

# U.S. Automakers Leery as Pacific Trade Deal Emerges

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U.S. automakers typically back trade agreements that open markets for their products, yet they aren't cheering for a pact among 12 Pacific nations that's entering its final negotiations.

The automakers and the union that represents their factory workers say the Trans-Pacific Partnership would reward countries that don't play fair, either by keeping their markets mostly closed to foreign competition or by manipulating their currency. In particular, they say, it would let Japan perpetuate an imbalance in which it exports [130 vehicles](#) to the U.S. for every one American vehicle exported to Japan.

“Given the magnitude of auto trade between the U.S. and Japan -- which is primarily one way from Japan to the U.S. -- you really can't have a successful TPP unless you have a successful outcome on automobiles,” Matt Blunt, head of the American Automotive Policy Council, said in an interview. The Washington-based group is the lobbying arm of the U.S. auto industry.

Concern over closed markets and currency have been some of the thornier issues in the trade pact. The deal may be finalized at a meeting in Hawaii this week attended by officials from the 12 countries. U.S. automakers and their suppliers, which have exported more than [\\$637 billion](#) in vehicles and parts over the past five years, support [free-trade agreements](#) but want this one to include protections against countries that weaken their currency.

## Currency Issue

The automotive policy council will only support the trade deal if it resolves the currency issue, Blunt said in an e-mail.

The trade deal would create a market from the U.S. and Mexico to Japan and Vietnam, representing about 40 percent of the world's economic output. It covers more than two dozen issues, from trade in traditional goods to rules on the flow of data and on intellectual property.

The U.S. Congress improved the likelihood of an agreement in June when it approved expanded negotiating authority for President Barack Obama, setting up the potentially deal-clinching meeting in Maui. Any final accord must be submitted to U.S. lawmakers for an up-or-down vote with no amendments allowed.

## Not Happy

The United Auto Workers union, which supported Obama's campaigns, wasn't happy with the move. UAW President Dennis Williams said last month that "Congress turned their backs on the American people and voted to not do their job."

He and other UAW officials met with Obama and Labor Secretary Tom Perez July 17 at the White House. They discussed the economy and "how to expand economic opportunity for everybody," White House press secretary Josh Earnest said.

Williams reiterated Thursday that he wants the U.S. to renegotiate Nafta, the 1992 trade agreement between the U.S., Mexico and Canada that was signed by President Bill Clinton, before jumping into another trade deal. He spoke at an event in Detroit marking the ceremonial start of contract negotiations with Ford Motor Co.

"We are disappointed with Congress's action on TPA," Williams said. "At the time that we're now negotiating another agreement, we haven't fixed the issues with Nafta."

Critics of the North American Free Trade Agreement say it made it easier for manufacturers to take advantage of low-cost labor by opening factories in Mexico instead of in the U.S.

Historically, U.S. automakers have supported every free-trade agreement the nation has had, Blunt said, and would like to support the Pacific-rim partnership also. "The fact that we're negotiating TPP with Asian economies that have a history of manipulating their currency, and in some cases maintain extremely closed automotive markets, makes it challenging," he said.

## Largest Market

Under the Pacific-rim partnership, a 2.5 percent tariff on Japanese cars and 25 percent duty on light trucks exported to the U.S. would be phased out. Even so, Japanese automakers won't alter their overall strategy in their largest market, said Ron Bookbinder, general director of the Japan Automobile Manufacturers Association's U.S. office.

The end of the car tariff will save them about \$1 billion per year when fully phased out, according to

Bookbinder.

Japanese manufacturers wrapped up 2014 having made 3.82 million vehicles in the U.S. About 74 percent of Japanese-branded vehicles sold in the U.S. were built in Canada, the U.S. or Mexico.

## European Success

Japanese companies already make enough light trucks in the U.S., such as the Toyota Tacoma, that they actually export to other parts of the world. “Given the Japanese automakers’ commitment here, I don’t see much change in the U.S. market if a TPP is reached,” Bookbinder said.

Japanese automakers have long contested the portrayal of their home market as closed, and point to successes by European manufacturers in selling to Japanese drivers as evidence. American companies have failed to offer models tailored to Japanese tastes, Bookbinder said.

“The Japanese market is in fact open, but the Detroit Three aren’t interested in selling in Japan,” he said.

The pact has the potential to rejigger and expand where and how Japanese and American companies buy auto parts and sell the finished product, said Douglas Lippoldt, a senior trade economist with HSBC. “Automobiles and trucks are products of evolved and complex value chains,” Lippoldt said in an interview.

## Michigan Automakers

For example, high tariffs on cars in Vietnam would disappear, creating greater opportunities for sales of vehicles that could be made by an American or Japanese company in Mexico. Service providers such as management consulting, finance and marketing firms could also find more work in Vietnam.

The three Michigan-based automakers -- FCA US, a unit of Fiat Chrysler Automobiles NV, Ford and General Motors Co. -- exported more than 1 million vehicles to more than 100 foreign markets last year, according to the U.S. auto group.

TPP won’t likely be as successful as other trade agreements in opening markets, Blunt said. Despite the automakers’ concerns over currency manipulation, the pact offers some opportunities.

Many of the countries that are negotiating the deal already have free-trade agreements with the U.S. But Malaysia, where 666,000 vehicles were sold last year, and Vietnam, with 77,000 in sales, could represent chances for growth, he said.

“We’re certainly hopeful that you can open closed markets like Malaysia and Japan and Vietnam,” he said.

