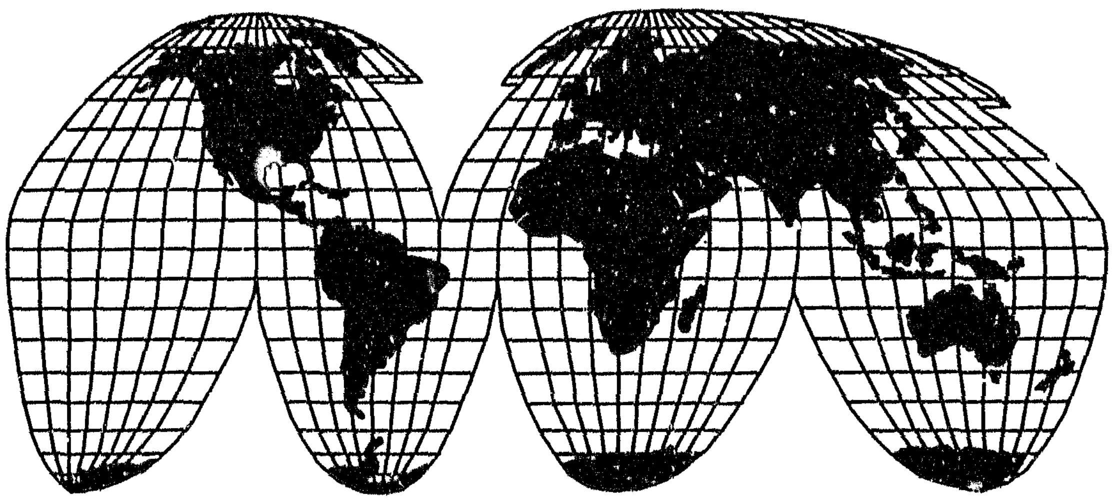
Country Specific

Automotive Policy Profiles



15 May 1997

Industry Sector

Automotive and Transportation Branch

Secteur de l'industrie

Direction générale des industries de l'automobile et des transports

FOREWORD

The dynamic world automotive industry continually adjusts to competitive and regulatory-driven pressures. However, the rate and degree of change has never been so striking. Globally oriented automotive assemblers are often faced with slow market growth at home and are investing in growing markets that are often protected by tariff and non-tariff barriers. The supplier base is changing, with larger system integrators playing an ever-increasing role as assemblers continue to outsource operations and demand more modular assembly. There is also an increasing demand for parts manufacturers to augment their design and research and development (R&D) capabilities. The Canadian automotive industry, being part of the fully integrated North American industry, is undergoing dramatic restructuring as it adapts to these changes.

These and other new developments are creating challenges and opportunities for the Canadian automotive industry, which is meeting these challenges and successfully capturing the opportunities as they arise. Canada is a competitive location for automotive production, but it is important that Canada's automotive competitiveness framework remains conducive to investment. To this end, the Automoti、: and Transportation Branch, Industry Canada, together with other government departments, and in full consultation with stakeholders, i᪵ arrying out a comprehensive automotive competitiveness review (ACR) of all competitive factors facing the Canadian automotive industry.

The ACR covers all subsectors of the Canadian automotive industry: heavy-duty and light-duty vehicle assembly; bus assembly; original equipment and aftermarket parts manufacturing; retail; and aftermarket distribution.

This paper is one of a series of analyses conducted and published under the Automotive Competitiveness Review.

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Director General and Manager
Automotive and Transportation Branch
Industry Canada

IMPORTANT NOTE

This paper represents a compilation of data and information originating from a wide range of public documents available as of May 1997. The authors have validated the contents to the greatest extent possible, but given the nature of the data and breadth of the assignment, this material should be treated as informational only. Industry Canada does not guarantee the accuracy of the data; it is intended to be a non-qualitative guide.

Also note that all tariff rates appearing in the "Most Favoured Nation 1996 Average Applied Tariff Rates" table in each country profile are averages of selected tariff provisions. The authors chose the Harmonized System Code tariff lines according to Annex 403.1 of the North American Free Trade Agreement. Annex 403.1 lists tariff provisions that are used to assess the regional value-content of a vehicle.

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	1994	*1995*	*1994*	*1995*
Production	1 211 428	1 338 517	1 091 803	1 062 573
Sales	748 697	672 818	483 548	465 176

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	450	461	466	467	464
Commercial	186	201	208	212	215

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

Canada's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	8.0
Motor Vehicles for Goods Transport	8.0
Motor Vehicles Seating 10 or More	8.0
Tractors for Use with Semi-trailers	8.0
Special Motor Vehicles	5.8
Bodies	6.6
Chassis Fitted with Engines	8.0
Engines	0*
Parts and Accessories	0*
Glass	0*
Tires and Tubes	8.8

* The Most Favoured Nation tariff rates are effectively zero on original equipment parts. Aftermarket parts are subject to an average tariff. Rates in Canada's tariff book are 2.4 per cent for engines, 4.9 per cent for parts and accessories and 5.5 per cent for glass.

2.2 Automotive-related Legislation and Preferential Trade Agreements

Under the Canada-United States Automotive Products Trade Agreement of 1965 (Auto Pact), vehicle manufacturers in Canada who are members of the Auto Pact can import both vehicles and original equipment (OE) automotive parts duty-free from any Most Favoured Nation (MFN) source, provided the following safeguards are met:

- The value of vehicles produced in Canada must equal, at a minimum, a specified proportion of the manufacturer's annual sales in Canada.
- Assemblers must maintain a nominal dollar amount of Canadian Value-added (CVA) each year — at least that which was reached in 1964.
- For CVA in vehicle assembly and/or parts production, assemblers must also achieve a fixed dollar amount, which is set for each company at 1964 value, plus 60 per cent of the annual growth in the value of their Canadian car sales, 50 per cent of growth in truck sales, and 40 per cent of growth in bus sales.

Under the terms of the Canada-U.S. Free Trade Agreement (FTA), which provided for conditional duty-free trade between Canada and the United States by January 1, 1998, membership in the Auto Pact is limited to those companies that qualified as members as of August 1, 1989.

The export-based remission program that was introduced in the late 1970s provides duty relief on imported vehicles. Remission amounts are based on the CVA in auto components produced in and exported from Canada. As a result of the FTA, exports to the U.S. are excluded when calculating the duty remitted under this program and the program is to be eliminated by January 1, 1998. The FTA, and subsequently the North American Free Trade Agreement (NAFTA), prohibit the introduction of any new performance-based remission programs.

NAFTA, which replaced the FTA in 1994, provides for a duty-free trade environment among Canada, the United States and Mexico by 2003 (by 1998 in the case of Canada and the United States). Under NAFTA, the applicable rule of origin must be satisfied in order for goods to enter the country at the preferential rate of duty. With respect to automotive goods, the applicable rule of origin frequently includes a minimum North American value-added requirement that increases over time. For example, the content requirement for light-duty vehicles (automobiles and trucks under 5 t) and their engines and transmissions increases from 50 per cent to 56 per cent in 1998 and to 62.5 per cent in 2002, and to 55 per cent and 60 per cent for heavy-duty vehicles, their engines and transmissions and most other parts.

The duty drawback program provides for the remission of duties paid on imported parts and materials when these products are incorporated into finished goods that are subsequently exported to a non-NAFTA country.

The U.S.-Japan Automotive Agreement (August 1995) includes, aside from general policies, measures to increase market access into Japan and encourage foreign parts purchase in Japan, and implements assessment and consultation provisos. Japanese manufacturers also seek to increase investment abroad. Japan's commitments will be applied on the most favoured nation (MFN) basis. Canada, Australia and the European Union are observers of the annual U.S.-Japan automotive consultations.

2.3 Used Vehicle Imports

All used vehicles, except NAFTA-originating used vehicles (vehicles that satisfy the applicable NAFTA rule of origin) imported from the U.S., are prohibited from entering Canada. In 2019, NAFTA-originating used vehicles from Mexico will be allowed for import.

3. TAXATION

Motor vehicles are subject to the goods and services tax, at seven per cent and provincial sales taxes.

4. INVESTMENT

4.1 Foreign Investment Restrictions

The *Investment Canada Act* (1985) establishes the governing framework for foreign investment. Foreign direct investment is typically open but certain sectors do carry some restrictions. All new foreign investment requires notification.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Canada's safety and emission standards are generally consistent with those of the U.S. Canada has a system of self-certification.

6. MAJOR PLAYERS

CAMI Automotive Incorporated
300 Ingersoll Road
Ingersoll, Ontario

Chrysler Canada Limited
Windsor, Ontario

Ford Motor Company of Canada Limited
Oakville, Ontario

Freightliner of Canada
Burnaby, British Columbia

General Motors of Canada Limited
Oshawa, Ontario

Honda Canada Incorporated
Tecumseh Township
Alliston, Ontario

Navistar International Corporation of Canada
Chatham, Ontario

Paccar of Canada
Sainte-Thérèse, Quebec

Toyota Motor Manufacturing Canada Incorporated
Cambridge, Ontario

Volvo Canada Limited
Halifax, Nova Scotia

Western Star Trucks Incorporated
Kelowna, British Columbia

Bluebird International
Brantford, Ontario

New Flyer Industries
Winnipeg, Manitoba

Motor Coach Industries
Fort Garry, Manitoba

Ontario Bus Industries
Mississauga, Ontario

Prévost Car
Sainte-Claire, Quebec

Thomas Buses
Woodstock, Ontario

Welles Corporation
Windsor, Ontario

MEXICO

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	839 939	698 028	240 818	231 866
Sales	433 602	115 715	191 936	67 544

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	88	88	101	119	137
Commercial	45	48	59	69	83

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Under the North American Free Trade Agreement (NAFTA), Mexico will reduce its tariffs on private cars and light commercial vehicles, originating from Canada and the U.S. to zero by the year 2003. The phase-out period for tariffs applied to light trucks is five years from NAFTA's implementation in 1994. Also, under NAFTA, Mexico will phase out tariffs on 75 per cent of automotive parts by 1998. NAFTA tariffs applied to other automotive parts will be phased out by 2003.

Producers of "compact automobiles" and vehicles of "popular consumption" in Mexico have been able to import automotive parts and components of parts for those vehicles duty-free since August 1989.

Generally, Mexico's tariff rates are bound at 50 per cent.

Table 3

Mexico's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	20.0
Motor Vehicles for Goods Transport	18.3
Motor Vehicles Seating 10 or More	20.0
Tractors for Use with Semi-trailers	20.0
Special Motor Vehicles	13.8
Bodies	12.5
Chassis Fitted with Engines	13.3
Engines	12.3
Parts and Accessories	13.1
Glass	20.0
Tires and Tubes	14.2

2.2 Customs

2.2.1 Customs Fees

Since December 1994, commodities imported from all countries are valuated on the CIF (cost, insurance and freight) basis. The exceptions to this rule are commodities imported from Canada and the U.S. Valuation of commodities originating from these two countries are calculated on a FOB (free on board) basis.

The custom fee varies according to the method of import. Commodities imported via water are charged an 0.8 per cent custom fee, while commodities imported via air or mail are subject to a 16 per cent custom fee.

2.2.2 Customs Clearance Procedures

To import commodities into Mexico, the following is required:

- import declaration submitted to the Customs Administration
- commercial invoice for imports valued at greater than US$1000
- shipment declaration
- when required, an import licence (required to import certain cars), a prior import permit (required to import certain automotive industry products), or an origin of goods document.

Import licences are not issued automatically and a 0.6 per cent import licence fee is applied. While these import licensing requirements have been phased out for NAFTA countries, they still apply to third-country imports.

2.3 Import Restrictions

Currently, the *Automotive Decree (1983)* states that motor vehicle assemblers located in Mexico must maintain a positive trade balance to be eligible to import vehicles. Under NAFTA, this requirement will be phased out by 2003 Furthermore, the total number of vehicles that each manufacturer imports into Mexico may not exceed 15 per cent of the total number of vehicles sold in the domestic market, and producers are required to maintain a positive foreign exchange balance.

A 1989 decree permits individuals to import motor vehicles when the domestic price of a new vehicle is greater than the international list price.

2.4 Used Vehicle Imports

Strict regulations govern the import of used vehicles. These regulatory requirements are more flexible in border zones. Mexico will gradually phase out its restrictions over 10 years, beginning January 1, 2009.

2.5 Local Content Requirements

Automotive firms that meet minimum local content levels receive incentives such as tax rebates and duty exemption on machinery and input components not produced in Mexico.

Under the *Promotion and Modernization of the Automobile Industry Decree*, the assemblers of motor vehicles with a gross weight of less than 8864 kg must meet a minimum local content requirement of 34 per cent of the final value-added, including labour and parts. For vehicles heavier than 8864 kg, the 40 per cent local content requirement has been removed.

Under NAFTA, automotive industry products must have a specific percentage of North American content to qualify for preferential tariff treatment. This percentage will eventually reach 62.5 per cent and 60 per cent for light-duty and heavy-duty vehicles, respectively.

2.6 Automotive-related Legislation and Preferential Trade Agreements

2.6.1 Automotive-related Legislation

The *Automotive Decree (1983)* sets out local content requirements, required on an annual basis, and balanced foreign exchange transactions, and grants protection to local producers through Mexico's implementation of import licences and its tariff regime.

Under NAFTA, this decree will be eliminated by January 1, 2003. The restriction that bases the import of vehicles on sales in the Mexican market will be eliminated immediately and changes will gradually occur in the positive trade balance requirements. At the end of the transition period, the requirement that only assemblers may import vehicles will be eliminated. Changes will also apply to the national value-added rule, but certain purchases from maquiliadoras (see below) are now allowed to be counted as part of the domestic supply.

The *Mexican Auto Transportation Decree for Trucks and Buses* was immediately eliminated under NAFTA.

2.6.2 Preferential Trade Agreements

Mexico, Canada and the U.S. are all parties to NAFTA. Some NAFTA conditions, such as content requirements, have already been identified.

On June 13, 1994, Colombia, Venezuela and Mexico entered the Group of Three Preferential Trade Agreement, effective January 1, 1995. This agreement is dedicated to the elimination of tariffs over a 10-year phase-in period and encompasses issues such as property rights, services, government procurement and investment.

Mexico has a bilateral trade agreement with Chile, implemented on January 1, 1992, and a bilateral agreement with Bolivia, implemented on January 1, 1995.

The Mexico-Central American Preferential Trade Agreement, a bilateral agreement between Costa Rica and Mexico, was implemented January 1, 1995. The intention is that this agreement will eventually expand to include Nicaragua, El Salvador, Guatemala and Honduras.

2.7 Manufacturing Free Trade Zones

Maquiliadoras are free trade zones that allow qualified manufacturers to import raw materials and components duty-free with the condition that finished products must be exported. Maquiliadoras are typically located in the northern border area, close to the U.S. market.

3. TAXATION

3.1 Vehicle-specific Taxes

A annual tax of between 2 and 10 per cent applies to the value of vehicles up to 10 years of age.

New "compact automobiles" or "popular consumption" vehicles may be purchased tax-free.

Mexico has a value-added tax of 15 per cent and a new car tax that ranges from between 2 to 17 per cent. In 1992, the maximum allowable tax rate on new motor vehicles was reduced from 50 to 17 per cent.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Foreign direct investment (FDI) in motor vehicle components is restricted to 49 per cent. FDI may reach 100% only when authorized by the Mexican authorities. These FDI restrictions apply specifically to businesses dedicated to manufacturing and assembling coachwork and trailers for private cars and trucks, and to manufacturing engines and parts thereof, parts of transmission systems, parts of suspension systems, parts and accessories for brakes systems and other parts and accessories for use in private cars and trucks.

Under NAFTA, FDI will not be restricted after January 1, 1999.

Mexico has a foreign investment law, which entered into force on January 1, 1994.

4.2 Profit Repatriation

Mexico has no restrictions on the repatriation of profit or capital.

4.3 Investment Incentives

Since August 1989, motor vehicle assemblers located in Mexico who commit to assemble at least 40 000 motor vehicles for "popular consumption" containing Mexican-made engines are eligible for fiscal exemptions.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Mexican standards generally comply to international standards, and are applied nationally. Under the *Mexican Federal Standards Law*, imported commodities must comply to all relevant official Mexican standards.

