June 7, 2013

The Honorable Wendy Cutler
Assistant USTR for Japan, Korea, APEC Affairs
Office of U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

RE: Request for Comments on Participation of Japan in the Trans-Pacific Partnership Trade Negotiations (78 FR 26682)

Dear Assistant Secretary Cutler:

Thank you for the opportunity to submit comments on behalf of the National Tooling and Machining Association and Precision Metalforming Association (“One Voice” or “Associations”) regarding the Participation of Japan in the Trans-Pacific Partnership Trade Negotiations (78 FR 26682).

One Voice represents roughly 2,500 small and medium-sized manufacturing companies from around the country. Our members average 50 employees and manufacture metal stampings, tools, dies, moldings and other fabricated products to the automotive, medical device, aerospace, defense, electrical, and agribusiness industries among others. These businesses are typically Tier II and Tier III suppliers, meaning they manufacture a product that is then sent to a manufacturing customer before then being sold to an Original Equipment Manufacturer (OEM) such as automotive or heavy construction equipment. Therefore, our industry feels both the positive and negative impacts of trade two-fold—directly on the product they make and indirectly through the finished good for which they provide components and tooling.

Nearly half of One Voice companies are direct exporters of goods; however, 82 percent manufacture a product whose end use is on a finished good that is exported. For example, many One Voice members manufacture products under the heading “Machine Tools” (NAICS 333517) where year-to-date data, through April 2013, shows that imports into the U.S. from Japan (Customs Value Basis) were $817,085,000 while exports from the U.S. to Japan (F.A.S. Value Basis) were $35,864,000. Total year-to-date imports from Japan through April 2013 totaled $153,287,000 while exports totaled $8,187,000 for Special Dies and Tools, Die Sets, Jigs, and Fixtures (NAICS 333514).

Many of our members maintain excellent customer and partnership agreements with manufacturers in Japan, some of which span several decades. These relationships have become
especially close as Japanese based automotive manufacturers continue to open and expand their production facilities in the United States. However, there are additional steps Japan must take under the TPP, such as addressing standards and regulations and other policies that act as non-tariff barriers (NTB), to create meaningful market access for American manufacturers, especially those in the automotive and medical device sectors. Japan’s entry to the TPP presents an opportunity for the U.S. to exact an agreement by their government to take concrete, enforceable, and transparent steps to address these concerns and develop a balanced relationship with sustained growth.

Currency manipulation by Japan remains a major concern for U.S. manufacturers and is the top reason many U.S. exports to Japan lag behind other competitors. The April 2013 semi-annual U.S. Treasury Department Report to Congress on International Economic and Exchange Rate Policies stated that, “the yen depreciated by 9.2 percent during the second half of 2012 and an additional 10.8 percent in the first two months of 2013.”

While Japan has committed to the G-7 and G-20 agreements to not target exchange rates for competitive purposes, it has a long history manipulating its exchange rates hurting U.S. exporters; even today the yen is at a four and a half year low against the dollar. The U.S. Federal Reserve in a 2005 report said, 

“Since the early 1990s, the monetary authorities of the major industrialized countries, with one notable exception, have greatly curtailed their foreign-exchange interventions. That exception has been Japan, where the Ministry of Finance has continued to intervene frequently—and at times massively—in foreign exchange markets.”

Japanese intervention in its currency is an indication of a state-managed economy that gives its manufacturing exporters a significant subsidy and a competitive advantage in the U.S. market. Negotiators should address exchange rate manipulation in the TPP and include strong and enforceable language to ensure the benefits of the agreement are not undone by continued foreign government intervention in their currency valuations.

Non-Tariff Barriers, such as different standards for U.S. manufacturers and manipulation of its currency by the Japanese government, are two key examples of trade distorting practices which Japan must address under the TPP. For example, the 2011 USTR Report on Technical Barriers to Trade stated, 

“Japan issues voluntary guidelines for advanced safety features in automobiles. Although compliance with these guidelines is not technically mandatory, it is expected that industry will comply, and therefore the guidelines are de facto mandatory. However, Japan relies on the fact that the guidance is not formally binding to avoid complying with WTO notification and other notice and comment procedures.”

Japan is the third largest auto market in the world, but remains one of the most closed to U.S. manufacturers. Imports into Japan account for 10 percent of all vehicle sales compared to over 29 percent in the U.S. While limiting imports Japan exported 1.7 million vehicles to the United States in 2012, compared to roughly 21,000 U.S. autos exported to Japan—this is virtually a one-way trade.

Similarly, the National Trade Estimate report indicates that only about half of all European and American medical devices are available in Japan. Historically, the Japanese Government has
restricted market access by setting discriminating reimbursement rates for U.S. and European medical devices, limiting their sales and availability in the Japanese marketplace.

As U.S. negotiators continue with the TPP and Japan, we encourage the U.S. Government to consider the following principles:

- Ensure trading partners comply with a free enterprise system and global trade rules
- Develop a strategy to achieve net export goals
- Capture supply chains of important industries
- Transparency and Enforceability
- Non-tariff barriers and subsidies – standards, regulations, preferences
- National security
- Government procurement and preferential reimbursement rates
- Regulatory and tax impediments and dissimilarities
- Temporary vs. permanent agreements for future flexibility
- Innovation and intellectual property
- Ensuring that trade policy and agreements are result-oriented and not process-driven

Thank you for your consideration of these comments. We look forward to continuing to work with you on this important issue and welcome answering any questions you may have.

Sincerely,

William E. Gaskin  
PMA President

Dave Tilstone  
NTMA President