RENault’S LOGAN CAR: MANAGING CUSTOMS DUTIES FOR A GLOBAL PRODUCT

There are some commodities with very high levels of complexity with respect to customs duties. Because of this, we must have some specific knowledge of what duty optimization, drawbacks, specific regime, and automotive laws are.

—Isabelle Roca, Customs and Trade Manager, Renault

Renault designed the Logan car to address the needs of new, high-potential markets around the world. Initially launched in 2004 in Romania, plans for the Logan called for it to be distributed throughout South America, Asia, Eastern Europe, Africa, and the Middle East. The Logan was an important part of Renault’s strategy to grow revenue and increase profitability. The initial results looked promising—by the end of 2006, the company had sold over 400,000 Logan cars.

Due to the global scope of Logan’s sales, customs duties were an important consideration. Effective customs management was essential both to getting product to the customers, and to minimizing costs—and the customs landscape was constantly changing. As Isabelle Roca, Customs and Trade Manager for Renault, considered the progress of the Logan program, she knew that Renault had some very important decisions to make in 2007. In addition to selling in new global markets, the Logan had unexpectedly taken off in Europe. Romania had just entered the European Union (E.U.). The trade policies of many countries, such as Morocco and South Africa, were evolving. She wondered about the strategic importance of these countries and how Renault should proceed with its operations. As Roca considered the options, she knew that her position in the Customs Consulting Group required her to think carefully about how to minimize the global cost of customs duties.1

1 Interview with Isabelle Roca, February 4, 2008. Subsequent quotations are from the author’s interviews, unless otherwise noted.

Amanda Silverman prepared this case under the supervision of Professor Hau Lee as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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RENault BACKGROUND

In 2006, Renault sold passenger cars (PC) and light commercial vehicles (LCVs) throughout the world. By the year’s end, the company reported 2.4 million units sold worldwide, a 4 percent decrease from 2005. The revenue picture was slightly better, as Renault had amassed €41.5 billion in sales in 2006, up from €41.3 billion in 2005. Unit sales throughout Europe and Asia-Africa had decreased, while those in Euromed and the Americas had both increased.2 (See Exhibit 1 for full details on worldwide sales by region, for 2005 and 2006. See Exhibit 2 for a list of countries by Renault’s regions).

Margins were also deteriorating. Renault’s operating margin and net income had decreased from 2005 to 2006. The company reported roughly €1.0 billion in operating margin for 2006, down from €1.3 billion. Net income fell from €3.4 billion to €2.9 billion.3 (See Exhibit 3 for more details on Renault’s financials in 2006).

Company History

By 2006, French-based Renault S.A. was in the business of manufacturing automobiles and offering financing, and acted as a parent company for its subsidiaries throughout the world. It operated as two divisions: Automobile and Sales. The Automobile Division designed, manufactured, and marketed passenger cars, light commercial vehicles, and special-purpose vehicles. This division represented 95.3 percent of the company’s revenue in 2006. The Sales Division provided financial and commercial services, and was comprised of RCI Banque and its 60 subsidiaries. The company produced automobiles under several brand names—Renault, Renault Samsung (South Korea),4 and Dacia (Romania).5 6

An alliance between Renault and Nissan began in 1999, when Renault invested a 44 percent stake in Nissan, which was nearly bankrupt, and tasked Carlos Ghosn with running its turn-around.7 8 Shortly after in June 2001, Ghosn was named CEO of Nissan.9 From Renault’s point of view, the alliance with Nissan opened access in new markets, including those in North America and Asia. The combined entity became the world’s fourth largest automotive company. Collaboration between the two companies occurred in various areas, including joint research and development (R&D) projects, the transfer of Nissan’s manufacturing practices to Renault, a merging of their distribution networks, the establishment of a joint information system, a plan to

3 Ibid.
4 Samsung Motors had been wholly owned by the Samsung Group until 2000, when Renault purchased a majority stake in the company.
reduce the number of models and build vehicles on the same product platforms, combined product planning, collaboration with respect to power trains and vehicle engineering, a joint venture to source parts, materials, and services, manufacturing, logistics, and the sharing of factories in Mexico and Brazil.

Later in April 2005, Ghosn was nominated as the CEO of Renault. At the time, Renault’s sales and profit margins were not at benchmark levels and managers had the goal of achieving a 4 percent margin, whereas Nissan had achieved a 10 percent margin. Meanwhile, with the exception of its Megane and Clio models, the Renault vehicles were not selling as well as the company wanted.\(^{10}\) Ghosn’s efforts began by reducing purchasing costs, streamlining model development, and tying pay packages to performance.\(^{11}\)

In 2006, serving as CEO of both Nissan and Renault, Ghosn unveiled a plan for Renault, Stratégie Renault: Contract 2009, (also known as Commitment 2009), which called for a 6 percent profit margin and world-wide expansion of vehicle production by one-third, or 800,000 units, by 2009. Departments and factories throughout the company were subsequently tasked with building a plan to meet these objectives. Ghosn took a hands-on approach to managing the company. After the plan’s release, he walked the floors of Renault’s French factories, inspecting operations, and was even heard to have corrected a worker, saying, “You’re putting that part in the wrong slot.”\(^{12}\)

