



JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.

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May 8, 2013

The Honorable Max Baucus
Chairman
Senate Committee on Finance
Rm. SD-219
Dirksen Senate Office Bldg.
Washington, DC 20510-6200
Attn. Editorial and Document Section

Dear Mr. Chairman,

On behalf of the Japan Automobile Manufacturers Association (JAMA), please find attached a statement for the hearing record for the Senate Committee on Finance hearing entitled, "The Trans-Pacific Partnership: Opportunities and Challenges," which was held on April 24, 2013.

JAMA appreciates the opportunity to provide this statement for the hearing record.

Sincerely yours,

Ronald B. Bookbinder
General Director
Japan Automobile Manufacturers Association, Washington Office

STATEMENT FOR THE RECORD

OF THE

JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION

BEFORE THE

UNITED STATES SENATE

COMMITTEE ON FINANCE

APRIL 24, 2013 HEARING

**“THE TRANS-PACIFIC PARTNERSHIP: OPPORTUNITIES AND
CHALLENGES”**

Japan Automobile Manufacturers Association
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May 8, 2013

Introduction

The Japan Automobile Manufacturers Association, Inc. (JAMA) appreciates the opportunity to provide this statement for the record of the April 24, 2013 Finance Committee hearing entitled “The Trans-Pacific Partnership: Opportunities and Challenges.”

JAMA is a Tokyo-based, nonprofit industry association that represents Japan’s 14 manufacturers of passenger cars, trucks, buses and motorcycles. JAMA’s member companies are Daihatsu Motor Co., Ltd.; Fuji Heavy Industries Ltd.; Hino Motors, Ltd.; Honda Motor Co., Ltd.; Isuzu Motors Limited; Kawasaki Heavy Industries, Ltd.; Mazda Motor Corporation; Mitsubishi Motors Corporation; Mitsubishi Fuso Truck & Bus Corporation; Nissan Motor Co., Ltd.; Suzuki Motor Corporation; Toyota Motor Corporation; UD Trucks Corporation; and Yamaha Motor Co., Ltd. Virtually all of our members invest, and most of them produce and sell, automotive products in the United States and are inextricably linked to the U.S. economy. In 2011, JAMA members had cumulatively invested over \$35 billion in the U.S., purchased over \$43 billion in U.S. auto parts, directly employed 388,000 American workers, produced 2.42 million vehicles in the U.S., and exported 260,000 vehicles from the U.S. Nearly 70% of the vehicles they sell in the U.S. are built in North America. All told, the Japanese auto industry is responsible for an estimated 1.2 million U.S. jobs, including the direct, intermediate and spinoff jobs of its U.S. production facilities and dealer networks.

JAMA wishes to make three basic points in this comment:

1. JAMA welcomes the announcement by the Government of Japan to participate in negotiations toward a Trans-Pacific Partnership (TPP) agreement.
2. It is important to correct unsubstantiated references regarding tariff and non-tariff barriers to auto exports to Japan that were made in the course of the Committee hearing. The facts demonstrate that there are no tariff or non-tariff restrictions on the sale of imported automobiles in the Japanese market.
3. JAMA is a strong and active supporter of global free trade and investment. JAMA has cooperated with automotive associations around the world to achieve these goals, particularly in the automotive sector. This includes remaining open to any and all interests seeking to sell in Japan’s automotive market. We have repeatedly communicated our commitment to that cooperation to foreign governments and auto companies. We have also stated our willingness to respond to identified concerns that our industry can appropriately seek to address.

1. JAMA welcomes the announcement by the Government of Japan to participate in negotiations toward a Trans-Pacific Partnership (TPP) agreement.

JAMA’s member companies strongly support open trade and investment and have worked for many years to help create the current positive business climate in the global auto industry. That business climate, in which companies compete not only in local markets but also around the world, has been a result of the fact that the liberalization of trade and investment is far more economically beneficial than trade protection.

Where motor vehicles are concerned, it is the quality, drivability, safety and innovation that is incorporated into them that creates and should create the competitive edge. This, we believe, is in the best interests of the consumer.

Consistent with that positive approach to auto trade, JAMA and its member companies welcome the ongoing TPP initiative. JAMA believes that Japan's participation in the TPP will contribute constructively to the development of rules that promote free trade, open investment and the protection of intellectual property rights among other benefits.

In his April 12 comment on the conclusion of Japan-U.S. consultations on Japan's TPP participation, JAMA Chairman Akio Toyoda said that "Japan's participation in the TPP will not only be instrumental in the recovery of its economy, but will enable it to make significant contributions to regulatory and other progress throughout the Asia-Pacific region and to the development of bilateral and multilateral economic partnership agreements in other regions as well."

Chairman Toyoda added that "[W]e look forward to the Japanese government's entering the TPP negotiations on a sure footing of promoting national interests and taking into account the views of our industry. It is furthermore hoped that upcoming negotiations will dispel any unfounded misunderstandings on the U.S. side in regard to the auto market here in Japan and serve the best interests of consumers in both our countries."

