

Dear Ambassador Kantor and Secretary Brown,

With regard to the autos and auto parts sector, I am pleased to state the following upon instructions from my Government.

I am pleased to note that following a series of consultations between the Government of Japan and the Government of the United States of America under the Framework for a New Economic Partnership established by the "Joint Statement on the Japan-United States Framework for A New Economic Partnership for Japan and the United States of America" on July 10, 1993 (the "Framework"), the Government of Japan and the Government of the United States of America each has decided to implement the measures in the attached document, "Measures by the Government of Japan and the Government of the United States of America Regarding Autos and Auto Parts" (the "Measures").

The Government of Japan reaffirms the principle of the Framework, including the principle that all measures of the Measures (including Sections IV.A and IV.B) are to be taken on a most-favored-nation basis. In this regard the Government of Japan is prepared to take similar measures in relation to any third country.

It is my Government's view that each Government is to take the respective measures, beginning as of the date of this letter and lasting Until the end of 2000; at which time the two Governments will decide whether it is necessary to continue the Measures.

Sincerely,

/s/

Takakazu Kuriyama  
Ambassador of Japan

Dear Ambassador Kuriyama:

We are pleased to receive your letter of today's date concerning the decision of the Government of Japan to implement its measures in the document attached to your letter, the "Measures by the Government of Japan and the Government of the United States Regarding Autos and Auto Parts" (the "Measures").

Following a series of consultations between the Government of Japan and the Government of the United States of America under the Framework, the Government of the United States of America has announced that it will continue to promote the export of autos and auto parts to Japan and encourage U.S. companies to pursue more actively market opportunities in Japan. In addition, the Government of the United States of America has decided to implement its measures in the Measures.

We wish to confirm that the views expressed in your letter and the Measures are shared by our Government, and that each Government is to take the respective measures beginning as of this letter and lasting until the end of 2000V at which time the two Governments will decide whether it is necessary to continue the Measures.

Sincerely

/s/

Michael Kantor  
United States Trade Representative

/s/

Ronald H. Brown  
Secretary of Commerce

MEASURES BY THE GOVERNMENT OF JAPAN AND THE GOVERNMENT  
OF THE UNITED STATES OF AMERICA REGARDING  
AUTOS AND AUTO PARTS

**I. GOALS AND GENERAL POLICIES**

- A. The goals of the Framework for A New Economic Partnership (the "Framework") established by the "Joint Statement on the Japan-United States Framework for A New Economic Partnership" of the Heads of Governments of Japan and the United States of America (the "United States") on July 10, 1993 are to deal with structural and sectoral issues in order substantially to increase access and sales of competitive foreign goods and services through market-opening and macroeconomic measures; to increase investment; to promote international competitiveness; and to enhance bilateral economic cooperation between the United States and Japan.
- B. To accomplish these goals with respect to the Japanese autos and auto parts sector, the Government of Japan and the Government of the United States each has decided to implement the measures contained in this document, "Measures by the Government of Japan and the Government of the United States of America Regarding Autos and Auto Parts" (the "Measures") with objective of achieving significantly expanded sales opportunities to result in a significant expansion of purchases of foreign parts by Japanese firms in Japan and through their transplants, as, well as removing problems which affect market access, and encouraging imports of foreign autos and auto parts in Japan.
- C. All measures described in this document (including measures related to changes in regulations) are to be taken consistent with laws and regulations applicable to each country and international law.
- D. The Government of Japan and the Government of the United States affirm the principle that vehicle manufacturers, auto parts suppliers and vehicle dealers should deal with suppliers based on the principles of free and open competition without adverse discrimination based on capital affiliation.
- E. The Government of Japan and the Government of the United States reaffirm the principles of the Framework, including the principle that all measures of the Measures (including Sections II.A and IV.B) are to be taken on a most-favored-nation basis. In this regard, the Government of Japan is prepared to take similar measures in relation to any third countries.

