



May 10, 2001

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, NW, Washington, DC 20508

Dear Ms. Blue,

In response to the Federal Register Notice (April 5, 2001) requesting interested parties to provide the Trade Policy Staff Committee (TPSC) with comments on preparations for the Fourth Ministerial Conference of the World Trade Organization, scheduled for November 9-13 in Doha, Qatar, please find enclosed our initial comments and recommendations.

This information is being submitted on behalf of the Automotive Trade Policy Council (ATPC), which represents the international trade, investment, and economic interests of DaimlerChrysler Corporation, Ford Motor Company, and General Motors Corporation.

If you have any questions regarding this information, please feel free to contact me at (202) 331-5010.

Sincerely,

Charles D. Uthus
Vice President

May 10, 2001

Automotive Trade Policy Council

Response to TPSC Request For Comments on the Fourth WTO Ministerial in Doha, Qatar (Nov. 2001)

On behalf of its member companies-- DaimlerChrysler Corporation, Ford Motor Company, and General Motors Corporation-- the Automotive Trade Policy Council (ATPC) submits the following input to assist the Trade Policy Staff Committee (TPSC) in its preparation for the Fourth Ministerial Conference of the World Trade Organization, scheduled for mid-November in Doha, Qatar.

ATPC and its member companies have a strong interest in the smooth and free flow of international trade and investment and believe in the importance of maintaining a strong rules-based multilateral trading system. As a result, ATPC strongly supports the trade and investment liberalization accomplished through past GATT/WTO rounds, and the initiation of a new round of WTO negotiations to continue the trade and investment liberalization process.

In leading up to a new WTO round, there are issues left over from the last round that still need to be addressed and factors that need to be taken into account before embarking on a new round. Before initiating a new round, we strongly believe that there must be a full and satisfactory resolution of implementation issues left over from the last WTO round. In going forward with a new round, we believe it is important to consider the global economic significance of the automotive sector, with assurance that issues of commercial importance to the future development of the global automotive industry will be addressed, and that the new round is initiated and completed within a reasonable time frame.

Finishing the Business of the Uruguay Round

One of the most important accomplishments of the last round of GATT/WTO negotiations (Uruguay Round), from the perspective of ATPC member companies, was the agreement to end Trade Related Investment Measures (TRIMs). According to the Uruguay Round TRIMs agreement, all existing TRIMs, as defined by the agreement, would be reported to the WTO and eliminated by no later than January 1, 2000. Following the conclusion of the Uruguay Round, twenty-five TRIMs were reported to the WTO. Fifteen of the twenty-five were auto sector related, and constituted by far the most commercially significant TRIMs.

Of the fifteen automotive TRIMs reported to the WTO, seven fulfilled their commitment to eliminate the reported TRIM in accordance with the prescribed schedule. The remaining either ignored the deadline or opted to employ a provision of the agreement that allowed countries to seek extensions. Some of the WTO members that sought

TRIMs extensions are now seeking to backtrack on their commitments and/or use them as leverage with those governments seeking to initiate a new WTO round.

Many WTO members, following the conclusion of the Uruguay Round, never reported their automotive TRIMs, or have since adopted TRIMs policies in direct conflict with the TRIMs agreement. These practices continue today and will likely remain in place until challenged in the WTO through the dispute settlement process.

ATPC and its member companies strongly believe that the commitments made in the last GATT/WTO round must be successfully implemented and honored before embarking on a new round of WTO negotiations. If WTO members are allowed to avoid meeting the commitments made in the last round before a new round begins, it could undermine the successful enforcement of other important commitments or the implementation of new ones. Moreover, if one of the most significant achievements of the last GATT/WTO round is ignored or jeopardized, the interest and enthusiasm of the US business community to actively support the difficult process of a new round may be seriously affected.

New WTO Round

The Importance of the U.S. Automotive Sector

The member companies of the ATPC are the three largest exporting corporations in the United States, responsible for U.S. exports of automotive products that reached \$74 billion last year — about 12% of total U.S. non-agricultural exports. The three companies compete globally as the first, second, and fourth-largest automotive manufacturing companies in the world, with combined production of over 20 million motor vehicles in 2000.

ATPC members directly employ over 500,000 persons in automotive-related jobs in the United States. In addition, the automotive industry supports automotive suppliers and other related industries, which employ an additional 2 million Americans. Spin-off employment from the automotive sector (sales, advertising, services, etc.) produce an additional 3 million jobs. Moreover, the U.S. automotive industry annually spends nearly \$20 billion on research and development, more than any other industrial sector in America.

