



Opportunities for the U.S. Automotive Sector



The Automotive Sector includes products such as motor vehicles, motorcycles, and auto parts such as vehicle engines, transmissions, and tires

Key Market Access Benefits

Japan will remove non-tariff barriers that impede automotive exports

Vietnam will eliminate tariffs on **70.4%** of U.S. automotive exports within **4** years

Malaysia will eliminate tariffs on **75.8%** of U.S. automotive exports within **4** years

The United States secured a **long phase-out** of its tariffs for cars and trucks from Japan

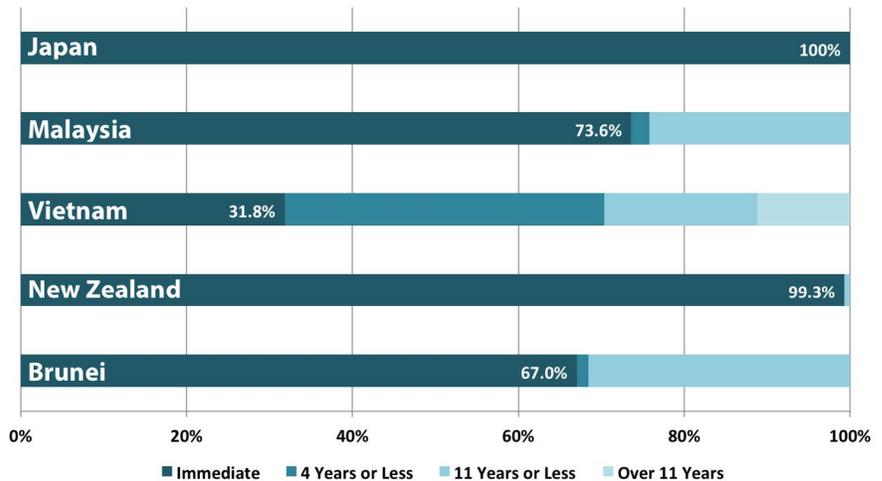
U.S. Automotive Product Exporters Currently Face Barriers in New TPP Markets**

\$2.4 Billion in U.S. Automotive Product Exports to New TPP Markets in 2015

U.S. Auto Exports Face Tariffs in New TPP Markets Up to **75%**

An Estimated **\$22 Million** in Duties are Levied on U.S. Automotive Exports Every Year

98.2% of U.S. Automotive Products Exports to New TPP Markets will Enjoy Duty-Free Access Immediately
Share of Exports by Tariff Elimination Basket



* **TPP Countries:** Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam

** **New TPP Countries:** Countries with which the United States currently does not have preferential market access – Brunei, Japan, Malaysia, New Zealand, and Vietnam

Importance of the U.S. Automotive Product Sector

943,000 U.S. Automotive Products Workers in 2015

Accounted for **10%** of Total U.S. Manufacturing Production in 2014

\$135.3 Billion in U.S. Automotive Products Exports to the World in 2015

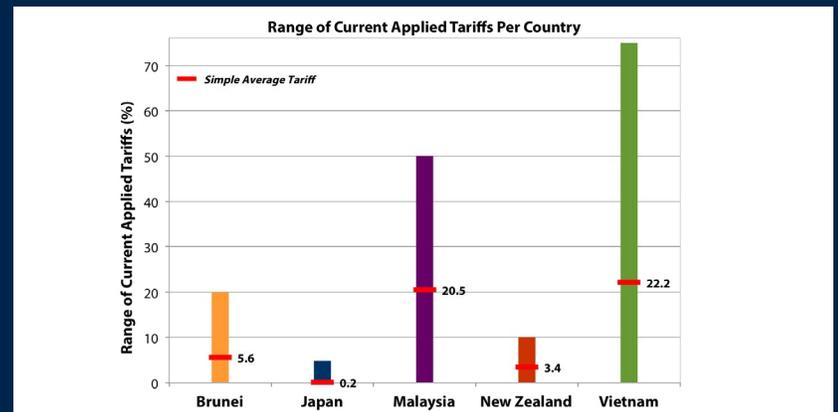
U.S. Automotive Products Exports to the World Grew by **78%** between 2009-2015

64% of Total U.S. Automotive Products Exports to the World in 2015 Went to the TPP Region

New TPP Partners are Significant Markets for U.S. Automotive Products Exports

Japan	\$1.9 Billion
Malaysia	\$55 Million
Vietnam	\$242 Million
New Zealand	\$267 Million
Brunei	\$6 Million

U.S. Automotive Products Exports Currently Face High Barriers in New TPP Markets . . .



. . . Which Will be Eliminated Under TPP

Opportunities for Selected Automotive Subsectors



Auto Parts

The United States exports nearly \$1.3 billion in auto parts to new TPP markets each year. These exports face tariffs as high as 40% in Malaysia and 32% in Vietnam. At the same time, competing auto parts made in China face lower—or even zero—tariffs in Malaysia and Vietnam as a result of trade agreements China has with those countries. Under TPP, 98.1% of U.S. auto parts exports will be eligible for immediate duty-free treatment into the new TPP markets, and all remaining tariffs will be eliminated over time.



Motorcycles

American high-quality motorcycles are in demand throughout the TPP region for their quality and craftsmanship. Yet, American-made motorcycles exports face prohibitive tariffs in new TPP markets: Vietnam applies tariffs as high as 75%, while Malaysia applies tariffs ranging up to 30%. Under TPP, U.S. motorcycles will see deep annual cuts to the tariffs before they are phased out entirely. These significant cuts to the tariffs, combined with the rising middle class in the Asia-Pacific region, will provide new export opportunities to America's motorcycle manufacturers.



