




Feb 14, 2008, Guelph ON - This is definitely a move in the right direction for North American auto parts makers, however, it does not reflect the hundreds of millions of dollars of lost revenue for companies because of one-way regulations allowing China to dump products into North American markets. While China continues to protect its own auto parts industry, they also continue to have free reign to ship their sometimes inferior products into other countries. Hopefully, the WTO interim ruling will allow US, Europe and Canada to protect their domestic auto parts markets, provide quality products, continue to provide employment at a fair wage AND someday soon provide products back to China. - Rick 

## WTO Condemns China for First Time, Sides with U.S., EU, Canada on Auto Parts

(The Canadian Press – Bradley S. Klapper, The Associated Press, Feb 13, 2008 )

The World Trade Organization issued its first official condemnation of Chinese commercial practices, officials said Wednesday, calling it a victory for the United States, European Union and Canada in a dispute over car parts.

The WTO found that China was breaking trade rules by taxing imports of auto parts at the same rate as foreign-made finished cars, according to trade officials with knowledge of the confidential ruling. They spoke on condition of anonymity as the decision was still confidential, The Associated Press reports.

The three trade powers argued that the tariff was discouraging automakers from using imported car parts for the vehicles they assemble in China. As a result, car parts companies had an incentive to shift production to China, costing Americans, Canadians and Europeans their jobs, they said.

The ruling, to be officially released in March, will be closely watched by makers of batteries and brakes to seats and spark plugs on both sides of the Atlantic, including U.S.-based Delphi Corp., General Motors' former parts supplier, and Robert Bosch GmbH in Germany.

The three-member WTO panel delivered its "interim ruling" confidentially to the parties on Wednesday. No panel has ever changed its findings between an interim and final decision.

China, which will still be able to appeal, claims the tariffs are intended to stop whole cars being imported in large chunks, allowing companies to avoid the higher tariff rates for finished. It argues that all measures are fully consistent with WTO rules and do not discriminate against foreign auto parts.

But the U.S. and the EU say that China promised not to treat parts as whole cars when it joined the WTO.

Key officials have said they believe the case has ramifications beyond the auto industry.

"It will be instructive to see how China responds," U.S. Trade Representative Susan Schwab said in a recent interview. "If, as we hope and expect, China will be found in contravention of its WTO obligations, hopefully that will help those forces within China that have been advocating reform."

WTO cases tend to take years before retaliatory sanctions can be authorized. After the ruling is released, Beijing will be given a "reasonable period of time" to make legislative changes. A separate panel would then have to find that Beijing was still breaking the rules.

## WTO ruling on China auto parts tariffs a move in the right direction - Canada

(AFX News Limited/Forbes.com, Feb 13, 2008)

OTTAWA (XFN-ASIA) - Canada's trade minister said a World Trade Organization decision upholding a complaint over Beijing's import tariffs on auto parts is 'a move in the right direction' and that it could help revive Canada's ailing auto parts industry.

'It's a move in the right direction,' said Trade Minister David Emerson. 'It looks like (the WTO) thinking is in line with the arguments we've been making, and I think this will be helpful for the Canadian auto parts industry.'

China is 'a market that's growing and with our companies in such tough shape right now, a growing market is critically important to restoring health to our own auto parts industry,' he added.

The case is the first time China has been the subject of a complaint that went all the way through to the WTO's Dispute Settlement Body since it joined the organization in 2001.

China has a minimum local content requirement of 60 pct for home-produced cars. If this is exceeded, it then levies the same tariff on the vehicle as if it was imported completely built.

The US, European Union and Canada argued that this measure violates China's WTO accession agreement which pledged a progressive opening up of its markets.

Emerson said the high tariff made it 'uneconomic' for Canadian parts suppliers to export to China, and it cost Canadian auto parts companies hundreds of millions of dollars in lost revenues.

The WTO interim ruling, he said, means the US, European Union and Canada may eventually 'retaliate or take trade action' against China when it is officially released. <sup>™</sup>

'Hopefully it'll bring about a change in the practices that China's been applying,' he said.

As well, Emerson urged Canada's North America-centric auto parts industry to 'develop strategies for the modern global marketplace and start to expand their exports into rapidly growing markets like China.'



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