6. MAJOR PLAYERS

BMW de Mexico
Toiuca
- small-scale kit assembly

Chrysler de Mexico SA
Lago Alberto 320
Col Anahuac
11320 Mexico City
- assembles light-duty cars and trucks, produces condenser components, and features stamping facilities and an engine plant

Diesel Nacional (Dina)
Calle Maragaritas 433
Col Hda de Guadalupe
01050 Chimalistac
- largest medium- and heavy-duty truck and bus assembler

Ford Motor Co. SA de CV
Paseo de la Reforma 333
Col Cuauhtemoc
06500 Mexico City
- assembles light-duty cars and trucks, and features stamping facilities and an engine plant

General Motors de Mexico SA de CV
Lago Victoria 7
Col Granada
11520 Mexico City
- assembles light-duty cars and commercial vehicles, and features light-duty and commercial vehicle engine facilities and a foundry

Kenworth Mexicana SA de CV
Calle Andres Bello 45
Piso 19
Col Chapultepec Polanco
11560 Mexico City

- assembles road tractors and trailers

Mercedes-Benz Mexico SA
Km 23.7 Carretera La Marquessa Antenango
52600 Santiago Tianguistenco

- assemble trucks, buses and light-duty cars, and features bus chassis and engine facilities

Nissan Mexicana SA de CV
Insurgentes Sur 1958
Col Florida
01030 Mexico City

- assembles engines, gearboxes and light-duty cars and trucks, and features stamping facilities and aluminum and iron foundries

Scania de Mexico
San Luis Potosi

- assembles heavy-duty trucks

Volkswagen de Mexico SA de CV
Av Ejercito Nacional 904, Piso 11
Col Palmas Polanco
11510 Mexico City

- assembles light-duty cars and the Transporter

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	6 601 000	6 338 000	5 649 000	5 688 000
Sales	8 990 000	8 635 000	6 022 857	6 056 529

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	499	499	493	484	474
Commercial	257	296	317	327	328
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

United States's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	2.5
Motor Vehicles for Goods Transport	25.0
Motor Vehicles Seating 10 or More	2.7
Tractors for Use with Semi-trailers	4.0
Special Motor Vehicles	2.2
Bodies	2.0
Chassis Fitted with Engines	2.4
Engines	1.2
Parts and Accessories	3.1
Glass	5.1
Tires and Tubes	2.4

2.2 Customs

A merchandise processing fee of 0.21 per cent, up to a maximum US$485, is levied on all imports. This fee is scheduled to stay in place until September 30, 2003. A harbour maintenance fee of 0.125 per cent applies to all imports, exports and domestic cargo shipped via water.

2.3 Import and Export Restrictions

Under the *Export Administration Act* (1979) and the *International Economic Emergency Powers Act* (1977), the U.S. maintains fairly strict control over exports. This control serves to provide support to U.S. foreign policy decisions and to stay exports to unsanctioned countries.

2.4 Used Vehicle Imports

Used vehicles may be imported provided that they meet environmental and safety standards.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Automotive-related Legislation

The *American Automobile Labelling Act* (October 1994) requires automotive assemblers to disclose several things to the consumer: the U.S./Canada content level of a vehicle, the vehicle's country of assembly, and the engine's and transmission's country-of-origin.

2.5.2 Preferential Trade Agreements

The Canada-United States Automotive Products Trade Agreement of 1965 (Auto Pact) is a sector-specific trade agreement between Canada and the U.S. The Auto Pact created a conditional duty-free trade environment for vehicles. The terms of the Auto Pact apply to motor vehicle manufacturers already located in Canada and the U.S. at the time of its inception (and includes CAMI in Ontario, Canada). Manufacturers must also meet additional criteria, a minimum level of U.S./Canada value-added, and a sales value to production value ratio to receive benefits under the Auto Pact.

The North American Free Trade Agreement (1994) aims to create a conditional, duty-free trade environment between Canada, the U.S. and Mexico. Vehicle assemblers receive duty relief provided that they meet the following minimum levels of North American content: from 1994 to 1997 — 50 per cent; from 1998 to 2001 — 56 per cent for light-duty vehicle assemblers and 55 per cent for all other vehicle assemblers; from 2002 — 62.5 per cent for light-duty vehicle assemblers and 60 per cent for all other vehicle assemblers.

In 1986, Japan and the U.S. engaged in the Market Oriented Sector Selective (MOSS) talks, which included the transportation industry. Specifically, the countries addressed the slow spread of U.S. auto parts manufacturers in the Japanese market. As a result of these talks, the two countries agreed that a data system would be put in place to monitor U.S. progress in the Japanese auto parts market.

The U.S.-Japan Automotive Agreement (August 1995) includes, aside from general policies, measures to increase market access into Japan and encourage foreign parts purchase in Japan, and implements assessment and consultation provisos. Japanese manufacturers also seek to increase investment abroad. Japan's commitments will be applied on the most favoured nation basis. Canada, Australia and the European Union are observers of the annual U.S.-Japan automotive consultations.

The U.S. and Korea have a Memorandum of Understanding (MOU), signed in September 1995, on automotive trade. According to this MOU, Korea will improve access to its advertising media, eliminate the government's discriminatory practices towards purchasers of imported motor vehicles, and establish a simplified standards assessment process for small-volume imports.

2.6 Special Zones

Foreign trade subzones allow enterprises the option to either pay duty on the imported raw materials and intermediate inputs or on the final product.

2.7 Distribution

U.S. franchises may engage in multifranchising.

3. TAXATION

3.1 Vehicle-specific Taxes

The Small Business Job Protection Act/Minimum Wage Bill (1996) affects the current luxury tax imposed on automobiles worth more than US$34 000 (to be decreased to US$30 000). The transition period sees the luxury tax decrease from 10 per cent in 1996 to 9 per cent in 1997; decreasing by 1 per cent each year thereafter, until it is completely eliminated in 2002.

The "gas guzzler" tax ranges from US$1000 to US$7700. The high end of this tax range applies to vehicles that fail to achieve 12.5 miles per gallon (mpg — 5.4 km per litre). Vehicles exceeding 22.5 mpg (9.6 km per litre) are not subject to this tax.

The Corporate Average Fuel Economy penalty is levied on importing manufacturers. If the average fuel efficiency of the importer's range of vehicles is below 27.5 mpg (11.7 km per litre), the penalty is applied.

State and local governments levy annual registration fees and sales taxes on motor vehicles.

3.2 Corporate Taxes

In July 1995, the Organization of Economic Cooperation and Development gave its approval to the U.S.'s new transfer pricing guidelines.

Some U.S. states levy corporate income taxes on foreign-owned enterprises according to a formula based on global profits.

4. INVESTMENT

4.1 Foreign Investment Restrictions

The 1988 *Trade Act* (Section 5021) gives the U.S. president the power to detain or disallow any transactions involving foreign entities that may be considered a jeopardy to national security. This power also extends to transactions with foreign-government enterprises

4.2 Investment Incentives

States have issued various investment incentive packages.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

As a part of its Uruguay Round concessions, the U.S. proposes to improve rules to enforce standards, technical regulations and conformity assessment procedures.

Safety and environmental standards are established at the federal and state level. These standards are necessarily uniform across states.

The Environmental Protection Agency sets federal environmental regulations.

The *Clean Air Act* (1970) is aimed at establishing national standards. However, the California Air Resources Board (CARB) is a state-level government agency that, in part, regulates automobile emissions. In 1990, CARB set the following requirements for its California jurisdiction:

- GM, Ford, Chrysler, Honda, Toyota, Nissan and Mazda to make 2 per cent of their fleet emission free by 1998
- GM, Ford, Chrysler, Honda, Toyota, Nissan and Mazda to make 5 per cent of their fleet emission free by 2001
- GM, Ford, Chrysler, Honda, Toyota, Nissan and Mazda to make 10 per cent of their fleet emission free by 2003; also by 2003, the smaller motor vehicle assemblers, Volkswagen, BMW and Mitsubishi, have to offer emission-free vehicles.

6. MAJOR PLAYERS

AutoAlliance International Inc.
Flat Rock, Michigan

BMW Manufacturing Corporation
Spartenburg, South Carolina

Chrysler Corporation
12000 Chrysler Drive
Highland Park , Michigan 48288-001

Ford Motor Company
American Road
P.O. Box 1899
Dearborn, Michigan 48121
- world's second largest vehicle manufacturer

Freightliner Corporation
- three plants in the U.S. (Cleveland, Ohio; Mount Holly, South Carolina; and Portland, Oregon) and one in Canada (St. Thomas, Ontario)

General Motors Corporation
3044 W. Grand Boulevard
Detroit, Michigan 78202-3091
- world's largest vehicle manufacturer

Honda of America Manufacturing Inc.
c/o Honda North America Inc.
Suite 3330, 1290 Avenue of the Americas
New York, New York 10104

Mack Trucks Inc.
2100 Mack Boulevard
P.O. Box M
Allentown, Pennsylvania 18105-5000

Mitsubishi Motor Manufacturing of America (formerly Diamond Star Motors Corp)
100 North Diamond Star Parkway
Normal, Illinois 61761

Navistar International Transportation Corporation (formerly International Harvester)
455 North Cityfront Plaza Drive
Chicago, Illinois 60611

New United Motor Manufacturing USA Inc. (NUMMI)
Fremont, California

Nissan Motor Manufacturing Corporation
812 Nissan Drive
Smyrna, Tennessee 37167

Paccar Inc

Subaru-Isuzu Automotive Inc.
5500 State Road 38 East
Lafayette, Indiana 47903

Toyota Motor Manufacturing USA Inc.
Georgetown, Kentucky

Volvo-GM Heavy Truck Corporation
P.O. Box 26115
Greensboro, North Carolina 27402-6115

Western Star

Mercedes-Benz of Germany

- building plant in Tuscaloosa, Alabama

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995*

	Passenger Cars		Trucks-Buses	
	1994	*1995*	*1994*	*1995*
Production	12 130 000	12 595 000	1 201 000	1 147 000
Sales	10 990 330	10 978 700	956 901	1 025 875

*Western Europe countries included are Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden and the United Kingdom.

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	Country	1995	2000	2005	2010	2015
Passenger	Austria	447	446	482	493	506
	Belgium	422	452	473	489	498
	France	436	446	457	463	463
	Germany	502	541	578	604	620
	Italy	521	548	574	596	512
	Netherlands	389	404	415	424	434
	Spain	361	401	433	457	471
	Sweden	414	427	433	434	436
	U.K.	425	451	471	481	482
	Average	*435.2*	*457.3*	*479.6*	*493.4*	*491.4*
Commercial	Austria	43	45	49	52	54
	Belgium	48	51	55	58	60
	France	90	97	104	110	115
	Germany	38	42	45	48	50
	Italy	50	56	61	64	66
	Netherlands	46	48	49	50	51
	Spain	76	85	93	100	105
	Sweden	37	38	39	40	41
	U.K.	68	75	81	87	92
	Average	*55.1*	*59.7*	*64.0*	*67.7*	*70.4*

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Domestic vehicle manufacturers and manufacturers of vehicles with local content levels of at least 60 per cent have benefited from a 10 per cent tariff wall up until now.

Table 3

European Union's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	10.5
Motor Vehicles for Goods Transport	14.6
Motor Vehicles Seating 10 or More	13.7
Tractors for Use with Semi-trailers	17.6
Special Motor Vehicles	4.7
Bodies	5.9
Chassis Fitted with Engines	10.6
Engines	4.7
Parts and Accessories	4.3
Glass	4.3
Tires and Tubes	4.3

2.2 Import Restrictions

Japanese manufacturers comply to a Voluntary Export Restraint (VER) system on motor vehicles entering the EU. For 1999, the forecast VER values are the following: 150 000 units into France; 138 000 units into Italy; 23 000 units into Portugal; 79 000 units into Spain; 190 000 units into the United Kingdom; and 650 000 units into the remainder of the EU.

2.3 Local Content Requirements

Assemblers with a local content level of at least 60 per cent benefit from the 10 per cent tariff wall on vehicles.

2.4 Automotive-related Legislation and Preferential Trade Agreements

2.4.1 Automotive-related Legislation

In 1994, Korea agreed to recognize EU type-approval certificates for 23 of the 38 type- approval requirements in Korea.

2.4.2 *Preferential Trade Agreements*

The Europe Agreements are bilateral preferential trade agreements between the EU and certain Central and Eastern European (C&EE) countries; specifically the Czech Republic, Bulgaria, Hungary, Poland, Romania, the Slovak Republic and Slovenia. The provisions of the Agreements include duty-free import of auto products from C&EE countries to the EU and a phasing out of tariffs on auto product exports from the EU to C&EE countries.

2.5 Distribution

Recent legislation has introduced multifranchising with the following conditions: the second brand cannot jeopardize the dealer-manufacturer relationship of the first; and the second brand must be distributed from different premises and under different management from the first.

3. TAXATION

3.1 Vehicle-specific Taxes

Table 4: Summary of Relevant Taxes

Summary of Taxes Applied to Motor Vehicles						
	Vehicle Registration	*Vehicle Tax*	*Value-added Tax*	*Annual Tax*	*Consumption Tax*	*Sales Tax*
Austria	Based on price and fuel consumption	Based on engine power and cylinder volume	32%			
Belgium	Annual, sliding scale; based on age and engine size; diesel engines pay more		20.5%			
France	Based on departments and engine size		18.6%			

Summary of Taxes Applied to Motor Vehicles						
	Vehicle Registration	*Vehicle Tax*	*Value-added Tax*	*Annual Tax*	*Consumption Tax*	*Sales Tax*
Germany		Based on horsepower and age of vehicle		DM13.20 to 21.60 per 100cc, based on age and emissions		
Italy	Based on engine size		21% on gas engines up to 2000cc and on diesel engines up to 2500cc; 38% on other engines	Based on power of engine		
Nether-lands			17.5%	Based on weight, type of fuel and driver's residence	Paid by manufac-turers and importers and varies between 18% and 27%, depending on the price of the vehicle	45.2% on net value, less adjustment based on fuel type
Sweden			25% on duty-paid value			Levied on weight of vehicle plus driver; additional sales tax levied on environmental qualities
United Kingdom			17.5%	Annual excise duty of £145 as of 1997		

4. INVESTMENT

4.1 Investment Incentives

Governments may assist the motor vehicle industry, provided that:

- the assistance does not represent a threat to fair competition
- the amount of assistance is proportional to the problem the assistance is aimed at resolving
- the assistance is compatible with European Union interests.

All government incentives directed at the automotive industry are monitored and the EU must be notified of all projects exceeding ECU12 million.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Members of the EU have had mutual recognition type-approval certification since January 1996. A vehicle need only receive type-approval certification in one EU country to be accepted in all other member countries.

To receive type approval, products may be brought to a testing facility, or manufacturers may opt to maintain their own approved on-site testing equipment.

In 1994, Korea agreed to recognize EU type-approval certificates for 23 of the 38 type-approval requirements in Korea.

The United Nations/Economic Commission for Europe Working Party 29 1958 Agreement, is working towards establishing mutual recognition among countries of technical standards in the automotive industry. Its initial focus was the EU but it has expanded to include other countries such as Japan and South Africa.

6. MAJOR PLAYERS

6.1 Austria

Eurostar
Graz
- produces MPVs

OAF-Graf and Stift
- produces medium- and heavy-duty specialty vehicles

Steyr-Daimler-Puch
- specializes in four-wheel drive systems

Setyr Nutzfahrzeuge AG
- produces medium- and heavy-duty specialty vehicles

6.2 Belgium

BV Moorkens SA
Brussels
- produces commercial vehicles

Ford-Werke SA
Henry Fordlaan 8
Genk
- produces passenger and commercial vehicles

General Motors Continental
Noorderlann 75
2030 Antwerp
- produces light-duty vehicles, chassis, fuel tanks and power trains

Renault Industrie Belgique
Chaussée de Mons 301
1070 Brussels
- produces passenger vehicles

Volkswagen Brussels SA
Boulevard del la Deuxième Armée Britannique
1190 Brussels
- produces passenger vehicles

Volvo Europa Car NV
John Kennedylann 25
9000 Ghent
- produces passenger vehicles
- features facilities for stamping, gearboxes and transmissions

Volvo Europa Truck NV
9000 Ghent
- produces commercial vehicles

Van Hool
Koningshooikt-Lier
- produces buses, specialty vehicles, trailers and tanks

6.3 France

Groupe Henri Heuliez
Cerizay
- produces buses and niche cars

PSA Peugeot Citroën
75 Avenue de la Grand Armée
Paris 16
- largest manufacturer in France and one of the largest in Europe of passenger and commercial vehicles
- features facilities for engine plants, castings and other engines parts, transmission components and gearboxes

Renault SA
23 Quai du Point du Jour
Boulogne-Billancourt
92109 Paris

- state-owned producer of passenger cars, light commercial vehicles and buses
- features facilities for engines, iron castings, gearboxes, axle assemblies, mechanical components, automatic transmissions and forgings

Sovam Industries
- small producer of buses and specialty vehicles

Scania Trucks
Angers
- produces heavy-duty trucks and tractors

6.4 Germany

Adam-Opel AG
Bahnhofsplatz 1
6090 Russelsheim
- produces passenger vehicles
- features facilities for engines, transmission components and assemblies, and research and development and engineering

Auwarter GmbH & Co.
Mohringen, Stuttgart
- produces buses

BMW AG
Putuelring 130
D-80788 Munich
- produces passenger cars

Faun AG
Ansbach
- produces specialty commercial vehicles

Ford-Werke AG
Henry Ford Str 1
Postfach 604002
500 Cologne
- produces passenger cars
- features facilities for research and development, engine production, axles and transmissions, steering and suspension assemblies, and plastics and trim components, forging and a foundry

Iveco-Magirus AG
Nicholaus-Otto Str 25-27
89079 Ulm
- produces commercial vehicles

