

# Thoughts on Free Trade

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# Two questions I wonder about

1. Is Japan's auto market really closed?
2. Do the taxes levied on vehicles in Japan constitute a non-tariff trade barrier to overseas companies?

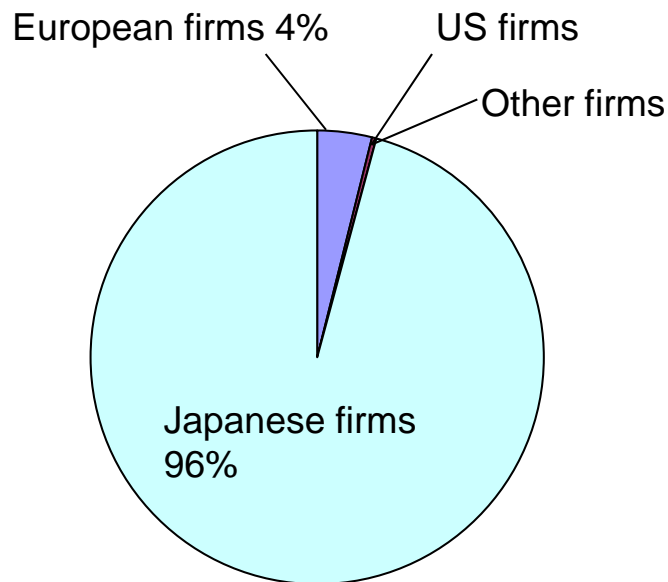
# 1. Is Japan's auto market really closed?

Import duty rates compared

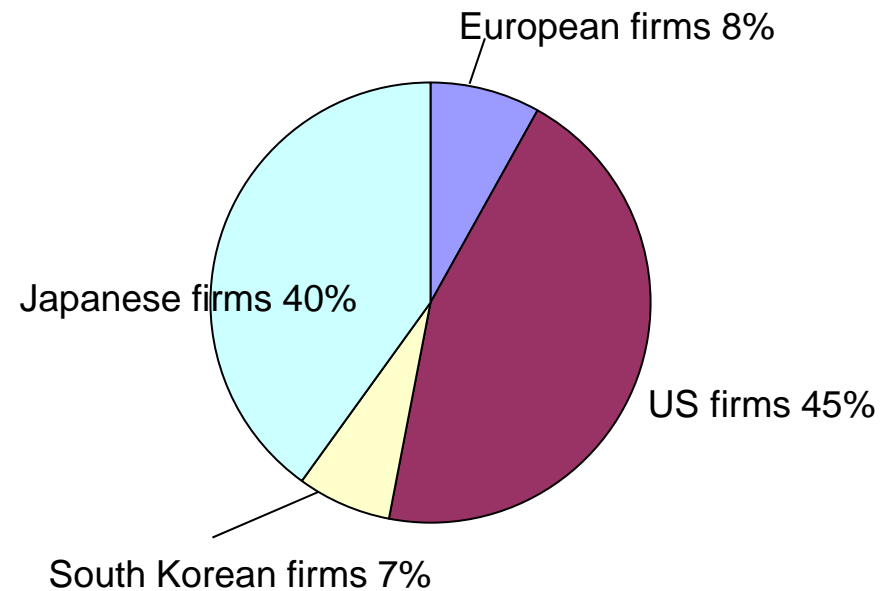
	Passenger cars	Trucks
Japan	0%	0%
USA	2.5%	25%

# 1. Is Japan's auto market really closed?

Share of Japanese market by country (2010)



Share of US market by country (2010)



Source: "The Trans-Pacific Partnership FTA & Japan" (American Automotive Policy Council, Nov. 28, 2011)

# Products

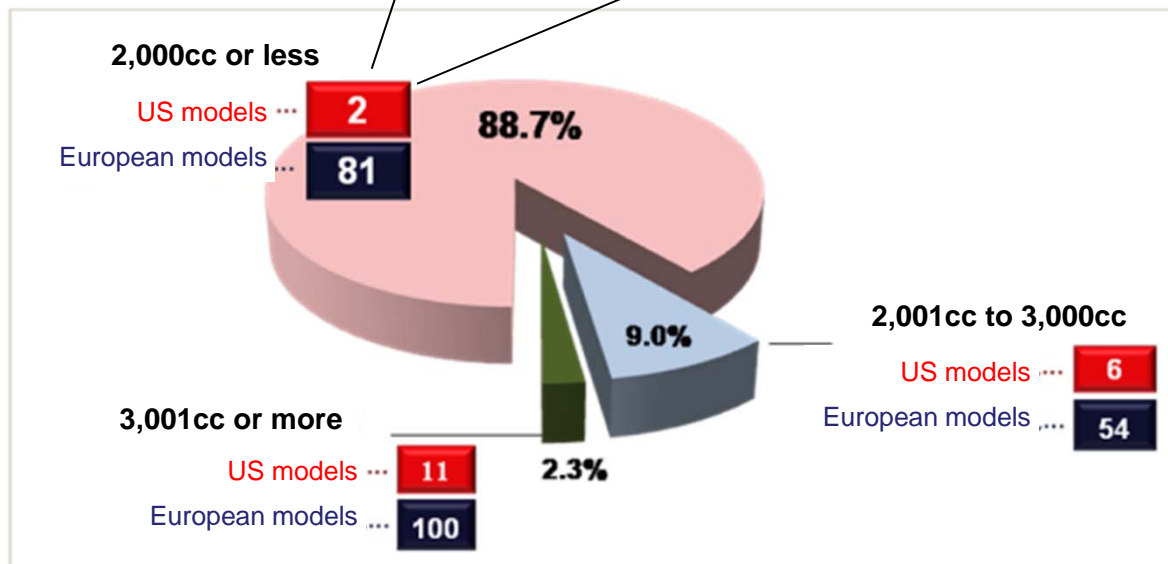
Japan's auto market by engine displacement and offered models (2011)