**II. MEASURE TO ENCOURAGE IMPORTS AND TO FACILITATE MARKET ACCESS FOR FOREIGN VEHICLES IN JAPAN**

- A. Foreign Vehicle Dealership Market Access Plan
  - 1. The objectives of this Foreign Vehicle Dealership Market Access Plan (the "Plan") are

as follows:

- a. to demonstrate the commitment of the Japanese vehicle manufacturers to support open and competitive distribution systems for motor vehicles in Japan
  - b. to eliminate concerns that Japanese vehicle dealers may have about the consequences associated with carrying competing foreign motor vehicles;
  - c. to facilitate contacts between foreign vehicle manufacturers and Japanese vehicle dealers; and
  - d. to encourage foreign companies to continue to pursue market opportunities in Japan.
2. The Government of Japan welcomes and supports the Japan Automobile Manufacturers Association's (JAMA) announcement of June 28, 1995 stating the intention of its members to work to promote an open and competitive distribution system for motor vehicles in Japan.
  3. The Government of Japan welcomes and supports the announcement of June 28, 1995 issued by the Japanese vehicle manufacturers that confirms 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 dealers' ongoing relationship with a Japanese 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.
  4. The Government of Japan welcomes and supports the announcement of June 28, 1995 issued by the largest motor vehicle dealers through the Japan Automobile Dealers Association (JADA) publicly announcing the intention of these dealers to enter into independent franchise agreement with foreign vehicle manufacturers who offer competitive terms, conditions, and products.
  5. The Government of Japan specifically in writing members of JADA that they are free to sell competing motor vehicles. The Government of Japan will attach to the notice the following sections of "The Antimonopoly Act Guidelines Concerning Distribution Systems and Business Practices" (Guidelines) issued by the Japan Fair Trade Commission (the "JFTC") on July 11, 1991, which Scribe 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 (the "AMA"):

- In chapter 4 of Part I: paragraph 2, chapeau, point 4 of paragraph 2 (i.e., circle 4). And notes 7,8 and 9 (Restrictions on Trading Partners of Dealing with Competitors); and
- In chapter 2 of Part II: subparagraphs 1 and 2 of paragraph 2 (i.e., parentheses 1 and 2) and notes 4 and 5 (Restrictions on Distributors' Handling of Competing Products).

The Government of Japan's notice to JADA members will indicate that the attached Guidelines are applicable to relationships between motor vehicle manufacturers and dealers. It also will point out that any person, including a Japanese vehicle dealer, may report to the JFTC suspected violations of the AMA. The notice will inform dealers that the confidentiality of such report will be strictly protected and the report may be provided anonymously.

6. The Government of Japan and the Government of the United States will each designate an appropriate government contact person to take the steps set out in paragraph 7. In addition, the Government of Japan is pleased to note that each Japanese vehicle manufacturer has selected an appropriate senior company official who will be responsible for managing the aspects of the dealer-manufacturer relationship as set out in paragraph 7. The governments will provide the names and phone numbers of the company and government contact persons upon request by any interested party. In addition, the Government of the United States is pleased to note that each U.S. vehicle manufacturer has selected an appropriate senior company official who will be responsible for managing the aspects of the dealer-manufacturer relationship in Japan and for taking steps as set out in paragraph 7.
7. The Government of Japan is pleased to note that foreign vehicle manufacturers may contact the Japanese company contact person and/or the government contact persons when seeking franchise agreements or other distribution arrangements in Japan.
  - a. The Government of Japan is pleased to note that upon request by a foreign vehicle manufacturer, the Japanese company contact person will:
    - i. meet and explain to each dealer identified by the foreign manufacturer the Japanese manufacturer's company policy including that the dealer is free to enter into distribution arrangements with foreign vehicle manufacturers, and that a dealer's decision to sell competing vehicles should not be a matter of concern to the dealer regarding its on-going relationship with the Japanese vehicle manufacturers;
    - ii. respond to any questions or concerns the dealer may have about its continuing relationship with the Japanese manufacturer;