Karmann
Osnabruck
- produces passenger cars and heavy-duty vehicles
- designs vehicles for major companies

Karl Kassbohrer Fahrzeugwerke GmbH
Neu Ulm
- produces heavy buses

MAN Nutzfahrzeuge AG
Ungerer Str 69
8000 Munich
- produces commercial vehicles
- produces engines

Mercedes-Benz AG
Unterturkheim
70322 Stuttgart

- produces passenger cars, commercial vehicles and buses

Multicar Spezial Fahrzeuge GmbH
Walterhausen

- produces special-purpose vehicles

Porsche AG
Porsche Str 42
7000 Stuttgart

- produces passenger vehicles

Volkswagen AG
D-38436Wolfsburg

- Europe's largest vehicle producer

6.5 Italy

Automobil Lambourghini SpA
Bologna

- produces sports cars

Breda-Menarini
Bologna

- small producer of buses

Bremach-FB

- produces specialty commercial vehicles

Bugatti Automobili
Compogalliano

- produces sports cars

Carrozzeria Bertone SpA
Grugliasco, Turin

- produces passenger vehicles
- are contractors for body styling

Fiat SpA
Corso Marconi 10
10125 Turin

- largest producer of passenger and commercial vehicles
- features facilities for a wide range of components and assemblies, engines and gearboxes
- also owns Iveco, which primarily produces heavy-duty vehicles

Ilca Maggiora
Chivasso

- vehicle designer, coachbuilder and contract assembler; specializes in niche vehicles

Industrie Pininfarina SpA
Grugliasco, Turin

- vehicle designer, coachbuilder and contract assembler; specializes in niche vehicles

Piaggio Veicoli Europei
Pontedera

- produces two-, three- and four-wheel utility vehicles

6.6 Netherlands

Bova BV
Valkenswaard

- largest producer of buses

Daf Bus International BV
Eindhoven

- produces medium-sized buses

Daf Trucks, NV
Hugo van der Goeslaan
PO Box 90065
5600 PT Eindhoven

- large manufacturer of heavy trucks

Den Oudsten Bussen bv, Woerden

- small producer of buses

Ginaf Trucks bv Veena daal

- small producer of specialty trucks

NedCar BV
Born

- produces passenger vehicles

Scania Nederland NV
Zwolle

- produces heavy trucks and road tractors

Terberg Techniak bv Baarlo/ijssalstein

- small producer of specialty vehicles

6.7 Spain

Citroën Hispania
Vigo

- produces passenger cars and light commercial vehicles

Fasa-Renault
Avenida de Burgos 89
28050 Madrid

- produces passenger and commercial vehicles and gearboxes

Ford Espana SA
Paseo de la Castellana 135
28046 Madrid

- produces passenger cars and commercial vehicles
- features facilities for engines and electronic control module assembly

Iveco-Pegaso SA
Avenida de Aragon 402
28022 Madrid

- largest heavy vehicle producer
- features facilities for chassis, engines and transmissions, and foundries

Mercedes-Benz Espana SA
Madrid

- produces light commercial vehicles
- features facilities for engines, transmissions and axles

Nissan Motor Iberica SA
Edificio Barcinova
08034 Barcelona

- produces commercial and passenger vehicles and buses
- features facilities for engines

Opel Espana SA
Zaragoza

- produces commercial and passenger vehicles

Peugeot-Talbot Espana SA
Villaverde
Madrid

- produces passenger and commercial vehicles

Renault VI Espana SA
Villaverde, Madrid

- produces heavy-duty trucks and articulated vehicles

Santana Motor
Linares

- produces all-terrain vehicles

SEAT SA
Pasro fr ls Vsdyrllsns 278
28046 Madrid

- largest producer of passenger and commercial vehicles

6.8 Sweden

Saab Automobile AB
S-46180 Trollhattan

- produces passenger vehicles
- features facilities for gearbox and engine production

Scania AB
S-15187 Sodertalje

- produces heavy trucks and buses
- features facilities for engines, mechanical parts, chassis and body components, cabs and gearboxes, and a foundry

AB Volvo
S-40508 Goteborg

- Volvo Car Corporation
  -produces passenger vehicles
  -features facilities for petrol engines, brake pads, gearboxes and wheel assembly

- Volvo Trucks Corporation
  -world's second largest heavy truck manufacturer
  -features facilities for engines, castings, gearboxes, axles and cabs

6.9 United Kingdom

Aston Martin Lagonda Ltd.
Tickford Street, Newport Pagnell
Buckinghamshire MK16 9AN
- produces luxury sport-saloon cars

Caterham Cars Ltd.
Seven House, Town End
Caterham, CR3 5UG
- produces two-seat open sports cars

ERF Ltd.
Sun Works, Sandbach
Cheshire, CW11 9DN
- produces heavy-duty trucks and road tractors

Foden Trucks Ltd.
Moss Lane, Sanback
Cheshire, CW11 9YW
- produces heavy-duty vehicles and some medium- and heavy-duty specialty vehicles

Ford Motor Company (GB) Ltd.
Eagle Way, Brentwood
Essex, CM13 3BW
- produces passenger cars and commercial vehicles
- features facilities for engines, suspensions, brakes, transmissions, stamped parts, engine parts, brakes and gearboxes, and a foundry

Henlys Group plc
Eastfield, Scarborough
- produces buses and coaches

Honda UK Manufacturing Ltd .
% Honda Motor Europe Ltd.
Caversham Bridge House, Waterham Place
Reading, RG1 8DN
Berkshire
- produces passenger cars
- features facilities for engines

IBC Vehicles Ltd.
P.O. Box 163, Kimpton Road
Luton, LU2 0TY
- produces passenger cars and commercial vehicles

Iveco-Ford Truck Ltd.
Iveco-Ford House
Station Road, Watford
Berkshire, WD1 1SR
- produces commercial vehicles

Jaguar Cars Ltd.
Browns Lane, Allesley
Coventry, CV5 9DR
- produces passenger vehicles
- features facilities for stamping and transmi

Leyland Trucks Ltd.
Croston Road eyland, Preston
Lancashire, F 3LZ
- produces commercial vehicles and buses

LDV Ltd.
Bromford House, Drews Lande
Birmingham, B8 2QG
- produces commercial vehicles

Lotus Cars Ltd.
Potash Lane, Hethel
Norwich, NR14 8EZ

- produces passenger vehicles

Marshall SPV
Newmarket Road
Cambridge, CB5 8RX

- produces specialty vehicles

Nissan Motor Manufacturing (UK) Ltd.
Washington Road, Sunderland
Tyne and Wear

- produces passenger vehicles
- features facilities for engine assembly

Optair Ltd.
Manston Lane, Croftgate
Leeds, LS15 8SU

- small producer of specialty buses

Peugeot-Talbot Motor Company Ltd.
Aldermoor House, Aldermoor Lane
Coventry, CV3 1LT

- produces passenger vehicles

Rolls-Royce Ltd.
Pym's Lane, Crewe
Cheshire

- produces passenger vehicles

Rover Group
International House, Beckenhill Lane, Beckenhill
Birmingham, B37 7HQ

- largest producer of passenger cars and commercial vehicles
- features facilities for engines, transmissions, stamping, mechanical parts, suspension assemblies, brakes, steering assembly and engine parts

Seddon Atkinson Vehicle Ltd.
Woodstock Factory, Oldham
Lancashire, OL2 6HP

- produces specialty commercial vehicles

Toyota Motor Manufacturing (UK) Ltd.
Burnaston
Derbyshire, DE1 9TA
- produces passenger vehicles

Trinity Holdings
5 Elm Court, Copse Drive
Coventry, CV5 9RG
- produces specialty commercial vehicles

TVR Engineering Ltd.
Bristol Avenue, Blackpool
Lancashire, FY2 0JF
- independent manufacturer of specialist sports cars

Vauxhall Motors Ltd.
Griffin House, Osborne Road
Luton, Bedfordshire
- produces passenger cars and commercial vehicles
- features facilities for engines

Volvo Truck and Bus Ltd.
Wedgnock Lane
Warwick, C34 5YA
- produces heavy-duty trucks and buses

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Passenger Cars and Commercial Vehicles, 1993 to 1995

	Passenger cars			**Commercial vehicles**		
	1993	*1994*	*1995*	*1993*	*1994*	*1995*
Production	127 201	85 451	105 000[a]	104 000[a]	97 000[a]	100 000[a]
Sales	89 860	95 539	115 068[b]	12 000[a]	14 000[a]	15 000[a]

a. Full-year estimates
b. Annualized
Sources: Plan Econ; vehicle manufacturers; EIU analysis

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	266	318	371	423	472
Commercial	43	49	57	65	73

Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

The Czech Republic's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	19.0
Motor Vehicles for Goods Transport	18.0
Motor Vehicles Seating 10 or More	11.1
Tractors for Use with Semi-trailers	5.2
Special Motor Vehicles	8.0
Bodies	8.0
Chassis Fitted with Engines	2.6
Engines	8.3
Parts and Accessories	5.1
Glass	17.7
Tires and Tubes	8.3

2.2 Customs Procedures

To engage in international trade, enterprises must enrol in the business register, a public list of enterprises and related data.

Import licences are required for those commodities cited on the negative list, which is published in the *Decree on Import Licensing.*

2.3 Import Restrictions

The Czech Republic maintains a negative list of products.

2.4 Local Content Requirements

The Czech Republic has no local content requirements.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Preferential Trade Agreements

The Czech Republic is a participant in the General Agreement on Trade Services, which features provisions to ensure that foreign firms are able to establish a commercial presence and to provide services.

The Czech and Slovak republics are parties to a customs union, providing for tariff-free vehicle trade between the two nations.

The Europe Agreements are bilateral preferential trade agreements between the European Union (EU) and certain Central and Eastern European (C&EE) countries, including the Czech Republic. The provisions of the Agreements include duty-free import of auto products from the Czech Republic into the EU and a phasing out of tariffs on auto products exported from the EU into the Czech Republic.

3. TAXATION

3.1 Vehicle-specific Taxes

The Czech Republic levies the following taxes:

- value-added tax of 22 per cent, with special exceptions charged at five per cent
- personal income tax of 15 to 40 per cent
- excise tax on hydrocarbon fuels and lubricants (national treatment principle in effect).

3.2 Corporate Taxes

The basic corporate tax rate has been consistently decreasing and reached 36 per cent in 1996.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Foreign investors are required to register with the appropriate authorities. National treatment applies to registered foreign investors.

4.2 Profit Repatriation

After-tax profits and foreign-owned capital may be fully repatriated in the event of a failed venture. Profits of joint ventures may be repatriated as dividends, but are subject to a 25 per cent withholding tax. The withholding tax is 0 to 15 per cent for members of the Organization for Economic Cooperation and Development.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Czech Republic is a long-standing party to the United Nations/Economic Commission for Europe 1958 Agreement on Standards and Regulations. The Czech Republic's technical regulations and standards were set to be consistent with EU standards by the end of 1996.

As of October 1993, three-way catalytic converters were to be used in vehicle production.

6. MAJOR PLAYERS

Avia AS
19903 Letmany, Prague
- produces light trucks in the 1.5- to 3.2-ton payload range

Karosa SA
55613 Vyasoke Myto
- leading manufacturer of bus and special-purpose vehicles

Liberecke Automobilove Zavody (Liaz)
Jablonec nad Nisou, North Bohemia
- produces heavy vehicles, with a range of trucks and tractors of up to 16 tons gross vehicle weight
- produces engines, platforms, chassis and tippers

Skoda Automobilova AS
Tr Rude Armady 294
29360 Mlada Boleslav
- produces passenger cars and light commercial vehicles

Tatra SA
74221 Koprivince, North Moravia
- produces heavy vehicles of up to 16 tons and some components

Atrei Opava
- produces medium-sized special-purpose vehicles, including insulated units

Autotech Praha
- produces medium-sized commercial and construction vehicles

Desta
- produces light multipurpose trucks

B!.S
- produces municipal vehicles and semi-trailers

Orlican
- produces insulated and refrigerator trucks and trailers

POLAND

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		**Trucks**	
	1994	*1995*	*1994*	*1995*
Production	342 400	398 450	23 280	33 520
Sales	250 240	269 800	24 810	27 580

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicles	**1995**	**2000**	**2005**	**2010**	**2015**
Passenger	160	196	229	262	300
Commercial	37	45	51	55	61

Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.

2. TRADE ENVIRONMENT

2.1 Tariff Regime

The phase-in period for tariff reductions ends in 2000.

Table 3

Poland's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	35.0
Motor Vehicles for Goods Transport	35.0
Motor Vehicles Seating 10 or More	35.0
Tractors for Use with Semi-trailers	35.0
Special Motor Vehicles	35.0
Bodies	14.0
Chassis Fitted with Engines	23.3
Engines	5.5
Parts and Accessories	9.1
Glass	11.0
Tires and Tubes	11.0

2.2 Customs

2.2.1 Customs Fees

Customs administrative fees are collected according to the schedule set by the Ministry of the Economy.

Deposit fees are collected to pay for the storage of imported commodities.

2.2.2 Customs Clearance Procedures

Duties are paid at either the customs office at the commodity's point of entry or directly into that office's bank account.

All importers and exporters use the same Single Administrative Document form for customs clearance.

Customs authorities may seize the dutiable goods of companies that have defaulted on tax or duty payments. The government takes precedence over all other liens.

2.3 Import Restrictions

As stipulated in the European Agreements, the European Union (EU) is able to export a quota number of duty-free automobiles into Poland. The quota stands at 38 750 in 1997. The EU has exceeded quota figures in the past.

2.4 Used Vehicle Imports

Passenger vehicles older than six years of age may not be imported.

2.5 Automotive-related Legislation and Preferential Trade Agreements

Poland is party to the Trade Related Investment Measures (TRIMS) Agreement of 1994.

The Europe Agreements are bilateral preferential trade agreements between the European Union (EU) and certain Central and Eastern European countries, including Poland. The provisions of the Agreements include duty-free import of auto products from Poland into the EU and a phasing out of tariffs on auto products exported from the EU into Poland.

2.6 Special Zones

The *Act on Special Economic Zones* (1994), establishes three special economic zones (SSE), Mieloc and the voivodships of Katowice and Suwalki, to stimulate economic diversity and development in these areas. The zones will have a life span of 20 years from their inception.

Enterprises locating within the SSE will benefit from the following:

- exemption from corporate income tax for a period equal to half the life of the SSE
- a 50 per cent reduction in corporate income tax for the remainder of the life of the SSE.

The Agency for Industrial Development and the Ministry of the Economy grant licences for SSEs. To qualify for full benefits, enterprises receiving licences and operating in the SSEs must meet the following requirements:

- for the Suwalki SSE, a minimum ECU35 000 investment and 40 people employed
- for Mieloc and Katowice SSEs, a minimum ECU2 million investment and 100 people employed.

3. TAXATION

3.1 Vehicle-specific Taxes

Poland's tax on imports of industrial projects was eliminated on January 1, 1997.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Poland has no apparent restrictions on foreign investment.

4.2 Investment Incentives

Poland appears to offer investment subsidies, but there is no formal, standard program. An example of an investment incentive package is that which was offered to Daewoo. Daewoo is able to import a quota of disassembled (into eight parts) automobiles duty-free, provided that the company makes a future investment in Poland.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Poland's requirements are fully compatible with those of the EU.

Poland introduced certification regulations that apply to all auto parts and accessories.

Poland signed an agreement of mutual recognition of homologation certificates with the EU in 1979.

6. MAJOR PLAYERS

Fiat Auto Poland SA
Bielsko Biala
- largest producer of passenger vehicles

Fabryka Samochdow w Lublin (FSL)
- produces light commercial vehicles and passenger vehicles

Fabryka Samochodow Osobowych (FSO)
Zeran
- produces passenger cars and light commercial vehicles

Sobieslaw Zasada Centrum SA
(holding company)
Wroclaw

Autosan SA (formerly Sanocka Fabryka Autobusow)
- produces buses

Jelcz SA
Wroclaw
- produces trucks and buses

Sobieslaw Zasada
Glowno
- produces vans and special-purpose vehicles

FPS
Tczew
- produces gearboxes

Kutno
- does bodywork

Volkswagen Poznan SP
Antoninek
- produces light commercial vehicles

ZS Star SA (formerly Fabryka Starachowice Clezarowych (FSC))
Nysa
- produces medium-sized trucks

LTV Ltd.
- produces vans and minibuses

Scania-Kapena
Slupsk
- produces trucks and buses

Volvo Truck of Sweden
Wroclaw plant
- produces heavy trucks

MAN
Poznan

- produces two- and three-axle, special-purpose heavy trucks

General Motors
Mielec

- produces passenger cars
- new greenfield plant (DM300 million)

Ford Motor
Pionsk

- produces passenger cars and commercial vehicles
- new venture to begin production 1997

Pressta SA of Poland
Boelchowo (near Poznan)

- produces buses

Iveco

- produces buses

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	892 140	983 000	276 320	293 170
Sales	760 000	790 000	246 260	265 880

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	67	77	90	104	118
Commercial	37	42	50	58	66

Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.

