# FREE TRADE AREA OF THE AMERICAS (FTAA):

# KEY AUTOMOTIVE MARKETS AND ISSUES

This paper will be updated regularly as more information becomes available.

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## PREFACE

The attached Free Trade Agreement of the Americas (FTAA) automotive overview and individual fact sheets provide automotive profiles on the key Latin American countries outside of the North American Free Trade Area (NAFTA). These markets are: Brazil, Argentina, Venezuela, Colombia and Chile.

The FTAA overview places the individual countries into a broader context and assesses the FTAA's importance relative to non-NAFTA hemispheric automotive trade as well as global automotive trade. The overview also attempts to assess the impact of other significant trade agreements for this sector throughout the hemisphere. Each of the key markets is organized into five "snapshots": trade policy, bilateral automotive trade data, key trading partner data, market data and investment data.

It is clear that these key markets offer U.S. automotive manufacturers great opportunities for further trade and investment. We expect these fact sheets will serve as a useful tool as trade negotiations proceed in this hemisphere, by providing one-stop access, for both government and industry alike, to the "best" available information.

# *FTAA: Automotive Issues*

## *OVERVIEW*

**Introduction -** The Free Trade Area of the Americas (FTAA) could offer significant export and investment opportunities for the U.S. automotive industry. It may also provide a framework under which the industry can better integrate its hemispheric operations. However, because of the multiplicity of existing and emerging trade arrangements in this region, the extent of the FTAA's potential impact is difficult to assess. We have consulted with our manufacturers and they are equally as unclear on outcomes for U.S. exports and investment opportunities.

What is clear is that the United States could be seriously disadvantaged if it does not participate in these negotiations in a meaningful way. While our borders are effectively open to imports from these nations, we do not enjoy reciprocal access. The North America Free Trade Agreement (NAFTA) negotiations with Mexico clearly indicate the potential for U.S. firms. While imports from Mexico have risen significantly over the past several years, they would have done so even if the NAFTA agreement did not exist, as our market was already open to Mexico. The difference has been the tremendous surge in U.S. exports to Mexico because of our improved access to its market. Shipments of motor vehicles and parts have increased from $7.5 billion in the year before the agreement, 1993, to $16.4 billion in 2000, an increase of over 118%.

Moreover, other regional trade arrangements in the hemisphere, such as the MERCOSUR (Brazil, Argentina, Paraguay and Uruguay) and Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela), demonstrate the significance of automotive integration between partners -- both member states and manufacturers alike, and the danger of being on the outside looking in. Direct access to these markets should advantage U.S. exporters.

Ironically, the impact of the most significant trade barriers in the region is not entirely negative. While these barriers reduce direct U.S. exports, they also benefit U.S. manufacturers who invested in the region under previous trade regimes. For example, Brazilian tariff and non-tariff barriers protect a growing, relatively inefficient, yet profitable industry; and, trade barriers in Argentina, Venezuela, Colombia, and Chile essentially protect U.S. parts and vehicle manufacturers invested in those countries.

Nevertheless, there are barriers to the free flow of products between countries throughout the hemisphere which will need to be addressed during FTAA negotiations such as import bans on used vehicles and parts (remanufactured goods). During early discussions of the FTAA, we received guidance and suggestions from our industry on how the negotiations should proceed. This guidance remains relevant today. For example, in response to the request for comment appearing in the Federal Register on July 6, 1998, the American Automobile Manufacturers

Association (AAMA)[1] and its member companies (General Motors, Ford and Chrysler) offered written comments to the United States Trade Representative (USTR) on July 29, 1998. This submission raised four broad areas of concern:
1) market access;
2) safeguards and trade-related investment measures (TRIMs);
3) customs; and,
4) standards and other technical barriers to trade.
Industry remains concerned about these areas.

**The FTAA Region -** For the past several years, U.S. shipments of cars, trucks, and automotive parts to the western hemisphere have accounted for more than 75% of all U.S. automotive exports, and for more than 50% of all automotive imports. In 2000, automotive exports to the region grew to $63.3 billion (81% of the global total) and imports expanded to $104.7 billion (54%). (See attached Tables on U.S. Road Motor Vehicle and Automotive Parts Trade with the World and Key FTAA Countries at Tabs C and D, respectively.)

Over the past five years, U.S. exports to the region have increased, except for a small decline in 1998 shipments of motor vehicles to Canada. In 2000, U.S. motor vehicle exports to the region grew 7% to $19.5 billion, equal to 79% of all U.S. vehicle exports to the world. Shipments of U.S. automotive parts to the region increased by 8% to $43.9 billion, equaling 82% of all automotive parts shipments by U.S. exporters. Both vehicle imports and parts imports from the region grew by 7% in 2000. Vehicle imports totaled $66.5 billion, accounting for 53% of all U.S. vehicle imports. Imports of auto parts were $38.1 billion, or 57% of U.S. global imports of this category.

Canada and Mexico are the prime U.S. automotive trading partners within the region (and the world), accounting for 96% of U.S. exports to the hemisphere, and 98% of our imports. Because U.S. trading relations with these countries will not be impacted significantly, if at all, by the negotiations for the FTAA, they are not further discussed in this paper.

**Non-NAFTA Area -** The western hemisphere less Canada and Mexico (the Non-NAFTA Area i.e., NNA) is of growing importance to U.S. exporters of automotive products. Between 1990 and 1997, vehicle sales in the NNA nearly tripled, reaching a record 3.35 million units. During this period, as economic and political stability increased in the area, it was for a time the fastest growing motor vehicle market in the world. Unfortunately, the financial and political challenges that began to surface in the region in 1998, coupled with the Asian financial crisis, conspired to stifle vehicle sales. New vehicle registrations reversed course in 1999, dropping 16% from 1998 to a total of 2.39 million units. Even so, it was only the second retreat in the region since 1990. U.S. vehicle exports to the NNA markets have been constrained, primarily because of high tariff

[1] After the DaimlerChrysler merger in late 1998, AAMA broke-up and resulted in two associations: one for trade, representing the "Big Three" called the "Automotive Trade Policy Council" (ATPC), and one for regulatory issues, representing nearly all U.S. manufacturers (i.e. Toyota and BMW are members, too, yet Honda chooses not to belong) called the "Alliance of Automotive Manufacturers" (AAM).

rates and import restraints, but also because of the significant manufacturing presence that U.S. vehicle companies had to establish in these markets due to these trade barriers. U.S. vehicle shipments to the NNA totaled $697 million in 2000, of which the best market, Chile, accounted for $110 million. U.S. parts exports to the NNA markets are considerable, led by Venezuela ($537 million), followed by Brazil ($401 million), Argentina ($225 million), Chile ($92 million) and Colombia ($81 million). Altogether, NNA markets absorbed $1.7 billion of U.S. auto parts last year.

Total 2000 U.S. vehicle imports from the NNA amounted to just $168 million, providing a $529 million surplus. Because Volkswagen (VW) started to ship significant quantities of product to the United States from its Brazilian plant in late 2000 (displacing similar exports from a German factory), this surplus will not likely survive into 2001. [2] Improved access to the NNA markets as a result of the proposed FTAA could help restore the U.S. surplus. U.S. parts imports from the NNA markets reached approximately $1.8 billion in 2000, producing a $105 million deficit. Better access to the NNA markets could increase U.S. shipments over the course of the next several years.

**Five Key NNA Markets-** The five major NNA markets (Argentina, Brazil, Chile, Colombia, Venezuela) absorbed $252 million of U.S. motor vehicle exports, and shipped $168 million to the United States in 2000. U.S. parts exports to the five countries totaled $1.3 billion, while imports slightly exceeded $1.7 billion. The best local market among the five, Brazil is the clear frontrunner for both domestic automotive (vehicles and parts) sales and production, followed distantly by Argentina. (See chart on following page.)

Historically, these five countries account for more than 90 percent of the combined output and sales in Latin America. Last year vehicle manufacturers in these markets produced nearly 2.2 million vehicles, almost 20 percent more than in 1999.

However, the addition of a dozen new plants in Brazil and Argentina during the 1995-2000 timeframe has created an overcapacity problem that has averaged nearly 1.5 million units during the past two years. For example, in Argentina, vehicle manufacturers utilized only 35 percent of their installed capacity during 1999, and this only increased to 40 percent in 2000. In the case of Brazil, 1999 installed capacity usage was 59 percent, and this only increased to 63 percent in 2000. In addition, the current economic crisis in Argentina will undoubtedly have an impact on automotive trade and investment patterns throughout the region, hemisphere and world. Despite current maladies, future prospects are excellent.

**MARKET DATA**
**(for vehicles only, in units)**

[2] For example, 11-month data for 2001 indicates that Brazil's exports to the United States grew from $147,039,000 to $558,676,000, causing the deficit with the United States to grow from $113,243,000 to $535,222,000 from 2000 to 2001, since U.S. exports to Brazil were only valued at $33,796,000 and $23,454,000 for 2000 and 2001, respectively.

| COUNTRY | PRODUCTION 1999 | PRODUCTION 2000 | SALES 1999 | SALES 2000 |
|---|---|---|---|---|
| **Argentina** | 304,901 | 339,632 | 379,350 | 325,096 |
| **Brazil** | 1,346,537 | 1,671,093 | 1,238,086 | 1,419,109 |
| **Chile** | 17,724 | 18,913 | 113,283 | 126,490 |
| **Colombia** | 22,632 | 23,697 | 87,896 | 84,681 |
| **Venezuela** | 79,260 | 103,997 | 91,701 | 139,778 |
| **Total Five Key Markets** | 1,771,054 | 2,157,332 | 1,910,316 | 2,095,154 |
| **Total Latin America*** | 1,798,204 | 2,185,393 | 2,377,399 | 2,599,032 |
| **Total NAFTA** | 17,641,870 | 17,698,866 | 19,128,406 | 19,813,434 |
| **United States** | 13,106,526 | 12,854,585 | 16,959,237 | 17,410,144 |
| **Canada** | 3,041,678 | 2,954,795 | 1,501,137 | 1,549,515 |
| **Mexico** | 1,493,666 | 1,889,486 | 668,032 | 853,775 |

Source: Automotive News Market Data Book 2001
*Latin America is defined as excluding Mexico, including Caribbean and Central America

**Significant Trade Agreements -** Several trade agreements and on-going negotiations are in place throughout the Western hemisphere and are addressed under the trade policy sections in the attached country papers. These include: the U.S.-Chile Free Trade Area (FTA) negotiations, the MERCOSUR automotive agreement, the Andean Pact automotive agreement, Mexico-Brazil auto agreement and FTA negotiations, Mexico-MERCOSUR FTA negotiations, MERCOSUR-EU FTA negotiations, and MERCOSUR-Andean Pact FTA negotiations.

Although we do not provide a separate paper on Mexico, we identify the most significant trade agreement not completely within the Western Hemisphere as Mexico's FTA with the EU (implemented on July 1, 2000). The Mexico-EU FTA is particularly important since Mexico is a NAFTA member and details of this arrangement with the EU are based on NAFTA parity. For example, automotive provisions included in the Mexico-EU FTA are: rules of origin; quota allotments and tariff-phasing; and, ban eliminations. (See Tab 4 for a Summary of the Automotive Provisions of the Mexico-EU FTA.)

**Conclusion -** Automotive manufacturers base a large part of their strategic trade and investment decisions on the benefits of trade agreements in what they consider to be key regions of the world, such as the western hemisphere. Because of the flexibility these agreements offer the companies in terms of sourcing and rationalizing, the impact on the companies is positive. Ultimately, when import barriers fall, manufacturers become free to supply several countries from a single plant, providing economies of scale not previously attainable. Therein lies the utility and fundamental benefits in playing an active and key role now as the FTAA and other FTAs are developed.

# *ARGENTINA Automotive Fact Sheet*
# *Trade Policy*

**Import Barriers**

- Tariffs: passenger cars - 35%
  trucks and buses - 30%
  automotive parts - 14-18%
- MERCOSUR regional content: 60 %
- Argentina maintains a 30 percent local content rule within this 60 percent content level
- Import license requirements
- Import bans on used vehicles and most parts
- Considering a ban on imports and production of diesel passenger cars (as Brazil currently maintains this ban). There is a possibility this ban will be extended to the entire MERCOSUR region; however, this has yet to be determined.
- VAT: 18 % and an additional "advanced" VAT of 6-8 percent (based on the cost/insurance/freight (CIF) value plus the duty and the import statistics fee of 10 percent).

## MERCOSUR Automotive Agreement

- **Five-year program**, effective January 1, 2001-December 31,2005 for MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay)
- Vehicle imports from outside the MERCOSUR region are assessed a **35 percent tariff** while parts tariffs range from **14-18 percent**.
- **Regional content** is set at 60 percent, but during the transition period through December 31, 2005, Argentina will require a local content level of 30 percent for autos and 25 percent for trucks.
- **Uruguay** gets to retain its **23 percent tariff** on non-MERCOSUR auto imports until 2006, when it will adopt the 35 percent common external tariff of the Brazil-Argentina deal. Kits and auto parts imports from third countries to Uruguay will be subject to a 2 percent duty (while they range from 14-18 percent for Brazil and Argentina). Uruguay’s import duty on trucks from third countries will gradually increase from its current 6-8 percent to 20 percent in 2006, while Argentina and Brazil will continue to charge 35 percent on these imports.
- **Uruguay** vehicles for intra-regional trade will be required to meet a 50 percent **regional content** rule (measured by value), instead of the 60 percent required for Brazilian and Argentine autos. Uruguay’s **export quotas** to Brazil and Argentina will be 20,000 vehicles to each market (its previous arrangement with Brazil had been only 13,000 vehicles while its Argentine deal was 20,000). Argentina and Brazil were left with a 6,000 and 4,000 vehicle quota to Uruguay per year, respectively. Exports in excess of these quotas will be subject to a 23 percent tariff, but this is scheduled to gradually decrease to 6.9 percent in 2006 (indicating that real “free” intra-regional trade will not be occurring for potentially another 10 years).
- **Paraguay** will impose a **20 percent tariff** (rather than 23 percent) on third country

vehicle imports and Paraguay will not impose vehicle quotas on its MERCOSUR partners since it has no auto industry. Otherwise Paraguay is treated the same as Uruguay.

