

**STATEMENT OF MATTEL, INC. TO THE
OFFICE OF THE U.S. TRADE REPRESENTATIVE
REGARDING THE AGENDA FOR THE
FOURTH MINISTERIAL CONFERENCE OF
THE WORLD TRADE ORGANIZATION**

May 10, 2001

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**Statement of Mattel, Inc. to the
Office of the U.S. Trade Representative
Regarding the Agenda for the Fourth Ministerial
Conference of the World Trade Organization**

May 10, 2001

This statement is submitted by Mattel, Inc. in response to the solicitation of public comment by the Office of the U.S. Trade Representative (USTR) in its *Federal Register* notice of April 5, 2001 (66 FR 18142) regarding the negotiations to be undertaken in the World Trade Organization (WTO) on market access and other issues. In that notice, the interagency Trade Policy Staff Committee (TPSC) expressed its interest in obtaining public comment as part of its efforts to develop proposals and positions concerning the WTO's fourth Ministerial Conference, which is to be held in Doha, Qatar on November 9-13. The Doha ministerial is expected, *inter alia*, to launch a new round of multilateral trade negotiations addressing a range of topics.

Headquartered in El Segundo, California, Mattel is the world's largest toy company, with 2000 sales of \$4.7 billion in over 150 countries. The company has manufacturing, distribution and sales operations in the United States and 35 other countries, with 7,700 U.S. employees and a global workforce of 30,000.

Mattel is strongly supportive of the WTO's efforts to lower trade barriers throughout the world, and sees the upcoming Ministerial meeting as a critical opportunity to strengthen and expand this work. As detailed in this submission, Mattel's principal objectives for the upcoming Ministerial are as follows:

1. to secure final agreement on the WTO's accelerated tariff liberalization (ATL)-negotiations on toys and seven other sectors at the WTO ministerial meeting;
2. to launch negotiations on industrial tariffs that will result in the elimination of any foreign tariffs on toys that remain following the completion of the ATL agreement;
3. to launch negotiations aimed at establishing WTO rules that will protect trade in electronic commerce; and
4. to establish WTO disciplines that will strengthen ongoing work in the areas of customs modernization, harmonization and simplification.

U.S. manufacturers of toys are among the most competitive in the world, and would stand to reap major benefits from the further dismantling of global trade barriers. Also benefiting directly from a reduction of trade barriers would be the 31,100 U.S. workers employed by the U.S. toy industry.

The U.S. toy industry achieved its position as the world's leader by combining high value-added domestic operations, such as product design, engineering and strategic marketing, with substantial production overseas as well as

in the United States. As a result, a large portion of U.S. toy companies' product lines are manufactured overseas, but even those toys incorporate important U.S. value. In the case of Mattel, that value includes the critical functions of product conceptualization and design, design and development engineering, and strategic marketing that are performed for the company's worldwide operations by the 2,000 workers at its El Segundo headquarters.

With only 3 percent of the world's children living in the United States, U.S. toy companies must turn increasingly to foreign markets for industry growth. Although the United States has the largest toy market in the world, the growth in domestic sales by U.S. toy companies has been modest in recent years, with sales unchanged from 1999 to 2000 at \$23.0 billion. However, sales by U.S. toy companies in foreign markets (including U.S. exports and sales by overseas subsidiaries) have expanded at a rapid pace, reaching an estimated \$5.5 billion in 2000.

While the toy industry has been successful in penetrating overseas markets, that growth frequently has been limited by significant trade barriers. For example, most major developing country markets throughout the world are protected by tariffs of 20 percent or more on toys. These high tariffs will remain in effect even after all Uruguay Round concessions have been fully implemented. In addition, the

long phaseout periods for, or outright exclusion of, several key toy categories by the European Union, Canada, Japan and Korea in the Uruguay Round zero-for-zero agreement on toys has resulted in continued high toy tariffs in these developed countries.

Accelerated Tariff Liberalization (ATL)

First and foremost, the fourth WTO Ministerial meeting should secure a final agreement on the WTO's ongoing negotiations on accelerated tariff liberalization (ATL) on toys and seven other sectors. The conclusion of an ATL agreement should be considered a downpayment for the broader and longer-term set of negotiations to be launched at the WTO Ministerial.

