

As trade talks heat up, Obama wants U.S. cars on Japan's streets

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WASHINGTON — When [Japanese Prime Minister Shinzo Abe](#) goes to the White House on Tuesday, he's likely to get an earful on one topic: cars.

President Barack Obama has complained recently that the United States isn't selling enough American cars in Japan and that he wants to open up the auto market as part of a new trade pact called [the Trans-Pacific Partnership](#).

Obama is pounding the message for a simple reason. After spending nearly his entire presidency touting the proposed 12-nation deal as an economic gold mine, the outcome now hinges largely on one participating nation: Japan.

As they seek to wrap up the long talks, U.S. negotiators are zeroing in on two key products, trying to strike a deal that would send more cars and more farm goods to Japan.

With the United States now providing less than 1 percent of all cars sold in Japan, it's a heavy lift, with many Japanese consumers regarding American cars as too big and too unreliable. The dismal sales of American cars in Japan have frustrated U.S. officials for decades. Some trade experts say the president lacks the power to change the situation anytime soon, with a new trade pact or not.

Just like last April, when Obama went to Japan to meet with Abe, expectations grew in the past few weeks that the leaders might be ready to shake hands on a deal during Abe's visit to Washington.

But after Michael Froman, the U.S. trade representative, went to Tokyo last week and failed to reach a breakthrough, the White House said Friday that no announcement was coming this week.

"We are not there yet to a final deal and more work is needed," Caroline Atkinson, deputy national security adviser for international economics, said in a conference call.

Abe's U.S. visit includes stops in Washington, Boston, San Francisco and Los Angeles.

On Tuesday, the prime minister will meet privately with Obama in the Oval Office and they'll conduct a joint news conference. Abe will have lunch at the State Department with Vice President Joe Biden and Secretary of State John Kerry. On Tuesday night, the White House plans a state dinner for Abe with nearly 300 guests.

It's the first time that Obama will host an official visit by a Japanese head of state.

"This is going to be an historic visit for this administration," said Evan Medeiros, the National Security Council's senior director for Asian affairs.

Trade won't be the only issue awaiting Obama and Abe.

James Schoff, senior associate in the Asia program for the Carnegie Endowment for International Peace, said the main focus would be on Japan's new defense guidelines, which could allow the country to cooperate in international peacekeeping efforts. With Abe's visit coinciding with the 70th anniversary of the end of World War II, Obama's team plans to highlight the reconciliation between former adversaries.

On Wednesday, Abe will become the first Japanese leader to address a joint session of Congress. Republicans last week advanced Obama's request for trade promotion authority, which would limit debate on trade pacts and make it easier to pass the Trans-Pacific Partnership. When House Speaker John Boehner, R-Ohio, extended the invitation to Abe, he said it would be a good opportunity for the prime minister to discuss ways to open markets.

Twice in the past two weeks, Obama has noted the lack of U.S. cars in Japan.

"You go out on the street right now and you look at all the cars that are passing by, you'll see Hondas, you'll see Toyotas, you'll see Nissans," the president said in a speech Thursday. "Those are all fine cars; nothing wrong with that. But when you travel to Tokyo, you don't see Fords. You don't see Chevys. You don't see Chryslers. So why would we want to maintain the the current status quo, where people are selling a bunch of stuff here and we can't sell there?"

U.S. autoworkers complained last year that the situation had grown so lopsided that only one American car is sold in Japan for every 130 Japanese cars sold in the United States.

The U.S. sold 20,185 cars, 1,304 trucks and seven buses to Japan in 2013, the last year for which statistics are available, according to the [Japan Automobile Manufacturers Association USA](#).

Ron Bookbinder, general director of the association, said Japanese automakers were providing Americans with the vehicles they wanted but that U.S. automakers were not giving Japanese consumers the tiny cars they desired.

Last year, he said, U.S. companies offered only 10 models for the 93 percent of the Japanese auto market that's composed of small cars.

"Free trade benefits companies that are ready to compete," Bookbinder said. "But the Detroit Three automakers haven't been interested in selling in Japan."

Many U.S. officials have long said the Japanese market is effectively closed to imports. Japan imposes higher tax rates on large cars to discourage their use. And Japanese dealerships often refuse to sell foreign cars, which must be retooled to meet different safety and pollution standards.

Some trade experts say Obama is making a mistake by raising expectations that U.S. auto sales will increase in Japan under a new trade deal.

"It's an idiotic statement for the president to make – it's embarrassing," said Clyde Prestowitz, a labor economist who worked as a trade negotiator for the Reagan administration. "The most competitive auto producer in the world today is Hyundai," which is based in South Korea. "They're not even trying to sell in

Japan. So if Hyundai can't sell there, how can the president say that Ford and GM and Chrysler are going to sell there?"

Gary Clyde Hufbauer, senior fellow with the Peterson Institute for International Economics, said the two remaining "headline issues" for the trade deal focused on the U.S. desire to sell more pork and cars in Japan. He said he thought the two sides were very close to reaching an agreement, but he predicted that nothing will be finalized until this summer.

He also thinks the president is misleading the public by suggesting the current fleet of U.S. cars would begin selling in Japan.

"What might happen is that the U.S. will be just great at building the next generation of all-electric or hybrid cars and they will be a big seller," Hufbauer said. "But you know, there's a lot of over-promising that goes on, as well as a lot of baloney on the opposition side."

With the 2016 elections rapidly approaching, some say the Obama team must quicken the pace on negotiating the deal before the political season makes progress impossible.

"You can't take too long getting to an agreement. You can't keep perpetually postponing it," said Douglas Paal, vice president for studies and director of Carnegie's Asia program.

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