- Recent press reports indicate that Argentina and Brazil have agreed to implement free trade in the auto sector **ahead of the 2006 target date**. At this time, we have no further details. In 2000, auto sales represented a third of the $15 billion in goods traded between Argentina and Brazil. Argentina's car industry is suffering from a 3-year economic slump, and sales and production have plunged on low demand. The governments and manufacturers hope that accelerated liberalization will increase trade with Brazil and help make up for these losses. This is doubtful, given Argentina's current economic state.

### MERCOSUR-Mexico FTA Negotiations

- With Mexico and Brazil currently negotiating a wider agreement which will include auto parts and other key sectors, it is expected that the other MERCOSUR members will eventually be included, too, as plans are in the works for official consultations between Mexico and MERCOSUR during the second half of this year.

### MERCOSUR-EU FTA Negotiations

- MERCOSUR and the EU have also started free trade talks with the hopes that a pact can be reached within five years. The groups are discussing trade barriers, investment promotion, political cooperation and technical standards, and tariff negotiations have recently begun.
- Trade between the EU and MERCOSUR countries reached US$41 billion in 1998. Such an agreement would create the world's largest free trade zone (larger than the NAFTA).

### MERCOSUR-Andean Pact FTA Negotiations

- In September 2000, South American presidents from MERCOSUR , MERCOSUR associate members (Chile and Bolivia), and the Andean Pact, held their first-ever summit where they signed the "Declaration of Brasilia," to unite the region's two main trade blocs into a single free trade zone in January 2002.
- Such a trade zone would bring together 340 million people with a combined economic output of US$1.3 trillion.

# *ARGENTINA Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Vehicle Trade with Argentina**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 103,339 | 123,532 | 86,309 | 34,988 | 36,179 |
| Imports | 12 | 52 | 3 | 134 | 154 |
| Balance | 103,327 | 123,480 | 86,306 | 34,853 | 36,025 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

U.S. vehicle trade with Argentina has been marginal but both exports and imports should increase with the eventual recovery of the region and as the Argentine auto market further develops under the MERCOSUR. In addition, the current economic crisis in Argentina will undoubtedly have an impact on automotive trade and investment patterns throughout the region, hemisphere, and world.

**U.S. Automotive Parts Trade with Argentina**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 140,090 | 297,021 | 360,906 | 187,930 | 225,448 |
| Imports | 34,783 | 43,247 | 71,664 | 131,388 | 176,908 |
| Balance | 105,307 | 253,774 | 289,242 | 56,542 | 48,540 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

Argentina, the second largest economy in Latin America was also struck by the economic crisis and both imports and exports in the auto parts industry suffered as a result. The severe downturn of 1999, cut Argentina's exports to nearly half of the previous year's level. The resulting recession caused a drop in demand that was only exacerbated by Brazil's currency devaluation. As of 2000, Argentina was slowly making a recovery with increases in imports, as well as, exports.

# *ARGENTINA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Road Motor Vehicles

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 1,144,606 | 2,222,620 | 2,536,860 | 1,116,679 |
| **Brazil** | 1,081,674 | 2,134,610 | 2,342,699 | 990,301 |
| **Italy** | 154 | 545 | 32,408 | 40,673 |
| **Uruguay** | 7,802 | 30,404 | 54,087 | 26,833 |
| **Chile** | 27,192 | 28,363 | 41,724 | 23,703 |
| **France** | 9,034 | 10,066 | 5,527 | 14,662 |
| **Mexico** | - | 102 | - | 7,791 |
| **Paraguay** | 3,270 | 9,113 | 12,926 | 3,977 |
| **United States** | 167 | 316 | 18,247 | 3,823 |
| **Bolivia** | 542 | 2,435 | 2,403 | 864 |
| **Honduras** | - | - | - | 756 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Road Motor Vehicles

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 1,734,435 | 2,535,162 | 2,927,269 | 1,643,831 |
| **Brazil** | 513,152 | 1,171,202 | 1,404,545 | 752,592 |
| **France** | 303,500 | 208,456 | 232,232 | 173,054 |
| **Japan** | 125,107 | 201,566 | 245,732 | 168,302 |
| **Germany** | 67,429 | 76,464 | 146,254 | 112,027 |
| **Spain** | 184,900 | 76,024 | 115,824 | 72,344 |
| **Italy** | 83,272 | 130,366 | 159,776 | 66,102 |
| **South Korea** | 37,962 | 85,248 | 84,193 | 63,951 |
| **United Kingdom** | 78,407 | 163,355 | 156,303 | 56,537 |
| **Uruguay** | 9,573 | 32,851 | 82,929 | 53,161 |
| **United States** | 79,782 | 112,074 | 100,395 | 36,324 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *ARGENTINA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Automotive Parts

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 883,082 | 1,093,594 | 1,050,594 | 1,127,452 |
| **Brazil** | 612,079 | 753,706 | 581,804 | 541,516 |
| **United States** | 97,818 | 113,276 | 134,247 | 209,928 |
| **Mexico** | 8,974 | 12,557 | 70,791 | 91,610 |
| **Germany** | 3,068 | 2,522 | 18,917 | 56,142 |
| **Uruguay** | 18,579 | 40,631 | 59,743 | 42,350 |
| **Spain** | 1,354 | 1,693 | 15,123 | 35,928 |
| **France** | 31,735 | 34,306 | 36,517 | 28,028 |
| **Chile** | 17,494 | 14,833 | 17,089 | 17,236 |
| **Italy** | 7,371 | 8,188 | 7,439 | 10,954 |
| **Paraguay** | 15,124 | 19,332 | 16,113 | 10,536 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Automotive Parts

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 2,706,286 | 4,167,839 | 4,209,055 | 2,971,121 |
| **Brazil** | 1,174,277 | 1,320,004 | 1,239,829 | 963,331 |
| **France** | 282,879 | 415,848 | 636,572 | 505,546 |
| **United States** | 307,491 | 752,510 | 817,451 | 499,613 |
| **Germany** | 146,261 | 240,543 | 278,259 | 199,127 |
| **Japan** | 59,808 | 183,684 | 270,395 | 179,194 |
| **Spain** | 103,854 | 231,332 | 189,187 | 102,529 |
| **Italy** | 84,094 | 179,556 | 108,000 | 78,642 |
| **Mexico** | 58,864 | 39,309 | 49,851 | 60,370 |
| **Sweden** | 68,533 | 87,165 | 114,081 | 58,188 |
| **South Korea** | 27,624 | 49,946 | 62,217 | 52,210 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *ARGENTINA Automotive Fact Sheet*
# *Key Trading Partners*

Trend trade data for 1996-1999 derived from the United Nation's Commodity Trade Statistics Database (ComTrade) indicates that Argentina's primary bilateral auto trading partner was Brazil. This can largely be explained by the bilateral auto arrangements which required trade balancing measures. In the case of exports, Argentina's number two export market was Italy, (reflecting one of the primary manufacturers' decision to export back to its home market Fiat). Not surprisingly, therefore, the other top European export markets were Germany and France, reflecting the presence of Volkswagen, Renault and Peugeot, and their exports back to their home markets. Top western hemisphere export markets were Mexico and Chile, with which Brazil has FTAs. The United States ranked eighth in the case of Argentina. In the case of imports, other than from Brazil, Germany and France ranked high, along with Spain, Italy and the United Kingdom. Not surprisingly, the not-so heavily invested Japan and South Korea were primary suppliers to both markets. Uruguay also made the top ten, given its arrangements under the MERCOSUR, and finally, the U.S. made the cut, as can be explained by the manufacturers' wanting to broaden product offerings.

Parts[3]

Argentina's second largest auto parts export market was the United States. Argentina exports about half as many auto parts to the United States as it does to Brazil. Other key western hemisphere auto parts export markets for Argentina included Mexico, Uruguay, Chile, and Paraguay. On the import side, besides each other and the United States, the Brazilian and Argentinian markets imported auto parts from France, Germany, Japan, Italy, and Korea. In the case of Argentina, France actually surpassed the United States as Argentina's second largest auto parts suppler after Brazil in 1999. Besides each other, the United States, and Mexico, there were no other key auto parts suppliers in the Western hemisphere for the Brazilian or Argentinian markets.

[3] The trend data for 1996-1999 was derived from the United Nation's data. The United Nations uses Harmonized Tariff System (HTS) codes at a six-digit level, which is less precise than OAA's ten-digit level definition and results in data that includes non-automotive parts, inflating trade numbers by about 25 percent. However, despite the automotive parts trade numbers being inflated, the data gives a good depiction of the key automotive parts trading partners with each country.

# *ARGENTINA Automotive Fact Sheet*
# *Market Data*

**Argentina Vehicle Market Data (in units)**

| | 1998 | 1999 | 2000 |
|---|---|---|---|
| Sales | 455,348 | 379,350 | 325,096 |
| Production | 457,951 | 304,901 | 339,632 |

Source: Automotive News Market Data Book

Renault is the market leader in sales (70,000), followed by Fiat (62,000), Ford (58,000), VW (54,000), Peugeot (44,000) and GM (37,000). Renault is also the market leader in production (60,000), followed closely by VW (53,000), Ford (52,000), Fiat (51,000), GM (36,000) and Peugeot (27,000). GM's increasing share of the commercial vehicles and truck sales in the MERCOSUR region helped maintain its leadership in this segment for the 11$^{th}$ consecutive year.

**Argentina Parts Market Data (by value)**

| | 1997 | 1998 | 1999 |
|---|---|---|---|
| Sales | $2.8 billion | n/a | $2.8 billion |
| Production | $2.1 billion | n/a | $1.5 billion |

Various sources

During the 1998-2000 period, thirty auto parts suppliers (including U.S. parts manufacturer Dana Corporation), closed their plants in Argentina and moved to Brazil in search of cheaper labor and a larger market -- most significantly, Dana Corp. In fact, over the last two years, automakers have reportedly lost $3-3.5 billion in Argentina and Brazil combined. We can anticipate that industry will now attempt to persuade governments that a proactive approach on integration is necessary since this will enable them to rationalize their Latin American production and end their multibillion losses in South America.

# *ARGENTINA Automotive Fact Sheet*
# *Investment Data*

**VEHICLE MANUFACTURERS' INVESTMENT DATA**

| Manufacturer | Capacity | Vehicles produced |
|---|---|---|
| Renault | Santa Isabel plant:<br>Actual: 150,000<br>Proposed: 180,000 | Clio, Kangoo, Megane, and R19 |
| GM | 125,000 in 3 plants:<br>1) Santa Isabel<br>2) Rosario<br>3) Cordoba | 1) Corsa<br>2) Corsa<br>3) Silverado pickup |
| Fiat | Actual: 120,00<br>Proposed: 220,000<br>3 plants:<br>1) Ferreya<br>2) Cordoba<br>3) Berazategui | 1) Fiorino, Peugeot 504<br>2) Palio, Siena<br>3) Mille |
| Volkswagen | Pancheco plant<br>100,000 | Gol, Senda, Voyage, Pointer and Polo cars, Caddy and SEAT Inca. |
| Peugeot | 100,000<br>2 plants:<br>1) Berazategui<br>2) Palomar | 1) 206, 306, 405, 504, pickups, Citroen<br>2) Picasso, 504, 405, 306 and Partner |
| Ford | Pacheco<br>Actual: 55,000<br>Proposed: 100,000 | Focus cars, F100, F150 pickups, F400/4000 trucks |
| DCX | Gonzalez Catan<br>Actual: 12,000<br>Proposed: 32,000 | trucks and buses (Sprinter LCV) |

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As part of its restructuring plan, DCX closed its Cordoba plant, ceasing production of the Jeep Grand Cherokee and Cherokee. Instead, DCX will focus on its Mercedes A-Class small passenger car production in Brazilian plant Juiz de Fora, with capacity at 70,000. However, Mercedes-Benz still assembles the Sprinter van in Buenos Aires (but it's an old facility, dating back to 1951, and it is heavily subsidized by profits from heavy trucks). Other manufacturers include: Iveco, Scania, and Toyota.

# *ARGENTINA Automotive Fact Sheet*
# *Investment Data*

**Parts**
According to the Asociación de Fabricas Argentinas de Componentes (AFAC - the local Autoparts Manufacturers' Asociation), annual sales of auto parts reached $2.8 billion in 1999. The auto parts industry consists of 400 companies employing nearly 35,000 people in Argentina. Local production of parts and accessories was relatively strong. Local production in 1997 reached $2.1 billion in 1998 and $1.5 billion in 1999. Local production of car parts and accessories grew steadily from 1995-1998 due to healthy economic conditions and the resulting higher vehicle production in the MERCOSUR countries. As a result of Brazil's currency devaluation in January 1999, Argentina's local industry production declined in 1999. In 1994, Argentina had 460 auto parts makers that employed 47,000 workers, but as of the end of 2000, Argentina had 400 companies and 34,000 workers, after many companies moved to Brazil.

