



Motor Vehicles and Parts

Why Trade Matters

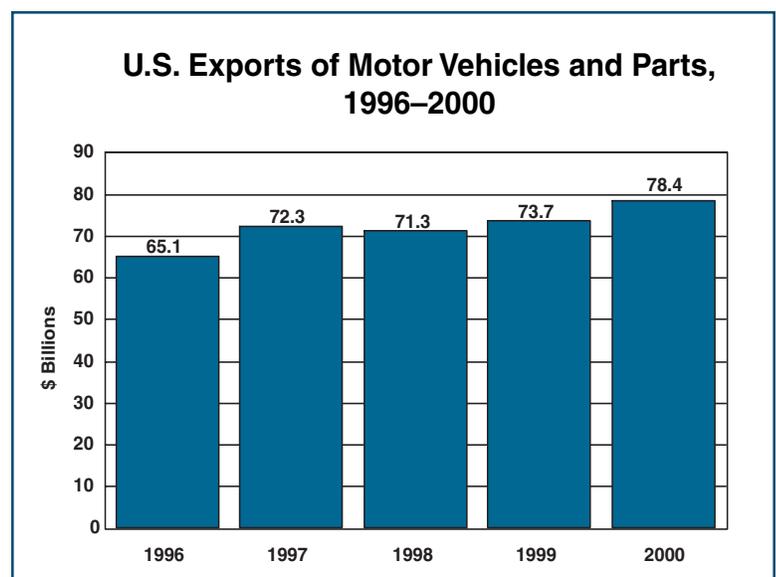
INDUSTRY SECTOR REPORT

General information on exports. The United States exported \$78.4 billion in motor vehicles and parts in 2000.

Market development. The U.S. motor vehicle industry faces market access barriers globally, particularly in Latin America and Asia, which are forecast to be the key growth areas for the sector over the next decade. Removing trade barriers in these markets could lead to significant increases in U.S. exports.

Tariffs. Motor vehicle tariff rates are very high in most developing countries. For example, tariffs are 25 to 300 percent in ASEAN, 30 to 160 percent in Africa/Middle East, and 8 to 90 percent in Latin America. In addition, key developed markets and regions retain high tariffs, such as the truck tariff in the European Union (11 to 22 percent).

Nontariff barriers. Despite the World Trade Organization (WTO) Trade-Related Investment Measures (TRIMs) agreement, investment barriers still remain in this sector. This sector is also subject to quantitative restrictions such as licensing and quotas. In addition, this sector faces disparate taxation policies and redundant standards and certification procedures.





Motor Vehicles and Parts

Research and development. The U.S. motor vehicle industry has invested in R&D to develop new safety and environmental features.

Small and medium-sized enterprises. In 1998, small and medium-sized exporters of motor vehicles, bodies, trailers, and parts numbered over 19,000 and exported more than \$7.8 billion.

Employment opportunities. In the United States, motor vehicle and parts producers employ approximately 1.2 million people.

Key producing states. Alabama, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Ohio, South Carolina, Tennessee

The sector. This sector includes finished automobiles, buses, trucks, and other road motor vehicles, as well as parts for motor vehicles.

BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ The benefits from the World Trade Organization (WTO) Uruguay Round negotiations have had far-reaching effects on the motor vehicle sector. It increased the number of developing countries with bound tariff rates, or maximum legal rates, on motor vehicles. Through these negotiations, Japan bound nearly all of its motor vehicle tariff at zero. The Uruguay Round agreements on Trade-Related Investment Measures and Trade-Related Intellectual Property Rights reduced nontariff barriers. The motor vehicle industry has also benefited from NAFTA. U.S. motor vehicle exports to Mexico were nearly 23 times larger in 2000 than they were in 1993; total 2000 vehicle exports were approximately \$3.8 billion, versus only \$167 million in 1993.