



Japan's auto barriers need to end, Ford exec says

DECEMBER 15, 2009 - 8:00 AM ET

WASHINGTON (Reuters) -- Japan's decision to exclude foreign automakers from its cash-for-clunkers program is part of a broader effort by the Japanese government to discourage imports, a **Ford Motor Co.** executive said in a recent interview.

Ford's vice president for international governmental affairs, Stephen Biegun, said it is an attitude that the United States can no longer tolerate.

Ford, **General Motors Co.** and Chrysler Group sent a letter to U.S. trade officials last week complaining about conditions in Japan's fleet renewal program they say bar U.S. automakers from participating, even though Japanese automakers Toyota and Honda got a big share of the U.S. cash-for-clunkers program.

"Despite being the world's largest exporter of vehicles, with over 2.1 million exported to the U.S. alone last year, Japan remains the most closed auto market in the industrialized world, with less than 5 percent import participation," the American Automotive Policy Council said.

"A renewal of Japan's scrappage program that allows no benefits to U.S. imports strongly confirms the view that Japan maintains an auto market closed to imports," they added.

Scrappage about environment

The Japan program calls for a tax cut of \$2,830 for scrapping a car 13 years old or older toward the purchase of a new vehicle, as long as it beats the country's 2010 emissions requirements. An incentive of \$1,130 is offered for new vehicle buyers who do not wish to scrap a vehicle. The program is expected to run until September 2010.

At issue is how the Japanese government sets its emission standards. Japan's standards address pollution generated at low speeds or in stop-and-go driving, and many Japanese vehicles are designed with this in mind. U.S. and European automakers design vehicles to meet maximum efficiency at highway speeds. As a result, no U.S. vehicles qualify, and only two European-built vehicles qualify, according to *The Financial Times*.

A Japanese embassy official in Washington who handles auto issues has told reporters that any manufacturers who qualify can participate in Japan's clunkers program.

"The short answer is Japan believes that our program is fair," Satoshi Miura, a consular official in the

Japanese embassy in Washington who handles auto issues, told the Xinhua/GNA news agency. "We have our cash for clunkers program, but this is not only about stimulus but also for environmental policy."

But Biegun said focusing on the current program misses the broader point.

"This is about frankly a bigger issue than the Japanese scrappage program. This is about them starting to deliver the kind of market opportunities that their companies have taken advantage around the world for so long," said Biegun.

U.S. trade office wants changes

Carol Guthrie, a spokeswoman for the U.S. Trade Representative's office, said the Obama administration shares the U.S. automakers' concerns.

"USTR is continuing to raise this issue with the Japanese government," Guthrie told Reuters. "Our position remains that changes are necessary to give U.S. vehicles greater opportunity to qualify under Japan's program."

The United States imported \$41.5 billion worth of Japanese passenger cars in 2008, but managed to export only \$534 million of U.S. cars to Japan.

In their letter, U.S. automakers complained that Japan's scrappage program excludes vehicles imported under the so-called "preferential handling protocol," a less costly alternative to Japan's rigorous testing requirements that U.S. companies have used since the 1990s.

"We're not going to sit by while the Japanese continue to keep their market closed through actions like this. So we're going to put pressure on them. We want them to open their market," Biegun said.

The one-sided trade relationship has long been source of friction, and the U.S. auto industry's latest complaint comes as Ford and Chrysler are pressing for changes in a free trade agreement with South Korea to force that Asian manufacturer to also open its market to more U.S. cars.

"I don't expect the Koreans to go easily because they're tough negotiators. ... But if they want increased access or enhanced access to the largest consumer market in the world they're going to have to open their market," Biegun said.

South Korea President Lee Myung Bak said last month his country was willing to discuss U.S. concerns about auto provision of the pact, which was signed in June 2007 under former U.S. President George W. Bush.

South Korea exported around \$7.5 billion worth of cars to the United States in 2008, but imported only \$370 million worth of U.S. cars.