The X90 Programme and Stratégie Renault: Contract 2009

Originally launched in June 2004, the Logan was the first vehicle in the so-called X90 vehicle lineup. Not including specific costs for the Logan itself, Renault had invested €489 million in the X90 Programme, most of which would be used to modernize plants in Romania.\(^{13}\) The X90 Programme had significance for the alliance with Nissan, in relation to the goals called for by the Stratégie Renault: Contract 2009. The Logan used some parts from the B platform, a platform which was also used by the Renault-Nissan alliance for the Nissan Micra and Renault Modus.\(^{14}\) The Logan would also support the international sales targets of the Stratégie Renault: Contract 2009; the vehicle was expected to contribute to a large share of the 800,000 vehicle increase called for by the Contract.\(^{15}\) Gérard Detourbet, Vice President of the Worldwide X90 Programme further remarked on this growth opportunity, “The X90 project forms part of Renault’s international growth strategy, which is targeting worldwide production of over 700,000 units of this model by 2010.”

\(^{10}\) Langley, loc. cit.
\(^{12}\) Langley, loc. cit.
\(^{14}\) Ibid.
\(^{15}\) “Renault Launches Logan in Argentina and Brazil,” Renault Press Release, April 12, 2007.
THE LOGAN

The Logan was designed as a car for new markets with high potential growth. Renault initially targeted customers in Colombia, Iran, Romania, Russia, and the Maghreb region. However, the Logan was also designed to be sold in markets throughout Africa, Asia, Eastern Europe, and South America. In these regions, the company would target families who owned just one vehicle and businesses such as taxi companies. Its target customers lived in countries where they would drive a car 20,000 kilometers per year, and keep a car for an average of five or six, or as many as eight years. The design priorities for the car were robustness, with low running and maintenance costs. This posed a particular challenge due to the target customers’ use of the car for a longer-than-average period of time, and the anticipated use in harsh road conditions. Cars in these markets typically wore out three times faster than the average when used on European roads.16 (See Exhibit 4 for pictures of the Logan).

Renault believed its Logan program was unique among its competitors. “Our approach with the X90 Programme was completely original. It marks a totally fresh start. With Logan, cost was the vital factor. All previous attempts to produce a car for sale worldwide had been based on existing models designed for the Western European market and priced at between 10,000 and 15,000 Euros. Logan was a genuine new model, created with new automobile markets in mind,” said Jean-Marie Hurtiger, the company’s director of the X90 Project.17

In September 2004, the Logan went on sale in Romania and distribution was planned in 30 countries by 2005.18 As the vehicle entered each market, it carried either the Dacia or Renault brand name. The Dacia brand was used to capture new customer target groups, having a new brand identity of a modern, ambitious company, selling a range of modern, robust, reliable, and affordable vehicles. This brand was featured in countries where the Renault name had already been established, but had not captured the entry-level segment. These included the countries of Central Europe, Turkey, northern Africa, the Middle East, and sub-Saharan Africa. In other countries, such as Iran and Russia, where the Renault brand was less established overall, the Renault brand would be used for the Logan, as the company felt less concerned about segmenting the traditional Renault offerings from the Logan.19 By 2006, Renault had sold over 400,000 Logans, under the Dacia and Renault brands. (See Exhibits 5 and 6 for Logan sales data).

Luc Alexandre Ménard, Renault’s Senior Vice President, International Operations, and Chairman of Dacia, commented on the Logan’s global market and its impact on the design of the vehicle, stating, “Logan will be on the roads of all the continents. From South America to Asia via Eastern Europe and Africa, it will have to cope with conditions that are as varied as they are demanding. So the specifications took account of requirements in the most difficult countries, from the hottest to the coldest.”20 Not only did the Logan’s design and engineering have to

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16 Ibid.
17 “Going Further With Logan,” Renault Book of Interviews.
19 Ibid.
20 Ibid.
address the challenges of serving a varied, and global market, so did its supporting operations. To execute the vision for the Logan, Renault’s operations had to support global sourcing of parts, manufacturing, assembly, and delivery of the vehicle.

To meet the demands of the early target markets, the Customs Consulting Group was responsible for giving key input to determine whether to produce the parts and assembly the vehicle in each respective local market, or to leverage the manufacturing capacity in some areas by providing parts from a mother site to local assembly plants that served each market. Ultimately, Renault saw the greatest opportunity for Romania to act as the mother site, supplying parts for the Logan to be assembled in Romania and other highly competitive plants in Russia, Morocco, Colombia, and Iran.21 This approach for the manufacturing operations was decided by analyzing various opportunities and costs, which will be discussed later in the case.

RENAULT’S MANAGEMENT OF CUSTOMS OPERATIONS

In order to support projects such as the Logan, Renault’s Customs Consulting Group was responsible for various aspects of planning and operating the company’s global infrastructure.