Several international companies - including U.S. - have invested in production facilities in the region and many have formed joint ventures with local parts manufacturers. This has contributed to improving the quality as well as distribution practices. Given the capacity of the local auto parts and accessories aftermarket industry in Argentina and taking into consideration the market reserve provisions of the common regime with Brazil, it is difficult for U.S. parts suppliers to use exports rather than local production facilities to compete in auto parts sales to Original Equipment Manufacturers.

According to AFAC, Argentina's main foreign suppliers of auto parts and accessories are: Brazil (34 percent), U.S. (12 percent), France (11 percent), Germany (7 percent), Spain (6 percent), Italy (6 percent), the United Kingdom (5 percent) and Japan (4 percent). Major U.S. suppliers include: Dana (transmission parts, brakes, etc.); Tenneco (exhaust systems); Visteon (parts for Ford); and, Delphi (electronic wiring harnesses).

Dana Corporation's Perfect Circle Division has been approved as an original equipment supplier by Tritec Motors Ltd., a new joint venture partner for the production of piston rings for 1.4 and 1.6 liter four cylinder engines to be produced in Brazil. Dana Engine Components supplies Bictor Reinz gaskets and sealing products, Perfect Circle power cylinder components and heavy-duty camshafts, Wix filtration products and Plumley power train components. Sistemaire/ Visteon is another large supplier with operations in Argentina. This firm assembles modules for refrigeration, condensers, rigid tubes, terminals, radiators, kits for air conditioners, and injection-molded plastic components.

## *BRAZIL Automotive Fact Sheet*
## *Overview*

- Brazil is one of the world's major automotive markets, and Latin America's largest automotive market.

- Brazil was one of the world's fastest-growing vehicle markets during the 1990's (see next page for global sales and production tables).

- In 1990, Brazil ranked 11th worldwide in terms of sales and 10th in terms of production.

- By 1995, Brazil placed 10th globally in terms of sales and production.

- In 2000, Brazil remained the 10th largest vehicle market worldwide in terms of sales, but fell to 12th place in global vehicle production.[4]

- Over the past decade, U.S. automotive exports to Brazil have been relatively low, primarily because of high tariff rates and import restraints, and also because of the significant manufacturing presence that companies had to establish in these markets due to these trade barriers.

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[4] Brazil achieved record sales levels in 1997, when it reached over 1.9 million units and record output of 2.07 million vehicles produced. The year 2001 may see Brazil's second highest output, forecasted to reach 1.8 million units. (Full-year production data is still pending.)

**GLOBAL VEHICLE SALES** (in millions of units)

| RANK | 1990 | | 1995 | | 2000 | |
|---|---|---|---|---|---|---|
| 1 | UNITED STATES | 14.1 | UNITED STATES | 14.8 | UNITED STATES | 17.4 |
| 2 | JAPAN | 7.8 | JAPAN | 6.9 | JAPAN | 6.0 |
| 3 | GERMANY | 3.2 | GERMANY | 3.6 | GERMANY | 3.7 |
| 4 | FRANCE | 2.8 | FRANCE | 2.3 | ITALY | 2.7 |
| 5 | ITALY | 2.6 | ITALY | 1.9 | FRANCE | 2.6 |
| 6 | U.K. | 2.3 | **BRAZIL** | 1.7 | U.K. | 2.5 |
| 7 | C.I.S. | 2.0 | S. KOREA | 1.5 | P. R .CHINA | 2.1 |
| 8 | CANADA | 1.3 | P .R .CHINA | 1.4 | SPAIN | 1.7 |
| 9 | SWEDEN | 1.27 | RUSSIA | 1.3 | S. KOREA | 1.47 |
| 10 | S. KOREA | 954,277 | CANADA | 1.1 | **BRAZIL** | 1.42 |
| 11 | **BRAZIL** | 706,238 | SPAIN | 1.0 | RUSSIA | 1.13 |
| 12 | AUSTRALIA | 617,292 | AUSTRALIA | 640,500 | INDIA | 862,606 |

Source: Automotive News Market Data Book, 1992, 1997, 2001

**GLOBAL VEHICLE PRODUCTION** (in millions of units)

| RANK | 1990 | | 1995 | | 2000 | |
|---|---|---|---|---|---|---|
| 1 | JAPAN | 13.5 | UNITED STATES | 11.9 | UNITED STATES | 12.9 |
| 2 | UNITED STATES | 9.9 | JAPAN | 10.2 | JAPAN | 10.2 |
| 3 | WEST GERMANY | 4.7 | GERMANY | 4.7 | GERMANY | 5.5 |
| 4 | FRANCE | 3.3 | FRANCE | 3.5 | FRANCE | 3.3 |
| 5 | USSR | 2.0 | S. KOREA | 2.5 | S. KOREA | 3.1 |
| 6 | CANADA | 1.9 | CANADA | 2.4 | SPAIN | 3.05 |
| 7 | ITALY | 1.87 | SPAIN | 2.3 | CANADA | 2.95 |
| 8 | SOUTH KOREA | 1.32 | U.K. | 1.8 | P. R. CHINA | 2.04 |
| 9 | U.K. | 1.29 | ITALY | 1.7 | MEXICO | 1.89 |
| 10 | **BRAZIL** | 914,576 | **BRAZIL** | 1.6 | U.K. | 1.81 |
| 11 | MEXICO | 820,558 | P. R. CHINA | 1.4 | ITALY | 1.74 |
| 12 | AUSTRALIA | 374,462 | BELGIUM | 1.3 | **BRAZIL** | 1.67 |

Source: Automotive News Market Data Book, 1991, 1997, 2001

# *Trade Policy*

**Import Barriers**

- Tariffs: passenger cars - 35%
  trucks and buses - 30%
  automotive parts - 14-18%
- MERCOSUR regional content: 60 %
- Import license requirements
- Import bans on used vehicles and most used parts
- Import ban on diesel passenger car imports, but still exports diesel cars to Argentina
- Industrial Product Tax (IPI) is a Brazilian federal tax applicable to imported and locally manufactured products and varies according to the product. The IPI is charged on the cost, insurance and freight (CIF) price plus the import duty and it ranges from 4-16 percent for autoparts and from 13-37 percent for automobiles, based on engine size.

## MERCOSUR Automotive Agreement

- **Five-year program**, effective January 1, 2001-December 31,2005 for MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay)
- Vehicle imports from outside the MERCOSUR region are assessed a **35 percent tariff** while parts tariffs range from **14-18 percent**.
- **Regional content** is set at 60 percent, but during the transition period through December 31, 2005, Argentina will require a local content level of 30 percent for autos and 25 percent for trucks.
- **Uruguay** gets to retain its **23 percent tariff** on non-MERCOSUR auto imports until 2006, when it will adopt the 35 percent common external tariff of the Brazil-Argentina deal. Kits and auto parts imports from third countries to Uruguay will be subject to a 2 percent duty (while they range from 14-18 percent for Brazil and Argentina). Uruguay's import duty on trucks from third countries will gradually increase from its current 6-8 percent to 20 percent in 2006, while Argentina and Brazil will continue to charge 35 percent on these imports.
- **Uruguay** vehicles for intra-regional trade will be required to meet a 50 percent **regional content** rule (measured by value), instead of the 60 percent required for Brazilian and Argentine autos. Uruguay's **export quotas** to Brazil and Argentina will be 20,000 vehicles to each market (its previous arrangement with Brazil had been only 13,000 vehicles while its Argentine deal was 20,000). Argentina and Brazil were left with a 6,000 and 4,000 vehicle quota to Uruguay per year, respectively. Exports in excess of these quotas will be subject to a 23 percent tariff, but this is scheduled to gradually decrease to 6.9 percent in 2006 (indicating that real "free" intra-regional trade will not be occurring for potentially another 10 years).
- **Paraguay** will impose a **20 percent tariff** (rather than 23 percent) on third country vehicle imports and Paraguay will not impose vehicle quotas on its MERCOSUR partners since it has no auto industry. Otherwise Paraguay is treated the same as Uruguay.

# *BRAZIL Automotive Fact Sheet*
# *Trade Policy*

- Recent press reports indicate that Argentina and Brazil have agreed to implement free trade in the auto sector **ahead of the 2006 target date**. At this time, we have no further details. In 2000, auto sales represented a third of the $15 billion in goods traded between Argentina and Brazil. Argentina's car industry is suffering from a 3-year economic slump, and sales and production have plunged on low demand. The governments and manufacturers hope that accelerated liberalization will increase trade with Brazil and help make up for these losses. This is doubtful, given Argentina's current economic state.

### Brazil-Mexico Auto Agreement and FTA Negotiations

- In April 2000 Mexico and Brazil reached a **two-year auto agreement** as a first step toward an eventual FTA. Prior to the Mexico-EU FTA announcements, Brazil was privy to an 8 percent preferential tariff on vehicles exported to Mexico. However, in light of the Mexico-EU deal, Mexico was going to subject Brazilian exports to the regular tariff it imposes toward third countries (20 percent). Thus Brazil wanted a new agreement.
- Reported **details** of the new agreement include an 8 percent duty, with a reciprocal import quota of 40,000 vehicles for each country, which will increase to 50,000 units the second year. The deal also provides that if quotas are not met over 2 years, the remaining amount may be filled in a third year. The accord applies to trade in cars as well as trucks weighing up to 9 metric tons. Since implementation last year, Mexico has become one of Brazil's top auto export markets.

### MERCOSUR-Mexico FTA Negotiations

- With Mexico and Brazil currently negotiating a wider agreement which will include auto parts and other key sectors, it is expected that the other MERCOSUR members will eventually be included also. Plans were in the works for official consultations between Mexico and MERCOSUR during the second half of 2001, but they have been delayed.

### MERCOSUR-EU FTA Negotiations

- MERCOSUR and the EU have also started free trade talks with the hopes that a pact can be reached by 2005. The groups are discussing trade barriers, investment promotion, political cooperation and technical standards, and tariff negotiations have recently begun.
- Trade between the EU and MERCOSUR countries reached US$41 billion in 1998. Such an agreement would create the world's largest free trade zone (larger than the NAFTA).

### MERCOSUR-Andean Pact FTA Negotiations

- In September 2000, South American presidents from MERCOSUR , MERCOSUR associate members (Chile and Bolivia), and the Andean Pact, held their first-ever summit where they signed the "Declaration of Brasilia," to unite the region's two main trade blocs into a single free trade zone by January 2002. This has not yet occurred.
- Such a trade zone would bring together 340 million people with a combined economic output of US$1.3 trillion.

# *BRAZIL Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Vehicle Trade with Brazil**
**(x$1000; in current U.S. dollars)**

| | **1996** | **1997** | **1998** | **1999** | **2000** |
|---|---|---|---|---|---|
| Exports | 168,913 | 254,782 | 101,279 | 22,644 | 42,198 |
| Imports | 471 | 819 | 1,680 | 2,363 | 167,333 |
| Balance | 168,442 | 253,963 | 99,599 | 20,281 | (125,135) |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

Total U.S. motor vehicle exports to Brazil grew strongly from $163 million in 1993 to $428 million by 1995. After the auto regime[5] was introduced, exports dropped to nearly $169 million for 1996, but swung back to almost $255 million in 1997, as invested companies fleshed-out their product lines by taking advantage of preferential tariff rates granted under the regime.

Largely due to the Brazilian financial crisis, and the shrinking demand for new auto sales, U.S. exports dropped again during 1998 to approximately $101 million, and even further in 1999 to $23 million. With the eventual recovery of the market and region, we anticipate that our exports will gradually rise (as indicated in our 2000 export figure of $42 million), as U.S. manufacturers' rebuild product lines in the coming years.

U.S. imports have shown a dramatic increase to $167 million since Brazil's 1999 devaluation and Brazil's attempt to boost exports markets. Indigenous manufacturers sought viable export markets. The United States, given its low 2.5 percent passenger car tariff, became a prime location for export growth. In addition, Volkswagen decided to shift the sourcing of the U.S. Golf from Germany to Brazil. (Volkswagen's Brazilian-built versions of the Golf began arriving in North America in 2000 and Brazil is now the sole source of North American Golf production.)

[5] In an effort to further develop its automotive industry, Brazil introduced an automotive regime in December 1995 which violated several articles under the World Trade Organization (such as the Trade Related Investment Measures Agreement), and had the effect of requiring companies to invest in Brazil in order to benefit from favorable treatment, such as reduced tariff rates on imports. In March 1998, the United States and Brazil signed a Memorandum of Understanding which provided assurances that the Brazilian regime would be phased out and be replaced by a WTO-consistent Mercosur Automotive Policy (which was implemented, in part, in January 2001).

# *BRAZIL Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Automotive Parts Trade with Brazil**
**(x$1000; in current U.S. dollars)**

| | **1996** | **1997** | **1998** | **1999** | **2000** |
|---|---|---|---|---|---|
| Exports* | 491,903 | 612,793 | 954,351 | 454,155 | 401,177 |
| Imports | 946,012 | 1,233,233 | 1,240,407 | 1,359,552 | 1,248,300 |
| Balance | (454,109) | (620,440) | (286,056) | (905,397) | (847,123) |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.
* 1998 and 1999 data include transshipments through St. Vincent and Grenadines.