Mattel and the rest of the U.S. toy industry view the ATL negotiations as an important opportunity to build on the zero-for-zero agreement to eliminate tariffs on toys reached among the United States, the European Union, Canada, Japan and Korea under the Uruguay Round of multilateral trade negotiations in 1994. While representing a major step towards trade liberalization on toys, the Uruguay Round results left much to accomplish.

Although the United States immediately eliminated its tariffs on all toy categories, the other four countries participating in the zero-for-zero agreement on

toys excluded several major toy categories from their tariff elimination commitments. For example, after the staged implementation of Uruguay Round tariff concessions is complete in 2004, both the European Union and Japan will still maintain tariffs on categories accounting for over half of their respective total imports of toys. Since these economies represent the largest overseas markets for most U.S. toy companies, these gaps pose a major continuing problem.

In an effort to build on the Uruguay Round zero-for-zero agreement on toys, Mattel in 1996 enlisted the aid of the U.S. government to secure the inclusion of toys in the consultations on early voluntary sectoral liberalization (EVSL) conducted under the auspices of the Asian-Pacific Economic Cooperation (APEC) forum. APEC leaders in 1998 then forwarded these EVSL talks, which cover toys and seven other sectors, to the WTO for final agreement as the Accelerated Tariff Liberalization (ATL) initiative.

The proposal calls for the progressive elimination of all tariffs on toys, games and festive articles (HS 9501-9505). Negotiators have pressed hard to ensure that participating countries do not exclude selective product categories, and instead have sought to address import sensitivity problems through the deferred staging of tariff eliminations rather than through product exclusions.

Given the importance of the ATL initiative to Mattel and the rest of the U.S. toy industry, it is critical that WTO negotiators reach a final ATL agreement as soon as possible. As a result, Mattel urges that WTO negotiators agree to initiate formal ATL negotiations during the November WTO Ministerial Conference in Qatar, with a goal of completing these negotiations and beginning implementation within one year. The ATL agreement can serve as an early concrete signal of WTO members' commitment to a successful round, with the specific commitments made as part of the ATL agreement considered as an integral part of the overall commitments in the new round.

Post-ATL Negotiations on Toy Tariffs

In addition to concluding an ATL agreement, the fourth WTO Ministerial meeting should launch negotiations on industrial tariffs that will result in the elimination of any foreign tariffs on toys that remain following the completion of the ATL agreement. Assuming the ATL agreement is concluded along the lines currently envisaged, the primary focus of these follow-on negotiations would be the high tariffs maintained by those countries that did not participate in the ATL agreement. These are likely to include virtually all of Latin America, including the major market countries of Brazil, Argentina and Mexico.

In addition, the industrial tariff component of the new round of negotiations must address any exceptions taken by participants in the ATL agreement. These may include the exclusion of certain toy categories from some countries' tariff liberalization commitments, a failure to reduce tariffs on some toys all the way to Free, and/or overly long tariff staging periods.

Electronic Commerce

Mattel urges the Administration to ensure that future market access negotiations in the WTO include negotiations on e-commerce that will make permanent the standstill agreement on e-commerce tariffs (i.e., binding such rates at Free) and that will address key trade-related issues associated with e-commerce. Of these, Mattel has a particularly strong interest in matters pertaining to the use of privacy standards as trade barriers and the intellectual property aspects of domain name registration.

One of the most pressing e-commerce issues to be addressed by the WTO is the need to ensure that privacy standards intended to protect personal information do not serve as barriers to trade. In order for companies to undertake e-commerce initiatives, it is critical that they be able to gather personal information voluntarily provided by individuals. For a multinational corporation such as Mattel, it is

critical that this information be freely transmitted across borders for use by company subsidiaries in foreign countries.

In addition to the consideration of privacy standards for general personal information, the WTO should also consider the growing implementation of separate privacy standards for the protection of children's privacy on the Internet. While the need to protect the privacy of children's information on the Internet is without question a top priority, it should not be used as an excuse to allow the creation of trade barriers.