- iii. review the factual basis of any complaint and take appropriate steps in accordance with the company's internal AMA compliance program.
  - b. The contact person of the Government of Japan will:
    - i. upon request by a foreign vehicle manufacturer or Japanese vehicle dealer, affirm that Japanese dealers are free to sell competing motor vehicles;
    - ii. upon request by a foreign vehicle manufacturer or Japanese vehicle dealer, redistribute to the dealer the letter and attachments referenced in paragraph 5 above and point out that they may report to the JFTC any suspected violations of the AMA
    - iii. provide information to the JFTC where such information indicates the existence of practices that may violate the AMA, so that the JFTC can take such steps as deemed appropriate; and/or
    - iv. upon request by a foreign vehicle manufacturer or Japanese vehicle dealer, take other appropriate actions in support of the objectives of this Plan.
  - c. The Government of the United States is pleased to note that upon request by a Japanese vehicle dealer, the U.S. vehicle manufacturer contact person intends to:
    - i. confirm the terms under which the dealer will begin distributing the U.S. vehicle manufacturer's products; and
    - ii. respond to any questions or concerns the dealer may have about the U.S. vehicle manufacturer's policies for entering into dealership arrangements, including competitive terms, conditions and products
  - d. Upon request by a Japanese vehicle dealer, the contact person of the Government of the United States will
    - i. provide the names and telephone numbers of U.S. company contact persons;
    - ii. facilitate meetings between Japanese vehicle dealers and U.S. vehicle manufacturers; and
    - iii. provide appropriate information about U.S. vehicle manufacturers and products
8. The two Governments confirm that Japanese vehicle dealers and foreign vehicle manufacturers are not bound to use this Plan, and are free to establish franchise agreements or other distribution arrangements through whatever means they choose in a manner consistent with the laws and regulations of Japan and international rules.

## B. MEASURES TO BE TAKEN BY THE GOVERNMENT OF JAPAN

1. The Government of Japan will provide vehicle owner registration information to foreign vehicle manufacturers under the same conditions, including access to volume, detail and quality, as it provides such information to Japanese vehicle manufacturers, when they apply for such information to the Ministry of Transport ("MOT"). The Government of Japan affirms that the procedures it uses to provide the registration information will continue to be transparent. MOT will promptly respond to questions concerning the procedures from foreign vehicle manufacturers so that they can utilize the procedures.
2. To support the development, distribution and marketing of foreign motor vehicle into Japan, the Government of Japan is to:
  - a. provide financial support to the Japan External Trade Organization (JETRO) for the following activities
    - i. exhibitions of foreign motor vehicles in Tokyo, Osaka, Nagoya, Sapporo, Fukuoka and other cities in Japan;
    - ii. long term exhibitions for foreign motor vehicles in public areas such as airports and railway stations;
    - iii. test driving sessions for potential customers in Tokyo, Osaka, Nagoya, Sapporo and Fukuoka; and
    - iv. seminars to provide domestic dealers with basic information on handling foreign vehicles.

JETRO is expected to implement the activities set out in this subparagraph a. with the cooperation of relevant organizations and foreign firms upon request and as necessary.

- b. provide wide-ranging financial incentives to promote the importation of foreign motor vehicles and to facilitate the establishment of manufacturing, sales and research and development facilities in Japan, including:
  - i. import promotion financing from the Japan Development Bank that is designed to provide low interest loans for activities such as constructing and equipping facilities for inspections and improving product features when a foreign company sets up a sales base in Japan that will facilitate importation and sale of foreign manufactured products, including motor vehicles, in Japan;
  - ii. product import financing from the Export-Import Bank of Japan that provides funds to increase imports of manufactured products; and

- iii. loans to facilitate import sales from the Small Business Finance Corporation and People's Finance Corporation that provide the financing needed to increase sales of imported products.

C. Measures to be taken by the Government of the United States

1. The Government of the United States will provide support to the U.S. vehicle manufacturers to expand exports of U.S. motor vehicles to Japan. Among other measures, the Government of the United States will:
  - a. support the participation of U.S. motor vehicle manufacturers in Japanese motor vehicle shows;
  - b. encourage U.S. motor vehicle manufacturers to continue to make efforts to increase exports to Japan; and
  - c. provide other appropriate government support for increased exports of motor vehicles to Japan.
2. The Government of the United States will support on-going efforts of U.S. manufacturers to continue to increase their provision of competitive products under competitive terms and conditions.