U.S. Exports of automotive parts declined substantially from $954 million in 1998 to $401 million in 2000, representing a 58 percent decline. U.S. imports of auto parts from Brazil remained relatively stable going from $1.2 billion in 1998 to $1.4 billion in 1999 and $1.2 billion in 2000.

According to Brazil's National Automobile Factories Association (Anfavea), Brazil's automobile production in the first half of 2001 has increased 21.2 percent over 2000 production levels and car sales increased 26.4 percent over 2000 levels for the same period. Correspondingly, auto parts exports from the United States to Brazil have increased 25.4 percent the first six months of 2001 compared to the same period in 2000.

# BRAZIL Automotive Fact Sheet
# Key Trading Partners

## Top 10 Markets for Road Motor Vehicles

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 1,428,513 | 2,778,653 | 3,134,378 | 2,076,127 |
| **Argentina** | 605,007 | 1,197,507 | 1,330,845 | 727,822 |
| **Italy** | 88,405 | 339,025 | 382,662 | 333,290 |
| **Mexico** | 13,845 | 57,869 | 156,993 | 274,339 |
| **Chile** | 188,092 | 230,023 | 139,867 | 117,319 |
| **Germany** | 25,752 | 58,131 | 128,206 | 95,232 |
| **France** | 13,175 | 15,606 | 96,076 | 78,967 |
| **Venezuela** | 54,453 | 214,577 | 175,711 | 56,288 |
| **Uruguay** | 98,975 | 117,926 | 119,829 | 49,429 |
| **Portugal** | 1,574 | 6,256 | 38,957 | 36,807 |
| **South Africa** | 34,355 | 81,487 | 36,480 | 33,522 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Road Motor Vehicles

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 2,201,986 | 3,529,740 | 3,900,564 | 1,892,775 |
| **Argentina** | 1,098,178 | 2,003,125 | 2,379,190 | 1,089,412 |
| **Germany** | 223,620 | 185,815 | 339,759 | 197,601 |
| **Japan** | 90,046 | 302,646 | 278,542 | 159,539 |
| **South Korea** | 177,987 | 261,594 | 212,876 | 95,276 |
| **France** | 16,385 | 42,923 | 86,641 | 86,325 |
| **Spain** | 53,168 | 24,806 | 42,241 | 52,757 |
| **Italy** | 48,196 | 20,511 | 119,219 | 51,182 |
| **Uruguay** | 36,333 | 17,117 | 35,011 | 37,567 |
| **United States** | 136,000 | 262,782 | 130,059 | 30,031 |
| **Australia** | - | - | 40,551 | 23,041 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *BRAZIL Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Automotive Parts

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 4,510,833 | 4,906,498 | 4,935,199 | 4,624,244 |
| **United States** | 1,603,027 | 1,689,027 | 1,721,589 | 1,835,695 |
| **Argentina** | 1,125,760 | 1,320,958 | 1,242,034 | 961,201 |
| **Germany** | 258,510 | 272,904 | 352,468 | 321,637 |
| **Mexico** | 151,689 | 185,417 | 178,658 | 189,148 |
| **United Kingdom** | 143,289 | 133,479 | 125,804 | 136,660 |
| **Italy** | 50,740 | 54,552 | 87,085 | 103,583 |
| **Chile** | 104,029 | 132,177 | 134,592 | 88,686 |
| **Venezuela** | 27,316 | 60,956 | 68,225 | 83,798 |
| **Paraguay** | 159,722 | 158,993 | 118,650 | 59,512 |
| **France** | 39,557 | 44,339 | 48,776 | 58,584 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Automotive Parts

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 4,763,612 | 4,077,985 | 5,288,432 | 4,531,607 |
| **United States** | 858,532 | 859,968 | 1,228,448 | 935,168 |
| **Germany** | 852,059 | 511,771 | 691,729 | 804,660 |
| **Italy** | 576,327 | 514,463 | 663,757 | 557,551 |
| **Argentina** | 617,446 | 469,668 | 606,907 | 552,611 |
| **Japan** | 329,558 | 416,384 | 440,541 | 453,191 |
| **France** | 143,354 | 118,706 | 186,865 | 265,295 |
| **South Korea** | 96,953 | 107,558 | 130,151 | 192,541 |
| **Sweden** | 280,960 | 233,053 | 317,724 | 145,307 |
| **United Kingdom** | 233,759 | 165,449 | 208,076 | 126,036 |
| **Mexico** | 102,243 | 51,676 | 64,698 | 75,705 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *Key Trading Partners*

Vehicles

Trade data for 1996-1999, derived from the United Nation's Commodity Trade Statistics Database (ComTrade), indicates that Brazil's primary bilateral auto trading partner was Argentina, and vice versa. This can largely be explained by the bilateral auto arrangements which required trade balancing measures.

In the case of exports, Brazil's number two export market was Italy, reflecting Fiat's decision to export back to its home market. Not surprisingly, therefore, the other top European export markets were Germany and France, reflecting the presence of Volkswagen (VW), Renault and Peugeot, and their exports back to their home markets. Top western hemisphere export markets were Mexico and Chile, with which Brazil has FTAs. The United States did not make the top ten for exports from Brazil. However, this has changed because of VW shipments that began in 2000 (see Tab L).

In the case of imports, Germany and France ranked high, along with Spain, Italy and the United Kingdom. Not surprisingly, Japan and South Korea (which are not heavily invested in the region) were primary suppliers. Uruguay also made the top ten, given its arrangements under the MERCOSUR, and finally, the United States also ranked in the top ten, reflecting U.S. manufacturers' decisions to broaden product offerings.

Parts[6]

Brazil's primary automotive parts trading partner for both exports and imports was the United States. Brazil's second largest auto parts export market was Argentina, followed by Germany. Brazil's top auto parts export markets were primarily in the western hemisphere, including the United States, Argentina, Mexico, Chile, Venezuela, and Paraguay. Brazil's other key export markets were European, including Germany, United Kingdom, Italy, and France. Although France barely made it into Brazil's top 10 auto parts export markets in 1999, this will likely change in the near future because a $600 million Peugeot/Citroen factory began production in Brazil in 2000. Because of the plant, Peugeot/Citroen announced plans to set up engine production in Brazil to start operations in 2002 and French auto parts maker Mazoni Bouchot will construct an auto parts facility in Brazil to supply Peugeot/Citroen Renault, MERCOSUR, and Europe.

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2 The trend data for 1996-1999 was derived from the United Nation's data. The United Nations uses Harmonized Tariff System (HTS) codes at a six-digit level, which is less precise than OAA's ten-digit level definition and results in data that includes non-automotive parts, inflating trade numbers by about 25 percent. However, despite the automotive parts trade numbers being inflated, the data gives a good depiction of the key automotive parts trading partners with each country.

# BRAZIL Automotive Fact Sheet
# Market Data

**Brazil Vehicle Market Data (in units)**

| | 1998 | 1999 | 2000 |
|---|---|---|---|
| Sales | 1,519,907 | 1,238,086 | 1,419,109<br><br>Volkswagen: 338,900<br>Fiat: 322,800<br>General Motors: 281,600<br>Ford: 84,900 |
| Production | 1,591,987 | 1,346,537 | 1,671,093<br><br>Fiat: 400,000<br>Volkswagen: 389,000<br>General Motors: 336,000<br>Ford: 111,000 |

Source: Automotive News Market Data Book

Between 1994 and 1997 vehicle output and sales in Brazil grew rapidly and manufacturers invested several billion dollars to build new plants from 1994-2000. However, the Brazilian financial crisis resulted in seriously reduced sales. Recovery from these losses will take time, despite new forecasts which place Brazil back on track for healthy sales in the coming years and forecasting 2002 production in Brazil at 2 million vehicles.

**Brazil Parts Market Data (by value)**

| | 1998 | 1999 | 2000 |
|---|---|---|---|
| Sales | $14.9 billion | $10.4 billion | $12 billion (est) |
| Production | $14.7 billion | $10.4 billion | $11.2 billion (est) |

Various Sources

In 2000, sales revenues of the automotive parts industry in Brazil were estimated at US$12 billion, a 7 percent increase over 1999. Expectations for 2001 are that sales will grow by 4 percent over 2000 and reach US$12.5 billion. The participation of foreign capital in the automotive parts industry in Brazil continues to increase. Also in 2000, the sales revenues of foreign-owned auto parts companies were US$8.76 billion, accounting for 73 percent of total sales of the automotive parts industry.

# *BRAZIL Automotive Fact Sheet*
# *Investment Data*

| Vehicle Manufacturer | Capacity | Vehicles produced |
|---|---|---|
| Fiat | Betim plant:<br>520,000 | Palio, Uno, Tipo, Spazio, Tempra, Palio pickup and van. |
| Volkswagen | Actual: 500,000 in 5 plants:<br>Proposed: 1,000,000<br>Vehicles produced: cars, light commercial vehicles, trucks, buses and engines<br>1) Anchitea<br>2) Taubate<br>3) Ipiranga<br>4) Resende<br><br>5) San Carlos | 1) Santana, Quantum, Kombi, Gol and<br>2) Saveiro<br>3) Parati and the Gol (capacity 300,000)<br>4) European version of the L80 and LT buses, truck the LT and Kombi<br>5) EA 11 1-liter engine production with capacity at 300,000 units. |
| GM | Actual: 350,000<br>Proposed: 500,000<br>4 facilities<br>Vehicles produced include cars and light commercial vehicles, as well as engines and transmissions<br>1) Sao Caetano do Sul plant<br><br>2) San Jose dos Campos plant<br><br><br><br>3( Indaiatuba<br>4) Gravati | 1) Monza, Omega, Vectra, Kadett, Ipanema and Astra<br>2) Corsa, S-10 pickup, Blazer, Ipanema, Bonaza and Veranejo sport utility vehicles, engines and transmissions<br><br>3) Proving grounds<br>4) Chevrolet Celta |
| Ford | Actual: 250,000<br>Proposed: 300,000<br>7 facilities<br>Vehicles produced include cars, truck and buses.<br>1) Tobago<br>2) Ipiranga<br>3) Osaco<br>4) Jabaotao<br>5) Taubate<br><br>6) Sao Bernardo do Campot<br><br>7) Sao Caetano | 1) Escort<br>2) commercial vehicles<br>3) foundry<br>4) various parts<br>5) foundry and produces transmissions and engines<br>6) Fiesta, Escort Hobby, Pampa, Courier pickup, and Cargo<br>7) Fiesta and Ka. |
| Renault | Actual: 240,000<br>Proposed: 400,000<br>2 facilities: cars<br>1) Ayrton Senna<br>2) Sao Jose dos Pinhais | 1) Parana and Curtiba<br>2) Megane and Scenic |

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Other manufacturers include: Peugeot, Honda, Toyota, and BMW and DCX. The relatively most

notable of these is DCX. As part of its restructuring plan, DCX is closing its Campo Largo plant, which produced the Dodge Dakota. Instead, DCX will focus on its Mercedes A-Class small
passenger car production in Juiz de Fora, with capacity at 70,000.

Parts

In 2000, the supplier companies invested US$1.1 billion in Brazil (a 10 percent increase above 1999). Of the US$1.1 billion, US$940 million were investments by foreign-owned autoparts manufacturers. However, investments are expected to drop to US$900 million during 2001, because of increased pressure by the original equipment manufacturers (OEMs) to lower costs.

Several international parts companies established manufacturing facilities in Brazil through mergers, acquisitions and joint-ventures with Brazilian companies. The participation of international companies in the automotive parts industry, based on sales, increased from 48.1 percent in 1994 to 69 percent in 1999.

As a result of consolidation and increased competition in the industry, the number of automotive parts producers in Brazil dropped from over 1,000 in 1997 to about 700 at the end of 1999.

Total investment in the industry reached a record level of US$1.8 billion in 1997. Investments in 1998 were US$1.6 billion and US$1.0 billion in 1999. Direct investments from foreign-owned companies accounted for 71.7 percent of total investments in 1999. In 1999, about one third of the market for auto parts was supplied by imports. Brazilian imports of automotive parts were US$3.6 million in 1999, a drop of 12.8 percent compared to 1998.

Brazil is one of the world's major manufacturer of engines[7], with production capacity at 4 million units a year, with the majority of this amount targeted for export. Some of the major "global players" with manufacturing facilities in Brazil are: Robert Bosch, Magneti-Marelli, Dana, TRW, Tenneco, ZF, Siemens, Federal Mogul, Valeo, Eaton, Delphi, Visteon, Saint Gobain, JCI/Varta, Krupp, Lear Seating, Denso, Continental ITT, Johnson Controls, Meritor, Karmann-Ghia, Mahle, Tritec Motors and Sachs Automotive. Nearly all autoparts producers in Brazil are members of the Brazilian Association of Autoparts Manufacturers (SINDIPECAS), which currently has about 469 members, of which 277 are exclusively Brazilian-owned companies and 192 companies are partially-owned by foreign companies.

During the 1998-2000 period, thirty auto parts suppliers (including U.S. parts manufacturer Dana Corporation), closed their plants in Argentina and moved to Brazil in search of cheaper labor and a larger market.

