

WORLD TRADE ORGANIZATION

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Council for Trade in Goods

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QUESTIONS FROM THE GOVERNMENT OF THE UNITED STATES REGARDING THE TRIMS EXTENSION REQUEST MADE BY THE GOVERNMENT OF ARGENTINA

The following communication, dated 8 February 2000, has been received from the Permanent Mission of the United States.

Measures

1. Please describe in detail the measures that are included in the Government of Argentina's ("GOA") request. Could the GOA please elaborate beyond the description provided in previous submissions? For example for both of the TRIMs in the automotive industry (i.e., those for vehicle assemblers and autopart manufacturers):
 - (a) Your revised notification, (G/TRIMS/N/1/ARG/1/Add.1) describes a change to the calculation method for the local content requirement (i.e., to one based on f.o.b. values) along with changes in the levels of local content required. Have these values and methodologies changed from the descriptions provided in your last notification? If so, please explain these changes including whether they are compatible with TRIMs Article 5.4.
 - (b) Your revised notification, (G/TRIMS/N/1/ARG/1/Add.1) also describes a change to the trade balance requirements. Have these values and methodologies changed from the descriptions provided in your last notification? If so, please explain these changes including whether they are compatible with TRIMs Article 5.4.
 - (c) What domestic and foreign producers are affected by these measures?
 - (d) Are there any (local or foreign-owned) entities that are exempt?
2. Regarding the benefits provided by participating in the program, your earlier TRIMs notification states that there are advantages given to participants in this program by "permitting enterprises to import parts, as well as complete vehicles, with relief from duties, provided they export products to an equivalent value."
 - (a) Is this still framework still accurate? Have the duty rates described in your notifications changed?
 - (b) What are the benefits for achieving the specified level of local content?
 - (c) Are there any additional benefits provided through this program?
 - (d) What is the total value of such benefits?
3. The implementing agency, as listed in the GOA's TRIMs notification is the Department of Industry. Is this statement still accurate?
 - (a) What responsibilities does this organization have generally?

- (b) What is its responsibilities with respect to the TRIMs measures and the automotive sector?
- (c) Are there any other GOA agencies or other entities or persons with responsibility for implementing or otherwise supervising the measures identified in question 1?

Basis for the Extension Request

4. The GOA extension request provided to the Council for Trade in Goods asserts that the extension is necessary for several reasons including “ the Mexican crisis,” the 1998 weakening of “domestic and Brazilian markets” and the “devaluation of the Brazilian real.” Please elaborate on the basis for your request, for example:
 - (a) How was the seven-year period determined? What was the empirical evidence examined to gauge that an additional seven years would be required to ensure that your industry would recover? For example, why will the mechanisms be in place to ensure that the automotive industry will not still be “vulnerable to external crises” and other factors which have stemmed the development of this sector?
 - (b) What is the meaning of the statement that “the consolidation of the industry is not yet complete?” How is it known that this process will be completed by the end of the seven year period?
 - (c) There appear from your submission to be other factors that contributed to the growth of the Argentinian automobile industry such as an increase in domestic demand and the “link-up with Brazil and the establishment of MERCOSUR.” How much of the automotive industry’s growth is due to the development of the Argentinian Automotive Regime (RAA) compared to these other factors?
 - (d) What makes the particular difficulties described in your request different from other Members’ situations?
5. Another reason for requesting an extension, as described in the GOA request, “relates precisely to the need to finish negotiating the MERCOSUR Common Automotive Policy.”
 - (a) What is the current status of these negotiations (e.g., what are the unresolved points in the negotiations and to what does the GOA attribute these problem areas)?
 - (b) Will the negotiations continue beyond the 60 day extension period agreed to in late December? If so, when are these negotiations expected to be completed?
 - (c) How does this effect your need for an extension?
 - (d) Could these negotiations result in a situation in which your TRIMs extension would not be required? If so, please elaborate.
 - (e) Please describe “complementarity” as addressed in relation to the MERCOSUR Common Automotive Policy.
6. Another key factor to focus on is employment. In your extension request there are employment figures provided 1998 for various motor vehicle-related sectors.
 - (a) What is the breakout of employees for the various motor vehicle-related sectors for the years 1991 and 1995? Are figures for 1999 available? If so, please provide.
 - (b) Does the GOA believe there is any basis for an assumption that jobs have been created by the TRIMs-related policies since 1995?
 - (c) What is the economic basis for an assumption that jobs will be created or saved by the continuation of the TRIMs-related policy after 1 January 2000?
 - (d) Which entity, agency or persons analyzed your employment estimates?