Customs Consulting Group

The Customs Consulting Group was responsible for two major functions related to customs and global trade. Firstly, the group was responsible for the logistics and administration required to satisfy customs regulations throughout the supply chain. Secondly, it was responsible for understanding the global customs environment.

Responsibility for the customs and global trade function ranged from routine to extremely strategic. The group had to satisfy regulation obligations and contribute to the fluidity of the supply chain. This meant:

- declaring imported and exported goods and paying associated duties and taxes
- declaring goods exchanged within the European Union for statistical needs
- producing the documents required for the exchange of goods
- respecting international regulation measures (for example, security measures)
- producing required customs documentation on time and with the required quality
- ensuring the proper functioning of the customs operations by ensuring that customs operators (internal or external) were competent.

Further strategic responsibilities focused on minimizing the cost of customs duties and required the group to obtain the facilities granted for each country, the simplified/on site procedures/computerized procedures for each country, and the appropriate customs regimes to limit—and eventually suppress—the impacts of customs duties and of taxes.22 In addition, the Customs Consulting Group was responsible for the quality and precision of customs declarations

21 Ibid.
22 Customs regimes governed the importation to a particular territory, or country, of goods from outside the territory, and sometimes offered incentives to stimulate certain industries or economic activity.
(both data and documents), avoiding penalties, and optimizing customs duties by sourcing through the use of origin regulations and supplier drawback.23

Responsibility for the environment of customs and trade was strategic. The group’s charter ranged from aligning with corporate and alliance strategies, to monitoring and influencing the policies of the World Trade Organization (WTO) and the various countries in which Renault did business. Specifically, the group was responsible for aligning its customs and trade operations with the Stratégie Renault: Contract 2009 by:

- focusing on international growth programs
- reorganizing the group by regional focus
- implementing its capability to respond to increasing internationalization
- improving the transverse business processes and the supply chain.

In addition, Roca and the group were required to support the strategies of the Renault-Nissan alliance. The group was required to be sophisticated in its approach towards external organizations, such as the WTO, World Customs Organization (WCO), and national institutions. It needed to understand customs procedures facilities, anticipate customs clearance operations, automate processes such as customs clearance and documentation, and reinforce controls imposed following the events of September 11. Finally, the group had to be diligent in its approach to understanding each country’s economic strategy. This was achieved by understanding the details of the opening of mature countries to imports and exports, becoming aware of the level of tariff and non-tariff protection in emerging countries, and becoming familiar with the presence of multiple free trade agreements.

**FACTORS IN DETERMINING CUSTOMS STRATEGY**

In order to determine the company’s optimal strategy, the Customs Consulting Group evaluated various decision factors, including the level of local assembly contents, documentation requirements, economic factors, local competitiveness, regimes, tariffs, and drawbacks.

**Level of Local Assembly Contents**

Automobiles sold in a given country could be built with a range of local contents.24 At one extreme, a company could export a car to its customers abroad as a completely built-up vehicle (CBU), where the importing country received a fully assembled vehicle ready for sale in the local market. CBUs were advantageous in that all vehicle production and assembly could be centralized. Only the logistics would thus be required to transport the vehicle from its origin to its destination. However, duties on vehicles imported as CBUs were traditionally exorbitant, ranging from 35 percent in South America, to 90 percent in Iran and 100 percent in India. For this reason, it was often cost prohibitive for Renault to export vehicles, such as the Logan, as CBUs.

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23 See further discussion of drawbacks on page 10.
24 Local contents may be interpreted as automobile parts or components sourced locally to assemble a completely built up unit, CBU, or finished vehicle.
An alternative approach was to export vehicles as completely knocked down units, or CKDs. While the definition could vary by importing country where the final assembly took place, CKDs described the entire kit of parts that would be required to assemble the final vehicle. For example, South Africa defined a CKD operation as an operation whereby the following took place within the region: the floor panels, body sides, and roof panels were attached to each other, the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking and electrical equipment, or instrumentation were fitted to the floor pans or chassis frames, and the bodies/cabs were fitted to such floor pans or chassis frames. Other countries often required that CKDs be further disassembled of their parts. For example, the engine may be required to be imported as a kit of its sub assemblies, rather than as one assembled unit.

Another approach towards shipping CKDs was to import bulk parts, rather than kits containing the parts for a single vehicle. This approach was called “identify parts order,” or IPO. A parts order might consist of 1,000 engines, which the assembly plant would receive and use in assembly, providing sophisticated assembly plants with the flexibility to order parts rather than receive kits. IPOs were less costly because plants could order parts from different suppliers and sort them on their own, thereby obtaining a competitive price and improved quality. In this way, they would avoid having to source from one vendor, who would collect the parts and put the kits together on their behalf. Therefore, smaller plants often started with CKDs and, as they developed experience and improved materials management programs, transitioned to IPOs. Morocco was an example of this case. With respect to duty rates, parts imported under either the IPO or CKD programs were subject to the same duty rates, so CKD was essentially a generic name for automotive parts.