2. There are no tariff or non-tariff restrictions on the sale of imported autos in Japan

In the course of the Committee hearing, claims were made regarding Japanese tariff and non-tariff barriers to auto imports. In fact there are no such barriers in Japan. No restrictive customs or other regulations apply to imported vehicles.

Japan's tariffs have been at 0% for passenger vehicles, trucks and auto parts since 1978. In comparison, tariffs are imposed in some of the countries that have already joined the TPP initiative as follows: Singapore: 0% on all vehicle types; Vietnam: 83% on passenger cars; Malaysia: 30% on passenger cars; Canada: 6.1% on light vehicles; Mexico: 0%-30% on passenger cars (governed by existence of FTA, in or out-of-quota, MFN); Peru: 6% on passenger cars; Australia: 5% on passenger cars and trucks; the United States: 2.5% on passenger cars and 25% on trucks.

With regard to dealerships, there is no restriction on the brands or vehicles dealers in Japan can sell and Japanese auto manufacturers cannot intervene in these dealer decisions.

The United States and Japan addressed this question more than two decades ago. In the January 9, 1992 "Tokyo Declaration on the U.S.-Japan Global Partnership" by President George H.W. Bush and Prime Minister Kiichi Miyazawa, it was stated that with regard to automobiles:

- Japanese automobile dealers' associations publicly reconfirmed their willingness to undertake dual dealerships to sell U.S. automobiles:

- Japanese automobile manufacturers as the attached:

--- have eliminated prior consultation requirement clauses in dealership contracts, and made it clear that dealers may of their own free will sell automobiles of multiple manufacturers in parallel.

The lack of any dealer restrictions was further demonstrated in the 1994 final report (conducted by a joint team of U.S. and Japanese outside consultants) under the U.S.-Japan "Market Oriented Sector Selective" (MOSS) trade dialogue, which found that "[T]he ... current franchise agreements of Japanese vehicle manufacturers no longer have any clause that restricts dealer principals' legal right to handle other manufacturers' cars."

Finally, in the 1995 U.S.-Japan Framework Agreement, the Japanese vehicle manufacturers specifically confirmed that:

- a. all dealers are free to sell competing motor vehicles and that a dealer's decision to sell one or more competing motor vehicles should not be a matter of concern to the dealer regarding such dealer's ongoing relationship with a Japanese vehicle manufacturer;
- b. all prior consultation requirement clauses with respect to handling competing motor vehicles that previously existed in dealership agreements have been eliminated; and
- c. they support open and competitive distribution systems for motor vehicles in Japan.

In the same Agreement, the Government of Japan agreed that it would "specifically in writing ... inform dealers which are members of the Japan Automobile Dealers Association that they are free to sell competing motor vehicles." The Japanese Government also agreed to provide each dealer those sections of the Japan Fair Trade Commission's "Antimonopoly Act Guidelines Concerning Distribution Systems and Business Practices" "which describe types of conduct, including direct or indirect restrictions on distributors' handling of competing products, which may impede free and fair competition and violate the Antimonopoly Act."

JAMA notes that in recent years, at the same time that the number of dealers in Japan selling European-nameplate vehicles has increased, there has been a significant decrease in the number of dealers in Japan that sell U.S. vehicles. For example, in 1996 there were about 620 dealers selling cars manufactured by U.S.-based auto companies, and 755 dealers selling cars from Europe-based companies. In 2011 there were 160 dealers selling cars made by U.S.-based companies and 1,302 dealers selling European cars. The increase in the number of European dealerships is due to the fact that European auto manufacturers offer models that fit the Japanese market.

3. JAMA is and will continue working together with worldwide auto and auto parts interests to address any Japanese market-related concerns

For well over 30 years, JAMA has encouraged and fostered an open and constructive dialogue with auto and auto parts industries and relevant government agencies around the world. JAMA has over the years actively promoted and sought to achieve harmonization of vehicle standards and certification procedures specifically and trade liberalization generally. JAMA is currently engaged in a constructive dialogue with the European auto industry, and continues to work with trade associations in Europe and the United States on such matters as harmonization of vehicle standards.

JAMA has and will continue to cooperate with efforts to address barriers to exports to Japan when and where specific problems are identified.

Conclusion

The TPP offers an historic opportunity to establish a free trade agreement that will serve the interests of consumers in a vast region of the world. In pursuit of that goal, which JAMA supports, it is vital that the TPP discussions with Japan be based on substantive questions of trade policy, and factual information regarding market conditions.

JAMA welcomes any and all activities designed to clarify the nature of Japan's automobile market, including the current dialogue taking place between the U.S. and Japanese governments. We are confident that objective analysis of Japan's auto market today will show that that market is not and should not be an obstacle to the successful conclusion of the TPP.