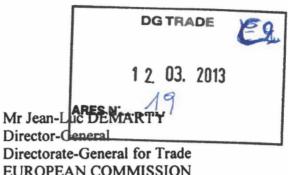


THE SECRETARY GENERAL



EUROPEAN COMMISSION B-1049 BRUSSELS

Brussels, 12 March 2013

Subject: EU-Japan FTA Negotiations

Dear Mr Demarty,

I write to you with regard to the forthcoming EU-Japan Summit, at which it is planned to announce the opening of negotiations of a bilateral Free Trade Agreement.

ACEA understands that, under the terms of the Directives for the Negotiation of a Free Trade Agreement with Japan granted to the Commission on 29 November last year, the Commission will review one year after the start of the negotiations the implementation of the commitments given by Japan to eliminate NTBs, notably those relating to automobile industry, as set out in the roadmaps on the EU's Illustrative List of NTBs, included in the conclusion of last year's Scoping Exercise.

ACEA very much welcomes this provision of the mandate. This review will be an important test of Japan's resolve.

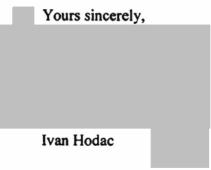
The roadmap for the elimination of automobile NTBs defines the overall objectives for the negotiations. It does not however set out a precise timetable for their attainment. It will not be easy therefore to determine solely on the language of the roadmap whether Japan's progress in fulfilling its commitments meets the EU's expectations.

ACEA proposes that, at the outset of the negotiations, the EU should set specific targets for what can be reasonably achieved during the first year of the negotiations with respect to the areas covered by the automobile roadmap. ACEA proposes that said targets should be established based on the list attached in Annex I.

For ease of reference, I also enclose a chart in Annex II, which shows how these targets relate to the provisions of the Scoping Exercise automobile roadmap.

These targets are challenging, but they are not unrealistic. Many of the proposals build on the debate already under way in Japan on regulatory and fiscal reform. ACEA's proposals for the targets to be met in the first year are of course without prejudice to the need to address other issues such as the 2020 fuel efficiency standards for passenger cars and light duty vehicles in the course of the negotiations. ACEA will prepare a detailed input on these issues in due time. This is essential in order to achieve the ultimate objective that a vehicle manufactured and type approved in the EU should be accepted in Japan without further testing or modification.

ACEA remains ready to provide your services with any further information about these proposals that they may require.



Encl.

cc: Mr Daniel Calleja Crespo, Director-General, Directorate-General for Enterprise and Industry, European Commission

EU-Japan FTA Negotiations ACEA Proposals for the First Year¹

ACEA proposes that the following targets should be set during the first 12 months of the negotiations:

1. Harmonisation of Technical Requirements and Certification Procedures with UN ECE Regulations

In line with the recommendations of the Interim Report of the Government Revitalisation Unit (GRU), incorporated in the Scoping Exercise Automobile Roadmap, ACEA proposes that:

a. The GOJ should publish a clear roadmap for the adoption of those UN ECE regulations which Japan has not yet adopted. This should include all those regulations which correspond to Japanese type approval requirements where an ECE approval is not currently accepted.

b. More specifically, as a first step, Japan should adopt R 21: Interior Fittings, R 43: Safety Glazing Materials, R 55: Mechanical Coupling, R 64: Temporary-Use Spare Tyres, etc. and R 121: Location and Indication of Hand Controls, all regulations which the GOJ has indicated informally it intends to adopt in their present form.

2. Measures for the Promotion of Vehicles

With a view to eliminating the discriminatory fiscal privileges currently enjoyed by kei-cars, and in line with the LDP and Komeito Guidelines for Tax Reform in FY 2013 adopted on 24 January this year, ACEA proposes that:

a. When Consumption Tax is raised to 8% in April 2014, the GOJ should reduce the rate at which Acquisition Tax is levied on both registered passenger cars and kei cars to 2%.

b. If Tonnage Tax is retained, with effect from the tax reform to be introduced from April 2014, the Tonnage Tax on kei cars should no longer be a flat rate but related directly to vehicle weight as is the case with registered passenger cars.

