

AMERICAN AUTOMOTIVE POLICY COUNCIL



THE TRANS-PACIFIC PARTNERSHIP FTA & JAPAN

American Automotive Policy Council

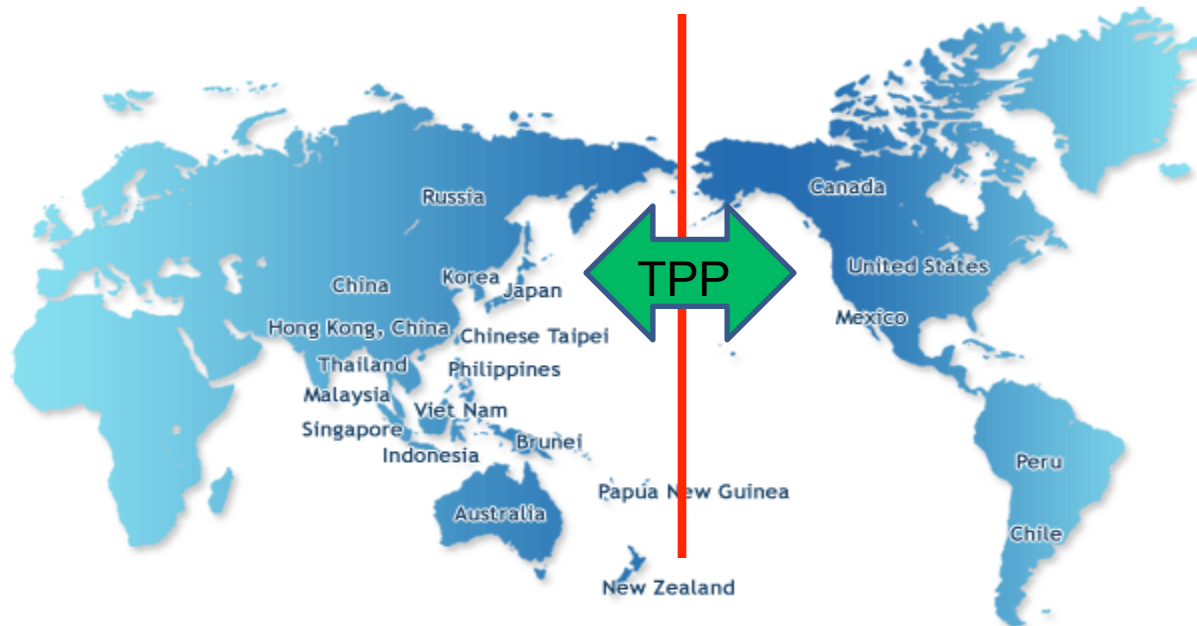
FREE TRADE & TPP AGREEMENT

- Chrysler, Ford and GM have supported every major trade agreement over the past 45 years, and support the negotiation to establish a high standard 21st Century Trans-Pacific Partnership (TPP) free trade agreement.
- The Trans-Pacific Partnership Agreement is an Asia-Pacific regional trade agreement currently being negotiated among the United States and eight other partners. The United States' TPP negotiating partners are **Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam.**
- The TPP members reached the outlines of an agreement at the APEC Leaders meeting in Honolulu in November 2011.