7. With respect to “development, financial, and trade needs” referenced in Article 5.3:
 - (a) How is the maintenance of these automotive TRIMs for seven years part of the development plans and needs of Argentina?
 - (b) How long have such TRIMs been part of the development plans and needs?
 - (c) How can it be determined that these same development policies will not still be used and needed after a seven year period? Why should one expect that this policy will be different 1, 2, 5, or 10 years from now?
 - (d) What are the financial needs of the GOA related to the maintenance of the TRIMs?
 - (e) What analysis has been conducted to determine whether the elimination of the TRIMs would actually increase, decrease, or be neutral concerning the financial needs of Argentina?
8. Please describe in more detail the efforts that the domestic motor vehicle production and parts and components industries have taken to modernize or be more competitive internationally over the last five years. Specifically, describe the “incorporation of new technology” and the process of “restructuring.”
9. Prior to making the decision to request an extension, what measures had the relevant industries and the GOA undertaken to begin the transition to a system that did not rely on TRIMs?
 - (a) What types of liberalization adjustments were or were not completed?
 - (b) At what point did the GOA make the decision to stop this process of becoming TRIMs consistent (or does the process continue)?
 - (c) What would the process be for changing the local content requirements – (*i.e.*, administrative changes, legislative changes)?
 - (d) How quickly could such changes be conducted?
10. What types of efforts were undertaken to prepare the relevant industries for the removal of TRIMs on 1 January 2000? Specifically:
 - (a) Did the GOA conduct discussions with the private sector and with labour organizations at that time and even well before the completion of the Uruguay Round to inform them that these policies would be eliminated in 2000?
 - (b) What kind of domestic consultation process concerning TRIMs has been conducted over the past five years?
 - (c) What administrative or legislative steps have which offices taken and which officials explored them with which industry and labour groups?
 - (d) Are there legislative or administrative drafts that have been submitted for consideration over the past 5 years?
 - (e) What plans exist for adjusting to the elimination of such TRIMs if there is no grant of an extension from the Council?
 - (f) What will the impact be on the MERCOSUR automotive negotiations if the GOA extension request is denied?
 - (g) What will the impact be on the MERCOSUR automotive negotiations if the GOA extension request is approved?
11. Has the GOA considered other non-TRIMs options that would protect the domestic industry but would allow for the elimination of your TRIMs regime as it currently exists? For example:
 - (a) Why is it necessary to retain both the local content and trade balancing requirements?

- (b) Please describe the analysis/research that the GOA undertook to ensure that all measures need to be retained and that other, TRIMS-consistent measures cannot fill the void.

Statistics

- 12. What is the GOA's estimation (both in production amounts and values) of future foreign investment in its domestic market by manufacturers of motor vehicles and related industries such as motor vehicle parts production?
 - 13. Please provide the figures for 1999 (if available) and a forecast for 2000 for motor vehicle production and the annual rate of growth of vehicle production.
 - 14. Regarding investment inflows into Argentina, it is noted that between 1992-1997 investment totaled US\$3,982 million. Regarding these flows:
 - (a) How much of this investment is inflows from other countries?
 - (b) From which WTO members have these investments originated?
 - (c) Would investment flows decrease if the TRIMs policy were eliminated?
 - (d) What studies have been done of this possibility?
 - (e) What was the total amount of investment inflows for 1998 and 1999?
 - 15. What are the destinations for exports from Argentina for 1998 (i.e., what countries) for passenger cars and motor vehicle parts and what are the values and quantities (if applicable) of these exports?
 - 16. What is the forecast for your industry for the year 2000 regarding, sales, exports, and imports of automobiles, SKDs, CKDs, and motor vehicle parts and components?
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