

TRAVEL

EYES ON THE ROAD

What Really Makes an American Car?

Could there be a more American vehicle than a "Jeep Patriot?" Nothing on four wheels says American more proudly than Jeep, the rugged brand that helped America win World War II, and that has ferried millions into our wild, Western spaces since.

Yes, in fact, there could be a more American SUV than a Jeep Patriot. A Toyota Sequoia would be one of them. The Sequoia is 80% "domestic," according to the



By Joseph B. White

National Highway Traffic Safety Administration, while the Jeep Patriot is only 66%.

"Buy American" is back on the agenda in Washington.

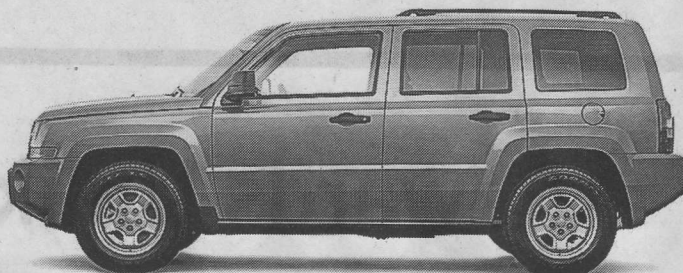
Congress is debating proposals to require that contractors on projects financed by the economic-recovery package buy "American" steel.

The Treasury has pumped billions into two of the three American car makers with head offices in and around Detroit, hoping to avoid a collapse of what industry and political leaders call the U.S. auto industry. There's lots of talk about the government supporting American efforts to develop electric cars and batteries, and some federal programs already established to do this.

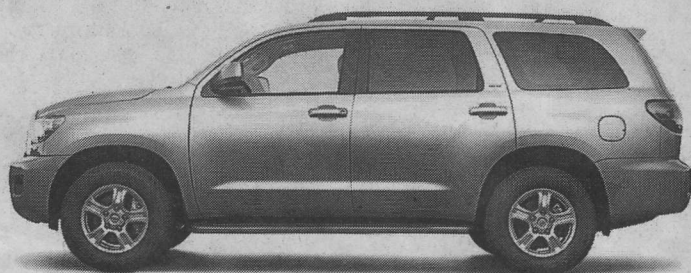
When it comes to the car business, however, consumers and Congress and the Obama administration are going to confront a tricky question: Just what is an "American" car, or for that matter, an "American" car company?

The truth of the car business is that it transcends national boundaries. A car or truck sold by a "Detroit" auto maker such as GM, Ford or Chrysler could be less American—as defined by the government's standards for "domestic content"—than a car sold by Toyota, Honda or Nissan, all of which have substantial assembly and components operations in the U.S.

Thomas Klier, an economist with the Federal Reserve Bank of Chicago who has studied the realignment of the American auto industry, wrote in an October 2007 paper that, as of



The Jeep Patriot, above, is only 66% domestic—as defined by the U.S. government's standards—while the Toyota Sequoia, seen below, is 80%.



driveimages/Newscom (2)

2006, about 25% of the parts used in vehicles assembled in the U.S. came from overseas, and another 25% were manufactured here by foreign-owned parts makers. The Detroit companies wave the Stars and Stripes when they advertise

The BMW X5 sport-utility vehicle is more American than a Pontiac G8.

their wares or look for loans in Washington, but when they talk to investors or the business press, they stress their aggressive efforts to promote "global sourcing," a code for "Buy More Parts from China and Mexico."

GM, the most global of the companies with headquarters in Detroit, has highlighted to investors that it now sells more cars (and has more employees) outside the U.S., and that its best opportunities for growth—assuming the company's restructuring is successful—are in China, Latin America and other developing markets.

Over the next several years, the nationality of the cars sold in America is likely to become even harder to pin down. Ford intends to import to the U.S. market the European designs for its small and medium-size

cars. Meanwhile, German auto maker Volkswagen is pushing ahead with plans to set up a U.S. assembly plant again. The BMW X5 sport utility (assembled in South Carolina) is more American than a Pontiac G8, which is an Australian import, like Oscar host Hugh Jackman.

For nearly 15 years, the U.S. government has required, under the American Automobile Labeling Act, that car makers disclose to consumers what share of the car's components are made in the U.S. or Canada—another way of saying, "made by people paid something comparable to U.S. wages." A 2001 study conducted by NHTSA found that more than 75% of 646 people surveyed weren't aware of the existence of the domestic content information, and only 5% of those surveyed said the disclosures—usually on a window sticker—affected their decision "to any degree whatsoever." The NHTSA study also observed that "the introduction of AALA labels in model-year 1995 was not followed by a resurgence of U.S./Canadian parts content in the overall new vehicle fleet, but rather a modest decline from an average of 70% in model year 1995 to 67.6% in model year 1998."

Meantime, spare some sympathy for the government officials trying to sort out where to invest the taxpayers' money to support the "U.S.

auto industry."

Consider Chrysler LLC. During the 1980s and 1990s, Chrysler was the most flag-waving, red-white-and-blue American car company among Detroit's Big Three. Company Chairman Lee Iacocca was a clear, loud voice accusing Japan's government and auto makers of unfair trade practices. Never mind that Chrysler had a longstanding link to Japan's Mitsubishi Motors Corp. and sold various Mitsubishi cars. Then, Chrysler sold itself to Germany's Daimler-Benz AG to create DaimlerChrysler. Not long afterward, the new German owners installed a German executive to run what used to be Chrysler—and began promoting German engineering as a valuable attribute of its cars.

Confused yet? It gets better. In 2007, Chrysler was re-claimed for America—80.1% of it at least—by the U.S. hedge fund Cerberus Capital Management LP. But Chrysler has taken a pounding as the economy has gone south, and now Cerberus has reached a tentative agreement to peddle 35% of Chrysler to Italian auto maker Fiat SpA in return for access to Fiat's engine technology, small-car designs and other technology. Fiat might also use a Chrysler factory to build cars for the U.S. market and sell its brands through Chrysler dealers. But Fiat isn't proposing to put any cash into Chrysler. Should this deal be consummated—and that's by no means certain—Chrysler would once again be majority owned by corporations located outside the U.S.

So what should you buy if you want to buy a truly American-made car? For the 2008 model year, the government says the Ford Crown Victoria has the highest percentage of U.S./Canadian content at 90%.

The only hitch: It's assembled in Canada.

Send comments about Eyes on the Road to joseph.white@wsj.com.

WSJ.com

ONLINE TODAY: Test your knowledge of American cars in an interactive quiz, at WSJ.com/Autos.