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MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

Progress Report: WTO NAMA Discussions on Autos NTBs

Communication from the United States

Addendum

The following communication, dated 4 November 2005 is being circulated at the request of the Delegation of the United States.

Introduction

This report has been prepared to inform the NAMA negotiating group of the state of play of the discussions on non-tariff barriers (NTBs) affecting the automotive industry.

Paragraph 14 of Annex B of the July framework envisages request/offer, horizontal or vertical approaches as the modalities for addressing NTBs in the NAMA negotiations. In January 2005, the United States tabled its proposal on negotiating NTBs related to the automotive sector (TN/MA/W/18/Add.6). The barriers noted in this proposal include restrictions on consumer financing and distribution channels, foreign equity restrictions that restrict or distort investments in automotive production, vehicle taxes based on engine displacement, and barriers to the importation and sale of remanufactured automotive parts.¹

Since tabling its paper, the United States has hosted five informal group meetings to discuss these barriers, as well as any others that participating Members have wished to bring to the attention of the discussion group. To date, two Members other than the United States – Japan and Korea – have prepared short papers describing the barriers encountered by industry and including a brief statement of the economic impact. An electronic dialogue (“e-dialogue”) also is underway among those participants in the informal group meetings in order to continue discussions during the periods between NAMA meetings.

The informal meetings have been attended by both developed and developing country Members. Most of the participating Members are associated with an industry association that is actively discussing NTBs to automotive trade as a member of the Global Automotive Industry Dialogue (GAID). The seven current industry associations of the GAID – from Brazil, Canada, the EU, Japan, Korea, India and the United States – represent more than 85 percent of global automotive production.

¹ The United States has since broadened the discussion of NTBs affecting the importation and sale of remanufactured auto parts to include other industries, such as the heavy equipment/earth-moving and medical equipment sectors. Discussions on remanufactured goods, as hosted by the United States, are now occurring separately from discussions on barriers to automotive trade.

I. SUMMARY OF GOVERNMENT DISCUSSIONS

The United States hosted the first informal meeting to discuss automotive NTBs on 2 February 2005. Ten developed and developing country Members participated.² This informal discussion was held a day after the United States tabled its automotive NTB proposal. At this meeting, participants signaled their support for a shift toward a substantive discussion, focusing directly on the barriers to automotive trade listed in Members' indicative lists. Members also began to discuss process-related questions.

The second informal discussion was held on March 18, 2005 following an all-day plenary session on NTBs where Members examined on a line-by-line basis each of the NTB notifications submitted since October 2004.³ The United States at this informal meeting explained to participants the nature of each of the autos barriers listed in its proposal, and clarified its intent in pursuing them. The U.S. delegation distributed short papers on these barriers to participating Members as the basis for this discussion. Background papers on autos NTB-related work in APEC and the United Nations (UN) Economic Commission for Europe (ECE) Working Party 29 (WP.29) technical standards setting process were also distributed.

The third meeting was held on April 27 with 8 participants attending.⁴ This meeting followed a meeting of the Global Auto Industry Dialogue (GAID) in Geneva. Members continued in the issue identification phase at this meeting, with Korea presenting information on three barriers: requirements that automotive products clear customs only in limited, designated ports; import bans and restrictions on used cars; and government supports for the automotive industry. There was also a brief discussion of the fact that many of the NTBs cited by participating Members concerned compliance issues. In the multilateral review of NTBs in the plenary, Members generally had indicated they planned to take up compliance issues in the relevant WTO Committee. The question was posed in the informal autos group whether Members saw any scope for joint focus on some of these compliance issues.

Australia, Brazil, Canada, Chinese Taipei, the EC, Japan, Korea, the Philippines and the United States met on June 6, 2005, to continue this informal dialogue. There were a number of time constraints during this NAMA week that caused some Members who would otherwise have participated in the meeting to miss it. Discussions continued among participating Members on the short NTB issue papers that had been tabled. The United States also distributed materials it received from its industry on the engine displacement issue. On compliance issues, the U.S. summarized the options that had arisen in discussions to date: (1) pursue in relevant Committees, as individual Members or as a group (the generally preferred option emerging from the multilateral review of NTBs); and (2) pursue in NAMA if there is an opportunity to make progress (an option also noted by the NAMA Chair).

Australia, Brazil, Canada, Chinese Taipei, the EC, India, Japan, Korea, Mexico, Singapore and the United States attended the fifth meeting of the informal group on September 19, 2005. Participants at this meeting focused on Japan's NTB issue paper on customs-related barriers to automotive trade. The United States at this meeting suggested that individual Members take leadership to draft proposals to advance specific auto NTB issues. Japan agreed to shepherd the

² Australia, Brazil, Canada, India, Japan, Korea, Mexico, the Philippines, Romania and the United States.

³ Australia, Brazil, Canada, India, Japan, Korea, the Philippines, Switzerland and the United States attended.

⁴ Canada, EU, India, Japan, Korea, Mexico, the Philippines and the United States.

customs issues (e.g., periodic customs clearance), and the EC agreed to shepherd the TBT issues. The United States will lead on equity restrictions. Leads on the remaining issues are to be determined.

Summary of Industry/Government Discussions

Separately from government discussions in NAMA, the Global Auto Industry Dialogue (GAID) has raised NTB issues in seven broad areas – standards, investment, taxation, certain services, IPR protection, customs practices and import licensing and quotas. In June 2004 and April 2005 the GAID visited Geneva to brief interested WTO Members on these seven issues. Industry has since refined the definition of problems faced in each of these areas. The various participating industry associations have also divided up the work to prepare focused statements of the NTB problems encountered and specific requests of the WTO membership for remedies to address these problems. The GAID returned to Geneva during the October 10, 2005 NAMA week to present specific requests for action on the part of WTO Member governments to address these concerns. The GAID expects soon to expand its membership to include other interested automotive industry associations.

II. NEXT STEPS

The challenge is how to move from what has, up to now, been an issue identification stage into an effective discussion of which non-tariff barriers can be addressed by WTO Member governments and options for solutions. As noted above, as a way to move forward and to maximize resources, specific Member governments have committed to taking the lead on particular concerns of the automotive industry. Also, given specific requests for action from the global automotive industry, Member governments participating in informal autos NTB discussions will need to address a host of related questions, including:

- options for solutions;
- which Members need to participate in each solution;
- the best venue for pursuing these solutions; and
- how to capture results in the Doha negotiations.

As discussions advance, reports similar to this one will be prepared and submitted to the NAMA group. The United States, like the other Members participating in automotive NTB discussions, is committed to a transparent and inclusive process.