2. TRADE ENVIRONMENT

2.1 Tariff Regime

The tariffs on vehicles are levied according to cylinder capacity. For passenger cars with engine cylinder capacities up to 1500cc, 1501 to 1800cc, 1801 to 3000cc, and more than 3000cc, the tariff rates are 10, 15, 20 and 25 per cent, respectively. A tariff of 15 per cent is levied on light trucks. These quoted tariffs are applied most favoured nation rates for 1995.

2.2 Customs Procedures

A customs declaration form, consisting of 54 paragraphs, is required for all imports. The declaration form must be completed in Russian.

Import licences are required for some goods and are issued by the Russian Ministry of Foreign Economic Relations and controlled by the State Customs Committee. Apparently, these licensing procedures do not involve quantitative elements.

2.3 Import Restrictions

Russia applies no import restrictions.

2.4 Distribution

For the most part, foreigners may establish franchised dealerships with Russian partners.

3. TAXATION

3.1 Vehicle-specific Taxes

The *Federal Law on Excise Duties* of March 7, 1996 will establish a simplified system of excise taxation and set the tax rate at five per cent.

A value-added tax of 20 per cent is applied on the import price plus tariffs and excise taxes.

3.2 Corporate Taxes

It has been reported that in the recent past the tax rate in Russia has been generally very high and erratic. Apparently, tax penalties are also very high — they can equal the gross profit of a company — and do not differentiate between unintentional and intentional errors. Furthermore, the appeals process is time-consuming and complicated.

A number of changes to the tax system are under way:

- a January 1, 1996 law repealed the excess wage tax
- in mid-1995, the Duma addressed issues of due process, stability and transparency in tax laws
- in 1995, the Finance Ministry began to set up a basic tax code, to take effect 1997
- establishing a maximum tax rate.

4. INVESTMENT

4.1 Foreign Investment Restrictions

A law on foreign direct investment is being drafted and will be based on the national treatment principle, with some special exceptions. Foreign investors cannot own Russian land but, subject to a number of rules and regulations, may lease use of the land.

4.2 Profit Repatriation

Foreign investors are required to convert 50 per cent of their foreign exchange earnings from exports into roubles. Foreigners may only purchase foreign currencies on the currency portion of the Russian market, with roubles maintained in non-resident banks.

4.3 Investment Incentives

Investment incentives are allowed but are governed by the Bilateral Partnership and Cooperation Agreement, the primary objective of which is to avoid competition distortions that affect bilateral trade.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Russian State Committee on Standards, Gosstandart, tests and certifies products.

As of January 1, 1996, 19 per cent of Russia's standards complied with international standards. By 2000, this figure is to reach 50 per cent.

6. MAJOR PLAYERS

Avto Vaz Inc.
Togliatti
- largest producer of passenger cars and all-terrain vehicles

AZLK-Mosckovich
Moscow
- major producer of passenger cars

GAZ
Nishny Novgorod
- second largest producer of passenger cars, light commercial vehicles and special-purpose vehicles

KamAZ
Naberezchniye Chelnye, Tartarstan
- produces passenger cars and commercial vehicles

Neftekamsk Dump Truck Works (Nefaz)
Bashkorotostan
- produces commercial vehicles and buses

PA IzhMash
Ijevsk, Urals
- produces passenger cars and commercial vehicles

Pavlovsky Avtobus Zavody (PAZ)
Nizhny Novgorod
- leading manufacturer of buses

Saransk Vehicle Plant
Saransk
- produces commercial trucks

Ulyanovsk Avtomobilingy Zavod (UAZ)
Ulyanovsk
- produces passenger cars, light utility vehicles and commercial vehicles

UralAZ
Miass, Urals
- produces medium-size and heavy trucks and special-purpose vehicles

Zavod Imeni Likatcheva (ZIL)
Moscow
- produces commercial vehicles and the ZIL limousine

Avtokrom
Based near Moscow
- produces buses

Briansk
Based in western Siberia
- produces medium-sized trucks

LIAZ
Likino
- produces city buses

RAF
Riga, Latvia
- produces vans and minibuses

SeAZ
Yelabuga
- produces passenger cars

YerAZ
- produces light trucks and pickups

ZIU
Uriczky
- small producer of trolley buses

Kransky Aksai
Rostov-on-Don, Southern Russia
- produces passenger cars

Skoda Autmobiliova of Czech Republic and Avantgard of Russia
- produces passenger cars

YelAZ
- produces off-road vehicles

GM-Opel
- produces passenger cars

Polyot
Based in Omsk
- produces city buses
- to produce vans

MMK-Ural-Avtotekhnika

- produces special-purpose trucks

Northern Trolley Bus

- produces trolley buses

Scania Bussar AB of Sweden and Duple Metsec Ltd. of U.K.

- produces buses

ARGENTINA

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Sales, Production and Export of Passenger Cars and Commercial Vehicles, 1993 to 1995

	Passenger Cars			Commercial Vehicles		
	1993	*1994*	*1995*	*1993*	*1994*	*1995*
Production	286 964	338 360	226 500	55 380	70 420	65 700
Sales	291 574	93 160	50 300	54 495	418 460	295 500
Exports	22 145	23 739	17 217[a]	7 831	16 624	27 165[a]

a. January-October.
Source: ADEFA and *Automotive News*

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	155	172	191	212	236
Commercial	48	51	54	57	61

Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Vehicles imported from Mercosur members, namely Brazil, Uruguay and Paraguay, are subject to a 10 per cent duty. The most favoured nation tariff rate applied to vehicles is 22 per cent and to parts is approximately 2 per cent. As part of its Uruguay Round concessions, Argentina will bind the duty on many automotive products at 35 per cent.

2.2 Customs Procedures

Products falling under nine automotive-related Harmonized System Code (HS) headings require import licences. These licences are granted by the National Directorate of Imports and are subject to quantity restrictions. Import permits are automatically issued by commercial banks.

2.3 Import Restrictions

Foreign vehicles that do not have a domestic equivalent are subject to import quotas. The rights to the quotas are auctioned off. The bidder willing to pay the highest amount above the average duty wins the quota. In 1991, 1992, 1993 and 1994, these quotas amounted to 8000 units, 8 per cent of domestic production, 9 per cent of domestic production and 10 per cent of domestic production, respectively.

Assemblers who also import vehicles are committed to maintain a higher level of exports than imports.

Import quotas and licensing are required for the following:

- motor vehicles weighing less than 850 kg and costing less than US$5500 (HS 87.02.01.01.01)
- motor vehicles weighing between 850 kg and 1500 kg with an ex-works price less than US$9500 (HS 87.02.01.01.20)
- motor vehicles weighing more than 1050 kg with an ex-works price of less than US$16 000 (HS 87.02.01.01.40)
- motor vehicles weighing more than 1050 kg with an ex-works price greater than US$16 000 (HS 87.02.01.01.60)
- chassis with the gearbox in the vertical position (HS 87.02.01.01.61)
- public transportation vehicles weighing less than 1000 kg and more than 1000 kg (HS 87.02.92.90.01 and HS 87.02.92.90.99, respectively)
- heavy goods vehicles weighing more than 1000 kg but less than 2000 kg and those weighing more than 2000 kg (HS 87.02.03.01.04 and HS 87.02.03.01.05, respectively).

2.4 Local Content Requirements

The maximum allowable foreign content for vehicles of Categories A, B and C are 24, 38 and 50 per cent, respectively. Category A is defined as light-duty vehicles with a carrying capacity of up to 1500 kg, derived from cars. Category B is light-duty trucks with a carrying capacity of up to 1500 kg, not derived from cars. Category C is the chassis and trays for heavy-duty trucks with carrying capacity of greater than 1500 kg.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Automotive-related Legislation

Protocol 21 and the *Export Complementation Act* provide tariff relief to manufacturers exporting to Mercosur countries.

2.5.2 Preferential Trade Agreements

Argentina, Brazil, Uruguay and Paraguay are parties to the Mercosur free trade agreement. As part of this agreement, the automotive sector is stipulated to be non-restricted for Mercosur countries: although a system of general, common external tariffs is to go into place as part of this agreement, the Mercosur members maintain individual rates on automotive products.

The Automotive Protocol, to which Brazil and Argentina are the only parties, stipulates that all tariffs, quotas and para-tariffs will be eliminated between the parties.

3. TAXATION

3.1 Vehicle-specific Taxes

Argentina levies the following taxes:

- 0.5 per cent duty surcharge
- 3 per cent statistical tax
- 3 per cent advanced profit tax, charged on the customs value of goods
- 18 per cent value-added tax and an advanced value-added tax of 6 to 8 per cent
- provincial sales tax.

4. INVESTMENT

4.1 Foreign Investment Restrictions

The *Law on Emergency Economic Measures* (1989) completely liberalized foreign direct investment.

4.2 Profit Repatriation

In the event of a problem in the balance of payments, Argentina's Central Bank may suspend the right to repatriate profits.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Secretariat for Industry and the Argentine Standards Institute establish standards and regulations. Argentinean standards are based on international standards.

Mandatory vehicle inspections were introduced on May 1, 1996. The first inspection occurs on the third anniversary of the vehicle's registration. Thereafter, the vehicle must be inspected every two years until its seventh year, after which it is inspected every year for the remainder of its life.

6. MAJOR PLAYERS

Autolatina Argentina SA
c/o Avda Henry Ford y Ruta Panamercana
1617 General Pacheco
Provincia Buenos Aires

- produces VW and Ford vehicles
- as of 1997, Autolatina no longer exists; Ford and Volkswagen are now operating independently

Compania InterAmericana de Automoviles SA (Ciadea)
Fray Justo Santa Naria de Oro 1744
1414 Buenos Aires

- second largest vehicle producer
- base for South American exports

AYL Decaroli SA
Rosario, Buenos Aries

- small manufacturer of buses

El Detalle SA

- small manufacturer of buses

General Motors de Argentina SA
Buenos Aries

- new plant in 1997 to house vehicle and components facilities

Iveco Argentina SA
Hipolito Yrogoyen 2655
1090 Buenos Aires

Mercedes-Benz Argentina SA
Av de Libertador 2424
1425 Buenos Aires

- largest producer of buses
- produces medium-sized and heavy trucks and buses
- produces chassis, suspensions and gearboxes

Sevel Argentina SA
Pte J D Peron
1682 Villa Bosch
Provincia de Buenos Aires

- assembles passenger cars and light commercial vehicles
- recently divested Fiat

Scania Argentina SA
Tacuari 147
1071 Buenos Aires

- produces heavy trucks and buses, gearboxes and drive shafts

Chrysler

- producing passenger cars in 1997

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Passenger Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	1 248 770	1 302 780	332 610	346 910
Sales	268 150	310 510	1 139 400	1 447 100

Source: *Automotive News*

1.2 Vehicle Density

Table 2: Vehicles per 1000 People, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	79	91	105	120	138
Commercial	20	24	28	34	41

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Provisional Measure No. 1024 of June 13, 1995 lowered tariff rates on machine equipment for assembling motor vehicles and their parts, on new materials and other imports to two per cent.

During the Uruguay Round, Brazil conceded to bind motor vehicle tariff rates to 35 per cent by 2000.

Table 3

Brazil's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	70.0
Motor Vehicles for Goods Transport	65.0
Motor Vehicles Seating 10 or More	38.3
Tractors for Use with Semi-trailers	65.0
Special Motor Vehicles	20.0
Bodies	18.0
Chassis Fitted with Engines	18.0
Engines	18.0
Parts and Accessories	17.5
Glass	12.7
Tires and Tubes	15.2

2.2 Customs

2.2.1 Customs Fees

An import licence costing US$70 or ECU50 is required for many imports. Import licences are issued by the Banco do Brasil, take approximately five days to obtain and are valid for 60 days.

2.3 Import Restrictions

Import quotas apply to rubber. Importers may bring in rubber, provided that their Brazilian rubber purchases represent at least 44 per cent of their total rubber purchases.

Motor vehicle assemblers without production facilities in Brazil are subject to import tariff quotas on motor vehicles.

Diesel passenger cars are banned from import.

The Import Trade Secretariat sets import prices for motor vehicles equal to the factory list price used for direct purchases with no deduction allowances for discounts.

Brazil has a number of export performance requirements, which are expressed as ratios based on annual production. These items are as follows:

- imports of raw materials, parts, components, sets and subsets, and net exports of passenger vehicles, vehicles for transport of goods and buses, by each company
- imports by each company of raw materials, parts, components, sets and subsets, and the total imports of such imports

- domestic purchases and imports by each company of machinery and equipment.

2.4 Used Vehicle Imports

Special authorization is required for the import of used vehicles.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Automotive-related Legislation

The Fiscal Benefits for Special Export Programme grants tax and import duty relief on capital goods and components provided that companies meet export and foreign exchange balance requirements.

2.5.2 Preferential Trade Agreements

Argentina, Brazil, Uruguay and Paraguay are parties to the Mercosur free trade agreement. As part of this agreement, the automotive sector is stipulated to be non-restricted for Mercosur countries: although a system of general, common external tariffs is to go into place as part of this agreement, the Mercosur members maintain individual rates on automotive products.

3. TAXATION

3.1 Vehicle-specific Taxes

Brazil imposes the following taxes:

- Industrialized Profit Tax is a federal excise value-added tax on industrial products
- Services and Merchandise Circulation Tax is a value-added tax for imports, collected on the cost insurance freight value of goods plus taxes.

Brazil also imposes the following harbour-related taxes and costs:

- union tax of 2.2 per cent
- brokerage commission of 1.5 per cent
- harbour tax of 5 per cent
- storage tax of 1 to 3 per cent
- form costs of US$17
- handling costs of US$20
- contributions to social security of 10 per cent of storage costs.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Branches of foreign companies may be established, provided that a presidential decree is obtained.

Parts, components and tire manufacturers cannot use net export values as the transfer price when selling to associated automotive manufacturers.

4.2 Profit Repatriation

All foreign investment must be registered. Capital gains on repatriated investments are subject to a 25 per cent withholding tax. The Central Bank monitors all foreign exchange transactions.

4.3 Investment Incentives

In accordance with *Decree 1761/95* (December 1995), motor vehicle assemblers locating in Brazil will receive 50 per cent tariff relief on the Mercosur common external tariff rate on motor vehicles imports, a 90 per cent tariff reduction on capital goods having a minimum tariff application of 2 per cent, and a 70, 55, and 40 per cent tariff reduction in 1997, 1998 and 1999, respectively, on parts and components carrying a minimum tariff of 2 per cent.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

CONMETRO establishes industrial certification and standards for Brazil. Brazil recognizes product testing carried out in the originating country provided that the products are accompanied by pertinent documents.

Generally, passenger car safety requirements adhere to European standards.

6. MAJOR PLAYERS

Agrale SA
BR116, Km 145
Bairro San Ciro
95001-970 Caxias do Sul RS

- produces agricultural tractors, light goods vehicles and trucks (up to 4.5 tons gross vehicle weight)

Fiat Automoveis SA
Rodovia Fernando Dias Km 429
32530-000 Betim MG

- second largest vehicle producer
- features engine plant facilities

Ford Do Brasil
Sao Bernardo, Sao Paolo

- smallest producer of passenger cars

General Motors do Brasil SA
Avenida Goias 1805
09550-900 Sao Caetano do Sul
Sao Paolo

- features engine and plastic injection moulding facilities and aluminum and iron foundries

Mafersa SA

- produces buses

Mercedes-Benz do Brasil SA
CP 202; Av Alfredo Jurzykowsky 56
09701-970 Sao Bernardo do Campo
Sao Paolo

- leading truck and bus manufacturer
- global presence
- features facilities to produce engines, gearboxes, engine blocks and cylinder heads

Scania do Brasil Ltda
Avenida Jose C..orizzi 151
P.O. Box 188
09810-000 Sao Bernardo do Campo
Sao Paolo

- produces heavy trucks and buses, engine components and does axle machining

Toyota do Brasil SA
Avenida Piraporinha 1111
09890-000 Sao Bernardo do Campo, Sao Paolo

- produces light commercial vehicles

Volkswagen do Brasil VWB)
Conjunto Industrial Anchieta

- largest vehicle producer

Volvo do Brasil Ltda
Avenida Juscelino Kubitschek de Oliveira 2600
Cidade Industrial, Eixo Contorno Sul
81260-000 Curitiba

- produces heavy-duty vehicles

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Sales and Production of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	327 170	360 170	26 000	27 500
Sales	463 170	482 550	155 580	161 960

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	458	466	474	484	493
Commercial	129	135	138	140	143

Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.

2. TRADE ENVIRONMENT

2.1 Tariff Regime

By the end of the Uruguay Round concessions implementation period in 2000, the bound rate on diesel buses, other buses and new cars will be 10, 15 and 40 per cent, respectively. Additionally, the bound tariff rate will be between 10 and 20 per cent, depending on tonnage, on vehicles for the transport of goods and 15 to 50 per cent for various parts and components.

Imported used passenger vehicles are subject to a bound tariff rate of 76 per cent and fixed rate of A$12 000 per unit. Used engines are not subject to additional tariffs, while replacement tires bear a 10 per cent tariff rate.