[7] According to Motor & Equipment Manufacturers Association's (MEMA) MERCOSUR Office.

## *BRAZIL Automotive Fact Sheet*
## *Investment Data*

In fact, over the last two years, automotive (vehicles and parts) manufacturers have reportedly lost $3-3.5 billion in Argentina and Brazil combined. We can anticipate that industry will now attempt to persuade governments that a proactive approach on integration is necessary since this will enable them to rationalize their Latin American production and end their multibillion losses in South America.

# *CHILE Automotive Fact Sheet*
# *Trade Policy*

**Import Barriers**

- Tariff rate: Uniform rate for all products: 7 percent (as of January 1, 2002), based on the cost, insurance and freight (CIF) value; scheduled to be reduced to 6 percent in 2003.
- Value-added tax : 18 percent
- Luxury tax: based on CIF value and included in the calculation of VAT (the luxury tax equals 85 percent of the car's value in excess of an amount which is adjusted annually according to U.S. wholesale price index).
- Import ban: used vehicles, with minor exceptions for specialty vehicles
- Since September 1994, Chilean law required all new cars to have catalytic converters (three-way) and that all vehicles pass annual emissions tests.

## U.S.-Chile FTA Negotiations

- The U.S.-Chile FTA negotiations were launched in late 1999 and are expected to be completed early this year.

- Although the automotive market in Chile is small, these negotiations address some of the important issues for this industry, such as rules of origin, which are also being addressed under the FTAA (which range from requiring 62.5 percent regional value content under the NAFTA to 41 percent under the Andean Pact).

- U.S. vehicle exports to Chile are currently subject to a seven percent tariff, while Canadian and Mexican products may enter Chile duty-free (based on each of these country's FTA with Chile). As a result, U.S. manufacturers generally prefer to ship vehicles to Chile from Mexico and Canada, not from the U.S. In addition, parts and components shipped from the U.S. are disadvantaged versus products from countries that have FTAs with Chile.

- This FTA will have an impact on the automotive industry and U.S. manufacturers. GM, in particular, has a strong interest in this agreement because, as the largest motor vehicle manufacturer in both countries, it stands to gain from an agreement that would promote improved integration of its operations in this hemisphere. (GM Chile, a wholly-owned subsidiary of GM Corporation, is the country's largest assembler and importer of automotive vehicles and components.)

- GM has requested that U.S. negotiators focus on rule of origin issues (i.e., a low regional value content target, similar to the Chile-Canada FTA at 20 percent for autos), and the removal of the Chilean luxury tax on autos, which is currently at 85 percent of the cost in freight value over $16,361 (customs value).

# *CHILE Automotive Fact Sheet*
# *Trade Policy*

- Currently seeking common language for differing U.S. and Chilean proposals to restrict the use of duty drawback/deferral. (U.S. industry would like to be able to use duty drawback and deferral programs in the production of certain goods and still export them to Chile under the FTA, so long as the final product to be exported to Chile meets the rules of origin established by the U.S.-Chile FTA and so long as the companies pay normal customs duties on non-originating materials before they leave the United States.)

## Chile-Brazil Bilateral Trade Accord

- In July 2000, Chile and Brazil reached an agreement for tariff-free trade in autos and began to implement this agreement at the end of 2000. Further details are not available.

## Chile-Argentina Bilateral Trade Accord

- In May 2001, Chile and Argentina reached a bilateral agreement in which Chile can export 10,000 vehicles to Argentina duty-free and Argentina can export 30,000 vehicles to Chile duty-free. Further details are not available.

# *CHILE Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Vehicle Trade with Chile**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 295,437 | 275,155 | 170,335 | 56,736 | 109,790 |
| Imports | 0 | 45 | 14 | 0 | 21 |
| Balance | 295,437 | 275,110 | 170,321 | 56,736 | 109,769 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

U.S. vehicle exports to Chile have been on the decline for the last several years. For example, in 1996, the U.S. exported $295 million, but by 1999 this had declined to only $57 million. Last year, U.S. exports increased to approximately $110 million. U.S. vehicle imports from Chile are essentially non-existent. U.S. manufacturers have opted to source exports to Chile from either Canada or Mexico to avoid the 8 percent tariff rate via the FTAs, or to source exports from within MERCOSUR, through which Chile has an association membership. In addition, foreign producers have made the decision to export lower-end vehicles to avoid the prohibitive luxury tax (85 percent of the CIF value over $16,000). This may all change under the terms of a U.S.-Chile FTA, which would remove obstacles to trade and provide our manufacturers with more integration and flexibility for their sourcing decisions.

**U.S. Automotive Parts Trade with Chile**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 132,928 | 113,461 | 128,063 | 94,291 | 91,866 |
| Imports | 7,012 | 16,209 | 24,385 | 36,476 | 41,838 |
| Balance | 125,916 | 97,252 | 103,678 | 57,815 | 50,028 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

Like other economies in the region, the Chilean auto industry suffered from the 1997 world economic slowdown. Tight monetary policy also served to contract demand. Chile has not yet completely recovered and current data reveal that while auto parts imports are greater now than in the past five years, related exports are not catching up.

# *CHILE Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Road Motor Vehicles

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 63,062 | 125,788 | 113,568 | 126,731 |
| **Mexico** | 105 | 32,943 | 52,903 | 69,378 |
| **Argentina** | 32,830 | 32,731 | 26,742 | 39,209 |
| **Venezuela** | 12,856 | 24,467 | 14,570 | 8,008 |
| **Peru** | 2,189 | 2,550 | 1,251 | 3,714 |
| **Bolivia** | 1,156 | 4,599 | 4,679 | 1,849 |
| **Colombia** | 11,189 | 23,067 | 12,102 | 1,792 |
| **Nicaragua** | 7 | - | - | 612 |
| **United States** | 18 | 38 | 62 | 422 |
| **Guatemala** | 27 | - | - | 327 |
| **Panama** | 37 | 1,854 | - | 240 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Road Motor Vehicles

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 1,654,706 | 1,799,579 | 1,398,407 | 760,688 |
| **Japan** | 318,246 | 410,961 | 398,469 | 196,539 |
| **South Korea** | 288,627 | 308,978 | 243,467 | 140,127 |
| **Brazil** | 215,332 | 263,615 | 175,489 | 133,054 |
| **Mexico** | 252,287 | 260,159 | 153,631 | 83,419 |
| **United States** | 295,522 | 273,410 | 172,143 | 61,972 |
| **France** | 38,685 | 51,582 | 42,626 | 40,944 |
| **Argentina** | 4,455 | 11,454 | 31,807 | 25,438 |
| **Germany** | 43,843 | 41,344 | 37,980 | 19,943 |
| **Canada** | 7,464 | 14,509 | 29,686 | 11,819 |
| **Spain** | 52,568 | 47,426 | 31,531 | 10,588 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *CHILE Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Automotive Parts

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | | 4,906,498 | 4,935,199 | 4,624,244 |
| **United States** | 1,603,027 | 1,689,027 | 1,721,589 | 1,835,695 |
| **Argentina** | 1,125,760 | 1,320,958 | 1,242,034 | 961,201 |
| **Germany** | 258,510 | 272,904 | 352,468 | 321,637 |
| **Mexico** | 151,689 | 185,417 | 178,658 | 189,148 |
| **United Kingdom** | 143,289 | 133,479 | 125,804 | 136,660 |
| **Italy** | 50,740 | 54,552 | 87,085 | 103,583 |
| **Chile** | 104,029 | 132,177 | 134,592 | 88,686 |
| **Venezuela** | 27,316 | 60,956 | 68,225 | 83,798 |
| **Paraguay** | 159,722 | 158,993 | 118,650 | 59,512 |
| **France** | 39,557 | 44,339 | 48,776 | 58,584 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Automotive Parts

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 4,763,612 | 4,077,985 | 5,288,432 | 4,531,607 |
| **United States** | 858,532 | 859,968 | 1,228,448 | 935,168 |
| **Germany** | 852,059 | 511,771 | 691,729 | 804,660 |
| **Italy** | 576,327 | 514,463 | 663,757 | 557,551 |
| **Argentina** | 617,446 | 469,668 | 606,907 | 552,611 |
| **Japan** | 329,558 | 416,384 | 440,541 | 453,191 |
| **France** | 143,354 | 118,706 | 186,865 | 265,295 |
| **South Korea** | 96,953 | 107,558 | 130,151 | 192,541 |
| **Sweden** | 280,960 | 233,053 | 317,724 | 145,307 |
| **United Kingdom** | 233,759 | 165,449 | 208,076 | 126,036 |
| **Mexico** | 102,243 | 51,676 | 64,698 | 75,705 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *CHILE Automotive Fact Sheet*
# *Key Trading Partners*

Vehicles

Trade data for 1996-1999 derived from the United Nation's ComTrade indicates that Chile's top ten export markets were in the Western Hemisphere. Mexico was Chile's primary export market, accounting for over half its exports (Chile has an FTA with Mexico). Its neighboring country, Argentina, accounted for over a third of its exports (by merit of proximity, coupled with the fact that Chile is an associate member of MERCOSUR). Chile's remaining exports went to the Andean Pact, Central America and the United States (reflecting the likely decision by the primary manufacturer (GM) to export back to its home market).

In the case of imports, the primary suppliers were Japan and South Korea (which have no investment and therefore rely on exports), and accounted for nearly half of Chile's road motor vehicle imports. This is largely the case due to the primacy of GM in the market, but also because of the prohibitive luxury tax placed on vehicles over $16,000– something which is being addressed under our FTA discussions. Japanese and South Korean products exported to Chile generally circumvent this tax, as they are smaller, less-costly vehicles than U.S. vehicles. Next ranked Brazil, followed by Mexico and the United States. Other western hemisphere suppliers were Argentina and Canada while top European suppliers included France, Germany and Spain.

Parts[8]

As with motor vehicles, Chile's key auto parts export markets were in the western hemisphere, with Spain as the only exception. The United States topped Chile's list of key auto parts export markets, accounting for nearly half of all Chile's auto parts exports. Argentina followed the United States, but in 1996 it was Chile's top auto parts market. After the United States and Argentina, Chile's chief auto parts export market was Bolivia. These three markets accounted for 83 percent of Chile's auto parts exports.

Chile's chief auto parts supplier was the United States, which accounted for 52 percent of Chile's auto parts imports, in part because of the primacy of GM in the Chilean market as discussed in the Vehicles section above. Other key suppliers from the western hemisphere included Brazil, Canada, Mexico, and Argentina; European suppliers included Germany, Italy and Sweden; and Asian suppliers included Japan and Korea.

[8] The trend data for 1996-1999 was derived from the United Nation's data. The United Nations uses Harmonized Tariff System (HTS) codes at a six-digit level, which is less precise than OAA's ten-digit level definition and results in data that includes non-automotive parts, inflating trade numbers by about 25 percent. However, despite the automotive parts trade numbers being inflated, the data gives a good depiction of the key automotive parts trading partners with each country.

# *CHILE Automotive Fact Sheet*
# *Market and Investment Data*

**Chile Vehicle Market Data (in units)**

| | **1998** | **1999** | **2000** |
|---|---|---|---|
| Sales | 136,031 | 113,283 | 126,490 |
| Production | 19,047 | 17,724 | 18,913 |

Source: Automotive News Market Data Book

**Market Trends**

Although it is our largest non-NAFTA market in the western hemisphere, Chile is not a major automotive market and roughly eighty percent of all new vehicles sold in Chile are imported. Annual vehicle sales were slightly over 125,000 units in 2000, and vehicle production was just under 20,000 units. However, Chile is a key player in U.S. trade negotiations at this time, and GM is the major automotive investor.

**Investment**

Vehicles

GM set up operations in Chile in 1968.  GM (Isuzu) is the market leader with a plant in Arica with an annual capacity at 15,000 for a wide range of light commercial vehicle/pick-up production, badged Chevroelet/LUV.

Peugeot (Automotores Franco Chilena) also has a small plant with a capacity of 4,000 units to assemble CKD passenger cars  (four models: 206, 306, 406 STAI-SV and 406 SV).

Renault ceased output of vehicles at its plant in 1992, but in May 1998 announced a $10 million program to double gearbox production for vehicles assembled in Argentina, Brazil and Uruguay. Output was expected to reach 206,000 units by 2000.

Parts:

OAA has no information on auto parts investments in Chile at this time.

# *COLOMBIA Automotive Fact Sheet*
# *Trade Policy*

**Import Barriers**

C Tariffs: passenger cars and completely-knocked-down kits (CKDs): 35%
trucks and buses: 15%
automotive parts: 5-15%
C Andean Pact: regional content between 30-41 percent
C Value-added tax: 14-45 percent, based on price
C Import bans on used cars, trucks, and buses, as well as new vehicles from previous years.
C The Andean Pact members also ban trade in these vehicles among member nations.

**Andean Automotive Agreement**

C The Andean Pact was created under the Cartagena Agreement in 1969, and modified in 1996 as the Andean community trade bloc, which gave the organization legal authority to negotiate with other trade blocs and pass laws addressing regional problems. It currently consists of five members: Bolivia, Colombia, Ecuador, Peru and Venezuela. However, only the three members which assemble vehicles for the local market and export to one another participate in the Andean automotive agreement: Colombia, Ecuador and Venezuela.