While luxury car manufacturers might have been able to absorb the cost of the CBU customs duties by passing it on to their customers in the retail price of their vehicles, this was hardly the case for low-priced cars. The Logan served customers in the emerging markets, so it was impossible to absorb the cost of CBU customs duties. For example, in Colombia, the CBU rate was 35 percent, too high for Renault to be able to compete in the domestic market. Therefore, Renault decided to import parts at CKD duty rates and assemble them locally in Colombia.

Competitiveness of Local Suppliers

Purchasing parts from local suppliers, rather than using CKD parts from a mother site, such as the one in Romania, also depended on the competitiveness of the suppliers in each country. Renault found that as volumes increased in a given country, the competitiveness of local suppliers increased as well. Traditionally, Renault was able to increase volumes at a production site by locating it in a country with a large domestic demand, as well as a large export demand supported by customers in neighboring partnership countries, or Free Trade member states. However, the competitiveness of the local suppliers was always evaluated on quality and price.

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25 South Africa Motor Industry Development Program (MIDP)
Trade Compliance

To ensure the success of the Logan program, Renault’s managers faced several challenges including:

- The lack of product classification consistency, which could create cost overruns in duties paid.
- The lack of process consistency and automation with freight brokers and customs agents, which could drive higher documentation and transaction costs.
- The lack of a unified audit trail for imports and re-exports, which meant duties might be paid unnecessarily when bonded warehouses were used.
- The lack of a unified analytics process around trade compliance, which meant Renault could not easily understand risk factors, such as currency fluctuations negating free trade agreement benefits.  

In 2004, at the start of the Logan program, Renault’s management decided to implement a trade compliance system from its software partner, TradeBeam, in order to overcome these challenges. TradeBeam’s CEO Graham R.F. Napier described Renault’s focus on managing trade compliance with this system: “Trade management is often regarded as a tactical operating function due to a lack of understanding. Yet, Renault’s approach to the Logan initiative demonstrated the criticality of this function and clearly exemplified the significant potential of a sound solution.”

Renault’s local compliance managers used the TradeBeam system to accurately calculate duty rates, meet compliance requirements, and create and submit customs documentation. Such customs documentation was required for parts to transport smoothly from a production site to a local site. Each country had its own procedures, which varied in complexity. For example, in some countries such as Morocco, documentation was only required for each container, while others, such as Russia, required it at the individual item level. The Customs Consulting Group usually attempted to streamline complex documentation, such as that required by Russia, by holding discussions with the appropriate authorities in each country, as well as by using the TradeBeam system. Renault’s implementation of an automated trade compliance system resulted in a lower-cost car by taking full advantage of trade agreements in product design and sourcing, assuring the lowest-cost product classification across the company and broker partners, lowering compliance and documentation costs by automating various parts of the import/export process, reducing the risk of customs-related delays and fines as well as cost overruns, and increasing its ability to roll out new exporting or importing countries in their operations structure.

Economic Factors

The Customs Consulting Group was required to take into account the economic factors in each local market. In particular, the group paid close attention to both the currency exchange rates, as well as the inflation of the local currency, especially in the case of free trade agreements, where criteria such as rules of origin required some percentage of local contents. Depending on how...
advantageous these conditions were, and how they were projected to be in the future, the group
decide whether or not an investment in a country, or the sourcing of local parts, was to
Renault’s advantage.  (See Exhibit 7 for a review of the exchange and inflations rates).

Logistics

In establishing global operations for the production and assembly of the Logan, Renault had to
take into account the logistics costs that would apply in a variety of scenarios it considered.  For
example, while Romania would serve as the mother site for the Logan, the Customs Consulting
Group had to consider the logistics cost impact of sourcing and distributing CKD parts to local
assembly plants including Colombia, Morocco, and Russia.  Even a case where Renault could
import a part at a zero percent duty rate, the logistics cost of doing so could be cost prohibitive.
In such a case, Renault would have to look for alternative sources, such as from a domestic
vendor or from another regional site.  (For a proxy of the basic logistics rates for moving CKD
parts from Morocco, Romania, and South Africa to various Renault assembly sites, see Exhibit
8).

Customs Programs as Incentives for Investment

Prior to the advent of the TRIMS Agreement, in an effort to increase labor in their country and
attract investment, some developing countries had included particular rules for their automotive
customs regimes.  In such regimes, these rules helped the country provide incentives for
companies in a particular industry to enter that country.  These incentives often included duty
free rates or a reduction in duties paid on imports; the result was that companies increased their
use of local contents in the final exported product, or so-called local contents and trade balancing
requirements.  Under these regimes, companies could only achieve reduced duties on their
imports used to serve the domestic market, by increasing the country’s automotive exports.
Otherwise, companies were forced to use local contents to serve the domestic market and, in
some cases, it was not possible and too costly to source the parts that the company needed.