Meanwhile, the issue of domain name registration, and related intellectual property considerations, should also be addressed during future market access negotiations in the WTO. There currently exists no internationally-accepted system for the registration of domain names in individual countries, and this has prevented Mattel and other U.S. companies from effectively protecting their trademarks in many countries.

Given the trademark protection aspects of domain name registration, this issue, as well as other intellectual property aspects of e-commerce, should be addressed during future market access negotiations in the WTO. Furthermore, for these reasons, it is appropriate for the WTO to address this topic as part of the

WTO's current review of the Agreement on Trade-Related Intellectual Property Rights (TRIPs).

Customs Modernization, Harmonization and Simplification

Mattel urges the WTO to establish WTO disciplines that will strengthen ongoing work in the areas of customs modernization, harmonization and simplification. To ensure that the gains from trade liberalization efforts are achieved, the global trading system must be supported by modern, transparent and harmonized customs procedures in line with international business requirements. Many of the potential benefits from the Uruguay Round and other regional agreements remain elusive in the face of existing customs-related barriers. In virtually every market in the world, significant customs-related barriers continue to restrict, distort and raise the cost of cross-border trade. Meanwhile, world trade has grown exponentially and global sourcing and demand have challenged business to produce and deliver goods and services more efficiently and at the lowest possible cost to consumers. This has not been matched by commensurate reform and modernization at the governmental level, leaving customs authorities struggling to keep up with the velocity and volume of world trade.

The new WTO round must focus on the customs function because customs is fundamental to the transactions that make up global trade. Although the WTO imposes some limited disciplines on import and export requirements and procedures (e.g. GATT Article VIII: I(c), and the Agreements on Import Licensing and Customs Valuation), none adequately address the burdensome customs and data requirements placed on traders.

In particular, the WTO should support the conclusion and full implementation of the ongoing work at the WCO to revise and strengthen the 1973 International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention). This comprehensive set of rules for ensuring high standards for customs procedures and practices should be adopted by WTO member governments and should take the form of a binding, enforceable and truly multilateral agreement.

In addition, the WTO should focus on its mandate to simplify trade procedures by concentrating on customs procedures. A WTO working group on the harmonization and simplification of customs procedures should be established to:

- (a) analyze the impact of customs-related barriers to trade on WTO commitments;
- (b) assess the possibility for enforcing a revised Kyoto Convention through the WTO;
- (c) promote and coordinate the development and implementation of

initiatives to modernize and simplify trade procedures; and (d) examine the steps that can be taken under current WTO rules to improve customs transparency as outlined in GATT Article X. These measures will serve as a complement to the WTO's ongoing efforts with regard to customs valuation, non-preferential rules of origin and pre-shipment inspection.

The WTO also should step up its ongoing work to ensure that non-preferential rules of origin are simplified and harmonized so as to prevent them from creating unnecessary obstacles to trade. These rules should be clear and predictable; they should be applied in an impartial, transparent, predictable and consistent manner; and they must not create additional documentation or data retention requirements (i.e., any new rules should be based on existing commercial data/documents kept in the "normal" course of business).

Other Issues

In addition to the above issues, Mattel also urges the Administration to take action in certain other areas, including intellectual property and standards issues. For instance, Mattel urges the Administration to continue to promote immediate implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). In particular, Mattel urges the Administration to seek

agreement among WTO members for the adoption of the U.S. intellectual property rights recordation system, in order to make it easier for companies to seek the assistance of foreign Customs agencies in restraining imports of products violating the TRIPs.

Meanwhile, Mattel also urges the Administration to continue to promote the efforts begun in the Uruguay Round to ensure that non-tariff barriers, including technical regulations and standards and testing measures, do not create unnecessary obstacles to international trade.

Conclusion

Mattel respectfully requests that the U.S. government work to ensure that the upcoming fourth WTO Ministerial meeting in Doha, Qatar promotes the important objectives outlined above. The company looks forward to working further with USTR and the TPSC in this process.

Respectfully submitted,



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