In addition, the GOJ should give a commitment that, when Consumption Tax is raised to 10% by October 2015, Automobile Tax and Kei Car Tax will be unified so that there is no discrimination between kei cars and other car segments (equal treatment of all car segments).

This list of proposals is without prejudice to the need to address other issues such as the 2020 fuel efficiency standards for passenger cars and light duty vehicles in the course of the negotiations. ACEA will provide the Commission in the nearest future with detailed information, in particular on the importance of the 2020 fuel efficiency standards as a potential NTB.

3. Generic Exemption of Automotive Pyrotechnic Safety Devices from Explosives Legislation. Test Methods the Devices That Do Not Qualify under a Generic Exemption

- a. The GOJ should take the necessary measures by the end of 2013 to implement, no later than the beginning of 2015, a generic exemption from the High Pressure Gas Act of automotive safety devices using compressed gas which meet specific criteria.
- b. ACEA will propose separately what those criteria might be.

4. High-Pressure Gas Tanks – Requirements and Approval Procedures

In line with the recommendation in the Interim Report of the GRU, Japan should agree to approve high pressure gas tanks which conform to foreign standards (including, but not limited to, EU standards and ISO standards).

5. Zoning for Automobiles Service Shops

In accordance with the recommendation in the Interim Report of the GRU, MLIT should publish by 31 March 2013 the result of its findings whether the Technical Guideline published on 31 March last year "has actually facilitated the establishment of automobile service shops" and propose whatever additional measures are necessary.

EU-Japan FTA Negotiations Implementation of Scoping Exercise Roadmap for the Elimination of Automotive NTBs ACEA Proposals for the First Year

Issue	Provisions of the Roadmap	ACEA Comments	Goals to be achieved in the First Year of the Negotiations
Harmonization of technical requirements and certification procedures with UNECE Regulations	Japan and the EU share a common objective in the context of the EPA/FTA negotiations to achieve, on the basis of alignment to UNECE Regulations, that motor vehicles, parts, systems and components originating in one side will be accepted on the market of the other side without additional testing, certification or marking requirements, based upon the product approval issued by the exporting side.		
	They also share a common objective that a certificate of conformity issued by the exporting side in the case of whole vehicles, or a UNECE type-approval mark affixed to the product in the case of components and separate technical units, will be considered sufficient proof of the type approval.		
	In order to achieve this, Japan and the EU's objectives in the EPA/FTA negotiations will be as follows:		
	1) Maintain and strengthen their commitment to the ongoing relevant international efforts. Multinational efforts are being made regarding the harmonization of automobile regulations in the framework of the United Nations Economic Commission in Europe/Working Party 29 (UNECE/WP29), notably the endeavours towards the realization of an International Whole Vehicle Type Approval by March 2016, based upon the roadmap decided at the WP29 meeting in November 2011. In particular, Japan and the EU have been taking a leading role in various activities at WP29, and Japan intends to further accelerate such efforts, regardless of the EPA negotiations. Any discussion on this issue in the bilateral context will be conducted in a way consistent with our ongoing efforts in the multilateral track. The two sides will also implement the IWVTA within a specified reasonable	The implementation of the IWVTA as presently conceived will not achieve the objective that "that motor vehicles, parts, systems and components originating in one side will be accepted on the market of the other side without additional testing, certification or marking requirements, based upon the product approval issued by the exporting side." The IWVTA provision for regional applicable requirements will mean that, even after the	

timeframe, without recourse to exceptions for products traded bilaterally.

- 2) As for the treatment of the remaining regulations for passenger vehicles, in the course of IWVTA endeavors referred to above, any discussion on this issue in the bilateral context will be conducted in a way consistent with our ongoing efforts in the multilateral track, taking into account the progress of discussions on mutual recognition in specific regulations.
- 3) Further achieve the convergence of their national requirements with the relevant UNECE Regulations, a list of which will be defined by the Parties, within a commonly agreed timeframe. The two sides will also apply new UNECE Regulations and amendments to existing UNECE Regulations as soon as they are adopted.
- 4) In case the endeavours in the UNECE/WP29 process face difficulties and it becomes reasonably evident that the multilateral discussions will not produce expected results, Japan is ready to address this issue in the bilateral context of the Japan-EU EPA/FTA negotiations, fully reflecting discussions in UNECE/WP29, as well as in the established bilateral channels.
- 5) In relevant areas where there are not yet UNECE regulations, whenever and insofar as harmonization under the 1958 Agreement is not possible or achieved, the two sides will consider other initiatives.