The use of the previously mentioned incentive schemas was prohibited when the Agreement on
Trade-Related Investment Measures (TRIMS Agreement) of the Multilateral Agreements on
Trade in Goods, was negotiated during the Uruguay Round of WTO negotiations and came into
force in 1995.  This agreement applied to trade in goods and generally prohibited trade-related
investment measures, which were inconsistent with the basic provisions of the General
Agreement on Tariffs and Trade (GATT), 1994.  Such inconsistent measures were identified in
the Annex’s Illustrative List, but included local contents or trade balancing requirements.  (See
Exhibit 9 for the full list).  For countries to transition away from using such measures, the
agreement contained terms that allowed WTO members29 to maintain TRIMs for a limited time
following the entry into force of the WTO; specifically two years in the case of developed
country members, five years for developing country members, and seven years for least-

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29 As of April 2008, the Russian Federation was not a member, but an observer government of the WTO.  Bilateral
market access negotiations are ongoing.  Source: WTO website,
http://www.wto.org/English/tradecom_e/acc_e/a1_russie_e.htm (April 29, 2008).  Note that Colombia, Morocco,
Romania, and South Africa among others were members of the WTO.  Source: WTO website,
developed country members. Some countries, including Mexico, Thailand, and Brazil maintained their regimes until 2000/2002.

**Tariffs and Drawbacks**

In order for Roca and the Customs Consulting Group to contribute to new projects such as the Logan, she believed it was important for the group to first understand the scope of the project, as each vehicle contained many different parts for which various tariff rates would apply. For example, in the case of Russia, the most favored nation (MFN) duty rate for parts imported for assembling a vehicle ranged between 5 and 15 percent. The engine carried a 15 percent duty rate. In Russia, due to the implementation of Decree 166 (the specific automotive regime related to foreign direct investment), it was possible to achieve zero percent duty rates for a list of automotive parts during a seven-year period, under the condition that required increasing the amount of indigenous parts.

Roca also knew that with the scope identified, she must have an understanding of the structure of the tariffs in the countries for which parts would be imported. This was particularly important as the Customs Consulting Group wanted to obtain zero duties rather than just the MFN duty rates for parts. Such scenarios were possible because of the free trade areas. For example, in the case of Brazil, imported parts from Europe were subject to the MFN duty rates between 14 and 21 percent, and to the preferential duty rate of zero percent from countries in the Mercosur Customs Union. Another opportunity referred to the drawback regime for imported parts used for vehicles dedicated for export. In this specific case, a duty drawback provided a refund on customs duties, taxes, or other fees that had been collected at importation. The refund was typically administered upon exportation or destruction of the imported product through manufacturing. Drawbacks were only achieved by understanding the specific regulations of each country, and adjusting the sourcing strategy accordingly.

Regarding free trade agreements, in some cases drawbacks were authorized, such as in the case of the ASEAN FTA, and in other cases prohibited, such as with NAFTA. While Roca attempted to optimize duties with drawbacks, the team recognized that changes in trade policies could jeopardize their chances to obtain drawbacks in the future. In some cases, policy changes might force them to move their operations to countries with improved economic incentives.

**Operations Infrastructure for the Logan**

In order to guarantee the success of the low-cost Logan program globally, Renault made a variety of strategic decisions in designing its infrastructure. These included parts production and assembly in Romania, and assembly plants in Colombia, Morocco, and Russia.

**Romania**

Before launching the Logan in 2004, parts production and assembly began in Pitesti, Romania. Renault had already invested €489 million in converting the Pitesti plant to make ready for a

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pilot of Dacia’s production of the Logan.\textsuperscript{32, 33} In addition, Renault was planning to support Logan assembly plants in Russia, Morocco, Colombia, Brazil, India, and Iran, by providing CKD parts to these sites from Pitesti.\textsuperscript{34} Romania was also going to produce Logans as CBUs for export to European countries, Croatia and Turkey, where customs unions or free trade agreements allowed for duty free import of CBUs, by following the rules of origin.\textsuperscript{35}

From the time it began production of the Logan until 2006, Romania was not a member state of the European Union. On January 1, 2007, Romania would enter the European Union, and thus become able to import parts from several countries using the free trade agreements available as a member of the E.U. This would also be the case for mechanical parts supplied from Brazil, which were subject to an MFN duty rate of 30 percent prior to 2007. Accordingly, Romanian vehicles would be considered as European vehicles. For example, the duty rate on the import of vehicles into Mexico was 50 percent (before Romania’s accession) and would be zero percent, with a certificate of origin (after accession).

Another outcome of Romania’s nearing membership in the European Union was that, under rules of origin requirements for CBU imports into the E.U., Romanian parts would be counted as local contents. Prior to its E.U. membership, Morocco had been importing parts from Romania, using these parts to assemble CBUs in Morocco, and attempting to export these CBUs to Europe. Since these Romanian parts did not qualify as local contents of the European Union, the Logan did not have enough European parts to satisfy the rules of origin requirements for CBUs imported into the European Union, and was subject to the 10 percent duty rate on imported CBUs. However, with Romania’s accession into the European Union, the Romanian parts could qualify as European parts, and the Logan could satisfy the rules of origin to achieve a duty free rate on CBU imports from Morocco to Europe.

