

March 8, 2018

Dear Minister,

I am pleased to inform you of the following on the occasion of the signature of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the Agreement):

I confirm that Canada is not and will not be discriminated against in the application of Japan's non-tariff measures on motor vehicles. To this end, Japan will accord to Canada treatment that is no less favourable than that accorded to a third country under any technical regulations, standards or conformity assessment procedures related to motor vehicle safety and emissions adopted or applied by Japan.

In recognition of the above, I confirm the following in accordance with the relevant laws and regulations of Japan:

- imports of motor vehicle manufactured in Canada certified under Japan's Preferential Handling Procedure (PHP) will benefit from streamlined noise and emissions testing procedures; and
- the PHP will be adopted and applied in a manner that does not preclude motor vehicles manufactured in Canada certified under the PHP from eligibility for any government financial incentives with respect to motor vehicles.

Furthermore, where the Ministry of Land, Infrastructure, Transport and Tourism finds the Federal Motor Vehicle Safety Standards of the United States (U.S. FMVSS) to be no less stringent than corresponding Japanese regulations, motor vehicles manufactured in Canada which comply with these U.S. FMVSS will be deemed to comply with the Japanese regulations to which it corresponds.

Where applicable, the arrangements described above are set out in more detail in the fact sheet attached to this letter. I have the honour to confirm our decision to implement the arrangements described in this letter and the fact sheet attached to this letter no later than the date of the entry into force of the Agreement for the two countries.

Going forward, Japan will work jointly with Canada to encourage and promote greater international harmonization of technical requirements for motor vehicles through multilateral fora, such as the 1998 Agreement Concerning the Establishment of Global Technical Regulations as administered by the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations (WP.29), as well as through cooperation in the planning of initiatives in support of such activities.

Finally, I confirm that Japan and Canada will cooperate on developing an enforceable dispute settlement mechanism applicable to the implementation of the arrangements detailed above and in the fact sheet attached. Japan and Canada will establish this mechanism by the date of ratification of the Agreement by Japan and Canada.

I trust that with these assurances we share the intention with Canada to accelerate our respective legal procedures towards entry into force of the Agreement as soon as practical.

Yours sincerely,

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Toshimitsu Motegi  
Minister in charge of  
Economic Revitalization of Japan

The Honourable François-Philippe Champagne  
Minister of International Trade  
Canada



## Appendix

### Fact Sheet on Automotive Technical Regulations and Standards

#### 1. Preferential Handling Procedure Certification and Requirements:

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 vehicles imported into Japan under the Preferential Handling Procedure (PHP). 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.

#### 2. Preferential Handling Procedure Financial Incentives

Japan will ensure that the PHP and its relevant regulations are adopted and applied in a manner that does not preclude the eligibility of motor vehicles imported under PHP (PHP vehicles) for any financial incentive measures of central government bodies<sup>1</sup> with respect to motor vehicles.<sup>2</sup> The term “any financial incentive measures” includes, but is not limited to, tax incentive measures of central government bodies. To fulfill this commitment, Japan is planning to amend relevant ministerial ordinance and notification of the Energy Conservation Act to make PHP vehicles applicable to the current tax incentive measures of central government bodies.

Currently, the fuel efficiency standards and efficiency disclosure requirements under the Energy Conservation Act<sup>3</sup> do not apply to PHP vehicles. With no fundamental shift in the relevant factors at this time which may result in the application of the aforementioned standards and requirements under the Act to PHP vehicles, there is no plan to change the

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<sup>1</sup> A financial incentive measure of a central government body includes such a measure that is implemented by other entities, including local government bodies.

<sup>2</sup> This paragraph does not apply with respect to motor vehicles for which documents for the Preferential Handling Procedure are received by the relevant authority prior to the date of entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership with respect to Japan and Canada.

<sup>3</sup> The purpose of the Energy Conservation Act is to take necessary measures required for the rational use of energy, in order to contribute to securing the effective utilization of fuel resources according to the economic and social circumstances concerning energy in and outside Japan.



current treatment provided to PHP vehicles under the Act and the current treatment will continue for the foreseeable future.

When implementing a financial incentive measure, Japan may apply requirements for motor vehicles, including PHP vehicles, necessary to determine whether a motor vehicle satisfies the criteria of that financial incentive measure.

### 3. Standards

With respect to requirements of a safety regulation under the Road Vehicle Law (Law No. 185 of 1951) of Japan (Road Vehicle Law) that the competent authority of Japan, the Ministry of Land, Infrastructure, Transport and Tourism, identified as of April 1, 2015,<sup>4</sup> if the competent authority of Japan finds that a requirement of the Federal Motor Vehicle Safety Standards of the United States (U.S. FMVSS) is no less stringent than the requirement under the Road Vehicle Law to which it corresponds, motor vehicles manufactured in Canada classified under heading 87.03 that comply with such a requirement of the U.S. FMVSS will be deemed to comply with that requirement under the Road Vehicle Law. Such treatment will apply unless that requirement under the Road Vehicle Law is modified and, as modified, is substantially more stringent than previously.<sup>5</sup> In that event, Japan will continue to provide such treatment for a period that is usually not less than 12 months after the date on which the requirement under the Road Vehicle Law is modified.

With respect to requirements of a safety regulation under the Road Vehicle Law of Japan, the following are the requirements provided under the U.S. FMVSS which the competent authority of Japan found no less stringent than those corresponding requirements provided under the Road Vehicle Law, as of April 1, 2015.

1. Full-wrap frontal collision (FMVSS 208)
2. Rear-end collision (FMVSS 301)
3. Flammability of Interior Materials (FMVSS 302)
4. Registration Plate Lamps (FMVSS 108)
5. Inside Rear-View Mirror Impact Absorption (FMVSS 111)
6. Windshield Wiping and Washing Systems for Passenger cars, etc. (FMVSS 104)
7. Windshield Defrosting and Defogging Systems (FMVSS 103)

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<sup>4</sup> The requirements of a safety regulation under the Road Vehicle Law that the competent authority of Japan identified as of April 1, 2015, for the purposes of this section are those not based on a regulation adopted under the Agreement concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be fitted and/or be used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions (UN Regulation), a regulation established under the 1998 Agreement (GTR) or a U.S. FMVSS.

<sup>5</sup> With respect to any subsequent modifications to those requirements under the Road Vehicle Law that the competent authority of Japan identified as of April 1, 2015, Japan will consider whether the requirement, as modified, is based on a UN Regulation or GTR and substantially more stringent than the previous requirement as a result.