

## **DaimlerChrysler Corporation Priorities for the New Multilateral Trade Round**

**May 10, 2001**

DaimlerChrysler has a strong interest in free and fair world trade. Expanded trade and investment opportunities benefit our worldwide activities and global production, assembly, sales and financial services network, as well as our employees who gain from job creation and increased living standards. Consequently, DaimlerChrysler strongly supports a new round of WTO negotiations to continue the process of trade and investment liberalization. Once begun, this round should be completed as quickly as possible and preferably within a 3-year timeframe in order to keep pace with business developments. Within this context, it is essential that fast track (or trade promotion) authority be renewed.

DaimlerChrysler believes in the importance of a world trading system. We also recognize that public support for further trade liberalization is dependent on the credibility of that system. There are areas within international commerce that are not adequately covered by existing WTO rules. Where these deficiencies are used as ways of impeding access to markets, they should be addressed.

Following is a preliminary list of issues that have been identified by the company as priorities for the New Round. They are divided into two sections – priority issues to be addressed, and institutional issues which are also of great importance in order to ensure that the priorities, if achieved, are fully implemented.

### **PRIORITY ISSUES**

#### **Elimination of Non-tariff Barriers**

As tariff barriers are gradually reduced and agreements to eliminate trade-related investment measures are implemented, non-tariff barriers such as import quotas, licensing requirements, and technical barriers to trade including standards, labeling, testing and certification become the principal means of restricting imports and protecting local industries. These practices can far outweigh the significance of any reduction or elimination of tariffs, in some cases nullifying or impairing the expected benefit of tariff concessions. It is crucial that the trade opening effect of tariff reductions not be outweighed by maintaining or increasing non-tariff barriers. Examples of effective non-tariff barriers include barriers to setting up effective distribution networks, continuously changing or non-transparent regulations, expensive and time-consuming certification or testing processes unique to importers, and restricting availability of registration information to foreign companies for marketing purposes. The new round must place increased emphasis on the elimination and prevention of non-tariff barriers and work should continue in all appropriate fora on standards harmonization.

## **WTO Investment Rules**

Increasingly, access to markets involves investment, but there are no WTO rules that address foreign direct investment in non-service sectors. For example, WTO rules would not prohibit Chinese restrictions on equity in automobile manufacturing (maximum 50% ownership of a joint venture). New WTO rules are necessary to address such investment-related issues to ensure fair and open investment opportunities. Within an economy there should be no discrimination between domestic and foreign-owned companies in the application of national law, regulations, or taxes. Such a National Treatment clause should be binding on all levels of government. National investment provisions should be transparent and all liberalization commitments should be bound to ensure predictability. A foreign-owned company should be free in all entrepreneurial decisions such as the repatriation of funds, employment of personnel of its choice, sourcing and use of profits. Protection of foreign investors against expropriation or nationalization should also be included.

## **WTO Environment Rules**

There is a major link between trade issues and competitiveness, including issues related to trade and environment. Consequently, environmental regulatory proposals should be developed in a way to ensure that competitiveness is impaired to the least possible extent and should apply to all WTO members. Furthermore, policies intended to achieve environmental objectives should not be misused for protectionist purposes.

## **Trade Facilitation**

Trade facilitation must be moved into the new WTO round since customs procedures and lack of transparency are among the most significant non-tariff barriers to trade. Compliance with procedural requirements may represent from 2% to 10% of overall product cost. As such, both business and governments can achieve long term benefits as a result of increased efficiencies.

In order to reduce procedural obstacles, divergent and/or unclear documentation requirements, arbitrary enforcement of rules and procedures, delayed clearance of goods, and continuously changing rules, WTO agreement is necessary. The new round should develop comprehensive and multilateral rules to simplify and modernize trade procedures; regulations and documentation must be made as transparent as possible and procedures and documents must be simplified and harmonized. Procedures for combating corruption and fraud should be mandated.

## **Tariff Measures**

**Reduction of Tariffs** - DaimlerChrysler does not view this as the most important priority because non-tariff barriers often are far more onerous, and duties can be replaced by national levies. However, in countries with excessive duties, which render imports financially impossible, these duties should be substantially reduced.

**Tariff Binding** - While the applied vehicle tariffs in the US and EU are bound at that level, many countries have not bound their tariffs at the current levels applied. This provides the opportunity for increasing tariffs from current levels, thus impairing trade predictability and reliability. As tariffs are reduced, they must be bound at the new levels.

## **INSTITUTIONAL ISSUES**

### **Implementation of Existing Commitments**

A primary objective of the Seattle Ministerial should be an increased emphasis on the implementation of existing WTO commitments. The promise of new agreements is less appealing if existing agreements are ignored. Emphasis on implementation becomes even more important as many commitments negotiated during the Uruguay Round, for example the agreement to eliminate trade-related investment measures (TRIMs), recently went into effect after significant transition periods. Another priority for the new round is full and timely implementation of the TRIPs (trade related intellectual property) agreement.

### **Commercially Meaningful Dispute Settlement**

The dispute settlement understanding negotiated in the Uruguay Round was intended to provide a means of enforcing WTO agreements. While it gave the WTO much more authority than its predecessor, the GATT, recent experience has proven that it still has significant weaknesses. First, the process from beginning to end can take up to three years. This is much too long given the fast pace of international business. Second, even after a decision is passed down, a country may fail to implement a solution to fully resolve the complaint, thereby forcing the initiation of a second complaint and extending the period during which the offending behavior continues. A process should be developed for expedited consideration of such cases. This process should also be used for failure to implement WTO agreements that include substantial transition periods for implementation, such as the TRIMs agreement. It should not be necessary to file a WTO case on January 1, 2000, taking up to three years to resolve, in order to find a country in violation of a TRIMs commitment made in 1995 (with a 5-year transition period). This would, in effect, add another three years to the transition period. In the interim, a cease-and-desist process should be established so that the practices do not continue, so as not to reward the outlying countries with a de facto extension of the deadline.