While the Logan had been targeted towards buyers in developing countries, demand for the Logan unexpectedly began to take off in Europe. Romania was supplying its domestic market and Eastern European markets with CBUs, and also sending CKD parts to Russia, Morocco, Colombia, Iran, India, Brazil, and South Africa. (See Exhibit 10 for the local country import rates on CKD parts and CBUs exported from Romania). Under these conditions, Renault had to consider alternative ways to serve the Western European production requirements for CBUs.

**Russia**

Renault invested €230 million in building the Avtoframos factory in Moscow, Russia,\textsuperscript{36} where production began in the spring of 2005.\textsuperscript{37} Renault planned to produce Logans for the domestic

\textsuperscript{32} “Logan,” Renault Press Release, op. cit.
\textsuperscript{34} “Logan,” Renault Press Release, op. cit.
\textsuperscript{35} Prior to Romania’s accession to the E.U., Romania had free trade agreements with the E.U., which allowed Romanian and Turkish parts to count toward the rules of origin requirements. Since most of the parts for assembly of the CBU in Romania for export to the countries of the E.U. were sourced from the E.U., Romania, or Turkey, Renault was able to export the Logan to the E.U. as a CBU and achieve a zero percent duty rate.
\textsuperscript{36} “Dacia,” Renault Press Release, op. cit.
market. However, beginning in 2004, Renault was importing most of the parts that would be used for assembly in Russia as CKD parts from Romania. From 2004 through 2006, these parts were subject to a duty of 5 to 15 percent. In September 2006, Renault was successful in achieving the preferential duty rate under Russia’s Decree 166. This decree provided the incentive of reduced duty rates (zero percent for approximately 90 percent of the parts Renault imported to Russia), in exchange for a certain amount of foreign direct investment. In addition, Renault was required by this decree to gradually decrease its imported parts by 30 percent (based on imported parts value) over the next 54 months.

While Renault’s focus on increasing its production in Russia was meant to support the demands of the domestic market, the Customs Consulting Group knew of other potential opportunities—Russia’s free trade agreement with Ukraine provided for a zero percent duty rate for imports into Ukraine.

Morocco

In July 2005, Renault released the Logan under the Dacia brand in Morocco, the second-largest market in North Africa. Renault had invested €30 million in this project. SOMACA (Société Marocaine des Constructions Automobiles), in which Renault had a 54 percent stake, assembled the vehicle in its plant located in Casablanca. The plant had originally been established to produce the Kangoo model, spurred by a January 2004 agreement between Renault and the Moroccan government that provided duty free import on CKD parts for the production of economical cars. Renault’s Pitesti plant in Romania would primarily supply CKD parts for the Logan. The SOMACA plant had a capacity of 30,000 Logans per year, a portion of which would be exported. Accordingly, Renault planned for its Morocco operation to support exports to the Maghreb nations. By 2006, more than 20,000 Logans had been sold in the Maghreb nations—2,723 units in Morocco and 8,540 units in Algeria.

Renault viewed Morocco as strategic for exports to many markets in its region, including Tunisia, Egypt, and Jordan; in part because of the advantageous trade agreements between Morocco and these countries. These agreements came to fruition in February 2004, when Morocco signed the Agadir Agreement, a free trade agreement with Jordan, Tunisia, and Egypt. A critical part of the agreement was the adoption of the Pan-Euromed Protocol of Origin. This protocol provided the benefit of diagonal cumulation between the countries in the E.U., Turkey, Morocco, Tunisia, Jordan and Egypt. Cumulation would occur, for example, when partner country Morocco carried out work or processing that went beyond minimal operations, in order to produce a finished product from goods originating in the partner countries of the E.U. These finished goods would thus obtain originating status and become eligible to satisfy the rules

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38 The modern territories of the Maghreb region include: Algeria, Ceuta, Libya, Mauritania, Melilla, Morocco, Tunisia, Western Sahara, and often Egypt.
of origin in Morocco. For automotive products, the rules of origin could be satisfied if at least 60 percent of the FOB value of the product was made from regional contents.

Direct export of finished goods from Europe to Egypt, one of the Logan target markets, was cost prohibitive. By the end of 2006, Egypt imposed a duty rate of 40 to 140 percent on imported CBUs, depending on the vehicle. The outlook for direct import was more optimistic for the future, however, because in 2009 the duty rates on CBUs between Europe and Egypt were expected to decrease according to the Pan Euro Med protocol of origin. By 2019, a zero percent duty rate for exports of CBUs from Europe to Egypt could be possible.

To reach the Egyptian market, Renault relied on the opportunities available by using Morocco as a trading center. As it was possible to import CKD parts into Morocco at a duty free rate, Renault could import European parts into Morocco at a zero percent duty and assemble the vehicles in that country. Renault could then export CBUs to Egypt from Morocco and obtain a zero percent duty rate on these imports, a benefit of the free trade agreement between Morocco and Egypt. It was not possible, however, to export CBUs from Europe to Morocco, and then export these to Egypt, as the CBU import rate into Morocco from the E.U. was 25 percent by the end of 2006. Such an alternative might be available in 2012, when the dismantlement of the basic CBU rate for imports into Morocco was expected to allow imports from the E.U. at a duty free rate.