**III. MEASURES TO EXPAND PURCHASES OF FOREIGN PARTS BY JAPANESE FIRMS IN JAPAN AND THROUGH THEIR TRANSPLANTS**

A. Measure to be taken by the Government of Japan

1. For the purpose of promoting relationships between Japanese vehicle manufacturers and auto parts 'suppliers, the Government of Japan will support the Japanese vehicle manufacturers' activities to:
  - a. expand research and development ("R&D"), design, engineering and supplier support and outreach capabilities in foreign countries;
  - b. increase suppliers' sales opportunities in Japan and other countries where they are located, without adverse discrimination based on capital affiliation; and
  - c. continue to open design-in and procurement processes to foreign parts suppliers in Japan and to suppliers in other countries through the use of fair, competitive, transparent and non-discriminatory procedures.
2. To support the importation of foreign auto parts into Japan, the Government of Japan is to:
  - a. provide financial support to JETRO for the following activities:



- i. conducting exhibitions of foreign auto parts in Tokyo, Osaka, Nagoya, Sapporo, Fukuoka and other cities to promote transactions between foreign auto parts suppliers and Japanese vehicle manufacturers and to familiarize Japanese consumers with foreign aftermarket products;
- ii. facilitating design-in training by Japanese vehicle manufacturers and first-tier auto parts manufacturers for foreign auto parts engineers;
- iii. sponsoring auto parts conferences to facilitate and expand relationships between the Japanese automotive industry and foreign auto parts suppliers; and
- iv. assisting auto parts selling missions with foreign auto parts suppliers.

JETRO is expected to implement the activities set out in this subparagraph a. with the cooperation of relevant organizations and foreign firms upon request and as necessary.

- b. provide wide-ranging' financial incentives to promote the importation of foreign auto parts, including:
  - i. import promotion financing from the Japan Development Bank that is designed to provide low interest loans for activities such as constructing and equipping facilities for inspections and improving product features when a foreign company sets up a sales base in Japan that will facilitate importation and sale of foreign manufactured products, including auto parts, in Japan;
  - ii. product import financing from the Export-Import Bank of Japan that provides funds to increase imports of manufactured products; and
  - iii. loans to facilitate import sales from the Small Business Finance Corporation and People's Finance Corporation that will provide the financing needed to increase sales of imported products.

**B. Measures to be Taken by the Government of the United States**

1. The Government of the United States will provide support to U.S. auto parts suppliers and the appropriate organizations in their activities to promote the sale of U.S. auto parts to Japanese vehicle manufacturers and the sale of U.S auto parts to Japanese transplant vehicle manufacturers.
2. The Government of the United States will provide support to U.S. auto parts suppliers' activities to promote continued competitiveness of their goods through appropriate measures.

3. The Government of the United States will encourage the U.S. auto parts suppliers to continue to provide competitive products under competitive terms and conditions.

#### **IV. REGULATORY REFORM BY THE GOVERNMENT OF JAPAN**

##### A. Japanese Government Procedures in the Auto Parts Aftermarket

###### General Principles

1. The Government of Japan will initiate deregulation of the auto parts aftermarket through full and effective implementation of the measures set out below. The purpose of these deregulation measures is to improve market access for competitive foreign auto parts suppliers in the Japanese auto parts aftermarket, while maintaining appropriate automotive safety and environmental standards.
2. In addition to the specific measures below, the Government of Japan will continue, to review its regulations affecting the auto parts aftermarket; and will evaluate and respond as soon as possible to requests brought forward by foreign vehicle manufacturers and auto parts suppliers to improve market access for them in the automotive parts aftermarket;

###### Deregulation of Disassembling Repair Requirements (Critical Parts Requirements)

3. The Government of Japan will implement the following measures with respect to the administrative definition of "disassembling repair". Under paragraph 1 of Article 64 of the Road Vehicles Act, disassembling repairs must be inspected by MOT if not performed at a certified or designated garage. The definition of disassembling repair is determined administratively by MOT, and includes certain parts replacement operations that involve the dismantling of one or more of the following seven vehicle systems: engine system, power train system, running system, steering system, brake system, suspension system, and coupling devices/ Auto parts replacement operations outside the definition of disassembling repair can be performed by anyone without requiring MOT reassembling inspection.
  - a. The Government of Japan will increase the transparency of the definition of disassembling repair in order to improve understanding by Japanese consumers, repair and service businesses, and foreign and domestic auto parts suppliers regarding the legal alternatives for automotive repair and servicing at certified garages or other repair and service businesses. In this regard:
    - i. Annex A-indicates the current stains under the definition of disassembling repair of certain commonly performed parts replacement operations.
    - ii. Upon request by an interested person, MOT will inform the interested person, in principle within 30 days, whether a specific parts replacement operation is or is not within the definition of disassembling repair, and will inform repair

and service businesses and auto parts wholesalers and retailers. If the request is submitted in writing, MOT will respond in writing, if so requested.