The Government Revitalization Unit (GRU) adopted an Interim Report on 13 April which contained the following proposals for reforms:

[Harmonization of automobile standards with international standards / UN/ECE Regulations]

The Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) is to draft and publish a roadmap toward the adoption

implementation of the IWVTA, European manufactured and certificated vehicles will require modification and further testing before they can be sold in Japan.

It is therefore essential that Japan adheres to all the relevant UNECE Regulations. Japanese type approval requirements for passenger cars are covered by 50 UNECE Regulations, 34 of which have been adopted by Japan. The EU has adopted all 50 of these regulations.

The Parties should agree a timetable for Japan's adoption of these remaining UNECE Regulations.

In line with the recommendation in the Interim Report of the GRU, the GOJ should publish in FY2012 (i.e. by 31 March 2013) a roadmap for the adoption of those **UN/ECE regulations** which Japan has not vet adopted. This should include all those regulations which correspond to Japanese type approval requirements where an ECE approval is not currently accepted.

Within 12 months of the start of the negotiations, Japan should adopt at least R 21: Interior Fittings, 43: Safety Glazing Materials, R: 55: Mechanical Coupling, R64 Temporary-Use Spare Tyres etc. and

of UN/ECE regulations of which there is a substantial need for the adoption (e.g. regulations for passenger vehicles), among the existing UN/ECE regulations which Japan has not yet adopted, as well as new UN/ECE regulations to be established or amended in the future. → Timeline: Take measures in FY 2012.		R 121: Location and Indication of Hand Controls, all regulations which the GOJ has indicated informally it intends to adopt in their present form.
The Cabinet Decision "Policy on Regulatory and Institutional Reform in the Energy Sector" adopted on 3 April based on the results of the examination by the GRU stipulates as follows:		
[Addition of international standards to security standards related to high pressure gas tanks of natural gas vehicles and others]	See Section 5 Below	
1. With regard to standards of high pressure gas tanks mounted in natural gas vehicles and others, the Ministry of Economy, Trade and Industry (METI) will conduct a review of relevant regulations such as the High Pressure Gas Safety Act and Container Safety Regulations once the safety of the United Nations Economic Commission For Europe (UNECE) Regulations 67 (motor vehicles using liquefied petroleum gases) and 110 (motor vehicles using compressed natural gas) is confirmed through evaluations conducted by study groups set up by relevant organizations including private ones.		
→ Timeline: Start study in FY2012 and take measures upon reaching conclusion		
2. With regard to standards of high pressure gas tanks mounted in natural gas vehicles and others, METI will take measures taking into account an agreement to be reached on International Whole Vehicle Type Approval (IWVTA), which is being discussed at UNECE/WP29 through coordination with the Ministry of Land, Infrastructure, Transport and Tourism		

(MLIT) which is a contact point for IWVTA. As regards the discussion at UNECE/WP29, METI will make necessary proposals on standards of high pressure gas tanks that it considers to be safe.

→ Timeline: The discussion on IWVTA is expected to be concluded by March 2016.

[Review of test procedures related to mounting of gas tanks on natural gas vehicles and others]

With regard to test procedures related to mounting of gas tanks on natural gas vehicles and others, with a view to pursuing international harmonization on Japanese testing procedures, MLIT will introduce as domestic regulations the regulations annexed to the 1958 Agreement, based on discussions at UNECE/WP 29 and others, after examining validity of the regulations.

→ Timeline: Examine in FY2012 onward and take measures promptly upon reaching conclusion

<Reference>

Roadmap adopted at WP29 in November 2011 (Outline)

An International Whole Vehicle Type Approval (IWVTA) will be introduced in parallel with the revision of the 1958 Agreement with a roadmap as follows:

- 1. In November 2012, the Informal Group on IWVTA of WP29 is to draw up a draft proposal of a new Regulation for IWVTA (called "UN Regulation 0 (UN R0)".
- 2. In November 2013, the Informal Group is to submit the draft proposal of a new regulation to WP29 for technical considerations.
- 3. In June 2015, the Informal Group is to finalize the draft of UN R0 and to submit it to WP29 for considerations (as part of package for amended and new UN regulations developed by