Source: Response




Source: Response



Source: JAMA data

# Marketing

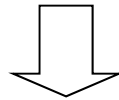
Companies exhibiting in 2011 Tokyo Motor Show

European firms	US firms
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# Is sales performance a true indicator of whether a market is open or closed?

- Sales results can be seen as the result of a company's total effort in product development, marketing, etc.



- Pointing out specific practices believed to be non-tariff trade barriers will make possible constructive talks toward promotion of free trade.

Example: European Commission list of 31 non-tariff barriers

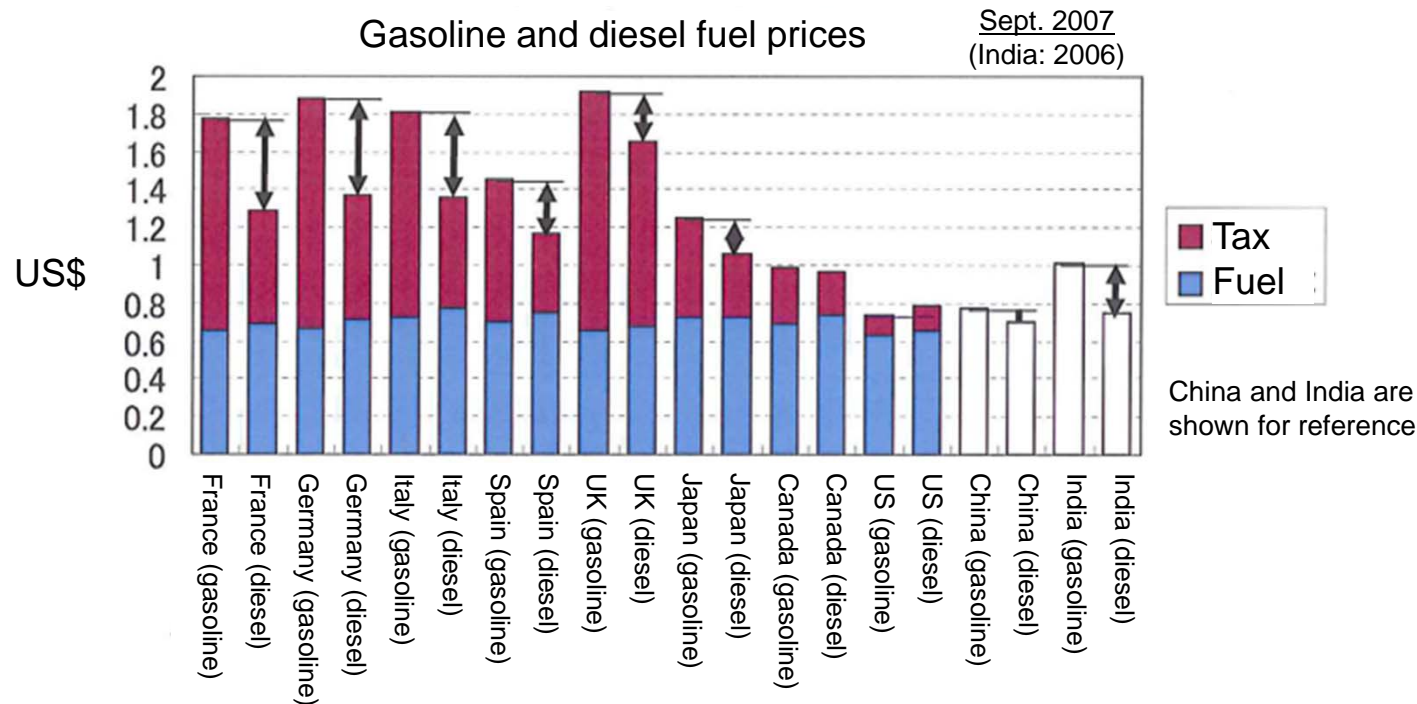
## 2. Do the taxes levied on vehicles in Japan constitute a non-tariff trade barrier to overseas companies?

