

Motor Vehicle Trade Terms of Reference

The Government of the United States and the Government of Japan (hereinafter referred to as “the Governments”) will conduct negotiations on motor vehicle trade in parallel to the TPP negotiations in accordance with the following:

- The outcomes of the negotiations will be WTO consistent.
- The outcomes of the negotiations will be within the scope of the authority of the Governments.
- The Governments will incorporate the rights and obligations to be agreed as a result of the negotiations into the U.S.-Japan bilateral market access schedules appended to the TPP agreement, which accordingly, will be subject to its dispute settlement procedure. A special accelerated dispute settlement procedure allowing for the reimposition of the current MFN tariffs in this sector (“snapback” procedure) will also be provided through the negotiation.

The parallel negotiations will address the following issues and will result in tangible and meaningful outcomes in these issue areas:

Special Motor Vehicle Safeguard: Substantive and procedural elements of a special safeguard on motor vehicles, including the injury test, duration, and compensation will be addressed, taking into account the outcome of the tariff negotiations in this sector.

Transparency: Both Governments recognize the importance of meaningful, predictable and robust transparency mechanisms for the preparation, adoption, and application of government regulatory measures that may impact the manufacture, importation, sale, or operation of motor vehicles. Issues will be addressed in the areas including: sufficient advance notice of proposed regulatory measures; transparency and non-discrimination related to the development of regulatory measures, including proposals for guidelines and similar measures; meaningful opportunities for input throughout the process of developing and implementing such measures; reasonable periods to comply with new regulations; post-implementation reviews of regulations; and other measures.

Standards: Issues related to standards, technical regulations, and conformity assessment procedures in the motor vehicle sector, and related issues including auto parts, will be addressed, including further facilitation and cost reduction of type approval. Both

Governments further recognize the importance of bilateral cooperation to harmonize standards for motor vehicle environmental performance and safety, with particular focus on work underway in the World Forum for Harmonization of Vehicle Regulations of the United Nations Economic Commission for Europe (WP.29).

PHP Certification System: Substantial steps for further facilitation under Japan's Preferential Handling Procedure (PHP) certification system for motor vehicles will be addressed in the parallel negotiations.

Green/New Technology Vehicles: Both Governments recognize the importance of facilitating trade in motor vehicles utilizing alternative fuels or energy sources, and will address emerging issues related to manufacture, importation, sale and operation of these vehicles, including the need to ensure non-discrimination.

Financial Incentives: Without prejudice to the sovereign right of a government to manage its own taxation system, fiscal incentives or other measures will be addressed with reference to their impact on competitive condition in the markets of both countries to ensure that such measures do not have the effect of discriminating against U.S. motor vehicles including those imported under the PHP program.

Distribution: Issues related to the distribution and servicing of motor vehicles will be addressed.

Third Country Cooperation: Various motor vehicle issues including, but not limited to, ways for facilitating market access and investment in other countries will be discussed.

Other Issues: Other issues, including customs issues, related to motor vehicle trade policies may be raised upon the request of either Government, and be included in the parallel negotiations upon mutual agreement.