	Groupe de Rapporteurs (GRs).		
	4. In March 2016, WP29 is to discuss and agree upon (i) UN R0 prepared by the Informal Group, and		
	(ii) Amended and new UN regulations developed by GRs, and to submit them to the Administrative Committee of the 1958 Agreement (AC1) for approval.		
2. Measures for promotion of vehicles	Without prejudice to the two sides' sovereign right to manage their own taxation system, Japan and the EU will, in the context of Japan-EU EPA/FTA negotiations, address fiscal incentives or other measures for the promotion of vehicles with reference to their impact on competitive conditions in the markets of the two sides.	ACEA understands that this item is intended to cover the preferential treatment of keicars. Kei cars currently pay a lower level of Acquisition Tax, Tonnage Tax and Automobile Tax than comparable compact and sub-compact cars which do not fit the prescribed dimensions of a kei-car. The less onerous parking regulations which apply to kei car owners should be extended to all car owners. The motorway tolls payable by kei cars and standard cars should be harmonised.	When Consumption Tax is raised to 8% in April 2014, the GOJ should reduce the rate at which Acquisition Tax is levied on both registered passenger cars and kei cars to 2%, so that the overall level of tax on the purchase of a registered passenger vehicle is not increased, and registered cars and kei cars are put on the same footing. If Tonnage Tax is retained, with effect from the tax reform to be introduced from April 2014, the same method of calculating the level of tax should be used for both registered passenger cars and kei cars. In other words, the tax on kei cars would no longer be a flat rate
			but related directly to vehicle weight as is

			the case with registered passenger cars. The GOJ should give a commitment that, when Consumption Tax is raised to 10% by October 2015, Automobile Tax and Kei Car Tax should be unified so that the rate of tax is directly proportional to engine size.
3. Generic exemption of automotive pyrotechnic safety devices from explosives legislation Test methods for devices that do not qualify under a generic exemption	Japan adopted on 3 February 2012 a Ministerial Announcement pertinent to the Explosive Control Act (ECA) to provide for an automatic exemption of automotive pyrotechnic safety devices from the Act, when they meet certain criteria. The EU has welcomed this commitment on the side of Japan which basically meets the current concerns of the EU industry with regard to the Explosive Control Act. As regards any future issue regarding testing procedures for devices which would not meet the criteria for generic exemption, Japan and the EU will give positive considerations to the adoption of the relevant international standard (ISO 14451) currently being developed as soon as it is ready. The Japan-EU EPA/FTA negotiations will address any issue which may arise from automotive pyrotechnic safety devices also being subject to requirements of the High Pressure Gas Act (HPGA), due to the fact that they contain gas (e.g. airbag gas inflators), with a view to achieving a solution for safety in accordance with UN Recommendations for the Transport of Dangerous Goods, where appropriate.	ACEA agrees that the problems which have arisen in the past with respect to conventional automotive pyrotechnic safety devices have been resolved by the provisions of the first paragraph. However, the provisions of the High Pressure Gas Act impede the introduction into the Japanese market of a new generation of airbags which use compressed hydrogen as an inflator. Each inflator in every airbag – some vehicles have up to 7 airbags – must be subject to a visual check to ensure correspondence between the gas filling certificate, the vehicle identification number (ID) and the inflator ID. This	The GOJ should take the necessary measures by the end of 2013 to implement no later than the beginning of 2015 a generic exemption from the High Pressure Gas Act of automotive safety devices using compressed gas which meet specific criteria.

