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February 4, 2010

The Honorable Ron Kirk
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Kirk:

We share your disappointment with Japan's recent announcement limiting the number of U.S. auto models that qualify for its cash-for-clunkers program. The way this situation has unfolded is, in our view, a case study of the larger, more fundamental market access problems U.S. automakers experience in Japan.

As you know, Japan's original clunkers program effectively restricted U.S. participation, standing in stark contrast to the country-neutral U.S. program, an unfairness you raised with Japan last year. Our understanding at the time was that Japan said it was willing to modify the program to make U.S. vehicles that enter Japan's market through the Preferential Handling Procedure ("PHP") certification process eligible for the cash-for-clunkers program. Finally, on January 19, 2010, the Japanese government announced that it would accommodate certain U.S. vehicles. At the time, you said you were "evaluating the details of Japan's announcement," as were we. Yesterday, we learned that only eight U.S. PHP vehicles would be eligible for the program, because Japan based eligibility on an artificial measure of fuel efficiency. While we welcome the access these vehicles received yesterday under the program, we believe that it should have been greater and, further, that overall U.S. access to the Japanese market remains far more limited than it should be.

Over the years, we have been actively working to obtain market access opportunities for our automakers in Japan. In that long-running effort, this most recent episode has had a familiar feel to it. Just like in the past, the United States expended a massive amount of energy, only to receive a helpful, but all-too-modest result. More pointedly, Japan's decision to use the city fuel economy rate

Ambassador Kirk

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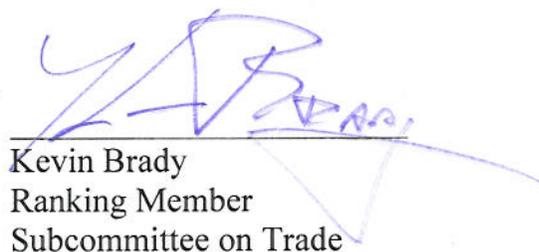
instead of the combined fuel economy rate that was the guidepost for eligibility in the U.S. clunkers program looks, to us, more like a new too-clever-by-half non-tariff barrier and less like bona fide opening of this market.

In many ways, this is emblematic of a far larger issue. The Japanese clunkers program is set to expire possibly as soon as March, and even if it is extended, we understand that Japan intends for the program to be temporary. But long after the clunkers program terminates, what will remain is an unsatisfactorily low level of U.S. sales into the Japanese market. In 2008, cars made outside of Japan amounted to fewer than five percent of the five million vehicles sold there – in fact, the lowest level among all industrialized countries. The damage that other barriers wreak overwhelms the comparatively small economic impact of the clunkers program.

We encourage you to continue your work to monitor and improve U.S. eligibility in the Japanese clunkers program, but we know you agree with us that this effort should not be to the exclusion of the even more important work of addressing the permanent, structural barriers that impede access for U.S. automakers in the Japanese market. We stand ready to assist you in any way possible.

Sincerely,


Dave Camp
Ranking Member


Kevin Brady
Ranking Member
Subcommittee on Trade