

Congress of the United States
House of Representatives
Washington, DC 20515

February 9, 2017

President Donald J. Trump
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President,

Japan's significant, long-standing, and persistent economic barriers put in place to block our exports and support theirs have hurt American workers and businesses for decades.

The total U.S. – Japan trade deficit stands at \$68 billion. Nowhere is the closed nature of Japan's market more evident than in the auto sector which has consistently made up close to 70% of the overall deficit. Strikingly this auto deficit has remained unchanged for decades. Japan's policies and practices have been carefully honed to keep out American and other foreign cars and parts. Consider the following facts:

Japan's Auto Market is Closed. Even though Japan is the third largest auto market in the world, its auto market import penetration rarely breaks 6% - the lowest among all OECD members. The unfair non-tariff barriers have varied over the years, but their purpose remains the same - to block imports. The barriers have included a discriminatory system of taxes, onerous and costly vehicle certifications procedures for imported vehicles, a complex and changing set of safety, noise and pollution standards, an unwillingness by Japanese dealerships to carry foreign automobiles, zoning laws that make it difficult to set up dealerships and the lack of enforcement to prevent anti-competitive practices. The list goes on and on and the experience which has been repeated for decades is this: as soon as you fight to eliminate one non-tariff barrier, another one pops up to take its place.

Japan has a Proven History of Intervening in Global Exchange Markets and "jawboning" to push down the value of its currency, to limit imports into Japan and boost their exports. In the 2000s we saw currency manipulation move to fore as a tool to keep trade imbalanced. The weak yen became a subsidy for their exports – worth thousands of dollars per vehicle.

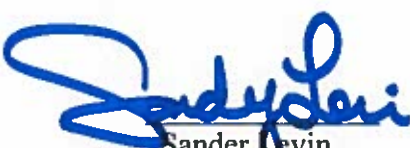
Japan's Auto Industry Depends on Protection in Home Market as Export Platform. Japan's auto sector is overproducing for its domestic market, producing some 11 million automobiles despite having only a 5 million automobile domestic market. Japanese auto producers use this protected home market to sell their products in Japan at high prices and use the proceeds of those home-market sales to subsidize their sales prices in the U.S. market.

We write to re-iterate our strong view that the U.S. must make it clear to Japan that any discussion of a bi-lateral trade agreement would include the following provisions:

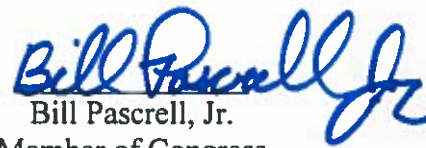
- A strong and enforceable currency manipulation provision;
- the elimination of all non-tariff barriers in the auto sector, including auto parts;
- a process that allows the U.S. to object to new measures as discriminatory before they are put in place;
- a link between a demonstrable opening of the Japanese market to any U.S. tariff reduction; and,
- the ability to "snapback" tariffs or extend tariff phase-outs if the benefits of the agreement are nullified or impaired.

We respect Japan as an important ally of the United States, and we have spent decades as U.S. policy makers advocating a change in this persistent and damaging trade imbalance. Unfortunately, the barriers to American autos in the Japanese market are deeply structural and shifting, and all negotiated agreements in the past have failed to change the market conditions for U.S. businesses. Any increased investment in the U.S. by Japanese companies does not excuse the unfair treatment of U.S. exports to Japan. Discussions of a bi-lateral trade agreement must hold as a starting point the requirement of real change.

Sincerely,


Sander Levin
Member of Congress


Marc Kaptur
Member of Congress


Bill Pascrell, Jr.
Member of Congress