- b. The Government of Japan will conduct a broad and full review of the definition of disassembling repair. The purpose of the review will be to increase alternatives for automotive repair and servicing in Japan to the fullest extent possible, through removing from the definition of disassembling repair all parts replacement operations which are not necessary to include in the definition in order to ensure safety and environmental protection. The review will be completed within one year from August 23, 1995.
- c. In the review, the Government of Japan will specify each parts replacement operation which no longer will be within the definition of disassembling repair, and will inform designated, certified, and other repair garages as well as auto parts wholesalers and retailers of each decision to remove a parts replacement operation from the definition as soon as such decision is made. In this regard, the Government of Japan is pleased to note that changing shock absorbers, struts, power steering systems and trailer hitches will be removed from the definition of disassembling repair within two months from August 23, 1995.
- d. In conducting the review, the Government of Japan will bear fully in mind the purpose of the review as stated in paragraph b. and will give due consideration to the progress of motor vehicle technology, regulations in other countries regarding the replacement and inspection of the particular parts under review, and requests and comments submitted by interested parties including foreign and domestic auto parts companies.
- e. The Government of Japan will set up a contact point in MOT which deals with requests and complaints with regard to the definition of disassembling repair, and will establish and publish a procedure in which MOT responds to the requests and complaints, in principle within one month from receiving them. If the response of MOT is not favorable to those who made the request, MOT will provide them with the specific reason for the response and give them an opportunity to request a review of the response. The request or complaint may be submitted orally or in writing. If it is submitted in writing, MOT will respond in writing, if so requested. The review of the response will be completed in principle within one month from receiving the request and complaint are open for public review, if those who made such request agree.

#### Deregulation of Certified and Designated Garages

4. The Government of Japan will implement the deregulation below regarding certified and designated repair garages that will create opportunities for new certified and designated repair garages.

#### Space Requirements

- a. Effective on July 1, 1995, MOT reduced the minimum floor space required for certified garages, so that the space requirement for servicing ordinary-sized cars is the same as for servicing small-sized cars (i.e., 72 square meters as compared to 82 square meters previously, for ordinary-sized cars)

#### Machinery and Tool Requirements

- b. Effective on July 1, 1995, MOT reduced the number of tools and equipment items required for certified and designated garages, from 41 to 30 and 61 to 44, respectively. Following this reduction, MOT will continue to review the possibility of further reduction of the remaining number of tools and equipment items.

#### Mechanic Requirements

- c. Within one year from August 23, 1995, MOT will reduce the number of government-qualified mechanics required for certified and designated garages from two to one/ and from three to two, respectively. (Note: Certified garages still will be required to have two mechanics, but only one government-qualified mechanic. For designated garages, the current requirement is to have five mechanics, three of which must be government-qualified. Upon implementation of this measure, the total number of required mechanics will remain five, but the number of required government-qualified mechanics will be reduced to two.)

#### Special Designated Garages

5. In order to increase opportunities for repair businesses in Japan to become designated garages, the Government of Japan will implement the following measures within eighteen months from August 23, 1995.
  - a. Certified garages that meet all other requirements for becoming a designated garage except the requirement of having an inspection facility, will be eligible to become special designated garages. Special designated garages will be allowed to perform repairs for shaken inspections, and perform the inspection at the inspection site of another designated garage.
  - b. Special designated garages may form a cooperative and jointly operate an inspection site. Such garages may be eligible for Government of Japan low interest loan programs, and tax incentives for cooperatives.

#### Specialized Certified Garages

6. In order to allow repair and service facilities to specialize in only certain types of activities, within eighteen months from August 23, 1995 the Government of Japan

will provide the option for a repair or service facility to be certified to perform "disassembling repair" under paragraph 1 of Article 64 of the Road Vehicles Act for one or any combination of the seven vehicle systems to which the reassembling inspection requirement applies.

7. Examples of specialized repair and service facilities include certified brake repair and service facilities and certified transmission repair and service facilities. The decision of what repair or service operations to specialize in will be the decision of individual businesses. The Government of Japan will approve specialized certification for any combination of repair or service, operations within the definition of disassembling; repair, provided the applicant meets the appropriate requirements.
8. Specialized service and repair facilities will not be required:
  - a. to have more than one government-qualified mechanic;
  - b. to have floor space greater than the minimum space directly required to conduct the disassembling repair that the facilities are certified to conduct;
  - c. to have tools and equipment items other than, the minimum tools and equipment items directly required to conduct the disassembling repair that the facilities are certified to conduct; or
  - d. to have any inspection by MOT of its certified repair work.

