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**Comments of the National Foreign Trade Council
to the Office of the U.S. Trade Representative
Concerning Japan's Expression of Interest in the Proposed
Trans-Pacific Partnership Agreement
January 13, 2012
Docket ID: USTR-2011-0018**

The National Foreign Trade Council (NFTC) is responding to a request for comments published in the Federal Register on December 7, 2011, by the Office of the U.S. Trade Representative concerning Japan's expression of interest in the proposed Trans-Pacific Partnership Agreement (TPP). The NFTC, organized in 1914, is an association of several hundred U.S. businesses engaged in all aspects of international trade and investment. Comprised of companies representing a broad cross section that drives the U.S. economy, we are dedicated to an open rules-based international trading system.

The NFTC welcomes Japan's expression of interest in joining the TPP. Japan is the world's third largest economy. Its inclusion in the TPP under the right conditions is critical to realizing the agreement's potential as a 21st century living agreement that evolves into a free trade area of the Pacific. An expanded TPP including Japan has the potential to provide unprecedented market access for America's exporters, investors, workers, farmers and ranchers. Such an agreement will help support and sustain future U.S. economic growth and the creation of American jobs.

The NFTC strongly supports the TPP process and calls for the current negotiations to conclude in an agreement in 2012. A successful TPP agreement should cover all elements of trade and investment, including agriculture, goods, services, digital trade and intellectual property, with no product or sub-sector exclusions. To exclude sectors would limit the opportunities for American farmers, manufacturers and service providers to reach new markets, grow their businesses and support or create American jobs.

The current TPP partners are on a path to concluding an agreement which achieves greater economic integration, eliminates unnecessary barriers to competition, sets new, higher standards of transparency, fairness and property protection, which opens all markets to trade and investment, and develops innovative new approaches to global platforms for manufacturing and provision of services, regulatory coherence and the enactment of disciplines on state-owned enterprises.

As the NFTC stated in its March 2009 testimony before the U.S. Trade Policy Staff Committee, "Starting with an existing agreement, with partners who have proven a willingness to negotiate to the highest standards is a sound strategy, although a calculated risk. The proof of success of the TPP process will be the ability to reach a critical mass under a high standard agreement that will also pull in larger economies in the region."

Japan's expression of interest validates both the negotiating progress and common commitment to high standards to date. For the TPP agreement to reach its full potential, Japan must demonstrate its commitment and political will to reorient its engagement with the United States and other TPP partners to truly dismantle deeply-rooted tariff and non-tariff barriers to trade, including intervention in currency markets and open market access in key sectors, including autos, insurance, financial services, construction, architecture, engineering, telecommunications, pharmaceuticals and agriculture — where decades of negotiations have often failed to translate into meaningful and systemic reform.

If Japan's leaders are committed to this kind of reform and to working with all TPP partner countries to maintain and raise the standards of the TPP, to increase the momentum of negotiation, and agree to commitments already finalized by the current TPP partners in their work to date, the U.S. could achieve in these negotiations, progress that has eluded negotiators for decades and the TPP could become the gold standard for future plurilateral trade pacts.

The National Foreign Trade Council applauds both the U.S. and Japanese governments for embarking on serious consideration of Japan's entry into the TPP. Our member companies are significantly in favor of Japan's inclusion in the negotiation. However, this enthusiasm is tempered by a number of companies in our broad based membership, who have worked with Japan over many years to find common ground on highly contentious issues with exceptional economic impact.

These member companies are unconvinced about Japan's commitment to free trade and note that foreign import penetration in some sectors of the Japanese market are significantly lower than import penetration in all major OECD countries. They urge careful attention to the timing of entry and Japan's domestic commitment to fundamental reform needed to meet the high standards of the TPP, particularly in light of the strong opposition to joining TPP being expressed by some parts of the Japanese polity. Failure to do so risks protracted delay in the negotiations and possible weakening of the agreement.

NFTC members who make up the membership of the American Automotive Policy Council also call on Japan to demonstrate a commitment to refrain from systematic intervention in the currency markets to support its export sector and discourage imports before being considered for membership in the TPP process.

We urge both governments to work closely together on an urgent basis to create the conditions where Japan will enter the TPP as a positive force of open, free and fair trade in the Trans-Pacific region.