		is infeasible.	
4. Use of the harmonized test driving cycle (WLTP), under development within the framework of UN ECE WP 29, for the measurement of emissions and fuel efficiency	Japan and the EU will apply the new Worldwide harmonized Light Duty Test Procedure (WLTP) within a reasonable timeframe after it is finalized. To this end, the issue should be solved, regardless of the Japan-EU EPA/FTA negotiations, through establishment of the WLTP, which is currently being developed in UNECE/WP29 on the initiative of both Japan and the EU, and discussions are expected to be concluded by the end of 2013. Japan and the EU will accelerate their efforts in this regard. In case the endeavours in the UNECE/WP29 process face difficulties and it becomes reasonably evident that the finalization of the WLTP will be delayed (i.e. beyond end-2013), Japan and the EU will address this issue in the bilateral context of the EPA/FTA negotiation as well as in the established bilateral channels, with the objective to minimize costs to Japanese and EU manufacturers, while taking into account environmental concerns in Japan and the EU. Bilateral discussions in the context of the EPA/FTA negotiations will be conducted in a manner consistent with Japan and the EU's common efforts at the international level, fully reflecting discussions in the UNECE/WP29.	Japan's 2020 Fuel Efficiency Targets have been set on the basis of the JC 08 test mode. The GOJ has already agreed that, "Upon the establishment of WLTP, it is desirable to study anew the utilization of the above as the measurement method for FE standards."	The Parties should agree that they will coordinate their schedules for the adoption of WLTP.
	The Japanese Cabinet Decision "Policy on Regulatory and Institutional Reform in the Energy Sector" adopted on 3 April based on the results of the examination by the GRU stipulates as follows: [Deregulation of emission regulations of passenger vehicles and commercial vehicles (convergence of	Japan should adopt WLTP for the next generation of passenger car emission standards and for the 2020 Fuel Efficiency Targets.	
	Japanese and the EU's emission gas regulations)] With regard to emission regulations of passenger vehicles and commercial vehicles, MLIT and the Ministry of Environment (MOE) will promptly examine the possibility of the introduction of those regulations in Japan at the Central Environment Council and others with a view to pursuing international harmonization, based upon discussion at		

stand	IECE/WP 29 and others and introduce international indards upon reaching conclusion.		
1			
	Timeline: Examine in FY2012 onward and take measures promptly upon reaching conclusion.		
tanks – requirements and approval procedures Glob WP2 and file Pend the file EPA objectinsta reco	pan and the EU will continue to work together on the velopment and adoption of the Hydrogen-Fuel Cell Vehicle chall Technical Regulation in the framework of UNECE P29 without exceptions. Once this GTR is adopted, Japan d the EU will reflect it in their national legislation. Inding the adoption of a UNECE 1958 Regulation based on a future GTR, Japan and the EU will, in the context of the PAFTA, cooperate at technical level with the common jective to address this issue in a pragmatic manner, for stance through an ad-hoc bilateral arrangement to cognize each other's requirements and approval ocedures.	Even if Japan were to adopt the GTR now under discussion in UNECE WP29, fuel cell vehicles imported from the EU would still have to meet additional Japanese national material requirements.	
Repo for re	e Government Revitalization Unit adopted an Interim port on 13 April which contained the following proposals reforms: Harmonization of automobile standards with	Rather than an ad-hoc bilateral arrangement to recognise each other's requirements and approval	As recommended by the GRU, Japan should agree to approve high pressure
(1) \	intional standards / Gas container the regard to high pressure gas tanks mounted in largen fuel cell vehicles, METI is to examine issues in decide on actions to be taken concerning regulations the as the High Pressure Gas Safety Act and Container fety Regulations (Ministerial Notice No. 50, 25 May 166), including the possibility of elimination of the mpings, so that high pressure gas tanks which afform to foreign standards (including, but not limited to, standards and ISO standards) be approved as well as the pressure gas tanks which conform to current indards.	gas tanks which conform to foreign standards (including, but not limited to, EU standards and ISO standards).	
	Timeline: Examine issues and decide on actions to taken in FY 2012		