2.2 Import Restrictions

Automobile manufacturers are able to import tariff-free components equal to 32.5 per cent (15 per cent in 2000) of exported Australian value-added.

2.3 Used Vehicle Imports

Used motor vehicles may be imported, provided they are for personal use. These vehicles are subject to the relevant duties and must have been used abroad for a minimum of three months.

Commercial importers of used vehicles need to apply for a "compliance plate" that may cost up to A$20 000. All left-hand-drive vehicles must be converted to right-hand drive at authorized garages.

2.4 Local Content Requirements

No local content requirements exist at either the federal or state level.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.6.1 Preferential Trade Agreements

Australia and New Zealand signed the Closer Economic Relations Trade Agreement (1983) that eliminated all barriers between the two nations. This agreement sets out local content requirements of 50 per cent in the automotive industry.

3. TAXATION

3.1 Vehicle-specific Taxes

Australia applies the following fees and taxes:

- annual registration fee
- wholesale tax of 15 per cent, with an additional 45 per cent charged on items valued at A$47 116 or greater
- A$12 000 charged on imported used vehicles
- base rate sales tax of 17 per cent (rate for other vehicles, such as four-wheel drives, is 22 per cent)
- items with a wholesale value greater than A$32 486 are subject to a 45 per cent luxury tax.

3.2 Corporate Taxes

The taxable basis between affiliated distribution companies must be at least 106 and 120 per cent of the wholesale price for domestic and imported products, respectively.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Companies executing buyouts of less than A$5 million and launching new ventures of less than A$10 million are not required to notify the Foreign Investment Review Board (FIRB). The FIRB must generally be notified of foreign investment proposals of A$50 million or greater. Some investments may be refused to protect the "national interest."

4.2 Investment Incentives

Current efforts, as is the case with the Export Market Development Grants Scheme, are aimed at developing foreign markets for Australian products. Grants of up to 50 per cent of eligible expenditures greater than A$15 000 in any given year, to grants of A$250 000, may be awarded to residents incurring expenses when developing overseas markets. Support may also be awarded in the form of direct provision of Australian Trade Commission services.

The Passenger Motor Vehicle Export Facilitation Scheme allows automobile and components manufacturers who meet the requirement for Australian-made, high-value-added automotive products to receive tariff relief. The amount of tariff relief depends on the value-added criteria and is calculated by multiplying the value of the qualifying export by the import duty for passenger motor vehicles applicable in the year of export, which is then applied to the value of the manufacturer's exports.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Commonwealth/State Agreement on Mutual Agreement (1993) permits products to be sold throughout Australia whenever they meet the requirements and standards of one state.

The Federal Chamber of Automotive Industries sets out safety requirements. Sixty-seven Australian design rules exist but not all are in force, and 60 per cent of these rules are equivalent to EU standards.

Used and new vehicles are subject to the same set of safety requirements. Importers of 25 units or more per year benefit from an import "blanket," which covers the import of these higher volumes, without going through certification in each instance of import.

6. MAJOR PLAYERS

Ford Motor Co. of Australia Ltd.
Broadmeadows, Melbourne

- controlled by Ford Canada
- largest producer of passenger and commercial vehicles

Mitsubishi Motor Australia Ltd.
Clovelly Park, Adelaide

- targeted as a base for exports to North America
- produces engines

United Australian Automotive Industries Ltd. (UAAI)
Melbourne

- largest producer of passenger cars
- produces engines

AB Volvo
Brisbane

- produces buses and heavy trucks

Isuzu-GM Australia

- produces light trucks

International Trucks Australia

- largest heavy truck manufacturer

JAR Ltd.

- produces buses, special-purpose vehicles, and Land Rover CKD (completely knocked down) kits

Mack Trucks Australia
Brisbane

- produces heavy trucks and buses

MAN Automotive
Near Sydney

- produces heavy vehicles

Mercedes-Benz Australia
Mulgrave

- produces heavy trucks, bus chassis and road tractors

Paccar Inc.
Bayswater

- produces road tractors

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	255 540	336 000	854 800	903 530
Sales	342 [illegible]00	440 000	827 850	897 380

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	1	2	4	7	10
Commercial	7	11	15	19	21
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

China's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	107.5
Motor Vehicles for Goods Transport	36.3
Motor Vehicles Seating 10 or More	80.0
Tractors for Use with Semi-trailers	15.0
Special Motor Vehicles	14.8
Bodies	65.0
Chassis Fitted with Engines	30.8
Engines	28.4
Parts and Accessories	23.7
Glass	31.7
Tires and Tubes	22.1

2.2 Customs Procedures

Import licences are required for the importation of all motor vehicles and some critical vehicle components.

2.3 Import Restrictions

Vehicles other than those of an engine capacity between 2000 to 2500cc, dumpers, parts and accessories and work trucks are subject to quantitative restrictions.

Foreign producers are usually restricted to importing only their own manufactured products.

As of September 1989, the Ministry of Foreign Trade and Economic Cooperation has restricted the import of motor vehicles to eight Foreign Trade Corporations (FTC). FTCs are government-designated entities that are allowed to engage in foreign trade. Foreign trade activities are permitted to be conducted by FTCs or manufacturing companies with trade rights.

2.4 Local Content Requirements

For vehicle manufacturers in joint ventures meetin', specific local content requirements, duty relief is available on the import of original equipment parts. After the third year of operations, manufacturers with a local content of 40 per cent are eligible for certain tax breaks. Furthermore, manufacturers meeting local content requirements of 40, 60 and 80 per cent are eligible for relative reductions in rates of duty.

2.5 Automotive-related Legislation and Preferential Trade Agreements

China is not a member of the World Trade Organization (WTO) and, therefore, is not explicitly forced to adhere to the national treatment principle, or other WTO-related principles, when applying its automotive policy.

The U.S.-China Market Access Agreement (1992) outlines provisions for importing motor vehicles, import restrictions and other non-transparent policies. As a result of this agreement, quantitative restrictions on auto parts have been lifted for U.S. joint ventures in China.

In February 1994, China introduced its automotive strategy with the following objectives: to satisfy 9 › ner cent of domestic demand with vehicles manufactured domestically by 2000; and to establish a global presence by 2010. The measures that will facilitate these objectives include the following:

- developing standards and type certification
- providing tax breaks
- providing financing options
- supporting research and development activities with foreign firms
- focussing on foreign investment
- protecting domestic industry using tariff and non-tariff barriers
- prohibiting imports of used vehicles
- discouraging CKD (completely knocked down) operations through the use of local content schemes
- simplifying the sales process and increasing domestic sales.

2.6 Special Zones

China has five Special Economic Zones (SEZs): Shenzhen; Zhuhai and Shantou in Guangdong province; Xiamen in Fujian Province; and the Haiana Island. Firms located within the SEZs may import inputs at a reduced rate of duty, provided that the manufactured products are not sold domestically, but rather are manufactured for export. Inputs may be imported into the zone provided that they are accompanied by locally issued SEZ Import Approval Certificates.

Two hundred Economic and Technological Zones in 14 coastal cities and 16 river-accessible cities are authorized to offer incentives, such as reduced tariff rates, to foreign investors in specified high technology activities.

Three Free Trade Areas and two Export Processing Zones are located in Shanghai's Pudog development District, in Tianjin and in Shenzen.

2.7 Distribution

Currently, motor vehicles are subject to state fixed pricing, which is implemented under one of two systems: in a floating range, or subject to a price ceiling/floor. Given specific restrictions and the supply and demand for their product, enterprises are able to set their own prices.

3. TAXATION

3.1 Vehicle-specific Taxes

The People's Republic of China levies the following taxes:

- 17 per cent value-added tax
- 3 to 8 per cent consumption tax on luxury items, such as autos
- 10 per cent sales tax
- regional fees
- 10 per cent road tax
- business tax of 3 or 5 per cent (applicable to transactions involving intangibles and property)
- institutional purchase control charge of up to 30 per cent.

Imports are valued on the cost, insurance and freight (CIF) basis for the purposes of levying taxes.

The value-added and business taxes are mutually exclusive. The value-added tax is also refundable on exports.

3.2 Corporate Taxes

Foreign investment joint ventures of less than US$30 million and of more than US$30 million, each with final approval before March 31, 1996, were granted 9 and 21 months of tax exemption on capital goods imports, respectively.

4. INVESTMENT

4.1 Foreign Investment Restrictions

China introduced its automotive sector policy in July 1994. Some policies include the maintenance of quantitative import restrictions and a 65 percent proposed import duty. Also, new investment will have to meet certain capacity requirements and be preceded by the establishment of a technology institute, and car parts production must be in place for at least two years before a company can begin to assemble its vehicles in China. New investment is restricted to joint ventures with a minority foreign holding.

Land may be leased for periods of 50 years and human resource movements are restricted.

Foreign direct investment is restricted to the following forms:

- equity joint venture: limited liability companies incorporated in China and in which both Chinese and foreign entities hold equity
- co-operative joint venture: parties operate and incur liability autonomously
- foreign-owned companies: 100 per cent foreign ownership; only allowed in specified industries
- limited companies: raising equity through issuance of shares
- holding companies.

In June 1995,the Chinese government published foreign investment guidelines.

4.2 Profit Repatriation

Foreign exchange requirements must be met using export proceedings or by means of a swap at "swap centres." Dividends and licence fees remittances require government authorization.

Foreign exchange requirements of foreign enterprises doing business in China include the following:

- two bank accounts with one denominated in foreign currency and the other in Renminbi
- foreign exchange must be used for all foreign transactions.

Renminbi will be fully convertible by 2000.

4.3 Investment Incentives

China has plans to attract 55 billion Renminbi in assembly investment and 55 billion Renminbi in parts investment during the period 1995 to 2000.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Homologation requirements must be met prior to importing a product.

Imported products are tested by a different agency from that which tests domestic products. The WTO accession proposal includes requirements that these agencies by amalgamated.

As of 1997, safety inspection certificates will be required to accompany imports. Certificates will cost approximately US$15 000 per inspection.

China is expected to adopt standards and regulations consistent with United Nations/Economic Commission for Europe Working Party 29.

6. MAJOR PLAYERS

Mercedes-Benz and China Motor Corporation
Nan-Feng City
- produce multipurpose vehicles and heavy-duty vehicles

PT Astra International of Indonesia and Naga Pacific of Hong Kong
Liu Zho
- produce minibuses

Beijing Automotive Industry Corporation (BAIC)
Beijing
- consists of 172 individual companies
- major companies are Beijing Jeep Company (joint venture with Chrysler); Beijing Automobile Company; and Beijing Light Duty Truck

Changhan-Suzuki Automobile Co Ltd.
Changhan
- currently produces the Suzuki Alto from kits

Changhan Machine Building Works
Chongqing, Sichuan
- produces mini commercial vehicles

Donfeng Motor Corporation
Shiyan, Hubei
- produces medium-size and heavy trucks, buses and special-purpose vehicles, starting

from five tons

FAW-Jiefang Consolidated Automotive Industry Corporation
Changchun, Jilin
- produces commercial vehicles

FAW-Volkswagen Automotive Company
Changchun, Jilin
- assembles VW and Audi 100

Guangzhou-Peugeot Automobile Co. Ltd.
Huangpu, Guangzhou
- produces passenger cars and pickups

Jinan General Automobile Works
Jinan
- largest heavy truck plant in China

Jinbei Automotive Corporation
Shenyang, Liaoning
- produces light trucks and minibuses

Liuzhou Mini Auto Works
Liuzhou, Guangxi
- produces consumer vehicles

Nanjing Associated Motor Vehicle Corporation
Wuhan, Hubei
- manufactures mainstream commercial vehicles

Shanghai Automobile Industry Corporation (SAIC)
Shanghai
- produces medium-size and heavy trucks and buses under licence

Shanghai-V[illegible]wagen Automobile Corporation
Shanghai

Tianjin-Daihatsu Automobile Company Ltd.
Tianjin
- produces light commercial vehicles

Wuhan Aeolus Citroën Automobile Company Ltd.

Wuhan

- produces passenger cars from kits

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	298 040	395 200	188 810	190 700
Sales	233 000	255 000	187 920	199 190

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	4	6	9	12	16
Commercial	3	4	6	8	10
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

India's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	50.0
Motor Vehicles for Goods Transport	50.0
Motor Vehicles Seating 10 or More	50.0
Tractors for Use with Semi-trailers	50.0
Special Motor Vehicles	50.0
Bodies	50.0
Chassis Fitted with Engines	50.0
Engines	25.0
Parts and Accessories	39.4
Glass	50.0
Tires and Tubes	50.0

2.2 Customs Procedures

Importers are required to obtain a code number prior to engaging in international trade.

The Export and Import Policy (April 1992) establishes a "negative list" of commodities. Commodities on the negative list will be considered for import according to the "actual user" condition, which establishes that the importer of the commodity will also be its "end user." Commodities not included on the negative list are freely importable.

All motor vehicles are subject to import licensing.

2.3 Import Restrictions

Motor vehicles may be imported by diplomats, foreigners and Indians returning from overseas. All importers of motor vehicles must obtain an import licence and must fulfil the "actual user" condition.

Deferred payment arrangements between importers and foreign exporters are not permitted. Furthermore, all payment arrangements that extend beyond six months require prior approval from the Reserve Bank of India.

2.4 Local Content Requirements

The Phased Manufacturing Programme requires that manufacturers achieve 90 per cent local content within the first five years of production. Although the program has not been in use since July 1991, projects from its period of enforcement must continue to conform to its requirements.

The Duty Export Scheme provides assemblers with certain benefits, provided they achieve a minimum level of local content. Since 1993, the definition of value-added used for the assessment of local content has been modified to exclude all imported inputs, while including only inputs sourced domestically.

3. TAXATION

3.1 Vehicle-specific Taxes

India imposes an excise tax of 40 per cent.

4. INVESTMENT

4.1 Foreign Investment Restrictions

All sectors, other than those with security concerns, are open to foreign direct investment (FDI).

FDI amounting to up to 51 per cent of the capital of a joint venture receives automatic approval from the Central Bank, provided the input of foreign capital exceeds the foreign currency needed to import plant and machinery. FDI amounting to more than 51 per cent of capital for a business endeavour and for projects that may be considered "politically sensitive," require approval from the Foreign Investment Promotion Board. All other cases are reviewed individually by the relevant government departments.

4.2 Profit Repatriation

Profit repatriation by non-residents requires a readily available permit. In an effort to balance export revenues, the Central Bank monitors dividend payouts from the consumer-goods sector.

4.3 Investment Incentives

Investment incentives include the following:

- tariff breaks on raw material or capital inputs
- access to special licences
- tax concessions
- export financing on concessionary terms
- industry subsidies.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Indian Standards Institute (ISI) establishes standards with a view to harmonizing them with European and international standards. The ISI also developed a product certification mark, which is applicable to both domestic and import commodities.

Table 4: Emission Standards for Motor Vehicles

Emission Regulations					
Type of Vehicle	Size of Engine	1996		2000	
		CO	$HC + NO_x$	CO	$HC + NO_x$
		g/km		g/km	
4 wheels	Less than 1400cc	8.68	3.0	2.72	0.97
	1400cc-2000cc	11.2	3.84	2.72	C.97
	More than 2000 cc	12.4	4.36	2.72	0.97
2 wheels		4.5	3.6	2.0	1.5
3 wheels		6.75	5.4	4.0	1.5

6. MAJOR PLAYERS

Ashok Leyland Ltd.
19 Rajaji Salai
Madras 600 001

- produces heavy-duty trucks and buses

Bajaj Auto Ltd.
Akurdi, Poona, 411 035
- produces two-, three- and four-wheel vehicles

Bharat Heavy Electricals Ltd. (BHEL)
- produces electric-powered urban vehicles

DCM-Daewoo Ltd.
Kanchenjunga
18 Barakhamba Road
New Delhi
- produces passenger cars

Eicher Motors
Pithampur-Dhar
Madhya Pradesh
- produces agricultural tractors and light commercial vehicles

Hindustan Motors Ltd.
9/1 RN Mukherjee Road
Calcutta, 700 001
- third largest producer of passenger cars
- small producer of commercial vehicles and small producer of commercial vehicles
- begin production of utility vehicles for rural transport (1997)

Mahindra & Mahindra Ltd.
Gateway Building, Apollo Blunder
Bombay, 400 039
- largest producer of sport-utility vehicles
- produces engines

Mahindra Nissan
Zaheerabad
- produces light trucks

Maruti Udyog
Jeevah Prakash
25 Kasturba Gandhi Marg
New Delhi, 110 001
- largest producer of passenger cars
- second largest producer of sport-utility vehicles

Premier Automobiles Ltd.
Lal Bahdur Shastri Marg, Kurla
Bombay, 400 070

- produces passenger vehicles

Sipani Auto Industries
25-26 Industrial Suburb II Stage
Tumkur Road
Bangalore, 560 022

- produces passenger cars

Swaraj Mazda
Chandigarth, Punjab

- produces three-ton utility vehicles

Tata Engineering and Locomotive Company (Telco)
Bombay House
24 Homy Mody Street
Hutatma Chowk
Bombay, 400 001

- second largest vehicle producer
- produces passenger and commercial vehicles

New ventures: Honda Motor of Japan investing $280 million over seven years in a joint venture with SIEL of India

- production to begin in 1997

BMW and Hero Motors (Hero Motors-BMW)

- produce passenger cars

AC Cars and N. Naik (non-resident businessman)/(AC India)

- produce specialty sports cars

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Passenger and Commercial Vehicles, 1993 to 1995

	Passenger Vehicles			Commercial Vehicles		
	1993	*1994*	*1995*	*1993*	*1994*	*1995*
Production	31 582	41 807	39 839	172 006	283 214	347 738
Sales	32 684	39 798	37 921	181 611	286 032	346 528

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	4	6	7	10	12
Commercial	16	22	29	36	45

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Although the same tariff rates apply to both imported vehicles that are also produced in Indonesia and those that are not, the overall import tax burden is higher for the latter than it is for the former. This discrepancy arises from a positive application of an import surcharge on motor vehicles that currently are not produced in Indonesia. Table 3 clearly illustrates this by itemizing the import duty and import surcharge levied on motor vehicles coming into Indonesia.