#### Deregulation of Modification Inspection Requirements

9. Within three months from August 23, 1995, the Government of Japan will deregulate requirements regarding modification inspections pursuant to Article 67 of the Road Vehicles Act. For any minor modification of the vehicle structure or configuration, the Government of Japan will eliminate the requirements to:
  - a. submit the vehicle to modification inspection conducted by the MOT Land Transport Office;
  - b. present the vehicle certificate of inspection to the MOT Land Transport Office; and
  - c. pay the weight tax.

"Minor" modifications of a vehicle's structure or configuration include automotive accessories attached by means other than welding or riveting. Examples of automotive accessories involved in minor modifications include those listed in Annex B,

10. The standards for passing a regular shaken inspection will be applied equally to motor

vehicles that have, and to those that have not, undergone a "minor" modification within the meaning described in paragraph 9,

11. The Government of Japan will set up a contact point in MOT which deals with requests and complaints with regard to modification inspection and alteration to the information on the motor vehicle inspection certificate, and establish and publish a procedure in which MOT responds to the requests and complaints, in principle within one month from receiving them. If the response of MOT is not favorable to those who made the request, MOT will provide them with the specific reason for the response and give them an opportunity to request a review of the response. The request or complaint may be submitted orally or in writing. If it is submitted in writing, MOT will respond in writing, if so requested. The review of the response will be completed in principle within one month from receiving the request for review. Any documents or materials associated with the request and complaint are open for public review, if those who made such request agree.

#### Notification of regulatory Changes and Non-discrimination against Foreign Auto Parts

12. The Government of Japan will immediately implement an active campaign to inform automotive repair and service facility owners, mechanics, consumers, and MOT Land Transport Offices of the regulatory changes described in paragraphs 3 through 11 above and to emphasize the non-discriminatory application of regulatory requirements. Among other things, the campaign will strongly emphasize to car dealers, repair and service facility owners, mechanics, and consumers that motor vehicle inspections and other regulatory requirements pursuant to the shaken inspection or other regulations do not and will not discriminate against vehicles equipped with foreign or "non-genuine" parts. In this regard, the Government of Japan will inform the public, and specifically in writing will instruct MOT Land Transport Office inspectors as well as repair garages certified by MOT that their inspections pursuant to shaken inspection or other regulations are not to discriminate against vehicles equipped with foreign or "non-genuine" parts.

#### Import Promotion

13. The Government of Japan will issue guidance encouraging the Japan Automotive Parts Association (JAPA) to endorse foreign auto parts as "superior parts" (yuryou buhin) based on the same criteria and evidence that is applied to Japanese auto parts.
14. To further enhance access for foreign-made aftermarket auto parts, the Ministry, of International Trade and Industry sent memoranda through business associations to their members providing guidance to auto parts distributors that:
  - a. they refrain from any form of discrimination when handling foreign-made parts;
  - b. they indicate the options available to repair businesses and customers (such options to include foreign-made parts), and that they provide their customers with

opportunities to choose such parts;

15. With regard to parts purchasing by repair and service businesses, MOT sent memoranda through business associations to their members providing guidance to repair and service businesses that:
  - a. they refrain from any form of discrimination as to whether parts are foreign- or Japanese-made when choosing replacement parts to be used for servicing and repairs; and
  - b. when possible, they indicate to customers the options available (such options to include the use of foreign-made replacement parts), and that they provide their customers with opportunities to choose such parts.
16. The Government of Japan is pleased to note the statements by the replacement parts distributors groups (JAPA, the Japan Federation of Auto Parts Sales Association, and the Japan Auto Accessories Manufacturers' Association) and the Japan Automobile Service Promotion Association which declared, in compliance with the guidance referred to in 14 and 15 above, their policies:
  - a. to be impartial with regard to parts (whether foreign or Japanese made) when choosing replacement parts for servicing and repairs, and
  - b. to indicate to their customers the options available, these options to include the use of foreign-made replacement parts
17. The Government of Japan is pleased to note that the automotive manufacturers (including members of JAMA and the Japan Automotive Parts Industries Association) will make it fully clear to parts sales companies and joint sales companies with whom they have dealings that the handling of parts (other than genuine parts) and the handling of foreign parts are, as a general rule to be conducted freely ^by each company, without adverse discrimination based on capital affiliation; that business decisions are left up to them; and that neither they nor their customers should be concerned about their business relationships with the automotive manufacturers or the parts sales companies and joint sales companies based on their decision to carry foreign parts.
18. In addition to the measures described above, the Government of Japan intends to consider or implement other possible import promotion measures related to auto parts. Among other measures, the Government of Japan will:
  - a. welcome and support the establishment of contact points by auto parts distributors, auto parts sales companies and joint sales companies or related vehicle manufacturers for the purpose of facilitating contacts between foreign auto parts suppliers and those companies regarding potential opportunities in the Japanese auto parts aftermarket; and