	(2) METI is to examine issues and decide on actions to be taken concerning regulations such as the High Pressure Gas Safety Act and Container Safety Regulations (Ministerial Notice No. 50, 25 May 1966), including the possibility of elimination of the inspection when fuel tanks are imported, so that fuel tanks which conform to Global Technical Regulations (gtr) be approved when gtr are established at the UNECE/WP29. → Timeline: Examine issues and decide on actions to be taken promptly upon the establishment of Global Technical Regulations.		
6. Zoning for automobile service shops	Based upon the Japanese Cabinet Decision on 8 April 2011 endorsing Policy on Regulatory/Institutional Reform, Japan adopted the "Technical Guidance: Application of approval, in accordance with Article 48 of the Building Standards Law, with regard to the setting up the location of automobile service shops" (MLIT Circular Notice No.257, 31 March 2012) to local government entities with a view to making it easier to set up the location of automobile service shops of necessary sizes.		
	The Government Revitalization Unit adopted an Interim Report on 13 April, which contained the following proposals for reforms: [Easing the area size restrictions for automobile service shops, based on land use zoning prescribed in the		
	Building Standard Law] (1) MLIT is to investigate the situation of automobile service shops to examine whether the issue of the "Technical Guideline" ("The application of approval based upon Article 48 of the Building Standard Law in relation to the	No ACEA member has been able to take advantage of the provisions of the Technical Guideline.	As proposed in the GRU Interim Report, by 31 March 2013, MLIT should publish
	establishment of automobile service shops [technical guidance]) (MLIT Circular Notice No.257, 31 March 2012) addressed to local government entities, has actually facilitated the establishment of automobile service shops, and	It is questionable therefore whether the Guideline has n "actually facilitated the establishment of automotive	the result of its investigation and propose whatever additional measures

to publish its findings.

- → Timeline: Take measures in FY 2012.
- (2) If the above-mentioned examination shows that the establishment of automobile service shops of necessary sizes is not facilitated, MLIT is to examine issues and decide on actions to be taken including the review of Appendix II of the Building Standard Law, so that the establishment of automobile service shops with 300m² or less of floor space be allowed without resort to the approval by local government entities in accordance with the proviso to Article 48 of Building Standard Law, at least for the residential categories such as "the first kind of residential areas," "the second kind of residential areas" and "quasi-residential areas".
- → Timeline: Examine issues and decide on actions to be taken in FY 2012.

<Reference>

Technical Guideline on Authorization based upon the proviso to Building Standard Law, Article 48 in relation to the setting up of automobile service shops (Provisional translation)

I Automobile service shops to which this guideline applies

For the purpose of enabling the setting up of automobile service shops facing certain main roads, this

service shops." Appendix II of the Building Standards Law should therefore be amended as recommended in the GRU Interim Report.

The original EU proposal for the Scoping Exercise included a request that the GOJ "should come up with concrete proposals on how to restore the level playing field between domestic manufacturers that enjoy the benefits of the grandfathering of rights and importers who are denied access the right to new shops." This request is not covered in the road map. The GOJ should oblige domestic manufacturers/dealers within a specific period of time either to abide by the same planning rules as new entrants or to forfeit their grandfather rights.

are necessary, in accordance with the recommendations of the GRU Interim Report.

guideline defines standards, by apprehending the impacts of normal-size automobile service shops on the surrounding environment through measures including on-spot surveys.

II Standards to mitigate impacts on the surrounding environment

1 Noises

Following the noise measurement of normal-size automobile service shops on a standard scale which has demonstrated that particular attention should be paid to noises, the impact of automobile service shops facing motorways on the surrounding environment shall be judged, according to the following elements, while considering noise situations in surrounding areas:

- 1) Low-noise impact wrenches shall be used in order to reduce noises caused by operations.
- 2) With regard to the directions of neighboring lands and streets from workplaces, the following conditions shall be met.
- With regard to the direction of neighboring lands, a certain level of transmission losses shall be maintained in exterior walls of the workplace. (The results of on-spot surveys have shown the necessity to construct exterior walls with transmission losses of more than 44 dB and no small windows.)
- A certain distance shall be maintained between a workplace and borders of premises in case when there is no object standing in the way between the workplace and the road. (The results of on-spot surveys have shown the necessity to maintain maximum distances between the workplace and the borders of premises, to add sound proof materials on the exterior wall of the workplace, and to construct sound insulation walls on the confines.)
- 3) Car washing machines shall be surrounded by sound insulation walls and covered by roofs with sound insulation.

2 Others 1) Oily water separators shall be set up to treat sewage from the automobile service shops. The impacts of each automobile service shop on the surrounding environment based on this guideline shall be judged in a comprehensive manner, taking into consideration respective conditions such as traffic volumes on main streets along which the automobile service shop is set up, as well as building plans. Miscellaneous *III* As this guideline assumes the setting up of normalsize automobile service shops facing certain main roads, further verification is needed for automobile service shops with larger impacts on the surrounding environment, such as automobile service shops engaging in sheet-metal working or working during the evening.