Effective May 1995, the tariffs levied on automotive components vary according to the amount of local content in vehicles produced. These tariffs are detailed in Table 4. Also effective May 1995, the import tariffs levied against automotive subcomponents vary according to the vehicle's local content level. These tariffs are outlined in Table 5.

Table 3: Most Favoured Nation Tariff Rates Applied to Motor Vehicles

Type	Since May 1995 (%)			2003 (maximum rate) %)		
	ID	IS	Total	ID	IS	Total
Sedan/Station Wagon						
a) Already produced in Indonesia	125	0	125	40	0	40
b) Not yet produced	125	75	200	40	50	90
c) Other components			*	25	0	25
Commercial Vehicles						
a) Already produced in Indonesia						
Category I, II, III, IV	75	0	75	30	0	30
Category V	50	0	50	5	0	5
b) Not yet produced						
Category I, II, III, IV	75	30	105	30	20	50
Category V	50	30	80	50	0	5
c) Other components						
Category I, II, III, IV	25	0	25	15	0	15
Category V			*	0	0	0

Category I: gross vehicle weight (GVW) up to 2.5 tons
Category II: GVW from 2.5 to 9 tons
Category III: GVW from 9 to 24 tons
Category IV: Jeep Cars
Category V: GVW more than 24 tons

* Based on Local Content; Import Duty (ID); Import Surcharge(IS)

Table 4: Most Favoured Nation Tariff Rates Applied to Components

Vehicle Type	Date	Most Favoured Nation Tariff Rate (%) Local Content Level < 20	20 to 30	30 to 40	40 to 50	50 to 60	> 60
Passenger Vehicles	May 1995	65	50	35	20	10	0
	2003	25					0
Commercial Vehicles	May 1995	25	15	10	0	0	0
	2003 (Cat. I, IV)						0
Large Trucks and Buses	May 1995	25	15	0	0	0	0
	2003 (Cat. II, III)	15					0

Category I: gross vehicle weight (GVW) up to 2.5 tons
Category II: GVW from 2.5 to 9 tons
Category III: GVW from 9 to 24 tons
Category IV: Jeep Cars
Category V: GVW more than 24 tons

Table 5: Most Favoured Nation Tariff Rates Applied to Subcomponents

Vehicle Type	Date	Most Favoured Nation Tariff Rate (%) Local Content Level < 20	20 to 30	30 to 40	40 to 50	50 to 60	> 60
Passenger Vehicles	May 1995	25	25	15	15	10	0
	2003	15					0
Commercial Vehicles	May 1995	25	15	0	0	0	0
	2003	15					0
Large Trucks and Buses	May 1995	25	15	0	0	0	0
	2003	15					0

2.2 Customs

2.2.1 Customs Clearance Procedures

Indonesia has licensing requirements for the import of engineering products and transport equipment.

To import motor vehicles not produced in Indonesia, manufacturers must obtain two licences: an IT licence, which is a general importer's identification number; and an AT licence, which is akin to an "exclusive agent" licence and is issued to government-designated national distributors. Indonesia's Ministry of Trade administers these licensing requirements.

2.3 Import Restrictions

The importation of completely built-up (CBU) vehicles was illegal until 1991. Recently, the import ban on the import of CBUs has been lifted. However, high customs duties, surcharge taxes and licensing requirements impede imports of CBUs.

2.4 Local Content Requirements

Local content levels are established by the Ministry of Industry, are valid for one year and are renewable annually.

Sales taxes may be reduced from between 20 and 35 per cent on motor vehicles meeting the 60 per cent local content requirement rule, and their assemblers are also eligible to import components duty free.

Assemblers of saloons and station wagons with local content greater than 60 per cent, small vans, minibuses and jeeps with local content greater than 40 per cent, and buses or trucks with a gross vehicle weight between 5 and 24 tonnes and local content greater than 30 per cent can import components duty free. There is some relief of the tariff burden for motor vehicles with local content greater than 20 per cent but below these upper thresholds. Motor vehicles with less than 20 per cent local content receive no tariff relief. For details, see tables 4 and 5.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Automotive-related Legislation

2.5.1.1 Indonesia's National Car Program

A presidential instruction and two ministerial decrees establish national car policy:

- Presidential Instruction No.2/1996, *The Development of the National Automobile Industry*
- *Decree of Minister of Industry and Trade No. 31/MPP/SK/2/1996*, pertaining to national motor vehicles
- *Decree of Minister of Finance No.82/KMK.01/1996*, is the improvement on the *Decree of the Minister of Finance No. 645/KMK.01/1993* granting import duty relief to certain parts and components of motor vehicles, as already improved by the *Decree of the Minister of Finance No. 223/KMK.01/1995*, February 19, 1996.

As of February 19, 1996, assemblers may be granted "pioneer status," which entitles them to import components duty free. Furthermore, the motor vehicles of pioneer assemblers are exempt from luxury taxes for four years. To be eligible for "pioneer status," companies must brand products under their own Indonesian-owned mark, produce domestically, use domestically made components and achieve minimum local content levels of 20, 40 and 60 per cent in their first, second and third year of operation, respectively. This three-year period represents the phase-out period of local content requirements for import exemption status for national assemblers.

Presidential Decree No. 42/1996, dated June 1996, *The Production of National Automobiles*, outlines that national automobiles that are produced abroad by Indonesian personnel and fulfil the local content requirements as stipulated by Minister of Industry and Trade are to be given the same treatment as national automobiles produced in Indonesia.

2.5.2 Preferential Trade Agreements and Trade Associations

Indonesia is a member of Asia-Pacific Economic Commission and the World Trade Organization.

2.6 Manufacturing Free Trade Zones

Indonesia has export-processing zones and export-oriented production entrepôts. Manufacturers located within these zones may be eligible for tariff, taxation and licensing exemptions. Additionally, foreign investment restrictions and profit repatriation limits may be more lenient than for manufacturers located outside of these zones.

3. TAXATION

3.1 Vehicle-specific Taxes

Motor vehicles are subject to a registration fee and value-added tax of 10 per cent each and a 20 to 35 per cent luxury goods sales tax, depending on local content levels. Motor vehicles with an engine size of 1600cc or less and a minimum local content level of 60 per cent are subject to a 20 per cent tax. Motor vehicles with local content of less than 60 per cent are subject to a 35 per cent tax. CBU imports invariably fall into the higher tax category.

4. INVESTMENT

4.1 Foreign Investment Restrictions

The Capital Investment Coordinating Board, as well as other government agencies and the Indonesian president must approval all foreign investment proposals.

Foreign direct investment for the establishment of motor vehicle assembly operations is permissible, provided the local content requirements are met. However, often stringent performance requirements are imposed on foreign investments, and national treatment remains generally illusive.

Foreign investors can hold up to 100 per cent of the equity of joint ventures. After 15 years of commercial operation, a nominal portion of the equity shares must be transferred to the Indonesian partner by direct placement or through stock exchange.

4.2 Profit Repatriation

Profit repatriation is permitted.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Indonesia generally adheres to international standards. Indonesia's National Standards Council established a list of national standards, which currently are not mandatory.

6. MAJOR PLAYERS

PT Astra International
J1 IR H Juanda 22
Jakarta

- largest vehicle assembler
- comprises PT Toyota-Astra Motor (engines and assembly of light- and heavy-duty vehicles) and PT Astra International (engines and assembly of light- and heavy-duty vehicles)

Bimantara

- third largest assembler of passenger vehicles

PT General Mot :rs Buana Indonesia

- assembles passenger cars and commercial vehicles

Indomobil Group
Wisma Indomobil
Jl. M.T. Haryono Kav. 8
Jakarta

- second largest assembler of light- and heavy-duty vehicles

Krama Yudha
Jl Jend 1 Yani Pulo Mas
Jakarta

- assembles light- and heavy-duty vehic'es and engines

PT Prospect Motor Indonesia
Jl. P. Jakarta 50
Jakarta

- second largest assembler of light-duty vehicles

Toyota, Nissan and Honda

- assemble "Asia Car"

Nissan Diesel

- assembles light- and heavy-duty vehicles
- contemplating assembly of "Asia Truck"

PT Starauto Dinamika

- assembles light-duty vehicles

Hino, PT National Motors and Unitar Prima Motors

- joint venture to produce engines

BPIS (Coordinating Agency for Strategic Industry; replaces IPTN and Rover Division)

- (anticipated 1997) assembly of light-duty vehicles, namely "low-cost people car"

Toyota, Mitsubishi, Honda

- will each launch their own versions of the "Asia Car"

PT Bakrie Brothers

- developing a multipurpose van with eight-passenger capacity called the "Bakrie"

PT Timor Putra National

- assembles passenger cars (to be done in 1998)

JAPAN

1. MOTOR VEHICLE INDUSTRY

1.1 Production (Shipments), New Registrations, Exports and Imports

Table 1: Production, New Registrations, and Export and Imports of Passenger Cars and Commercial Vehicles, 1993 to 1995

	Passenger Cars			Commercial Vehicles		
	1993	*1994*	*1995*	*1993*	*1994*	*1995*
Production	8 497 100	7 801 300	7 610 533	2 730 500	2 752 800	2 585 003
New Registrations	4 199 450	4 210 168	4 443 905	2 267 828	2 316 528	2 421 128
Exports	3 910 605	3 360 668	2 896 217	1 107 156	1 099 624	894 561
Imports	195 090	276 161	362 265	6 391	25 320	19 097*

* nine months

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2001	2002	2005
Passenger	353	379	395	404	400
Commercial	180	194	201	206	204

2. TRADE ENVIRONMENT

2.1 Tariff Regime

By January 1, 1999, all tariff rates for automotive products will be bound at zero.

Table 3

Japan's Most Favoured Nation 1996 Average Applie.	Tariff Rates
Motor Vehicles for Persons Transport	0.0
Motor Vehicles for Goods Transport	0.0
Motor Vehicles Seating 10 or More	0.0
Tractors for Use with Semi-trailers	0.0
Special Motor Vehicles	0.0
Bodies	0.0
Chassis Fitted with Engines	0.0
Engines	0.0
Parts and Accessories	0.1
Glass	1.2
Tires and Tubes	0.9

2.2 Customs

2.2.1 Customs Clearance Procedures

When proceeds to the exporter are to be paid through a foreign exchange bank, Import Notification needs to be provided to relevant government departments, as outlined in the *Foreign Exchange and Foreign Trade Control Law*. This requirement is likely to be eliminated, however, through the planned liberalization of foreign exchange trading and the revision of the *Foreign Exchange and Foreign Trade Control Law.*

In 1994, six Foreign Access Zones were introduced into Japan. The Foreign Access Zones allow products to be imported, processed, stored and displayed duty free on the condition that unsold goods be shipped offshore. A further six Foreign Access Zones were introduced in March 1994 and another 12 were scheduled for introduction in 1997.

2.3 Import and Export Restrictions

Automotive goods carry no export restrictions.

2.4 Distribution

More than half of Japan's domestic dealerships carry both domestic and import models.

Recent talks, specifically the Japan-U.S. automobile consultations in 1995, focus on increasing the "foreign car" distribution network. Since the conclusion of these consultations, North American manufacturers have signed up 124 new dealerships.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Preferential Trade Agreements and Trade Negotiations

In May 1986, transportation machinery was added to the agenda of the Market Oriented Sector Selective talks between Japan and the U.S. The primary target of these talks was for the U.S. to gain better access to Japanese automotive components markets. The final result was to monitor U.S. progress in the Japanese market.

The U.S. and Japanese Global Partnership (1992) related to imports, local procurement of parts and components, and expanding local research and development and design.

The Framework for a New Economic Partnership (July 1993) is a sectoral consultation between the U.S. and Japan.

The Automotive Trade Agreement (June 28, 1995) between the U.S. and Japan sets out measures for accelerating the deregulation of the Japanese automotive aftermarket and accessories markets and encouraging broader competition in Japanese car distribution. Japanese assemblers proposed increasing overseas production and foreign automotive components imports. Canada, Australia and the European Union are observers of the annual U.S.-Japan automotive consultations.

2.6 Manufacturing Free Trade Zones

The *Temporary Measures Law Concerning Promotion of Imports and Smooth Internal Investment Projects* (1992) encourages the development of facilities in Foreign Access Zones to support the distribution, storage, process, sale and assembly of imported commodities.

3. TAXATION

3.1 Vehicle-specific Taxes

Currently, Japan requires vehicles to be inspected:

- motor vehicles for business use; heavy trucks; and motor vehicles for private use with a riding capacity of 11 persons or more, or for exclusively carrying infants; and rental motor vehicles are inspected annually
- new passenger motor vehicles for private use are inspected initially after three years, and every two years thereafter
- large-sized special motor vehicles and small two-wheel motor vehicles are inspected every two years.

Japan applies the following taxes at the acquisition stage:

- consumption tax: a 3 per cent tax (5 per cent after April 1, 1997) imposed on the purchase price of the motor vehicles
- acquisition tax: a 5 per cent tax (3 per cent on vehicles for business use and for mini motor vehicles) applied to new and used vehicles, applied to the acquisition price of the vehicle at the time of purchase; if the acquisition price is ¥ 500,000 or less, this tax does not apply.

  Note that these tax rates are tentative until March 31, 1998.

Japan applies the following taxes at the holding stage:

- motor vehicle weight tax:
  -charged at the time of each vehicle inspection
  -passenger motor vehicles (each of 0.5 ton gross vehicle weight) are charged ¥ 6300 per year
  -trucks (each of 1.0 ton gross vehicle weight): in excess of 2.5 tons are charged ¥ 6800 per year; 2.5 tons or less are charged ¥ 6400 per year
  -buses (each of 1.0 tons gross vehicle weight) are charged ¥ 6300 per year
  -mini motor vehicles are charged a constant amount of ¥ 4400 per year
  -two-wheel vehicles of 251cc or more are charged a constant amount of ¥ 2500 per year, and those of 128cc to 250 cc are charged ¥ 6300

- motor vehicle tax:
  -constant tax charged on April 1 of each year
  -passenger motor vehicles for private use with an engine capacity of
    -up to1000cc are charged ¥ 29 500
    -1001 to 1500cc are charged ¥ 34 600
    -1501 to 2000cc are charged ¥ 39 500
    -2001 to 2500cc are charged ¥ 45 000
    -2501 to 3000cc are charged ¥ 51 000
    -3001 to 3500cc are charged ¥ 58 000
    -3501 to 4000cc are charged ¥ 66 500
    -4001 to 4500cc are charged ¥ 76 500
    -4501 to 6000cc are charged ¥ 88 000
    -greater than 6000cc are charged ¥ 111 000

- mini motor vehicle tax: -constant tax charged on April 1 each year
-mini motor vehicles for private use are charged ¥ 7200
-mini trucks for private use are charged ¥ 4000
- two-wheel motor vehicles of up to 50cc are charged ¥ 1000; of between 51 and 90cc are charged ¥ 1200; of between 91 and 125cc are charged ¥ 1600; of between 126cc and 250cc are charged ¥ 2400; and those in excess of 260cc are charged ¥ 4000

Japan applies the following taxes at the running stage:

- vehicle oil tax: -tax imposed on gasoline
-¥ 48.6 per litre
-tentative tax rate until March 31, 1998

- local road tax: -tax imposed on gasoline
-¥ 5.2 per litre
-tentative tax rate until March 31, 1998

- diesel fuel oil deal tax: - tax imposed on diesel fuel oil
-¥ 32.1 per litre
-tentative tax rate until March 31, 1998

- petroleum gas tax: -imposed on LPG
-17.5¥ per kilogram

- consumption tax: -3 per cent tax that is based on the purchase price of fuel
-tax is imposed on diesel fuel oil prices excluding diesel fuel oil deal tax

3.2 Corporate Taxes

The effective rate of corporate taxation is 49.98 per cent.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Japan liberalized its foreign investment policy in 1971 and is now generally unrestricted. In fact, foreign direct investment need only be reported *ex post facto*, with a few exceptions.