Morocco had other advantageous trade agreements. In 2004, Morocco entered into a free trade agreement with the United States, providing a duty free rate on CBU imports into the country. In January 2006, Morocco entered into another trade agreement with Turkey. Morocco’s relationship with the E.U. began with the Euro-Mediterranean Partnership in 1995 and there were plans for a Euro-Mediterranean Free Trade Area by 2010. By the end of 2006, CBU exports from Morocco to the E.U. were subject to a 10 percent import duty rate, unless the rules of origin could be satisfied, resulting in a zero percent duty rate.

**Colombia**

In September 2005, the Logan was released in Colombia. SOFASA S.A. assembled the vehicle in its Envigado plant, using CKD parts primarily from Romania. Renault invested €23 million in this project. SOFASA S.A. was planning to assemble 15,000 Logans per year by 2010; Renault

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42 FOB, Free on Board or Freight on Board, here denotes the time at which the goods pass the shipping point to be delivered to the buyer. In this case, it is the time the goods pass into the E.U., therefore the FOB value would be the value of the product at this time.

43 “Bilateral Trade Relations – Morocco.”

44 SOFASA S.A. was first established in 1969 as SOFASA with Renault and IFI holding 49 percent each of the company. By 2002, SOFASA S.A. was held by Renault, Toyota, and Mitsui with 60 percent, 28 percent, and 12 percent equity stakes respectively. From its founding through 2006, SOFASA S.A. had produced 500,000 Renault and Toyota vehicles. In 2006, 34,788 vehicles were assembled at the plant, with expected increases with the ramp up of the Logan production. (Source: “SOFASA,” Global Auto Index, [http://www.globalautoindex.com/maker.plt?no=113](http://www.globalautoindex.com/maker.plt?no=113), (April 22, 2008).
planned to export 40 percent of these to other Andean Pact countries, such as Venezuela and Ecuador. SOFASA S.A. had already manufactured other Renault models, such as the Twingo, Clio saloon and hatchback, and the Mégane I saloon, as well as low cost vehicles (LCVs) for Toyota.45

CBUs assembled in Colombia were either sold domestically or exported to the other Andean countries of Ecuador and Venezuela. Prior to 2000, and the region’s transition to align with the WTO’s TRIMs Agreement, the countries in the Andean region maintained customs regimes, where obligations were placed on local contents and export performance.46 Over time, the countries fell in line with the WTO obligations by cancelling their automotive regimes. However, the countries simultaneously moved to accelerate exchanges between one another through their free trade agreements. This move resulted in the new regulations, which contained rules of origin that required regional contents obligations. While rules of origin usually applied only when goods passed from one country to another, the automotive regime present in Colombia in 2006 maintained regional contents requirements on vehicles produced for its domestic market. Thus, Renault could only achieve a zero percent duty rate on CKD parts imported into Colombia if the final assembled CBUs, including those for the domestic market, satisfied the regional contents obligation.

Other Global Operations

By the end of 2006, Renault was planning to launch the Logan in new markets throughout the globe. These included Argentina, Brazil, India, and Iran. In addition, Renault was also considering South Africa, where the Customs Consulting Group would need to deliver an operations strategy for serving the domestic market’s demand, and decide if South Africa would serve as an export hub for markets abroad. When considering export opportunities, South Africa had only a few free trade agreements to offer Renault for exporting the Logan to its growing customer demand abroad. While it had tried, South Africa had not been successful in establishing free trade agreements that included vehicles with Argentina, Brazil, nor India.

South Africa had its own regime, the Motor Industry Development Programme (MIDP), which was first introduced in 1995, twice revised, and then extended until 2012. The intent of the MIDP was to increase the competitiveness of the automotive industry in the South African Customs Union (SACU),47 by gradually decreasing the import duty rates on CBUs and CKD parts. While successful in decreasing import duties, during the period 2003 through 2012—from 38 percent to 25 percent for CBUs, and from 29 percent to 20 percent for CKD parts—the MIDP contained additional mechanisms for companies to further reduce their duties payable on imports. The Duty Free Allowance (DFA) allowed companies to import 27 percent of the wholesale value of the vehicle, free of duty. Import Rebate Credit Certificates (IRCCs) were issued on the Value of Export Performance (VEP), which represented the local contents on the vehicles exported from South Africa. Companies calculated the value of the exports (FOB), less the value of the imports used for those exports, and resolved the VEP. A percentage of the VEP

47 SACU includes the Republics of Botswana, Namibia, and South Africa, and the Kingdoms of Lesotho and Swaziland.
value was used to determine the amount of CKD parts or CBUs, which could be imported free of
duty. Finally, the Productive Asset Allowance (PAA) encouraged companies to make
investments in plants and equipment to qualify for a duty free credit certificate of up to 20
percent of the value of their investment over a five-year period, hence applying 4 percent of the
total investment amount per year.48

Renault had also identified at least one industry peer, Toyota, that viewed South Africa as a
strategic hub for production, assembly, and export—not only to places such as Australia, but also
to North Africa and the Middle East. Toyota had the vision of producing one million vehicles in
South Africa by 2020 and had been lobbying for some revisions in the MIDP, including a change
on the IRCCs, which would be based on production volumes, not export volumes. Toyota
analyzed what would be needed to meet its goals, and realized that it would face difficult
challenges. Parts from local suppliers were 23 percent more costly than those from suppliers in
Thailand. Productivity rates at the time were not as competitive as alternative sources, such as
those in Brazil.

