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VETERANS' AFFAIRS

SELECT COMMITTEE ON ETHICS

United States Senate

WASHINGTON, DC 20510

November 9, 2011

Dear Mr. President:

I am writing to express serious concern about Japan's intention to participate in the Trans-Pacific Partnership (TPP) at this month's Asia Pacific Economic Cooperation (APEC) Summit in Honolulu, and to seek a greater level of Administration support for American manufacturing in the TPP. While Japan is a long-time ally in Asia, a variety of policies and programs instituted by Japan have resulted in preventing U.S. and foreign autos and auto parts to enter the Japanese market. This is a long-standing problem that your predecessor failed to adequately address or remedy.

When you took office, American automakers were on the brink of bankruptcy, and American manufacturing was at risk of collapse. Without your decisive leadership, we would have seen millions more jobs lost. Suppliers would have fallen like dominoes through Ohio, Michigan, and across the country. Fortunately, you ignored critics who had no qualms about letting the domestic automotive industry collapse and the auto industry is rebounding. Autos and auto parts producers – including many Japanese-based manufacturers – account for 7.5 percent of Ohio's economy.

Exports are an important part of Ohio's auto industry, and Japan is the world's third-largest auto market. Yet despite low or zero tariffs, there are a variety of nontariff barriers that have impeded access to Japan's automobile and auto parts market. The 2011 National Trade Estimates report – issued by the Office of U.S. Trade Representative (USTR) – notes data from the Japan Automobile Importers Association (JAIA) that shows registrations in Japan of U.S.-produced motor vehicles fell from 12,666 units in 2008 to 9,314 units in 2009. USTR has documented how U.S. automakers face a general lack of transparency and other barriers to certifying automobiles using new technology, such as fuel cell vehicles.

As a result of Japan's policies, trade in autos represented 70 percent of our \$60 billion trade deficit with Japan in 2010. Japan remains the most closed auto market in the developed world, with imports from other developed auto countries accounting for less than 5 percent of sales. By comparison, the United States remains open with more than 16 global automakers competing, and no single company (domestic or foreign) capturing more than 20 percent of the market. Companies headquartered outside the U.S. account for 55 percent of all U.S. sales.

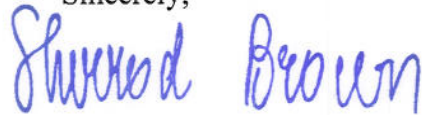
In addition to these longstanding structural barriers against U.S. autos, just last week Japan intervened in its currency for the fourth time in the past 14 months. Its officials have indicated Japan will weaken the yen even more, further distorting U.S.-Japan trade by subsidizing Japanese exports and putting U.S. exports to Japan at more of a disadvantage.

These unfair and counterproductive policies must be addressed substantively before welcoming Japan into TPP negotiations. Your Administration inherited a flawed trade agreement with South Korea that largely dismissed manufacturing by a lack of reciprocity in auto trade and unduly low domestic content rules. In fact, the U.S.-Korea Free Trade Agreement was originally so lopsided against American automakers and workers, you decided to renegotiate it.

The TPP represents an opportunity for you to define a trade agenda that learns from the flaws of past agreements and promotes domestic manufacturing. We need trade agreements that increase market access to American goods so that we are exporting products, not jobs. At the same time, we must initiate more enforcement cases that target the most pressing barriers facing American workers and businesses.

I look forward to working with you and your Administration as these issues develop.

Sincerely,

A handwritten signature in blue ink that reads "Sherrod Brown". The signature is written in a cursive, slightly slanted style.

Sherrod Brown
United States Senator