C In September 1993, Colombia, Venezuela, and Ecuador agreed to adopt a common automotive policy which became effective on January 1, 1994 (also known as the "Complementary Convention in the Automotive Sector" and/or "Andean Automotive Policy"). This policy established common external automotive tariffs of 35 percent for automobiles and completely-knocked-down (CKD) kits, 15 percent for trucks and buses (10% for Ecuador), and a concessional rate of 3 percent for CKD kits available to assemblers participating in the regional/local content scheme.

C Under the 1994 agreement, a regional/local content scheme was established for a five-year period so that vehicles and parts could be traded amongst all three countries duty-free. For example, the 1995-96 minimum requirement was set at 30 percent for automotive parts and passenger vehicles with a capacity of up to 16 persons and merchandise transport vehicles of a total weight of 4.5 tons (Category 1), and at 15 percent for other types of vehicles (Category 2). To enjoy the privilege of importing CKD material with a 3 percent import duty, assemblers must incorporate local content as follows: Category 1: 30% in 1995, 31% in 1996, and 32% in 1997. Category 2: 15% in 1995, 16% in 1996, and 17% in 1997. By January 1998, these rates rose to 33 and 18 percent, respectively.

# *COLOMBIA Automotive Fact Sheet*
# *Trade Policy*

- This program was renewed for another five-year period (1999-2004) and we understand that the regional content rules will gradually be adjusted upwards. For example, in the case of Category 1 vehicles, the percentage increases 1.6 points each year until 2004, when it reaches 41 percent.

## Group of Three (G-3) FTA

- Since January 1995, Colombia's trade has been affected by the FTA reached between Mexico, Venezuela and Colombia. Specifically, tariffs on automobiles within the G-3 area are in the process of gradually being eliminated by 2007.

## MERCOSUR-Andean Pact FTA Negotiations

- In September 2000, South American presidents from MERCOSUR , MERCOSUR associate members (Chile and Bolivia), and the Andean Pact, held their first-ever summit where they signed a "Declaration of Brasilia," to unite the region's two main trade blocs into a single free trade zone in January 2002.
- Such a trade zone would bring together 340 million people with a combined economic output of US$1.3 trillion.

# *COLOMBIA Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Vehicle Trade with Colombia**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 75,321 | 90,075 | 76,407 | 24,903 | 11,605 |
| Imports | 0 | 0 | 13 | 50 | 7 |
| Balance | 75,321 | 90,075 | 76,394 | 24,853 | 11,598 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

U.S. vehicle exports to the Andean Pact are minor and have been declining for several years mainly because the markets are very small and because the common external tariff for cars and kits of the Andean Pact countries participating in the automotive policy is very high, at 35 percent, and the bus and truck tariff is 15 percent. The Andean auto policy also prohibits the import of used cars, trucks and buses, as well as new vehicles from previous years. Therefore, an integrated FTAA and the removal of high tariff barriers and import restrictions should offer potential for more trade.

**U.S. Automotive Parts Trade with Colombia**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 193,740 | 178,674 | 154,571 | 70,162 | 81,404 |
| Imports | 7,788 | 6,473 | 6,119 | 6,749 | 8,293 |
| Balance | 185,952 | 172,201 | 148,452 | 63,413 | 73,111 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

Colombia's auto parts industry, like Argentina, is managing to make a slow recovery from the economic downturn of 1999 and its own currency devaluation. There is a slight recovery in auto parts trade, however, it is very minimal. The Asian economic crisis and the sudden drop in world petroleum prices threw the Venezuelan economy into a deep recession. Uncertainty over the country's political leadership served to augment the recession as government spending and oil production were cut back, interest rates were greatly increased(47%) and the currency was devaluated. All of these factors contributed to the failing health of Venezuela's economy in 1999 and the subsequent decrease in automotive sales. Currently, Venezuela is recovering from this downturn and has even increased both imports and exports from 1998 levels.

# *COLOMBIA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Road Motor Vehicles

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 89,301 | 150,552 | 116,975 | 50,612 |
| **Venezuela** | 77,053 | 136,712 | 95,142 | 40,712 |
| **Ecuador** | 9,939 | 9,488 | 13,340 | 8,807 |
| **Panama** | 96 | 195 | - | 468 |
| **Peru** | 2,008 | 891 | 1,006 | 327 |
| **Honduras** | - | - | - | 116 |
| **Dominican Republic** | - | - | - | 61 |
| **China** | - | - | - | 58 |
| **Spain** | - | - | - | 29 |
| **United States** | 11 | - | 38 | 16 |
| **Brazil** | - | 18 | - | 10 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Road Motor Vehicles

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 637,946 | 913,490 | 754,726 | 263,050 |
| **South Korea** | 66,059 | 154,166 | 146,575 | 61,226 |
| **Japan** | 84,686 | 178,957 | 167,254 | 59,777 |
| **Venezuela** | 237,091 | 273,805 | 190,954 | 41,085 |
| **United States** | 68,477 | 81,293 | 82,487 | 39,084 |
| **Ecuador** | 49,486 | 78,044 | 57,795 | 19,476 |
| **Germany** | 16,085 | 17,122 | 7,182 | 10,191 |
| **France** | 11,153 | 15,344 | 3,951 | 9,157 |
| **Mexico** | 47,074 | 41,352 | 30,725 | 4,753 |
| **Chile** | 11,766 | 23,993 | 11,779 | 3,406 |
| **Czech Republic** | 16,444 | 12,976 | 378 | 3,387 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *COLOMBIA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Automotive Parts

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 80,454 | 130,531 | 129,991 | 112,857 |
| **Venezuela** | 25,556 | 62,972 | 61,646 | 46,758 |
| **Ecuador** | 23,329 | 31,020 | 29,521 | 12,110 |
| **United States** | 11,046 | 10,259 | 11,063 | 11,593 |
| **Brazil** | 2,451 | 1,924 | 2,052 | 7,985 |
| **Areas, N.E.S.** | - | 564 | 2,120 | 6,521 |
| **Argentina** | 799 | 895 | 2,007 | 6,322 |
| **Mexico** | 699 | 1,431 | 1,882 | 4,781 |
| **Peru** | 2,619 | 4,043 | 3,040 | 4,011 |
| **Chile** | 2,297 | 6,207 | 6,101 | 2,694 |
| **Panama** | 2,670 | 3,152 | 1,905 | 2,064 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Automotive Parts

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 814,259 | 1,033,223 | 1,171,579 | 605,955 |
| **United States** | 298,700 | 446,935 | 556,323 | 258,534 |
| **Japan** | 113,983 | 106,463 | 94,944 | 78,116 |
| **Venezuela** | 49,172 | 49,775 | 50,420 | 45,992 |
| **Brazil** | 32,109 | 39,011 | 51,848 | 24,880 |
| **France** | 22,310 | 29,390 | 32,573 | 24,053 |
| **Germany** | 27,917 | 43,059 | 55,099 | 23,259 |
| **Mexico** | 15,022 | 19,122 | 20,744 | 20,925 |
| **South Korea** | 30,708 | 32,721 | 31,598 | 19,271 |
| **Spain** | 23,583 | 16,884 | 27,174 | 17,470 |
| **Ecuador** | 11,583 | 14,123 | 10,819 | 16,127 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# COLOMBIA Automotive Fact Sheet
# Key Trading Partners

Vehicles

Trend trade data for 1996-1999 derived from the United Nation's ComTrade indicates that both Venezuela and Colombia have each other as the primary export location for road motor vehicles (accounting for nearly 80 percent of exports), and Ecuador, another Andean Pact member, makes the top three for both exports and imports. This reaffirms the importance of automotive trade throughout the region under their automotive policy.

In the case of exports, outside of the Andean Pact, most of the product went to the immediate region (Central America and the Caribbean), and some went to Europe (Spain and Italy). In addition, for the first time in 1999, some vehicles were sent from Colombia to China. Both countries also export vehicles back to the United States and Canada, reflecting the likely decision by the primary manufacturers' to export back to their home markets.

In the case of imports, the primary suppliers were not each other. The United States was the primary supplier to Venezuela, accounting for nearly 35 percent of its imports while South Korea was the primary supplier to Colombia. Both Japan and South Korea ranked high in these markets since they have minimal investments and therefore rely on exports. For example, combined Japan and Korean imports accounted for nearly 40 percent of Colombia's imports and over 30 percent of Venezuela's imports. Other primary suppliers were each other, reflecting the integration of the trade bloc. Other western hemisphere suppliers included Mexico and Canada, along with Brazil and Chile. European suppliers were Germany, France, and the Czech Republic.

Parts[9]

However, this data is still a good indication of trade trends within the countries. The data indicates that both Colombia and Venezuela do not export many auto parts outside the western hemisphere.

In terms of exports, Colombia's top auto parts export markets were Venezuela, the United States, and Ecuador, another Andean pact member. Venezuela's key auto parts markets were the United States and Colombia with Ecuador coming in toward the bottom of a list of Venezuela's top ten auto parts export markets. Venezuela and Colombia have similar key auto parts exports markets. In addition to each other, the United States, and Ecuador, other key markets included Brazil,

COLOMBIA Automotive Fact Sheet

[9] The trend data for 1996-1999 was derived from the United Nation's data. The United Nations uses Harmonized Tariff System (HTS) codes at a six-digit level, which is less precise than OAA's ten-digit level definition and results in data that includes non-automotive parts, inflating trade numbers by about 25 percent. However, despite the automotive parts trade numbers being inflated, the data gives a good depiction of the key automotive parts trading partners with each country.

Mexico, Argentina, Chile, and Panama. A fast growing auto parts market for Venezuela was the Dominican Republic, which increased almost fourfold from 1996 to 1999.

In terms of imports, the two countries import few auto parts from other western hemisphere countries, except from each other, the United States, and Brazil. Venezuela had other no other western hemisphere auto parts suppliers in its key suppliers list, while Colombia imported auto parts from Mexico and Ecuador to round out its key suppliers list. The other key auto parts suppliers to Venezuela and Colombia were from Europe, primarily Italy (Venezuela's second key supplier), France, and Germany, and from Asia, primarily Japan (Colombia's second key supplier) and Korea.

# *COLOMBIA Automotive Fact Sheet Market Data*

**Colombia Vehicle Market Data (in units)**

| | 1998 | 1999 | 2000 |
|---|---|---|---|
| Sales | 120,841 | 87,896 | 84,681 |
| Production | 62,699 | 22,632 | 23,697 |

Source: Automotive News Market Data Book

**Market Trends**

The Andean Pact automotive market is relatively small, but its market leaders are GM and Ford. In 1999, GM/Chevrolet secured the number 1 position in nearly all the Andean Pact markets (Venezuela, Colombia, Ecuador and Chile). GM has been the market leader in Venezuela for 20 consecutive years, with over 25 percent of the market (Corsa, Cavalier and Blazer). Ford is just behind with approximately 15 percent share (Explorer and F-150). Toyota is third with approximately 14 percent of the market (Corolla), and DCX is fourth at approximately 11 percent (Cherokee and Grand Cherokee).

In Colombia, the automotive sector continues to be one of the strongest and most solid of all industries. Automotive industry employment in 1998 accounted for 2.3 percent of total employment in Colombia, at 13,836 jobs. Automotive industry production in 1998 accounted for 3.5 percent of Colombia's GDP, valued at $698 million. As a result of the modernization of the economy and the reductions in import tariffs, the automotive sector has become very dynamic. The following motor vehicle brands are competing very actively in the Colombian market: Chevrolet; Daewoo, Hyundai, Ford, Nissan, Skoda, Mitsubishi, Volkswagen, Fiat, Kia, Mazda, Toyota, Peugeot, Chrysler, Daihatsu, Honda, Subaru, Citroen, Dacia, International, Seat, Ssangyong, Iveco, Lada, BMW, Land Rover, Mercedes, Renault, Dina, Asia, Kenworth, Mack, Audi, and Volvo.

**Colombia Parts Market Data (by value)**

| | 1997 | 1998 | 1999 |
|---|---|---|---|
| Sales | n/a | n/a | n/a |
| Production | $529 million | $550.1 million | $572.1 million |

Various sources

# *COLOMBIA Automotive Fact Sheet*
# *Investment Data*

Vehicles

General Motors-Colmotores is the market leader, with current capacity at its Bogota plant at 35,000 units annually. Vehicles produced include: Chevrolet Swift/Sprint, Suzuki Cultas, Isuzu TFS, Trooper, GM Chevette, TFR and Isuzu NPR. During 2000, it produced under capacity at only 19,429 vehicles and sold 23,039, yet this accounted for 88 percent of local production and 75 percent of vehicle sales. Mazda (Ford ownership 34 percent) also has a Bogota plant, with current capacity at 50,000 units (25,000 cars/25,000 light commercial vehicles). Vehicles produced include: Mazda 323/626, Bongo, Mitsubishi Pajero, Mazda T3500, Mitsubishi Montero, Mazda B2200, B2600, and 3 Ford Laser models (based on Mazda 323). Renault has an all-purpose plant (cars, sport utility vehicles, light commercial vehicles) in Medellin with current capacity at 20,000 units. Vehicles produced include: Twingo, Clio, R19 and R9. DCX also has a small facility for bus production in Cucuta with annual capacity at 600 units. Toyota also has a 20,000 capacity unit plant in Medellin where it produces sport utility vehicles (Land Cruiser) and light commercial vehicles (Hilux).

