning rules maintained and applied by the central government will be applied in a transparent and non-discriminatory manner.

## **Safeguard**

To address the potential for a surge of imports after tariffs are eliminated, the TPP includes a special automotive “safeguard measure” that will be available when an import surge causes or threatens to cause serious injury to U.S. producers.

## **Dispute Settlement**

The TPP includes special, accelerated dispute settlement procedures to address agreement violations affecting motor vehicles, with stiff penalties including delaying U.S. tariff cuts and a duty snapback.

## **New Non-tariff Measures**

The TPP includes a rapid consultation mechanism covering new non-tariff measures that may emerge, including those not yet adopted or published, in order to deter the adoption of new such measures.

## **Motor Vehicles Committee**

A Motor Vehicles Committee is established to monitor implementation of the agreement and to consult to resolve issues.

## **ADDITIONAL ACTIONS BY JAPAN**

The above proposals will be part of the market access commitments of the U.S. and Japan under the TPP agreement. In addition, Japan has committed to the following additional actions:

- Motor vehicle technical regulations, standards, and conformity assess-

ment procedures. Adoption of several specific standards that are important to U.S. automakers.

- Adoption of an optional method for simplifying Preferential Handling Procedure (PHP) certification procedures, and reduction of the frequency of testing requirements.
- Acceleration of local and regional government zoning procedures.

## **NEW FEATURES**

Achieving a level playing field in Japan for U.S. auto exporters has been a key objective of the United States. To this end, the TPP includes:

- An accelerated dispute settlement mechanism with stiff penalties for violations, including delaying U.S. tariff cuts and a snapback on both auto and truck tariffs.
- Commitments from Japan that will open up Japan's regulatory process to foreign participation and reduce regulatory costs for U.S. motor vehicle producers.
- A mechanism to head off new non-tariff measures.

## **IMPACT**

U.S. automakers have faced a web of non-tariff measures, such as an opaque process for developing regulations, discriminatory financial incentives, a complex distribution system, unique standards, and costly, drawn-out certification procedures. In addition, past U.S. government efforts to address these measures have lacked dispute settlement procedures and a means of responding quickly to emerging issues to head off new non-tariff barriers.

The U.S.-Japan automotive negotiations address these concerns in new and more powerful ways, taking up the following systemic challenges:

### **Regulatory Playing Field**

Leveling the playing field in Japan for U.S. motor vehicle producers through increased regulatory transparency and participation, eligibility for financial incentives, and facilitation of the establishment of new distribution and repair facilities.

## **Burdensome Standards that Raise Costs**

Reducing costs for U.S. motor vehicle producers for exports to Japan through Japan's adoption and acceptance of standards that are not unique to Japan, and through less burdensome testing and inspection requirements.

## **Procedures and Penalties for Violations**

Establishing a special dispute settlement mechanism for motor vehicles with accelerated procedures and stiff penalties for violations of the agreement.

Meanwhile, TPP provides that U.S. tariffs on imports of Japanese autos and trucks will be phased out in accordance with the longest time period in the TPP negotiations. U.S. auto tariffs on Japan will remain in place for 25 years. U.S. truck tariffs on Japan will remain in place for even longer—30 years. These tariff cuts will be back-loaded, meaning the majority of cuts take place years from now towards the end of the phase-out period. Japan agreed to this treatment in consultations with the United States in April 2013 before it joined the TPP negotiations. At that time, Japan also took the unilateral step of doubling the number of imported motor vehicles that may use Japan's simplified certification method for foreign cars, known as the Preferential Handling Procedure.