4.2 Investment Incentives

Japan has a number of programs and activities in place to assist foreign exporters.

The Export/Import Bank offers direct loans for foreign exporters, sellers and manufacturers.

The Japan External Trade Organization organizes trade missions, provides in-house consultation for direct investment, organizes trade shows, fairs and exhibitions, and publishes market reports, among other things, in an effort to assist exports and investors access the Japanese market.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Type Designation Approval System is a program under which standards certification certificates are issued. The type approval is valid for the production life of the motor vehicle. In the case of a change of specifications, all unchanged data may be carried over from the previous approval. The Preferential Handling Procedure of 1985, exempts vehicles imported in quantities less than 2000 units from certain tests. Since the 1970s, vehicle approval testing for Japan has been available abroad.

Presently, Japan has strict safety and emission standards and requires motor vehicle inspections at regular intervals. As of June 1995, Japan has agreed to the terms of the revised United Nations Economic Commission for Europe 1958 Agreement, the basis of which is to establish commonly recognized technical subscriptions of motor vehicles.

Currently of the 8,000 industrial standards in Japan, 324 pertain to motor vehicles.

Japan removed four parts, including shock absorbers and struts, from the definition of dissembling repair (or "critical parts"). Regulations introduced February 20, 1997 will authorize Specialized Certified garages to perform repairs on one or more of the seven "critical part" assemblies (i.e. brake system, transmission, engine, running system, steering system, suspension system and coupling devices). Also, Special Designated garages allow smaller garages to perform repairs related to periodic safety inspections.

6. MAJOR PLAYERS

Daihatsu Motor Company Ltd.
1-1 Daihatsu-Cho
Ikeda
Osaka 563

- small automotive as·embler of light- and heavy-duty vehicles
- features engine and transmission facilities and a foundry

Fuji Heavy Industries
Subaru Building
7-2 Nishishinjuku 1-Chome
Shinjuku-ku
Tokyo 160

- produces passenger cars, light and heavy commercial vehicles
- features major components facilities for engines, transmissions, vehicle undercarriages, engines, generators and pumps

Hino Motors Ltd.
1-1 Hinodai 3-Chom
Hino City
Tokyo 191

- assem' 'es light-duty trucks and medium- and heavy-duty trucks and buses
- features major facilitie: for suspensions and other components, mechanical components, diesel engines, engines and other components, and a foundry

Honda Motor Company Ltd.
1, 2-Chome
Minami-Aoyama
Minato-ku
Tokyo 107

- fourth largest light-duty car assembler and small commercial vehicle assembler
- features major component facilities for engines, engine parts, transmission parts, transmissions and automatic transmissions

Isuzu Motors Ltd. (formerly Tokyo Motors)
26-1 Minami-Oi 6-Chome
Shinagawa-Ku
Tokyo 10

- focusses on assembly of commercial vehicles; some assembly of light-duty vehicles
- features major facilities for engines, transmissions, axles, components and small engines

Mazda Motor Corp.
3-1 Shinchi Fuchu cho
Aki-Gun
Hiroshima 730-91

- manufacturers mid-sized Japanese vehicles
- features major component facilities for petrol engines, transmissions, foundry forging, machining, die casting, heat treatment and diesel engines

Mitsubishi Motors Corp.
33-8 Shiba 5-Chome
Minato-Ku
Tokyo 108

- third largest light-duty vehicle and second largest heavy-duty vehicle assembler
- includes major component facilities for engines, transmissions and commercial vehicle transmissions

Nissan Diesel Motor Company Ltd.
1 Oaza 1-Chome
Ageo City
Saitama Pref 362

- smallest of Japan's mainstream vehicle assemblers
- features major component facilities for axles, cabs, engines, machining operations, transmission trimmings, wheel hubs, castings, and a foundry

SOUTH KOREA

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	1 805 890	2 101 400	505 760	577 730
Sales	1 140 400	1 135 000	415 200	424 600

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995-2015

Vehicle	1995	2000	2005	2010	2015
Passenger	134	199	236	265	293
Commercial	56	77	101	122	141
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Tariff amendments are issued approximately every six months and go into effect four to five days later.

Table 3

South Korea's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	10.0
Motor Vehicles for Goods Transport	10.0
Motor Vehicles Seating 10 or More	10.0
Tractors for Use with Semi-trailers	8.0
Special Motor Vehicles	8.0
Bodies	8.0
Chassis Fitted with Engines	8.0
Engines	8.0
Parts and Accessories	8.0
Glass	8.0
Tires and Tubes	8.0

2.2 Customs Procedures

Customs clearance can take up to 45 days. Emission and noise certification is required and accounts for 20 to 25 days of the customs clearance process time. The noise and emission approval is issued by the National Institute for Environmental Research. This certification is valid for as long as the vehicle's design remains unchanged.

Type approval is also required and is issued by the Korean Automobile Testing and Research Institute, the Korean Traffic Safety Administration and the Ministry of Construction and Transportation. Korca has memoranda of understanding with both the U.S. and the European Union (EU) on self-testing certification.

2.3 Import Restrictions

Currently, Japanese motor vehicles are subject to a number of restrictions that are to be eliminated by 2000. Japanese vehicles originating from non-Japanese-based plants are not restricted.

Import restrictions also apply to Japanese auto parts imports and aftermarket imports.

2.4 Local Content Requirements

Because there is no transplant production in South Korea, local content regulations are not applicable.

2.5 Automotive-related Legislation and Preferential Trade Agreements

The U.S. and Korea have a Memorandum of Understanding (MOU), signed in September 1995, on automotive trade. The provisions of this MOU include improving access to advertising media, eliminating the government's discriminatory practices towards purchasers of imported motor vehicles, and establishing a simplified standards assessment process for small-volume imports.

As of 1995, Korea has also agreed to accept U.S. standards documentation of specifications, which meet U.S. safety and emission standards requirements, to fulfill 28 of its 38 type-approval requirements.

As of 1994, Korea has agreed to accept EU type-approval certification towards the fulfilment of 23 of its 38 type-approval requirements.

2.6 Distribution

Advertising and sales outlet restrictions have been eliminated.

Many manufacturers have national representatives and sell vehicles door-to-door. In some respects, the style is similar to that of Japan.

The foreign auto show is becoming increasingly accessible to foreigners.

3. TAXATION

3.1 Vehicle-specific Taxes

Korea has a series of stages at which taxes are levied on motor vehicles.

At the motor vehicle purchase stage, Korea levies the following taxes:

- on motor vehicles with an engine displacement of 1500cc or less, a special excise tax of 10 per cent on the ex-factory price, education tax of 30 per cent of the special excise tax and value-added tax of 10 per cent on the ex-factory price, plus the special excise tax, plus the education tax
- on motor vehicles with an engine displacement greater than 1500cc but less than 2000cc, a special excise tax of 15 per cent on the ex-factory price, education tax of 30 per cent of the special excise tax and value-added tax of 10 per cent on the ex-factory price, plus the special excise tax, plus the education tax
- on motor vehicles with an engine displacement greater than 2000cc, a special excise tax of 20 per cent on the ex-factory price, education tax of 30 per cent of the special excise tax and value-added tax of 10 per cent on the ex-factory price, plus the special excise tax, plus the education tax

At the registration stage, the following taxes apply:

- acquisition tax of 2 per cent on the selling price of the vehicles
- registration tax of 5 per cent on the selling price of the vehicle
- education tax of 20 per cent of the registration tax
- in Seoul, subway bonds must be purchased at a rate of 4, 9, 12 and 20 per cent of the selling price on motor vehicles with engine displacements less than 1000cc, 1000cc to 1499cc, 1500cc to 1999cc, and 2000cc or more, respectively

At the retention stage, vehicle taxes vary according to engine displacement, as follows:

- engine displacement of less than 800cc: Won 100 per cc
- engine displacement of less than 1000cc: Won 120 per cc
- engine displacement of less than 1500cc: Won 160 per cc
- engine displacement of less than 2000cc: Won 220 per cc
- engine displacement of less than 2500cc: Won 250 per cc
- engine displacement of less than 3000cc: Won 410 per cc
- engine displacement of more than 3000cc: Won 630 per cc

Licensing fees are as follows:

- on passenger cars with a tax-standard price of Won 70 million or more (Type 1) in cities with a population of more than 5000, the fee is Won 45 000; in other cities the fee is Won 30 000; and in the country the fee is Won 18 000
- on passenger cars with an engine displacement of more than 1600cc (Type 2) in cities with a population of more than 5000 the fee is Won 36 000; in other cities the fee is Won 22 500; and in the country the fee is Won 12 000
- on passenger cars with an engine displacement of more than 1400cc (Type 3) in a cities with a population of more than 5000 the fee is Won 27 000; in other cities the fee is Won 15 000; and in the country the fee is Won 8000
- on passenger cars with an engine displacement of more than 1400cc or motor vehicles other than passenger cars (Type 4) in cities with a population of more than 5000 the fee is Won 18 000; in other cities the fee is Won 10 000; and in the country the fee is Won 6000
- on independent taxis or delivery vehicles and two-wheelers, except those with an engine displacement of less than 125cc (Type 5) in cities with a population of more than 5000 the fee is Won 12 000; in other cities the fee is Won 5000; and in the country the fee is Won 3000.

3.2 Corporate Taxes

The *International Taxation Coordination Law* (1996) introduces a new transfer pricing regime. For example, a taxpayer and the annual corporation income tax return must explain what transfer pricing method was implemented and provide justification for this application.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Foreign Direct Investment (FDI) is governed according to the *Foreign Capital Inducement Act* (1960). In January 1996, this act was amended with a view to harmonizing investment procedures for foreign and domestic investors. In November 1996, an additional amendment was passed to liberalize foreign investment restrictions in 103 sectors. Thirty-two sectors will remain completely closed and 26 will only become partially liberalized. The transportation sector and land ownership are on the restricted list.

Portfolio investment has been liberalized so that, by the end of 1997, 25 per cent of the capital of a Korean company may be owned by foreigners. In 1998 or 1999, the ceiling will be reviewed and either further liberalized or abolished. Additionally, foreigners wishing to own Korean stock are required to do the following:

- register for an identification number
- name a Korean proxy
- enter an entrustment contract with a licensed broker
- appoint a foreign exchange bank to handle their transactions.

Formerly, foreign mergers and acquisitions of Korean companies were prohibited. Since 1997, "friendly" foreign mergers and acquisitions are allowed.

Land ownership is restricted to those foreign corporations with foreign-investment-permitted businesses. Furthermore, these corporations are restricted to 660 and 165 square metres for land for housing and commercial use, respectively. With special permission from the Ministry of Construction, these limits may be exceeded.

According to Organization for Economic Cooperation and Development standards, Korea's foreign exchange and capital flow system is fairly restrictive, even given the liberalization steps being taken. Korea initiated a five-year foreign exchange plan (1995) with the following key objectives:

- liberalize capital outflow and maintain control of capital inflow
- establish a timetable of flows to be liberalized
- identify sectors targeted for early liberalization
- liberalize current account controls and conservatively remove controls on capital accounts.

4.2 Profit Repatriation

Profit repatriation is generally unrestricted.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Imported vehicles are subject to a 100 per cent inspection requirement and domestic vehicles are subject to in-house inspection by government employees.

A vehicle must be inspected every two years after its registration date.

As of 1995, Korea has also agreed to accept U.S. standards documentation for specifications, which meet U.S. safety and emission standards requirements, to fulfill 28 of its 38 type-approval requirements.

As of 1994, Korea has agreed to accept EU type-approval certification towards the fulfilment of 23 of its 38 type-approval requirements.

Korea has a series of six emission test standards, which are less stringent than the EU standards.

In 1996, the Ministry of the Environment reduced maximum noise restrictions from 77dB to 75dB. These are very strict noise requirements and imported vehicles generally require special modification to meet them.

6. MAJOR PLAYERS

Asia Motors Company
15 Yoido-dong
Youngdeungpo-Gu
Seoul 150-010

- produces medium-size and heavy commercial vehicles and passenger cars
- features facilities to produce engines

Daewoo Corporation
199 Chongchon-dong
Pungk-gu
Inchon 403-714, Seoul

- third largest producer of vehicles
- produces passenger cars, buses and heavy-duty trucks

Hyundai Motor Company
140-2 Kye-Dong
Chongro-Ku
Seoul 100-793

- largest vehicle producer
- produces passenger cars, heavy-duty trucks and buses

Kia Motors Corporation
15-21 Yoido-Dong
Youngdeungpo-Ku
Seoul 150-010

- produces passenger vehicles and heavy-duty trucks

Ssangyong Motor Co.
448-2 Dogok-Dong
Kangnam-gu
Seoul 135-272

- produces sport-utility vehicles, buses and heavy-duty trucks

Samsung

- plans to expand into passenger vehicle industry and to eventually become one of the world's largest players

Nissan Motor Co Ltd.
17-1 Ginza 6-Chome
Chuo-Ku
Tokyo 104-23

- second largest vehicle assembler
- features major component facilities for engine assembly, machining, casting, axles, forging, sintering, transmissions, steering components, four-wheel drive transaxles and other components

Suzuki Motor Corp.
300 Takatsuka
Hamamatsu
Shizouka Prefecture 432-91

- mid-size assembler of light- and heavy-duty vehicles
- features major component facilities for engines, transmissions and machining, and a foundry

Toyota Motor Co.
1 Toyota-Cho
Toyota City
Aichi Prefecture 471

- largest light-duty vehicle assembler
- one of the largest vehicle assemblers in the world
- features major component facilities for engines, transmission systems, differentials, electronics, transmission subassemblies and wheels, and a foundry

MALAYSIA

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	172 899	195 000	48 830	51 150
Sales	155 800	203 000	38 800	41 430

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	111	153	191	221	247
Commercial	27	38	48	57	66
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Malaysia's tariff regime for motor vehicles varies greatly between completely built-up (CBU) and completely knocked-down (CKD) units. CBUs are imported at a much higher rate than CKDs.

Table 3

Malaysia's Most Favoured Nation 1996 Average Applied Tariff Rates			CKD	CBU
Motor Vehicles for Persons Transport				
	<1000cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new)/170(old)*
	1000cc to 1500cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new)/170(old)*
	1501cc to 3000cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new)/170(old)*
	>3000cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*200*
	other vehicles with compression-ignition internal combustion piston engines (diesel or semi-diesel)			
	<1500cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new) / 170(old)*
	1500 to 2500cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new)/170(old)*
	>2500cc	*Vans*	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*120(new)/200(old)*
	Other diesel or semi-diesel			
		Vans	*5*	*42.5*
		4WD	*5*	*50*
		Other	*42*	*170*
Motor Vehicles for Goods Transport			*0.0*	*26.7*
Motor Vehicles Seating 10 or More			*0.0*	*25.0*
Tractors for Use with Semi-trailers			*0.0*	*25.0*
Special Motor Vehicles			*35.0*	
Bodies			*23.6*	
Chassis Fitted with Engines			*21.0*	
Engines			*12.5*	
Parts and Accessories			*13.5*	
Glass			*21.7*	
Tires and Tubes			*22.9*	

2.2 Customs Procedures

Both new and used vehicles require import permits, which are issued by the Ministry of International Trade. These import licences are issued to manufacturers who have been granted import quotas.

2.3 Import Restrictions

Imports are limited to 5 per cent of the market.

Imports from Israel and South Africa are prohibited.

2.4 Local Content Requirements

The Mandatory Deletion Programme (1980) provides tariff relief to CKD imports, provided the components on the deletion list are imported without air filters, alternators, batteries, carpet and underlay, coil springs, exhaust systems, external body protective mouldings, flasher relays, fuel tanks, glass, horns, leaf springs, melt damping sheets, mudflaps, radiators, radiator hoses, seatbelts, seat and slide assemblies, seat pads, shock absorbers, spark plugs, starter motors, tubeless tire valves, brake, clutch and fuel tubing, tires, wheel nuts, windscreen washers, wiper motors, wire harnesses or U-bolts assemblies comprising spring pins and shackles pins/bolts and shackle assemblies for commercial vehicles.

As of 1996, Malaysia imposes a 60 per cent local content requirement on motor vehicles with engines of a cylinder capacity not exceeding 2000cc. Vehicles with a cylinder capacity of between 2000cc and 3000cc and commercial vehicles weighing up to two tonnes have a local content requirement of 45 per cent. As part of the World Trade Organization stipulations, the local content requirements must be eliminated within five years.

2.5 Automotive-related Legislation and Preferential Trade Agreements

2.5.1 Automotive-related Legislation

The National Car Project is designed to build up the domestic motor vehicle manufacturing industry by offering protection behind high tariff walls and offering fiscal incentives.

2.5.2 Preferential Trade Agreements

The Association of Southeast Asian Nations (ASEAN) was established on August 8, 1967 and its membership currently includes Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In 1995, the ASEAN Free Trade Area members agreed to accelerate their implementation to the year 2003. Specifically, the Common Effective Preferential Tariff agreement is aimed at reducing tariffs between members to 5 per cent by 2003.