Parts

There are no U.S. automotive parts and accessories companies manufacturing in Colombia. Nevertheless, most auto parts are imported from the United States (approximately 35 percent market share). Japan, Mexico, Venezuela, Taiwan, China, Korea, Germany, and France are the major competitors. Among a long list of suppliers, the following are major U.S. firms which have representation in the country with good sales networks: Dana Corporation, TRW, Brake Parts, Wagner, Monroe, Dodge, Dayco Corp., South American Parts Corp., Federal Mogul, Perfection, Eaton, Elgin Automotive Products, "O" Rings, U.S. Gear, Gerson International Corp., Power Drive, Detroit Parts, Massey Ferguson, Monroe, Spicer, Gates, Dayco, Borg Warner, and others.

Local automotive parts and accessories production has been concentrated in the manufacture of 134 automotive products. These include brake systems, bodies for buses, trucks, buses, and mini buses, chassis, axles, assembly lines, security glass, pumps, electric wires, starters, batteries, shock absorbers, clutches, wheel rims, gasoline engines, parts for axles, assembly lines and transmissions, exhaust systems, alternators, gaskets, radiators, and spark plugs. Some 65 local companies manufacture these products.

# *VENEZUELA Automotive Fact Sheet*
# *Trade Policy*

**Import Barriers**

- Tariffs: passenger cars and completely-knocked-down kits (CKDs): 35%
  trucks and buses: 15%
  automotive parts: 5-15%
- Andean Pact: regional content requirements range between 30-41 percent
- Value-added tax: 14-45 percent, based on price
- Import bans: used cars, trucks, buses, new vehicles from previous model years
- Andean Pact members also ban trade in these vehicles among member nations

## Andean Automotive Agreement

- The Andean Pact was created under the Cartagena Agreement in 1969, and modified in 1996 as the Andean community trade bloc, which gave the organization legal authority to negotiate with other trade blocs and pass laws addressing regional problems. It currently consists of five members: Bolivia, Colombia, Ecuador, Peru and Venezuela. However, only the three members which assemble vehicles for the local market and export to one another participate in the Andean automotive agreement: Colombia, Ecuador and Venezuela.

- In September 1993, Colombia, Venezuela, and Ecuador agreed to adopt a common automotive policy which became effective on January 1, 1994 (also known as the "Complementary Convention in the Automotive Sector" or "Andean Automotive Policy"). This policy established common external automotive tariffs of 35 percent for automobiles and completely-knocked-down (CKD) kits, 15 percent for trucks and buses (10 percent for Ecuador), and a concessional rate of 3 percent for CKD kits available to assemblers participating in the regional/local content scheme.

- Under the 1994 agreement, a regional/local content scheme was established for a five-year period so that vehicles and parts could be traded amongst all three countries duty-free. (For example, the 1995-96 minimum content requirement was set at 30 percent for automotive parts and passenger vehicles with a capacity of up to 16 persons.)

- This program was renewed for another five-year period (1999-2004) and we understand that the regional content rules will gradually be adjusted upwards. For example, in the case of Category 1 vehicles (passenger vehicles with a capacity of up to 16 persons and merchandise transport vehicles of a total weight of 4.5 tons), the percentage increases 1.6 points each year until 2004, when it reaches 41 percent.

# *VENEZUELA Automotive Fact Sheet*
# *Trade Policy*

**Group of Three (G-3) FTA**

- Since January 1995, Colombia's trade has been affected by the FTA reached between Mexico, Venezuela and Colombia. Specifically, tariffs on automobiles within the G-3 area are in the process of gradually being eliminated by 2007.

**MERCOSUR-Andean Pact FTA Negotiations**

- In September 2000, South American presidents from MERCOSUR , MERCOSUR associate members (Chile and Bolivia), and the Andean Pact, held their first-ever summit where they signed the "Declaration of Brasilia," to unite the region's two main trade blocs in associate members (Chile and Bolivia), and the Andean Pact, held their first-ever summit to a single free trade zone in January 2002.

- Such a trade zone would bring together 340 million people with a combined economic output of US$1.3 trillion.

# *VENEZUELA Automotive Fact Sheet*
# *Bilateral Trade Data*

**U.S. Vehicle Trade with Venezuela**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports | 101,788 | 179,912 | 172,692 | 73,878 | 52,940 |
| Imports | 99 | 58 | 72 | 165 | 413 |
| Balance | 101,689 | 179,854 | 172,620 | 73,713 | 52,527 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.

U.S. vehicle exports to the Andean Pact are low and have been declining for several years mainly because the markets are very small and because the common external tariff for cars and kits of the Andean Pact countries participating in the automotive policy is very high, at 35 percent, and the bus and truck tariff is 15 percent. The Andean auto policy also prohibits the import of used cars, trucks and buses, as well as new vehicles from previous model years. Therefore, an integrated FTAA and the removal of high tariff barriers and import restrictions should offer the potential for more trade.

**U.S. Automotive Parts Trade with Venezuela**
**(x$1000; in current U.S. dollars)**

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| Exports* | 345,725 | 676,969 | 518,000 | 390,485 | 537,003 |
| Imports | 138,434 | 158,293 | 183,792 | 207,106 | 235,299 |
| Balance | 207,291 | 518,676 | 334,208 | 183,379 | 301,704 |

Source: Census Bureau via U.S. International Trade Commission (ITC) TradeDataWeb, using Office of Automotive Affairs' product groups.
* 1998 and 1999 data include transshipments through St. Vincent and Grenadines.

The Asian economic crisis and the sudden drop in world petroleum prices threw the Venezuelan economy into a deep recession. Uncertainty over the country's political leadership served to augment the recession as government spending and oil production were cut back, interest rates were greatly increased (47 percent) and the currency was devalued. All of these factors contributed to the failing health of Venezuela's economy in 1999 and the subsequent decrease in automotive sales. Currently, Venezuela is recovering from this downturn and has increased both imports and exports from 1998 levels.

# *VENEZUELA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Road Motor Vehicles

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 266,216 | 271,769 | 257,202 | 33,331 |
| **Colombia** | 229,231 | 214,429 | 189,868 | 26,099 |
| **Costa Rica** | 7 | - | 29 | 4,048 |
| **Ecuador** | 35,903 | 56,642 | 66,382 | 2,576 |
| **United States** | 67 | 436 | 69 | 396 |
| **Aruba** | 38 | 63 | 22 | 92 |
| **Netherlands Antilles** | 41 | - | 2 | 63 |
| **Italy** | 31 | - | - | 37 |
| **Peru** | - | - | - | 17 |
| **Canada** | - | - | 69 | 3 |
| **Dominican Republic** | - | - | 51 | 1 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Road Motor Vehicles

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 661,115 | 1,555,324 | 1,583,765 | 805,116 |
| **United States** | 226,226 | 500,163 | 498,548 | 278,252 |
| **Japan** | 132,194 | 336,341 | 394,702 | 165,484 |
| **South Korea** | 35,573 | 87,243 | 116,613 | 87,992 |
| **Canada** | 84,491 | 130,282 | 92,022 | 79,630 |
| **Colombia** | 73,561 | 138,909 | 88,351 | 57,542 |
| **Brazil** | 46,312 | 164,918 | 175,136 | 54,399 |
| **Mexico** | 7,316 | 60,472 | 62,814 | 20,611 |
| **Germany** | 10,980 | 26,043 | 32,666 | 16,901 |
| **Chile** | 6,477 | 8,359 | 13,562 | 9,948 |
| **Ecuador** | 6,623 | 2,256 | 12,047 | 8,242 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *VENEZUELA Automotive Fact Sheet*
# *Key Trading Partners*

## Top 10 Markets for Automotive Parts

**(in thousands of U.S. dollars, ranked by top partners in 1999)**

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 175,393 | 203,721 | 231,519 | 238,808 |
| **United States** | 106,167 | 128,711 | 150,393 | 169,466 |
| **Colombia** | 41,203 | 38,793 | 43,250 | 42,897 |
| **Brazil** | 5,668 | 7,798 | 10,571 | 5,556 |
| **Mexico** | 3,000 | 2,936 | 3,070 | 3,921 |
| **Cuba** | 6,316 | 3,988 | 1,297 | 2,123 |
| **Dominican Republic** | 583 | 702 | 1,597 | 2,053 |
| **Ecuador** | 3,779 | 7,368 | 4,663 | 1,258 |
| **Chile** | 593 | 565 | 927 | 1,254 |
| **Panama** | 1,279 | 1,535 | 1,656 | 1,001 |
| **Argentina** | 152 | 369 | 756 | 909 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

## Top 10 Suppliers for Automotive Parts

| | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|
| **WORLD** | 539,560 | 931,916 | 1,046,851 | 1,133,961 |
| **United States** | 353,244 | 594,411 | 632,220 | 493,324 |
| **Italy** | 24,001 | 35,981 | 41,172 | 163,753 |
| **South Korea** | 4,527 | 8,742 | 16,432 | 104,739 |
| **Japan** | 19,535 | 31,012 | 46,170 | 99,004 |
| **Brazil** | 19,277 | 40,072 | 47,256 | 61,162 |
| **Colombia** | 24,796 | 57,758 | 50,611 | 47,379 |
| **Germany** | 20,695 | 24,554 | 28,283 | 23,506 |
| **France** | 8,897 | 17,277 | 19,623 | 18,414 |
| **Sweden** | 4,632 | 14,446 | 38,535 | 17,865 |
| **Taiwan** | 6,842 | 14,820 | 14,608 | 16,137 |

Source: UN Data via USDOC/TPIS, using Office of Automotive Affairs' Selection of 6-Digit HTS Codes

# *VENEZUELA Automotive Fact Sheet*
# *Key Trading Partners*

Vehicles

Trade data for 1996-1999 derived from the United Nation's ComTrade indicates that both Venezuela and Colombia have each other as the primary export location for road motor vehicles (accounting for nearly 80 percent of exports), and Ecuador, another Andean Pact member, makes the top three for both exports and imports. This reaffirms the importance of automotive trade throughout the region under their automotive policy.

In the case of exports, outside of the Andean Pact, most of the product went to the immediate region (Central America and the Caribbean), and some went to Europe (Spain and Italy). In addition, for the first time in 1999, some vehicles were sent from Colombia to China. Both countries also export vehicles back to the United States and Canada, reflecting the likely decision by the primary manufacturers' to export back to their home markets.

In the case of imports, the primary suppliers were not each other. The United States was the primary supplier to Venezuela, accounting for nearly 35 percent of its imports while South Korea was the primary supplier to Colombia. Both Japan and South Korea ranked high in these markets since they have minimal investments and therefore rely on exports. For example, combined Japan and Korean imports accounted for nearly 40 percent of Colombia's imports and over 30 percent of Venezuela's imports. Other primary suppliers were each other, reflecting the integration of the trade bloc and the indigenous manufacturers taking advantage of sourcing options provided by free trade under the agreement. Other western hemisphere suppliers included Mexico and Canada, along with Brazil and Chile. European suppliers were Germany, France, and the Czech Republic.

Parts[10]

Venezuela's top auto parts export markets were Colombia, the United States, and Ecuador, another Andean pact member. Other key markets included Brazil, Mexico, Argentina, Chile, and Panama. Venezuela's key auto parts markets were the United States and Colombia with Ecuador coming in toward the bottom of a list of Venezuela's top ten auto parts export markets. Venezuela and Colombia have similar key auto parts exports markets. In addition to each other, the United States, and Ecuador, other key markets included Brazil, Mexico, Argentina, Chile, and Panama. A fast growing auto parts market for Venezuela was the Dominican Republic, which increased almost fourfold from 1996 to 1999. In terms of imports, Venezuela imports few auto parts from other western hemisphere countries, except Colombia, the United States, and Brazil.

[10] The trend data for 1996-1999 was derived from the United Nation's data. The United Nations uses Harmonized Tariff System (HTS) codes at a six-digit level, which is less precise than OAA's ten-digit level definition and results in data that includes non-automotive parts, inflating trade numbers by about 25 percent. However, despite the automotive parts trade numbers being inflated, the data gives a good depiction of the key automotive parts trading partners with each country.

# *VENEZUELA Automotive Fact Sheet Key Trading Partners*

Venezuela had other no other western hemisphere auto parts suppliers in its key suppliers list. The other key auto parts suppliers were from Europe, primarily Italy (Venezuela's second key supplier), France, and Germany, and from Asia, primarily Japan and Korea.

# *VENEZUELA Automotive Fact Sheet*
# *Market Data*

**Venezuela Vehicle Market Data (in units)**

| | **1998** | **1999** | **2000** |
|---|---|---|---|
| Sales | 144,521 | 91,701 | 139,778 |
| Production | 79,638 | 79,260 | 103,997 |

Source: Automotive News Market Data Book

The Andean Pact automotive market is relatively small, but its market leaders are GM and Ford. In 1999, GM/Chevrolet secured the number 1 position in nearly all the Andean Pact markets (Venezuela, Colombia, Ecuador and Chile). GM has been the market leader in Venezuela for 20 consecutive years, with over 25 percent of the market (Corsa, Cavalier and Blazer). Ford is just behind with approximately 15 percent share (Explorer and F-150). Toyota is third with approximately 14 percent of the market (Corolla), and DCX is fourth at approximately 11 percent (Cherokee and Grand Cherokee).

