

Details of the Negotiations

Milestones Reached, Milestones to Come.

A de facto agreement was achieved in the U.S.-Japan automotive industry and car parts framework talks on June 28, 1995, after approximately two years of lengthy negotiations, and official documents were signed and exchanged in Washington on August 23, 1995. During the long talks, important milestones were made. While it is possible to point out turning points in the negotiating process, this article will discuss the process from the agreement on the framework for the talks up to the U.S.-Japan summit meeting of February 1994.

Start of the U.S.-Japan auto and auto parts framework talks

On July 10, 1993, during U.S. President Bill Clinton's trip to Japan, a joint declaration regarding the framework for a new U.S.-Japan economic partnership was issued at the U.S.-Japan summit meeting. This framework formed the basis for the U.S.-Japan negotiations over cars and car parts.

The first point of the framework, upon which the two leaders concurred, was that the measures that would be adopted in the car and car parts sector "would result in a substantial degree of additional sales opportunities, contributing to a substantial degree of expanded procurement of foreign-made parts by Japanese companies, both within Japan and at overseas transplants, and eliminating problems affecting market access, the objective being the promotion of Japanese imports of foreign cars and car parts. The U.S. government would promote car and car part exports to Japan and encourage American companies to aggressively pursue market opportunities in Japan." During the government level discussions, Japan and the U.S. would endeavor to agree upon specific measures that accorded with these goals and incentives.

The second point was that "these assessments will be undertaken based

upon a range of objective guidelines composed of relevant information or data, as assessed by both governments. These guidelines will be designed to assess progress achieved in each sector." During the government-level discussions, Japan and the U.S. would endeavor to agree upon appropriate, objective guidelines to judge how these measures were being implemented and the progress that had been achieved.

The preceding two points were the main proposals referred to in the framework talks communiqué. Other important points were the three basic principles for appropriate and amicable promotion of intergovernmental discussions as follow:

1. Two-way dialogue

Discussions would be based on the principle of two-way dialogue, based on the concept that the requisite targets would only be achieved through joint efforts by buyer and seller.

2. Most-favored nation basis

The governments of Japan and the U.S. are committed to a system of free trade that extends benefits to every nation and the concept of "most-favored nation" would benefit as the basis for this framework.

3. Limits on matters within scope of governmental responsibility

Limitations apply regarding matters for which the government can assume responsibility for implementation and limits will be imposed on matters for which promises can be made in inter-governmental talks. This section was particularly important during the conclusion of these talks because the private sector handles most car and car parts sector transactions.

Japanese and U.S. proposals

U.S. proposals

Specifically, the U.S. government sought (1) continued or expanded imports of U.S.-made car parts and the

trend toward increased purchases of U.S. car parts by Japanese transplants; (2) local procurement raised to the level of the Big Three by Japanese transplants in the U.S.; and (3) an increase in the number of dealers handling foreign cars. The U.S. government pictured these demands as attainable targets, presenting a separate, specific closing statement with objective guidelines for specific steps and progress assessments that the Japanese government could implement to achieve these goals. Among this closing statement's proposals, the value of parts imported from U.S. suppliers (except Japanese transplants, for whom the value of purchases would be used) was included as one objective guideline.

Japanese proposals

The Japanese government initially proposed Japanese government *import* promotion measures and U.S. government *export* promotion measures (including support for efforts to improve the competitiveness of U.S. products). Emphasis was put on inter-automotive industry meetings, calling for (1) promotion of harmonious relations; (2) assessments based on objective guidelines that would first be undertaken within the industry, after which, based on matters that required both sides' consideration and cooperation, decisions could be made on steps to be implemented to further increase trade; and (3) additional definition of governmental measures that should be implemented, as required, taking the position that, since most car and car part transactions have usually been handled by the private sector, independent efforts in that sector should be encouraged.

This demonstrates that, because the Japanese and Americans took completely different approaches in developing their respective proposals, it was a Herculean task to devise an outline for the discussions, much less a joint closing statement. The focus of the discus-

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sions concerned the U.S. proposals for (1) numerical targets; (2) demands that the ratio of local procurement be increased; and (3) discrimination by Japanese companies, while the Japanese stressed legalistic issues such as international rules and matters outside the

scope of government responsibility (undue interference with market mechanisms). However, while the U.S. advocated the need for results-oriented, positive steps, little or no compromise was noted.

These sorts of conditions in the working level discussions continued up to

the U.S.-Japan summit held in Washington in February 1994 and, because neither leader would budge from his respective position, particularly regarding numerical targets, talks on the three priority sectors, including cars and car parts, fell apart without an agreement being reached. ■