- b. support the creation of a database and information network with such information as data matching motor vehicle types with compatible foreign replacement parts, and technical data for use by repair garages. Until the database and information network are created and working effectively, the Government of Japan will actively support foreign auto parts suppliers' activities in the aftermarket to provide information about their products through other measures such as publishing notice in automotive journals published by relevant associations and holding seminars,

## B. Japanese Government Procedures in the Area of Standards and Certification

1. While most automotive standards already have been coordinated among Japan, the United States and Europe, the Government of Japan continues to play an active role-to achieve further international harmonization of standards.
2. The Government of Japan intends to reach a conclusion in good faith under the consultations with the Government of the United States on the standards and certification issues raised by the Government of the United States (see Annex C) to mutual satisfaction within a period of nine months from August 23, 1995. In this regard, the Government of Japan intends to hold standards and certification expert consultations with the Government of the United States. When additional issues are raised in the future, the Government of Japan intends to reach a conclusion by mutually acceptable deadlines in the same manner.
3. The Government of Japan will continue to facilitate importation of foreign vehicles by dispatching officials to the dealer sites to conduct inspection of automobiles imported under the Preferential Handling Procedure (PHP), and will continue to dispatch such officials on a timely- basis to meet foreign vehicle manufacturers' requests.
4. To assist efforts by foreign vehicle manufacturers to obtain Japanese Type Designation Approval (TDA), the Government of Japan is ready to study the possibility of carrying out examinations according to Japanese testing procedures in a foreign country-concerned, where appropriate, by means of utilizing official motor vehicle testing institutions of such country, or stationing an official who is in charge of conducting those examinations at the Japanese Embassy or a Consulate General in the country. In this regard, the Government of Japan will continue to station a technical official of the Ministry of Transport on a full-time basis at the Japanese Consulate General in Detroit as necessary within the limits of budgetary appropriations.

## C. Anti competitive Practices

1. The Government of Japan affirms its commitment to prevent and eliminate anticompetitive practices in all industries including the automotive sector.
2. The Government of Japan will support the voluntary efforts by Japanese firms to



develop and implement internal AMA compliance programs and is willing to provide advice when requested by such firms,

3. The Government of Japan recognizes that the JFTC issued the Antimonopoly Act Guidelines Concerning Distribution Systems and Business Practices on July 11, 1991 (the "Guidelines"). The Guidelines are applicable to all industries including the automotive industry, and specifically describe types of conduct with respect to Japanese distribution systems and business practices that may impede free and fair competition and violate the AMA.
4. The JFTC affirms its commitment to effectively enforce and strictly apply the AMA in accordance with m relevant guidelines to address anticompetitive practices in all industries including the automotive sector.
5. In June 1993, the JFTC published the results of its survey on the passenger car industry and its survey on the auto parts industry. Although the JFTC did not find any AMA violations, It pointed out several practices to be "addressed from the point of view of competition policy. The JPTC recognizes the serious efforts of the relevant companies to address these practices and will observe so that the practices continue to be addressed by such companies.
6. Any person, including foreign vehicle manufacturers and Japanese vehicle dealers, may report to the JFTC suspected violations of the AMA. Suspected violations may be reported to the newly enhanced and expanded Information Management Office of the JFTC. Any information regarding suspected violation of the AMA may be reported in writing or orally. The confidentiality of such report or information will be strictly protected and such report or information may be provided anonymously. The JFTC will review such report or information promptly and will take appropriate steps to address such suspected violations depending on the content and reliability of the information.
7. Under Article 28 of the AMA, the JFTC is to perform its duties independently.

