

**Subject to Legal Review for Accuracy, Clarity and Consistency**

[Date]

Dear Ambassador Froman,

I have the honor to recall the exchange of letters dated April 12, 2013, between Ambassador of Japan to the United States of America, Mr. Kenichiro Sasae and then Acting U.S. Trade Representative, Mr. Demetrios Marantis. As was stated in the exchange of letters, the United States of America had continually expressed longstanding concerns regarding trade in the motor vehicle sector. After discussing such concerns and how they could be addressed, the Government of Japan and the Government of the United States decided to conduct negotiations on motor vehicle trade in parallel to the Trans-Pacific Partnership (TPP) negotiations, according to the Terms of Reference (TOR) attached to the exchange of letters.

I am pleased to hereby confirm that the two Governments have addressed the issues in accordance with the TOR and successfully concluded the parallel negotiations. The outcome of the negotiations that provides for rights and obligations related to motor vehicle trade between the two countries is reflected in the Appendix between Japan and the United States on Motor Vehicle Trade attached to Annex 2-D of the TPP Agreement. I also have the honor to confirm, on behalf of the Government of Japan, its decision to implement the measures described in the attachment to this letter no later than the date of the entry into force of the TPP Agreement for the two countries.

I am further pleased to confirm that the two Governments affirm the importance of full implementation of the obligations of the Appendix between Japan and the United States on Motor Vehicle Trade attached to Annex 2-D of the TPP Agreement and the measures described in the attachment to this letter, and look forward to the private sectors seizing new and enhanced market access opportunities.

The Government of Japan stands ready to engage in a dialogue with the Government of the United States regarding specific issues related to motor vehicle trade which may arise in the future, in particular, in the interest of further enhancing economic growth and expanding bilateral trade and investment.

I look forward to your letter in response.

Yours sincerely,

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### **Motor Vehicle Technical Regulations, Standards and Conformity Assessment Procedures**

The Government of Japan confirms that a technical regulation described in the following paragraphs or amendment thereto will be subject to Article 3.2 of the Appendix between Japan and the United States on Motor Vehicle Trade attached to Annex 2-D of the TPP Agreement.

1. The Government of Japan will adopt UN R51 and UN R117 in its regulations for purposes of motor vehicle certification within a reasonable time after the revisions of those UN Regulations are adopted in the WP.29.
2. The Government of Japan adopted on May 30, 2014, the Global Technical Regulation applicable to the design and safety of hydrogen tanks for use in fuel cell-powered vehicles for purposes of motor vehicle importation, certification, sale and operation.
3. The Government of Japan amended the Public Notice Related to the Order for Enforcement of the High Pressure Gas Safety Act (1997 Public Notice of Ministry of International Trade and Industry No.139) to exempt eligible HFO-1234yf recovery units from the regulation of the High Pressure Gas Safety Act on July 18, 2014.
4. The Government of Japan will endeavor to provide for timely changes, provided that safety is confirmed, to law or regulation necessary for acceptance, certification, and use of safety devices installed on imported motor vehicles that incorporate a pyrotechnical device.
5. The Government of Japan will accept the Worldwide harmonized Light vehicles Test Procedure (WLTP) mode for exhaust emissions and fuel economy within a reasonable time after it is agreed and adopted in the WP.29.

### **Preferential Handling Procedure Certification and Requirements**

1. The Government of Japan will introduce a method for permitting type designation of the exhaust emission control system and noise emission control system (hereinafter referred to as “Device Type Designation”) for motor vehicles imported under the Preferential Handling Procedure (PHP). Designation under Device Type Designation under the PHP will be evaluated only at the option of the manufacturer. For those motor vehicles that include an exhaust emission control or noise emission control system for which Device Type Designation has been granted:
  - (a) reports on sampling tests on exhaust emissions or noise emissions, as the case may be, will not be required to be submitted to the Ministry of Land, Infrastructure, Transport and Tourism of Japan (MLIT); and