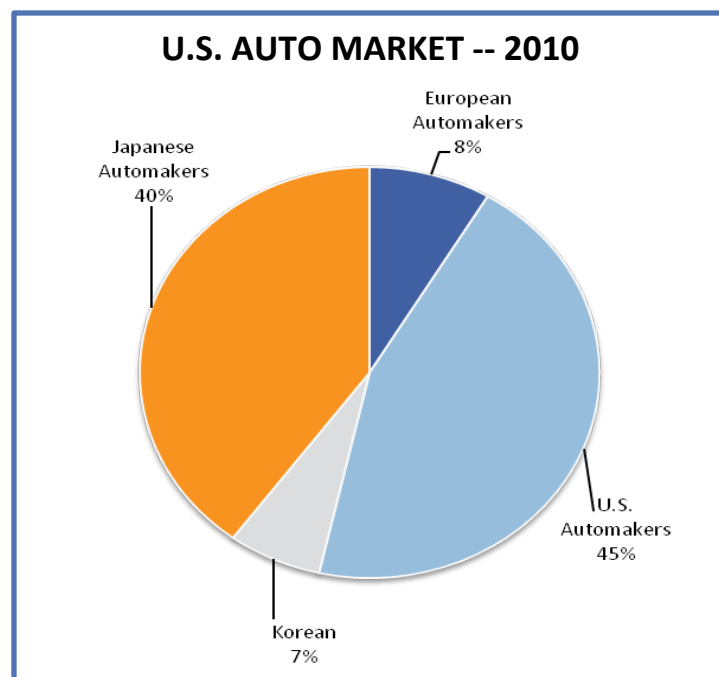
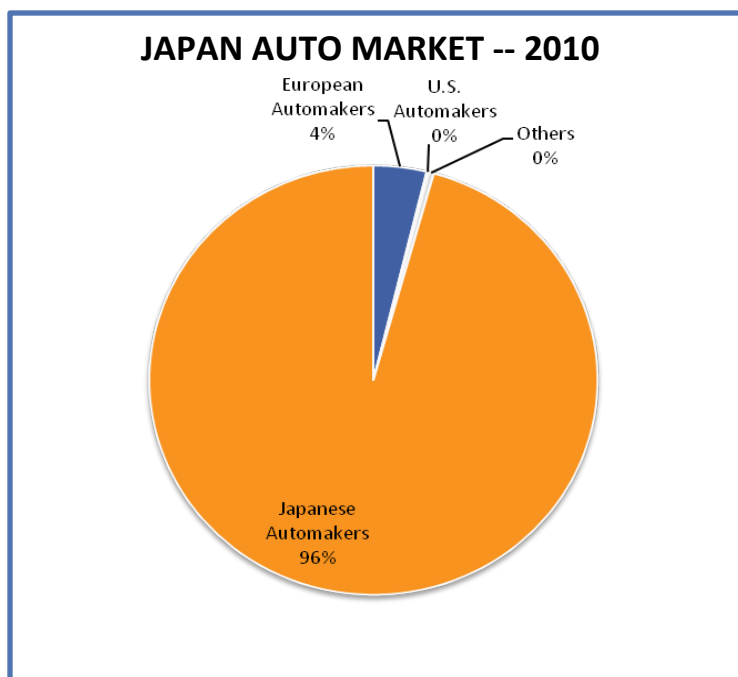
TPP FTA NEGOTIATION AND JAPAN

- The eight other economies involved in the TPP talks are largely complementary with the U.S., which facilitates speedy negotiations and minimizes Congressional consideration risks.
- TPP will provide a high-standard FTA model for the Asia-Pacific region, and a solid economic anchor for the United States in Asia- preventing an economic/ trade divide down the Pacific.
- The Japanese government has requested to join the TPP negotiations at the APEC leaders meeting in November 2011.



JAPAN IS THE WORLD'S MOST CLOSED AUTO MARKET

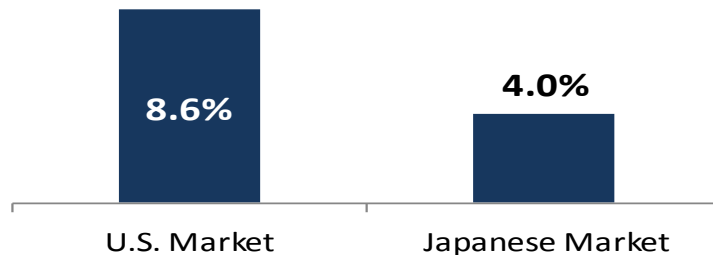
- Japan has a decades-long and consistent history of maintaining a closed auto market to international competition.
- Japan remains the most closed auto market in the developed world, with imports capturing no more than 5% of sales – and no material improvement in sales from any importers, including BMW, VW/Audi or Hyundai/Kia.
- In the United States, more than 16 global automakers compete, and no single company (domestic or foreign) captures more than 20% of the market. Foreign automakers captured 55% of all U.S. sales last year.