## **V. ASSESSING IMPLEMENTATION OF THE MEASURES**

### **A. Data Collection**

1. The Government of Japan will provide the following data for annual reviews:
  - a. the number and value of new foreign vehicles sold in Japan;
  - b. the number and value of new foreign vehicles sold in Japan by country of export;
  - c. the number of new foreign vehicles sold in Japan by manufacturer;
  - d. the number of new foreign vehicles sold through direct franchise agreements with

Japanese dealers;

- e. the number of new Vehicles exported to Japan from Japanese transplants; and
  - f. official import statistics for auto parts.
2. The Government of the United States will provide the following information for annual reviews:
    - a. official U.S. export statistics for motor vehicles and auto parts; and
    - b. other relevant national, regional, and international official statistics.

## B. Objective Criteria

The assessment of the implementation of the Measures, as well as the evaluation of progress achieved, will be based on the overall consideration of the qualitative and quantitative criteria set out below. These qualitative and quantitative criteria will be considered as a set, and no one criterion will be determinative of the assessment of the Measures, or the evaluation of progress achieved. These criteria do not constitute numerical targets, but rather are to be used for the purpose of evaluating progress achieved toward the goals of the Framework and the goals of these Measures.

For purposes of this assessment, the Government of Japan and the Government of the United States are to seek and consider any available, relevant and reasonable data or information, including the data set out above, regarding the following quantitative or qualitative criteria.

### Motor Vehicles

#### 1. Qualitative Criteria

- a. efforts by the Japanese vehicle manufacturers to promote open and competitive distribution systems for motor vehicles in Japan;
- b. efforts of foreign vehicle manufacturers to offer competitive products in Japan under competitive terms and conditions, including with respect to price, variety of products, delivery lead time, and after-sales' service; and,
- c. private sector actions, including AMA compliance programs, to ensure compliance with the AMA.

#### 2. Quantitative Criteria

- a. change in the number and value of new foreign motor vehicles sold in Japan in total and by country of export, and change in the number of new foreign motor vehicles sold in Japan by manufacturer; and

- b. change in the number of direct franchise agreements concluded between foreign vehicle manufacture and Japanese dealers, and the number of foreign motor vehicles sold through such dealers.

## Auto Parts

### 1. Qualitative Criteria

- a. efforts by Japanese vehicle manufacturers in Japan and their transplants to broaden suppliers' sales opportunities through design-in and supplier outreach programs, localization of R&D, and transparency in purchasing practices;
- b. procurement of parts by Japanese vehicle manufacturers and Japanese transplant vehicle manufacturers without discrimination against suppliers based on their capital affiliation
- c. efforts of foreign auto parts' suppliers to offer competitive products under competitive terms and conditions, including with respect to price, quality, and delivery lead time.

### 2. Quantitative Criteria

- a. change in the value of foreign auto parts exported to and imported into Japan as measured by Japanese and foreign country official statistics, and other available data,
- b. change in the extent of localization, as part of the Japanese vehicle manufacturers' globalization efforts, considering data on purchases of parts made in the United States and vehicle production by Japanese transplant vehicle manufacturers in the United States.
- c. change in purchases of U.S. auto parts by Japanese transplant vehicle manufacturers in the United States.

## Aftermarket Parts

### 1. Qualitative Criteria

- a. the status of deregulation of the definition of disassembling repair, the standards for specialized certified garages, and of other deregulatory actions within the scope of the Measures regarding the auto parts aftermarket; and
- b. the Government of Japan's responsiveness to complaints and requests by interested persons regarding the clarification or deregulation of the definition of disassembling repair or modification inspections.

2. Quantitative Criteria

- a. change in the value and share of foreign parts purchased La Japan for aftermarket use; and
- b. change in the number of-specialized certified garages and designated' garages

General Qualitative Criteria

- a. market conditions, including exchange rates; and
- b. the implementation of all other measures of the Measures.

**VI. CONSULTATIONS**

The Government of Japan and the Government of the United States are prepared to hold annual consultations to assess implementation of the Measures, and to evaluate progress achieved based on the criteria in Section V (B) of the Measures. The annual consultations will be held until the end of 2000, at which point the two Governments will decide whether it is necessary to continue these consultations.