The Memorandum of Understanding on Brand to Brand Complementation (1988) seeks to expand the production of certain motor vehicles across ASEAN countries. As an incentive, automotive components trade between participating countries enjoys a 50 per cent, or more, tariff benefit over non-participating suppliers.

3. TAXATION

3.1 Vehicle-specific Taxes

Malaysia's taxes include a 10 per cent sales tax applied on the gross vehicle value of the import vehicle or the factor-gate value of the domestic vehicle.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Businesses with Ringgit 2.5 million or more of equity or at least 75 full-time employees, require a manufacturing licence.

Foreigners may own 100 per cent of the capital of a business provided that:

- 80 per cent of total production is exported or
- between 50 to 79 per cent of total production is exported, and fixed assets, minus land, are greater than Ringgit 50 million or
- products have a minimum 50 per cent value-added and there is no domestic equivalent to the product.

If these conditions are not met, ownership is generally restricted to 51 per cent. In ventures requiring certain technology or with high value-added, but not meeting these 100 per cent foreign ownership conditions, foreign ownership could be allowed to reach 79 per cent.

Foreigners may own 30 to 51 per cent of the capital of a business depending on the levels of value-added, and provided that 20 to 50 per cent of production is exported.

Businesses exporting less than 20 per cent of production are restricted to 30 per cent foreign ownership, except in cases requiring advanced technology ventures producing "priority products."

4.2 Profit Repatriation

A statistical reporting form must be completed upon profit repatriation or dividend payments of Ringgit 10 000.

4.3 Investment Incentives

Malaysia has introduced a number of liberalizations and general measures to make the nation more attractive to foreign investors. These include the following:

- relaxing rules on licensing and foreign investment
- tax relief
- direct tax allowance
- simplified tariff structure
- improvements in financing and credit.

The Industrial Building Allowance provides enterprises with an initial allowance of 10 per cent and an annual allowance of 2 per cent for constructing buildings to be used as warehouses for export-bound products.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

The Standards and Industrial Research Institute of Malaysia establishes standards. Thirty-four standards are required; the remainder are voluntary. Malaysia is a member of the International Standards Organization.

6. MAJOR PLAYERS

Assembly Services Sdn Bhd (ASSB)
Persiaran Selangor; PO Box 91
Section 16
40700 Shah Alam
Selangor

- largest contract vehicle assembler of passenger vehicles and heavy-duty trucks

Associated Motor Industries (AMI)
Jalan Sesiku 15/2
40000 Shah Alam
Selangor

- assembles passenger cars and heavy-duty trucks under licence

Automotive Manufacturers Malaysia Sdn Bhd (AMM)
Peramu Jaya, Pekan
P.O. Box 3
26607 Pehang
- assembles passenger cars, buses and heavy-duty trucks under licence

Cycle and Carriage Bintang Bdh (CCB)
P.O. Box 170
Jalan Sultan Post Office
46908 Petaling Jaya
Selangor
- small assembler of heavy-duty trucks and buses under licence

Kinabalu Motor Assembly Sdn Bhd (KMA)
WDT 144
GPO
88999 Kota Kinabalu
Sabah
- smallest assembler of heavy-duty trucks and buses under licence

Oriental Assemblers Sdn Bhd (OASB)
P.O. Box 204
80720 Johore Bahru
- produces passenger cars and commercial vehicles under licence

Perusahaan Otomobil Kedua Sdn Bhd (Perodua)
Rawang
- second largest indigenous manufacturer

Perusahaan Otomobil Nasional Bhd (Proton)
HICOM Industrial Estate, Batu 3
P.O. Box 7100
40918 Shah Alam
Selangor
- produces passenger vehicles

Swedish Motor Assemblies Sdn Bhd (SMA)
Jalan bicu
40000 shah Alam
Selangor
- produces passenger vehicles and heavy-duty trucks

Tan Chong Motor Assemblers Sdn Bhd (TCMA)
P.O. Box S21
Sentul
51700 Kuala Lumpur

- produces passenger vehicles, heavy-duty vehicles and buses under licence

Dennis Specialist Vehicles (division of Trinity Holdings of the U.K.)

- assembles buses and cabs

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table Taiwan-1: Sales and Production of Cars and Trucks, 1994 to 1995

	Cars		**Trucks**	
	1994	*1995*	*1994*	*1995*
Production	291 300	307 200	130 340	138 440
Sales	433 830	457 000	131 970	136 060

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

	1995	**2000**	**2005**	**2010**	**2015**
Passenger	174	217	260	299	336
Commercial	46	61	77	92	107
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

Taiwan's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	31.7
Motor Vehicles for Goods Transport	38.6
Motor Vehicles Seating 10 or More	42.0
Tractors for Use with Semi-trailers	42.0
Special Motor Vehicles	12.7
Bodies	15.0
Chassis Fitted with Engines	36.9
Engines	18.8
Parts and Accessories	11.4
Glass	19.3
Tires and Tubes	12.2

2.2 Customs Procedures

The duty value of automobiles is not the invoice price or transaction price but is, instead, assessed according to a specific formula. Motor vehicle and parts imports are subject to automatic licensing by authorized licensing banks. Utility vehicles and vehicles of a gross weight exceeding 3.5 tons or with 10 or more seats require special approval from the Department of Surface Transportation.

2.3 Import Restrictions

Motor vehicle imports are prohibited, except those originating from North America (Canada and U.S.) and parts of Europe (excluding Eastern Europe). Furthermore, the imports from these regions must be regional brands. Quantitative, but gradually liberalizing, restrictions apply to imports from countries such as Japan and Korea.

Diesel engines for motor vehicles are prohibited.

2.4 Used Vehicle Imports

Used product imports are generally prohibited.

2.5 Local Content Requirements

Small- and middle-sized heavy trucks weighing between 3 and 15 tons and heavy trucks weighing more than 10 tons are subject to local content requirements of 50, 37 and 31 per cent, respectively. These respective vehicles must also contain four, three and two parts from a standing list of 15 identified critical parts to be supplied domestically. As part of its accession to the World Treaty Organization, Taiwan has agreed to eliminate these content requirements.

3. TAXATION

3.1 Vehicle-specific Taxes

Taiwan taxes include the following:

- 42 per cent tax on commercial vehicles
- 5 per cent value-added tax
- 25, 35 and 60 per cent commodity tax on passenger cars with engines smaller than 2 L, between 2 and 3.6 L, and larger than 3.6 L, respectively
- 15 per cent commodity tax on trucks, buses and other vehicles
- 10 and 15 per cent commodity taxes on rubber tires for buses and trucks and various other tires, respectively
- 30 per cent planned licence tax
- 15 per cent planned increase in fuel charges every two years
- harbour construction dues on imports and exports of 0.5 per cent the duty value.

A trade promotion service fee of a minimum of 0.05 per cent is suggested to be collected at the customs office to establish a trade promotion fund.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Direct foreign investment requires approval from the Investment Commission of the Ministry of Economic Affairs. No foreign equity ownership restrictions apply to the automotive industry.

4.2 Profit Repatriation

No restrictions apply to either profit repatriation or disinvestment.

4.3 Investment Incentives

The *Foreign Trade Act* (Article 21) seeks to establish a trade promotion fund with fees collected at customs.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Taiwan's National Bureau of Standards establishes a system of standards that follows international standards.

Both import and domestic motor vehicles require approval from the Administration of Environmental Protection.

Chinese National Standard (CNS) 7895 concerns emissions controls and has been applied since July 1990 for import vehicles and July 1994 for domestic vehicles. Generally, three emission tests are required in addition to U.S. or U.S.-equivalent documentation, which is fully acknowledged by Taiwan. CNS 2733 and CNS 5799 apply to fuel consumption and noise control, respectively.

6. MAJOR PLAYERS

China Motor Corporation
Taipei

- largest vehicle assembler
- produces passenger cars and commercial vehicles

Chinese Automobile Company
169 Nanking E Road, SCC2 Taipei

- produces passenger cars and commercial vehicles

Ching Chung Motor

- produces commercial vehicles

Ford Lio Ho
705 Chung Hua Road
P.O. Box 12-Chungli-Li
Chung-Li City, Tao Yuan Hsien

- second largest vehicle manufacturer and the largest passenger car manufacturer

Kuozui Motor

- produces passenger cars and commercial vehicles

Prince Motors
611 Chung Hsin Road
Section 5
San Chung

- produces passenger cars and commercial vehicles

San Fu Motors of Industrial Company
188 Tai Chung Kang Road
P.O. Box 225, Tai Chung

- produces passenger cars and commercial vehicles

San Yang Industries Company
124 Hsin Ming Road
Nei-Hu
P.O. Box 8-14, Taipei

- produces passenger cars

Ta Ching Motors
Ping Tung

- produces passenger cars and commercial vehicles

Yue Loong Motor Company
150 Nanking E Road, Section 2
Taipei

- produces passenger cars and commercial vehicles

Yeu Tyan Machinery Manufacturing Company
20 Chang Chun Road, Taipei

- produces passenger cars and commercial vehicles

China-Engine Corporation

- produces 1200cc engines
- plans to develop and produce 1600cc and 1800cc engines

1. MOTOR VEHICLE INDUSTRY

1.1 Production and Sales Overview

Table 1: Production and Sales of Cars and Trucks, 1994 to 1995

	Cars		Trucks	
	1994	*1995*	*1994*	*1995*
Production	109 830	125 000	334 500	313 750
Sales	155 700	160 290	328 360	307 020

1.2 Vehicle Density

Table 2: Vehicles per 1000 Persons, 1995 to 2015

Vehicle	1995	2000	2005	2010	2015
Passenger	20	33	47	61	77
Commercial	41	70	98	129	162
Source: Pemberton, Max. *1996 Ward's Vehicle Forecasts and Strategies* 1996, U.S.A.					

2. TRADE ENVIRONMENT

2.1 Tariff Regime

Table 3

Thailand's Most Favoured Nation 1996 Average Applied Tariff Rates	
Motor Vehicles for Persons Transport	55.3
Motor Vehicles for Goods Transport	46.7
Motor Vehicles Seating 10 or More	40.0
Tractors for Use with Semi-trailers	30.0
Special Motor Vehicles	34.0
Bodies	80.0
Chassis Fitted with Engines	30.0
Engines	22.0
Parts and Accessories	37.3
Glass	41.7
Tires and Tubes	32.3

2.2 Customs Procedures

The following commodities require a special import licence:

- six-wheel buses with 30 or more seats
- bodies for motor vehicles
- cabs for motor vehicles
- diesel engines from 331 to 1100 cc
- used tractors with cylinder capacity not exceeding 1100 cc
- special-purpose vehicles.

2.3 Import Restrictions

Tires, batteries, radiators and glass may not be imported.

2.4 Used Vehicle Imports

Imports of used automotive parts are restricted.

2.5 Local Content Requirements

Thailand's local content requirements are calculated according to a point system: each part of a car is assigned a point rating, the total of which is 100 points. The local content requirements are 54, 65 to 80 and 40 to 50 points for passenger cars, light trucks, and trucks and buses, respectively. Automotive engines are also subject to local content requirements. Assemblers with motor vehicles complying to these local content standards are exempt from excise taxes, ranging from 27 to 45 per cent.

2.6 Automotive-related Legislation and Preferential Trade Agreements

2.6.1 Automotive-related Legislation

Thailand subscribes to the Association of Southeast Asian Nations (ASEAN) Industrial Joint Venture Scheme, which provides tariff preferences of up to 50 per cent compared to those for commodities imported by non-qualifying ventures. Joint ventures in which at least two ASEAN members hold a minimum 51 per cent stake can import commodities under the Brand to Brand Complementation (BBC) Scheme (1988) and are given the above-mentioned tariff preferences. Automotive parts are included under the BBC Scheme. This program is gradually being phased out.

2.6.2 Preferential Trade Agreements

ASEAN was established on August 8, 1967 and its membership currently includes Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In 1995, the ASEAN Free Trade Area members agreed to accelerate the implementation of the Common Effective Preferential Tariff agreement, which is aimed at reducing tariffs between members to 5 per cent by 2003.

2.7 Special Zones

All the country's provinces, except Bangkok, Samut Prakan, Samut Sakhon, Pathum Thani, Nonta Buri, Nakhon Pathom, Samut Songkhram, Ratchaburi, Kanchanaburi, Suphanburi, Angthong, Ayutthaya, Saraburi, Nakhon Nayok, Chachoengsao and Chonburi, as well as the Laem Chabang Industrial Estate, are designated as Investment Promotion Zones. Specific benefits, including tariff reductions, may be derived from establishing in these zones.

3. TAXATION

3.1 Vehicle-specific Taxes

There are three basic categories of taxes: corporate tax; value-added tax (VAT); and personal income tax.

As of 1992, the VAT in Thailand is 7 per cent, and is paid monthly and calculated by deducting the input tax from the output tax. The amount left over is the tax paid. Exemption from this tax is available if certain conditions are met.

Personal income tax is charged on a sliding scale and exemptions are granted to certain persons, including United Nations officers, diplomats and certain visiting experts, under the terms of international and bilateral agreements.

In 1992, Thailand replaced import surcharges with an excise tax schedule. In 1995, the excise tax on passenger cars and modified pickups was 38.5 and 41.8 per cent on motor vehicles with an engine capacity of less than 2400cc and more than 2400cc, respectively. Off-road passenger vehicles were charged a 27 per cent excise tax and pickups and vans were exempt from excise taxes.

In 1994, the luxury tax was changed to 48 per cent on vehicles with an engine capacity of more than 3000cc.

Thailand charges vehicle registration fees as detailed in Table 4.

Table 4: Registration Fees

Engine Capacity		Registration Fee
First 600cc		0.5 baht/cc
Next 601 to 1800cc		1.5 baht/cc
More than 1800cc		4.00 baht/cc
Discount rates according to the age of the car	1 to 5 years	0 per cent
	6 years	10 per cent
	7 years	20 per cent
	8 years	30 per cent
	9 years	40 per cent
	10 years	50 per cent

3.2 Corporate Taxes

The corporate tax rate for incorporated firms is 30 per cent of net profits. Taxes are due semi-annually and corporations are required to withhold personal income taxes from their employees.

4. INVESTMENT

4.1 Foreign Investment Restrictions

Thailand's *Alien Business Law* (1972) restricts foreign investment, predominantly in the service sector. Therefore, while foreign investment in the manufacturing of motor vehicles and components is unrestricted, the wholesale of such products is subject to restrictions.

Since 1994, the ban on new entrants and the restriction of foreign ownership of companies have been abolished.

4.2 Investment Incentives

Basic transportation systems, direct involvement in technological development and basic industries have been identified by the Board of Investment (BOI) as priority activities. Projects classified as priorities will be tax-exempt for eight years. Projects located in Zones 1 and 2, machinery subject to import duty of more than or equal to 10 per cent, and machinery not already benefiting from a tariff reduction receive a 50 per cent tariff reduction.

Poor road conditions and traffic congestion in the Bangkok area is prompting the BOI to consider incentives to encourage the production and use of electric vehicles in the area. Incentives under consideration include tariff and tax concessions.

5. STANDARDS AND REGULATIONS

5.1 Vehicle Safety and Emission Standards

Industrial standards are set by technical committees appointed by the Ministry of Industry.

Currently their objective is to harmonize regulations and standards among ASEAN members and ultimately to work toward adopting the United Nations/Economic Commission for Europe Working Party 29 Standards.

6. MAJOR PLAYERS

Isuzu Motors Thailand Co Ltd.
38 Thanon Samrong-Thai
Puchao Smingprai Road
10310 Samut Prakan

- produces commercial vehicles and buses

MMC Sittipol Co Ltd.
1990 Ramkhamaeng Road
10240 Bangkok

- produces passenger cars and commercial vehicles and buses

Siam Motors and Nissan Co Ltd/Siam Nissan Automobile
891 Rama 1 Road
10500 Bangkok

- produces passenger cars and commercial vehicles and buses

Sukosol and Mazda Industry Co Ltd.
4 Sukhaphiban 2 Road
Bangkapi
10240 Bangkok

- produces passenger cars and commercial vehicles

Thai Hino Industry Co Ltd.
45/13 Vibhavadi Rangsit Road
10900 Bangkok

- produces medium-sized and large trucks and large buses

Thai-Swedish Assembly Co Ltd.
1527 Sukhumvit 71
Klongtan
10250 Bangkok

- produces passenger cars and commercial vehicles

Thonburi Automotive Assembly Plant Co Ltd.
72 Mension 3
Rajdamnoen Avenue
Bowornivate
10130 Samut Prakan

- produces passenger cars, buses and trucks under licence

Toyota Motor Thailand Co Ltd.
186/1 Mu 1 Old Railway Road
Tambon Samrong Tai
Amphone Phra Phradaeng
10130 Samut Parkan

- produces passenger cars and commercial vehicles and minibuses

YMC Assembly Ltd.
10/18 Soi 5
Rong Muang Road
Pathumwan
10330 Bangkok

- produces passenger cars

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