**Venezuela Parts Market Data (by value )**

| | **1997** | **1998** | **1999** |
|---|---|---|---|
| Sales | n/a | $950 million | n/a |
| Production | $250 million | $210 million | $180 million |

Various sources

# *VENEZUELA Automotive Fact Sheet*
# *Investment Data*

Vehicles

GM, the market leader, has an all-purpose plant in Valencia, with installed capacity at 50,000 units. Vehicles produced include: Suzuki Swift, Buick Century , GM P30, Chevrolet Blazer and Grand Blazer. Ford's installed capacity at its Valencia plant is 70,000 units annually(60,000 cars/10,000 commercial vehicles). Vehicles produced include: F-series, Bronco, Laser Festiva, Kia Festiva, and Explorer. DCX has a plant in Valencia with capacity at 20,000 units. Vehicles produced include Jeep Grand Cherokee and Dodge/Neon. Fiat has a plant in Victoria with current capacity at 12,000 (proposed 25,000) and Toyota has a plant in Cumana with capacity at 23,000 units for production of the Corolla, Land Cruiser and Dyna. Other manufacturers include Honda, Hyundai, Iveco, Mitsubishi and Renault.

Parts

In the early 1960s, the Venezuelan government established an automotive industry policy, which prohibited the assemblers from manufacturing their own components and replacement parts. This was done partially to protect the small existing parts industry, but mainly to stimulate the establishment of supporting industry and to generate new jobs.

An analysis of the import statistics shows that the Venezuelan auto parts industry has made the country almost self-sufficient in certain areas. Most prominent are safety glass, wheels, auto air conditioners, batteries, belts, hoses, filters, spark plugs, most electrical parts, radiators, brake linings and pads, shock absorbers, leaf and coil springs, seating and exhaust systems. The production of valves and pistons has begun only relatively recently but already is a factor in the market.

While there is some resistance among end users against local products because of perceived quality deficiencies, the industry has achieved relatively high standards as evidenced by many companies having received quality certificates from U.S. automobile manufacturers. The domestic auto parts industry thus constitutes the most serious competition to imports.

Several of the manufacturers are subsidiaries of U.S. companies and many produce auto parts under license and technical supervision of American manufacturers. Examples are Champion, Harrison Radiator, Fram, Echlin, Ford Climate Control Division, Bosch, Gabriel, Prestolite, Delco Moraine, Monroe, Kelsey-Hayes, Motorola, TRW, Rockwell, Dana Corporation, Eaton, Perfect Circle, Gates, Pittsburgh Plate Glass, and many others.

Other important suppliers are: Federal Mogul, Sealed Power, Elgin, SKF, Perfection Hy-Test, Muskegon, Amsco Valley Forge, Spicer, Bendix, Borg Warner, Raybestos, Autolite, Delco, Moog, Cooper Industries, Wagner and many others. All have sales agents or wholesale distributors in Venezuela and their products are available through many retailers.

## MEXICO-EUROPEAN UNION FREE TRADE AREA:

On January 31, 2000, the European Union made the text of the FTA publicly-available on its website: http://www.europa.eu.int/comm/trade/bilateral/mexico/fta.htm

**Automotive Provisions**

**1) Rules of Origin**

Automobiles, trucks and buses were subject to a 45 percent regional value content (RVC) from 2000-2001. In 2002, the RVC requirement for autos has increased to 50 percent and will remain at 50 through 2004. The RVC requirement for trucks and buses continues at 45 percent in 2002, and will increase to 50 percent in 2003 through 2006. Autos will increase to 60 percent in 2005 and remain at 60 through 2007, while trucks and buses increase to 60 percent in 2007.

Under the NAFTA, at least 50 percent of a light vehicle's net cost had to be of value originating in North America from 1994 to 1997. In 1998, this value increased to 56 percent, and in 2002 will reach 62.5 percent. All other vehicles had to meet 50 percent from 1994 through 1997, 55 percent from 1998 through 2001, and 60 percent thereafter. Under the NAFTA, there is an additional, special category for vehicle manufacturers setting up a new plant, or significantly retooling an existing plant, to produce a class or size of vehicle not previously produced at that plant. This provision allows for 50 percent regional content to meet rule of origin requirements, for a period of either two or five years (two years for production of a new type of vehicle at an existing plant, five years for a new type of vehicle in a new plant), beginning on the date the first prototype vehicle is produced in the (qualifying) plant.

**2) Import Quotas**

During the first stage (2000-2003), invested companies in Mexico are allotted a 10 percent cap of the domestic market sales while non-invested companies are allotted 4 percent (on a first-come, first-served basis). During the second stage (2004-2006), this will increase to 15 percent of the domestic market, for established and non-established companies, each with a specific quota. Trucks and buses will be subject to a quota of 2,500 units a year in both stages. Mexico will manage the quotas with EU concurrence. In contrast, the NAFTA created two transitional quotas specifically for heavy vehicles, and these have now expired. As of January 1, 1999, the NAFTA removed all restrictions on new heavy vehicles that comply with all Mexican standards and regulations.

**3) Tariff Elimination**

Mexico exported cars to the EU with a 6.9 percent duty during 2000, which decreased to 4.6 percent in 2001, down to 2.3 percent in 2002, and finally to zero in 2003. The EU quota cars will receive "NAFTA parity", mirroring the same rates which both the United States and Canada, as NAFTA partners, received/are receiving: a 3.3 percent duty in 2000; 2.2 percent in 2001; 1.1 percent in 2002, and finally to zero in 2003.

**4) Used Vehicles**

Mexico accepted "NAFTA parity": starting in 2009, any person/company can import used cars into Mexico from the EU. (Under the NAFTA, Mexico agreed that in 2009 it will begin a ten-year phase out of the embargo on used vehicles (light vehicles, buses, and heavy trucks) that meet the NAFTA rule of origin. The ban will be lifted completely in 2019.) Under the Mexico-EU FTA, the EU will be privy to the same terms, provided they meet the Mexico-EU rule of origin.

## U.S. Automotive Parts Trade with the World and Key FTAA Countries

X $1000

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| World | | | | | |
| Exports | 41,119,219 | 46,643,144 | 46,806,765 | 49,900,718 | 53,720,233 |
| Imports | 48,459,240 | 50,802,074 | 54,364,738 | 61,619,292 | 66,958,762 |
| Balance | -7,340,021 | -4,158,930 | -7,557,973 | -11,718,574 | -13,238,529 |
| | | | | | |
| All FTAA* | | | | | |
| Exports | 30,991,567 | 36,299,078 | 37,356,877 | 40,530,792 | 43,876,541 |
| Imports | 25,454,512 | 28,646,845 | 30,759,991 | 35,518,592 | 38,118,991 |
| Balance | 5,537,055 | 7,652,233 | 6,596,886 | 5,012,200 | 5,757,550 |
| | | | | | |
| Key FTAA | | | | | |
| Exports | 30,610,947 | 35,847,667 | 36,915,389 | 40,111,821 | 43,497,508 |
| Imports | 25,426,075 | 28,612,946 | 30,719,729 | 35,442,887 | 38,007,490 |
| Balance | 5,184,872 | 7,234,721 | 6,195,660 | 4,668,934 | 5,490,018 |
| | | | | | |
| Argentina | | | | | |
| Exports | 140,090 | 297,021 | 360,906 | 187,930 | 225,448 |
| Imports | 34,783 | 43,247 | 71,664 | 131,388 | 176,908 |
| Balance | 105,307 | 253,774 | 289,242 | 56,542 | 48,540 |
| | | | | | |
| Brazil | | | | | |
| Exports** | 491,903 | 612,793 | 954,351 | 454,155 | 401,177 |
| Imports | 946,012 | 1,233,233 | 1,240,407 | 1,359,552 | 1,248,300 |
| Balance | -454,109 | -620,440 | -286,056 | -905,397 | -847,123 |
| | | | | | |
| Canada | | | | | |
| Exports | 22,228,208 | 24,386,570 | 25,297,880 | 29,643,478 | 29,601,353 |
| Imports | 12,639,370 | 13,833,572 | 14,712,138 | 16,934,110 | 17,634,056 |
| Balance | 9,588,838 | 10,552,998 | 10,585,742 | 12,709,368 | 11,967,297 |
| | | | | | |
| Chile | | | | | |
| Exports | 132,928 | 113,461 | 128,063 | 94,291 | 91,866 |
| Imports | 7,012 | 16,209 | 24,385 | 36,476 | 41,838 |
| Balance | 125,916 | 97,252 | 103,678 | 57,815 | 50,028 |
| | | | | | |
| Colombia | | | | | |
| Exports | 193,740 | 178,674 | 154,571 | 70,162 | 81,404 |
| Imports | 7,788 | 6,473 | 6,119 | 6,749 | 8,293 |
| Balance | 185,952 | 172,201 | 148,452 | 63,413 | 73,111 |
| | | | | | |
| Mexico | | | | | |
| Exports | 7,078,353 | 9,582,179 | 9,501,618 | 9,271,320 | 12,559,257 |
| Imports | 11,652,676 | 13,321,919 | 14,481,224 | 16,767,506 | 18,662,796 |

| | | | | | |
|---|---|---|---|---|---|
| Balance | -4,574,323 | -3,739,740 | -4,979,606 | -7,496,186 | -6,103,539 |
| | | | | | |
| Venezuela | | | | | |
| Exports** | 345,725 | 676,969 | 518,000 | 390,485 | 537,003 |
| Imports | 138,434 | 158,293 | 183,792 | 207,106 | 235,299 |
| Balance | 207,291 | 518,676 | 334,208 | 183,379 | 301,704 |
| | | | | | |
| Source: Census Bureau via USITC Trade DataWeb | | | | | |
| | | | | | |
| *FTAA includes Antigua Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica Is., Dominican Rep., Ecuador, El Salvador, Grenada Is., Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts-Nevis, St. Lucia Is., St. Vincent & Gren., Suriname, Trinidad & Tobago, Uruguay, and Venezuela. | | | | | |
| **1998 and 1999 data include transshipments to Brazil and Venezuela through St. Vincent and Grenadines. | | | | | |

## U.S. RMV Trade With the World and Key FTAA Countries

X $1000

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|
| World | | | | | |
| Exports | 24,010,041 | 25,676,319 | 24,559,378 | 23,965,971 | 24,784,347 |
| Imports | 79,707,147 | 87,657,725 | 94,650,633 | 115,609,357 | 126,793,058 |
| Balance | -55,697,106 | -61,981,407 | -70,091,255 | -91,643,385 | -102,008,711 |
| | | | | | |
| All FTAA | | | | | |
| Exports | 14,786,069 | 17,929,217 | 17,500,872 | 18,273,834 | 19,467,045 |
| Imports | 44,982,108 | 47,936,599 | 50,709,779 | 62,157,840 | 66,541,342 |
| Balance | -30,196,039 | -30,007,383 | -33,208,907 | -43,884,006 | -47,074,297 |
| | | | | | |
| Key FTAA | | | | | |
| Exports | 14,230,894 | 17,376,771 | 16,928,016 | 17,840,556 | 19,022,248 |
| Imports | 44,982,073 | 47,936,599 | 50,709,700 | 62,157,759 | 66,541,247 |
| Balance | -30,751,179 | -30,559,828 | -33,781,684 | -44,317,202 | -47,518,998 |
| | | | | | |
| Argentina | | | | | |
| Exports | 103,339 | 123,532 | 86,309 | 34,988 | 36,179 |
| Imports | 12 | 52 | 3 | 134 | 154 |
| Balance | 103,327 | 123,480 | 86,306 | 34,853 | 36,025 |
| | | | | | |
| Brazil | | | | | |
| Exports | 168,913 | 254,782 | 101,279 | 22,644 | 42,198 |
| Imports | 471 | 819 | 1,680 | 2,363 | 167,333 |
| Balance | 168,442 | 253,963 | 99,599 | 20,281 | -125,135 |
| | | | | | |
| Canada | | | | | |
| Exports | 12,230,652 | 14,465,937 | 13,938,386 | 15,036,204 | 14,956,585 |
| Imports | 33,676,192 | 35,825,364 | 37,518,146 | 46,367,011 | 45,370,997 |
| Balance | -21,445,540 | -21,359,427 | -23,579,759 | -31,330,808 | -30,414,413 |
| | | | | | |
| Chile | | | | | |
| Exports | 295,437 | 275,155 | 170,335 | 56,736 | 109,790 |
| Imports | 0 | 45 | 14 | 0 | 21 |
| Balance | 295,437 | 275,110 | 170,321 | 56,736 | 109,769 |
| | | | | | |
| Colombia | | | | | |
| Exports | 75,321 | 90,075 | 76,407 | 24,903 | 11,605 |
| Imports | 0 | 0 | 13 | 50 | 7 |
| Balance | 75,321 | 90,075 | 76,394 | 24,853 | 11,598 |
| | | | | | |
| Mexico | | | | | |
| Exports | 1,255,445 | 1,987,378 | 2,382,607 | 2,591,205 | 3,812,951 |
| Imports | 11,305,298 | 12,110,261 | 13,189,772 | 15,788,035 | 21,002,320 |
| Balance | -10,049,853 | -10,122,883 | -10,807,165 | -13,196,830 | -17,189,369 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Venezuela | | | | | |
| Exports | 101,788 | 179,912 | 172,692 | 73,878 | 52,940 |
| Imports | 99 | 58 | 72 | 165 | 413 |
| Balance | 101,689 | 179,854 | 172,620 | 73,713 | 52,527 |
| | | | | | |
| Source: Census Bureau via USITC Trade DataWeb | | | | | |