The importance of the U.S. automotive industry to American jobs, competitiveness, and economic well being is well established. In many ways, the automotive industry is distinct and unique in its scope and complexity from other industries, including other manufacturing sectors. As a result, to be relevant to the interests of the U.S. economy and U.S. workers, the valid trade and economic concerns of the U.S. automotive industry must be given the appropriate and relevant priority in a new global round of WTO negotiations. ATPC will be particularly vigilant to ensure that the needs and interests of its member companies are considered on their own merits, and opportunities are not compromised on behalf of other industry sectors or trading partners.

U.S. Automotive Sector Interests

The WTO has been successful in addressing some traditional barriers to automotive trade, such as lowering and binding some WTO members' automotive tariff rates. While lowering and binding automotive tariff rates has and will continue to be helpful, tariffs as a means to restrict automotive trade are increasingly becoming less important. Non-tariff measures and restrictions on investment and services often outweigh the significance of automotive tariffs, and in some cases can nullify and impair the expected benefit of tariff reductions.

In general, ATPC member companies' interests in a new round include:

Non-Tariff Measures

- Actively enforce existing rules eliminating non-tariff measures such as bans, import quotas, licensing requirements, and technical barriers to trade
- Expanding the rules of the WTO to address trade and investment distorting practices, such as lack of regulatory transparency, lack of access to distribution networks, and trade distorting tax policies

Tariff Measures

- Lowering excessively high automotive tariff rates worldwide (see U.S. vehicle tariffs below)
- Binding automotive tariff rates at applied rates worldwide
- Lowering select bound automotive tariff rates

Investment Restrictions

- Actively enforce, through the dispute settlement process if necessary, the current WTO TRIMs agreement
- Strengthen the existing TRIMs agreement
- End limits or other restrictions on foreign investment levels and equity ownership

Service Trade

- Phase-out barriers to automotive financial services
- Maintain free and open information technology services trade

Other

- Harmonize automotive standards & certification
- Harmonize and streamline international customs practices and procedures

U.S. Vehicle Tariffs

The U.S. maintains tariff rates of 2.5% for passenger cars, and 25% for some light trucks—mostly pick-ups. While, the 25% tariff rate on light trucks is mostly symbolic, it remains the last major negotiating instrument left for the US auto

industry. Given the fact that many WTO member countries maintain either unbound tariff rates on motor vehicles or excessively high motor vehicle tariff rates, the U.S. 25% truck tariff remains valuable and one of the few remaining negotiating tools which can be used to encourage our WTO trading partners to lower or bind their automotive tariffs.

ATPC and its member companies will not support lowering the U.S. 25% truck tariff rate, unless the U.S. receives in return significant and commercially meaningful trade liberalization commitments from our trading partners. These commitments include the early elimination of excessively high motor vehicle tariff rates in countries with significant commercial opportunities, and the binding of all WTO member's automotive tariffs at currently applied rates or lower.

Use of Negotiating Formulas

ATPC and its member companies do not support the use of trade negotiating formulas in a new multilateral trade round. The use of cross cutting formulas to liberalize trade often ignores important sector specific issues and concerns. Given the importance of the automotive sector and the complexities of many of the trade and investment measures this sector faces, the use of sector-focused trade negotiations is preferred. An example of how formula based negotiations can be misused is one formula approach reportedly proposed by the EU. According to reports, the EU proposed that all peak tariffs (defined as over 20%) should be significantly lowered, and all nuisance tariffs (defined as 3% and lower) should be eliminated. In the auto sector, the EU's self-serving result would be that the US passenger car tariff rate of 2.5% would be eliminated, and the US light truck tariff rate of 25% would be significantly lowered. At the same time, the EU's motor vehicle tariff rate of 10% would be untouched by the proposal.

New Round Time Frame

In the fast pace era of globalization, we strongly believe that a new multilateral round of negotiations must be initiated and completed in a reasonable time-frame. Progress made in a protracted negotiation, such as the seven years it took to negotiate the Uruguay Round, risks becoming outdated and irrelevant as global economic factors continue to rapidly change.

One way to help expedite the WTO multilateral negotiating process is to look to existing regional economic and trade fora for background and assistance. Using existing expertise and advance work already completed in some of these fora could help give the WTO a much needed head start. For example in the Asia-Pacific Economic Cooperation (APEC) forum, industry and governments are working together in the APEC Automotive Dialogue to identify and address many of the automotive trade and investment issues that the WTO would need to address in a new round. Since the APEC region's automotive industry represents the majority of the world's trade and commercial activity, the Automotive Dialogue's work on regional automotive issues could serve as a significant head start for the WTO's work on global automotive trade.