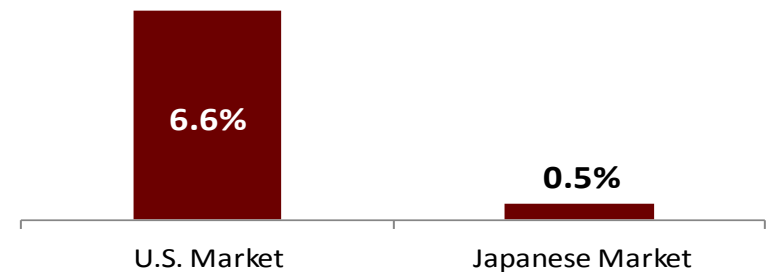
ALL IMPORTS HAVE A DIFFICULT TIME SELLING IN JAPAN

- Critics argue that American automakers have failed to open the Japanese market because they do not deliver on quality.
- First, many Chrysler, Ford and GM models met or beat foreign automakers on quality last year. (JD Powers)
- Second, if Japan's market has truly opened, why aren't globally popular brands, like BMW, Mercedes and VW (which together comprise nearly 8% of U.S. auto sales) able to capture half as much of the market in Japan?
- Similarly, why can't Korean automakers, which captured 7% of the U.S. market last year, capture a tenth as much in Japan?

All European Automakers (2010)



All Korean Automakers (2010)



JAPAN JOINING TPP- ONLY LATER & UNDER RIGHT CONDITIONS

- It's too late in the talks to begin the process of seamlessly adding any nation to the TPP. It would be counterproductive to a successful and timely conclusion of a 21st Century FTA agreement with the initial group of countries.
- Japan should not enjoy preferential access to the U.S. auto market until there is evidence that Japan is truly willing to open its market to U.S. auto exports.
- In advance of joining TPP, Japan has an obligation to demonstrate its willingness to open its closed auto market to international competition.
- Only a multi-year track record of change in import market access in Japan should be sufficient to indicate that a permanent and meaningful change has taken place.



AAPC SURVEY ON JAPAN AUTO TRADE

- **AAPC Survey:** In our just completed (August 2011) survey of 1,000 Americans, the following question related to Japan and trade was asked:

*Question: Do you agree or disagree with the following statement: The United States is one of the world's most open markets to the imports of cars and trucks from the rest of the world. While U.S. made vehicles are sold in other countries all over the globe, Japan maintains the world's most closed market to auto exports from the United States, Europe, Korea and other countries. Japanese companies export more than 100 vehicles into the United States for every one vehicle the U.S. is able to export there. **The U.S. government should require that Japan demonstrate an openness to U.S. auto exports before they grant any more auto trade benefits to that country.***



The result was that **71% agreed** - that Japan should demonstrate an openness to U.S. auto exports before the US grants any more auto trade benefits to that country - one of the highest “agree” results in the survey

CONCLUSION

- Ford, GM and Chrysler support the ambition of a 21st century TPP trade agreement with Australia, Brunei, Chile, New Zealand, Malaysia, Peru, Singapore, and Vietnam. This 21st Century Agreement should form the template for all future trade agreements and fully address tariffs, and Non-tariff measures.
- Step one of the TPP negotiations should be to complete a high ambition agreement with the initial nine countries.
- We believe Japan is not ready for inclusion in the TPP talks, and should not enjoy preferential access to the U.S. auto market until there is evidence that Japan is truly willing to open its market to U.S. auto exports.
- In advance of joining TPP, Japan has an obligation to demonstrate its willingness to open its closed auto market to international competition.
- Only a multi-year track record of change in Japan should be sufficient to indicate that its auto market is truly open.

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