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- (b) the manufacturer will be permitted to conduct sampling tests on exhaust emissions and noise emissions for purposes of quality control inspections without a witness by a third party.
2. The Government of Japan will provide that the frequency of required sampling tests for compliance with exhaust emissions and noise emissions requirements be reduced for a type of motor vehicle imported under the Preferential Handling Procedure. The testing ratios for such a type of vehicle will be no more frequent than as follows:
- (a) For exhaust emissions requirements, the sampling test frequency will be reduced from the current requirement of one unit per 50 units for the first 300 units, and then one unit per 100 units thereafter, to the following:
    - (i) In cases where performance significantly exceeds the applicable requirements in each prior sampling test, one unit per 100 units for the first 1,200 units, then reduced to one unit per 200 units for the next 1,800 units, and then reduced to one unit per 300 units thereafter.
    - (ii) In all other cases, where performance meets (but does not significantly exceed) the applicable requirements in each prior sampling test, one unit per 50 units for the first 300 units, then reduced to one unit per 100 units for the next 2,700 units, and then reduced to one unit per 200 units thereafter.
  - (b) For noise emissions requirements, the sampling test frequency will be reduced from the current requirement of one unit per 300 units to the following: where performance meets the applicable requirements in each prior sampling test, one unit per 300 units for the first 1,200 units, then reduced to one unit per 600 units for the next 1,800 units, and then reduced to one unit per 900 units thereafter.
3. The Government of Japan will positively consider the feasibility of expanding the frequency of Preliminary Inspections performed on the premises of motor vehicle importers for purposes of performing such inspections for motor vehicles imported under the Preferential Handling Procedure, such that importers will less frequently be required to transport and present these vehicles at Ministry of Land, Infrastructure, Transport and Tourism facilities for initial inspection.
4. The Government of Japan will monitor the needs and interests of importers with respect to the electronic submission of documents and payments related to the inspection and ownership of motor vehicles imported under the Preferential Handling Procedure and consider providing for expanded electronic submission of such documents and payments to the extent feasible.

### Distribution

1. The Government of Japan will request local and regional governments, in written procedures or in meetings attended by representatives of those governments, to accelerate the

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process for examining an application for the exemption provided in the proviso of Article 48 of the Building Standards Act. It will also conduct a survey on the time and other factors related to conducting the examination process and, upon completion of the study, pursue the establishment of a recommended standard processing period within which local and regional governments would aim to complete their examination process.

2. The Government of Japan will further request local and regional governments to consult with the Ministry of Land, Infrastructure, Transport and Tourism prior to any denial of an application for the aforementioned exemption or when they face difficulty in making a decision regarding such an application, with a view to determining their interpretation of applicable laws and regulations, as well as other relevant information, with respect to whether the applicable criteria have been satisfied.

3. The Government of Japan will inform the Japanese Automobile Manufacturers Association, the Japan Automobile Dealers Association, and their respective members of the procedure for reporting suspected violations of the Anti-monopoly Act to the Japan Fair Trade Commission (JFTC), including suspected anticompetitive business conduct that has the effect of limiting or excluding foreign motor vehicle manufacturers from the Japanese market.

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Dear [ ],

I am pleased to acknowledge the receipt of your letter of {date}, in which you recalled the exchange of letters dated April 12, 2013, between Ambassador of Japan to the United States of America, Mr. Kenichiro Sasae and then Acting U.S. Trade Representative, Mr. Demetrios Marantis. As was stated in the exchange of letters, the United States of America had continually expressed longstanding concerns regarding trade in the motor vehicle sector. After discussing such concerns and how they could be addressed, the Government of Japan and the Government of the United States decided to conduct negotiations on motor vehicle trade in parallel to the Trans-Pacific Partnership (TPP) negotiations, according to the Terms of Reference (TOR) attached to the exchange of letters.

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I am further pleased to confirm that the two Governments affirm the importance of full implementation of the obligations of the Appendix between Japan and the United States on Motor Vehicle Trade attached to Annex 2-D of the TPP Agreement and the measures described in the attachment to this letter, and look forward to the private sectors seizing new and enhanced market access opportunities.

I welcome the prospect of a further dialogue regarding specific issues related to motor vehicle trade which may arise in the future, including issues related to daytime running lamps and Keyless Entry/Tire Pressure Monitoring Devices that my Government may wish to raise in such a dialogue at an appropriate time.

Sincerely,

Ambassador Michael B.G. Froman