- The European Automobile Manufacturers' Association requested Japan to take action regarding 6 non-tariff barriers.
- One area is “Kei” light motor vehicles
  - Taxation system on “Kei” and regular vehicles
  - ⇒ Even though it is the same for domestic and overseas companies...



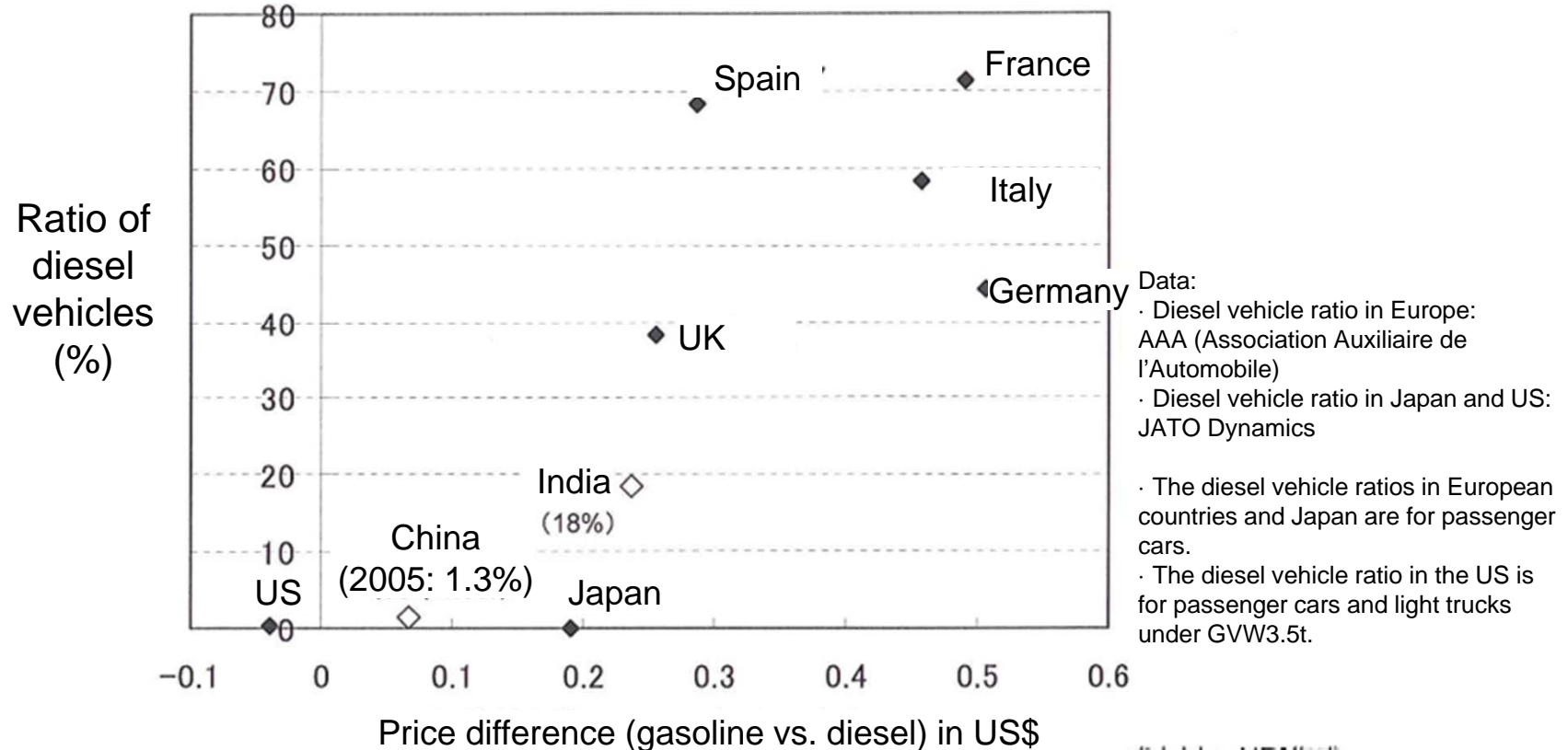
# Situation overseas: Taxes on gasoline and diesel fuel

- In Europe (notably France and Germany) there is a large gap between gasoline and diesel fuel taxes.



Source: Nomura Research Institute, “*Kankyo jidai no jidosha pawa torein senryaku*” (Automobile power train strategies for an environmentally conscious age), March 2009

Diesel vehicle ratio in each country



Source: Nomura Research Institute, “*Kankyo jidai no jidosha pawa torein senryaku*” (Automobile power train strategies for an environmentally conscious age), March 2009

- ⇒ Do the taxation systems in each country bias their market?
- ⇒ To what extent should opinions and criticism of domestic tax systems in partner countries be allowed in promoting free trade?