Remanufacturing

The United States is the world's largest remanufacturer, and TPP contains additional benefits for American's competitive remanufacturing industry. Because remanufacturing is a complex, high-value, and labor-intensive production process, these commitments reduce the need for companies to import materials and components from outside the TPP region and incentivize domestic production, benefiting U.S. and other TPP workers. TPP ensures that recovered materials derived in the region and used in remanufactured goods count as TPP materials, allowing more goods to count as TPP originating.

TPP Commitments Will Make it Easier to Sell More Made-in-America products

▶ U.S. – Japan Motor Vehicle Trade: Key TPP Outcomes

- **Japan's Non-Tariff Measures (NTMs)** have limited market access for U.S. motor vehicle exports through opaque regulatory regimes, restrictions of distribution of U.S. vehicles, and onerous standards and technical regulations. As part of a broader effort in TPP to create a trading environment that further opens markets to U.S. motor vehicle exports and enhances the United States' position as a center of global manufacturing, the United States has addressed these barriers through bilateral negotiations with Japan in parallel with the broader TPP negotiations.
- **U.S. Tariffs on Cars and Light Trucks Imported from Japan** will be phased-out over 25 and 30 years, respectively. For comparison, U.S. tariffs on cars and light trucks were phased-out over no more than 10 years under the U.S. agreement with Korea and immediately under NAFTA. This long phase-out provides an expanded opportunity for U.S. firms to pursue these market-opening opportunities prior to any reduction in U.S. tariffs.

▶ TPP Creates Substantive, Enforceable Reforms

- **Transparency:** TPP will ensure Japan's opaque auto regulation committees are administered in a transparent and open manner, with timely and public notice of their formation and of meetings, provide an opportunity for interested persons to participate in those meetings, and make publicly available information on proposals. TPP also requires a 12-month period before new regulations requiring a substantial change to motor vehicle design or technology come into effect.
- **Standards and New Technologies:** Japan's unique standards currently impose excessive costs on U.S. automakers. To lower these costs, Japan will accept certain U.S. motor vehicle standards. Additionally, TPP requires that the introduction of vehicles that include new technologies not be unduly delayed for release in the Japanese market, as is often the case today.
- **Preferential Handling Procedures (PHP):** Japan's PHP allows U.S. producers to sell cars in Japan using faster, less costly certification procedures. Under TPP, Japan agreed it will not make the PHP program more costly or complex, and that motor vehicles certified using the PHP program will continue to be eligible for financial incentives available to Japanese vehicles. As part of its entry to the TPP negotiations, Japan agreed to double the size of the PHP program.
- **Safeguards:** TPP includes a special automotive "safeguard measure" to protect U.S. producers from serious injury after U.S. tariffs are eliminated, which will not occur until the 2040s at the earliest. If invoked, the safeguard would allow the United States to temporarily restore its tariffs on automobiles.
- **Enforcement:** TPP includes special, accelerated dispute settlement procedures to address agreement violations affecting motor vehicles, with stiff penalties including delaying U.S. tariff cuts and a duty snapback.

▶ TPP Commitments Create Additional Opportunities for U.S. Automotive Producers

- **Rules of Origin:** TPP establishes strong rules of origin to ensure that TPP benefits go to the United States and other TPP countries, and promote the domestic automotive industry and the jobs it supports.
- **Cumulation:** TPP allows countries to treat materials from another TPP country in the same way they treat materials from any other TPP country when these materials are used to make a TPP good. This concept, called cumulation, strengthens incentives for TPP businesses to integrate production and supply chains within the TPP region, making it more attractive to do business with producers in the United States and other TPP countries than with producers outside the TPP region.
- **Intellectual Property Rights:** TPP creates strong protections for patents, trademarks, and copyrights. This Agreement goes beyond past trade agreements to require Parties to criminalize the theft, including cyber theft, of trade secrets.



Want to learn about the tariff for your specific product in the TPP? Visit the FTA Tariff Tool at <http://www.export.gov/fta/ftatarifftool/>

TPP Will Create New Opportunities for U.S. Auto Exports to Malaysia

Under TPP, the United States secured additional commitments from Malaysia to address several long-standing Malaysian policies that discriminate against U.S. exports of automotive goods.

- ▶ **Malaysia committed to consult and engage** with the United States on the APEC Auto Dialogue work program related to standards with a view to increase its understanding of U.S. safety and fuel emission standards.
- ▶ **Malaysia agreed that any adjustments** to its excise duty structure for autos will be undertaken in a transparent and open manner that provides opportunities for interested parties to share their views, and review draft proposals prior to the issuing of final regulations. Additionally, Malaysia also committed to eliminate (effective in 2021) its excise tax credits based on export performance, the use of local content, or local value added.
- ▶ **Starting from the date of entry** into force of the TPP, Malaysia agreed to eliminate its quota on new motor vehicles from the United States, including any limit applicable to vehicles that are subject to an import licensing requirement; or impose any new or additional charges applicable to the importation of originating motor vehicles from the United States. Additionally, starting in 2021, Malaysia committed to end its Gazette pricing structure for autos and will begin accepting transaction values submitted by importers for their merchandise at the time of importation.
- ▶ **Finally, the United States** will facilitate technical cooperation and capacity building activities with Malaysia in areas of mutual interest in the automotive sector.

Automotive Companies Across the United States Export to the TPP Region