To launch the Logan in the South African domestic market, Renault planned to use the Nissan
plant in Roselyn, South Africa. Through their alliance, Renault and Nissan were focused on
South Africa as an opportunity to assemble new Nissan pickups (based on the Logan pickups), as
well as new Renault and Nissan branded Logan passenger cars for the South African domestic
market. By 2006, this focus had already resulted in scheduled production increases in Roselyn.
However, the alliance had yet to resolve if the export opportunity was favorable enough to
warrant further investment in the Roselyn plant to produce vehicles for regional and non-regional
export markets. (See Exhibit 11 for an overview of the Nissan and Renault production assets
worldwide).

**FUTURE OUTLOOK**

As Roca and the Customs Consulting Group entered 2007, they faced a number of challenges.
The Logan had taken off around the world. There was potential in new markets, such as those in
India and South Africa, and a growing demand was emerging in unexpected places, such as
Western Europe. As the Logan was such an important part of meeting Renault’s Contract 2009
goals, the group knew it had to think carefully about a variety of decisions.

The group had to consider if South Africa would become a strategic part of the Logan’s
operations infrastructure. With the MIDP offering reduced import rates and other incentives to
invest in South Africa as a new assembly site, Renault had to decide if it would serve the
domestic demand in South Africa by importing CBUs or CKD parts for final assembly in that
country. The group wondered if Toyota’s view of South Africa as a strategic center for serving
export markets, including the Maghreb nations, was a valid one for Renault to also consider.
The group contemplated the fate of the MIDP program and considered whether Nissan’s
manufacturing presence in South Africa could reap additional savings on import duties for the
Logan’s CKD parts.

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48 MIDP.
Meanwhile, the group pondered what impact the dismantling of the current rates for CBU imports into Morocco might have. Should Renault continue to invest in its production capacity in Morocco? Would Morocco remain as the Logan production center for regional exports? Could Morocco serve other export markets abroad? If CBUs could be imported into Morocco at a duty free rate, should Renault move the assembly of its Logans to another country with more competitive supply and production costs?

Yet, considering the fate of Logan production in Morocco and South Africa was not all with which the group was concerned. The group knew it had to understand what new opportunities might be created by Romania entering the European Union, how the growing market of Logan customers in Europe would be served, and in what ways Renault could leverage its alliance with Nissan, in order to fulfill its Stratégie Renault: Contract 2009.
### Exhibit 1

**Renault’s 2005 and 2006 Commercial Results by Region**

(Thousands of Units of Cars and Lightweight Commercial Vehicles)

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>Percent Change from 2005 to 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>165</td>
<td>186</td>
<td>+12.7%</td>
</tr>
<tr>
<td>Asia-Africa</td>
<td>180</td>
<td>175</td>
<td>−2.8%</td>
</tr>
<tr>
<td>Euromed</td>
<td>337</td>
<td>381</td>
<td>+12.8%</td>
</tr>
<tr>
<td>Europe (excluding France)</td>
<td>1,148</td>
<td>1,024</td>
<td>−10.8%</td>
</tr>
<tr>
<td>France</td>
<td>705</td>
<td>669</td>
<td>−5.1%</td>
</tr>
<tr>
<td>Worldwide</td>
<td>2,535</td>
<td>2,433</td>
<td>−4.0%</td>
</tr>
</tbody>
</table>

Exhibit 2
List of Countries in Regions Defined by Renault

Americas
- *North Latin America*: Colombia, Costa Rica, Cuba, Ecuador, Honduras, Mexico, Nicaragua, Panama, El Salvador, Venezuela, Dominican Republic, Guadeloupe, French Guyana, Martinique
- *South Latin America*: Argentina, Brazil, Bolivia, Chile, Paraguay, Peru, Uruguay

Asia-Africa
- *Asia Pacific*: Australia, Indonesia, Japan, Malaysia, New Caledonia, New Zealand, Singapore, Tahiti, Thailand, Brunei
- *India*
- *Africa & Indian Ocean*: South Africa, sub-Saharan African countries, Indian Ocean islands
- *Korea*
- *Iran*
- *China*: Hong Kong, Taiwan
- *Israel*

Euromed
- Bulgaria, Moldavia, Romania
- *Russia/CIS*: Armenia, Belarus, Georgia, Kazakhstan, Russia, Ukraine
- *Turkey*: Turkey, Turkish Cyprus
- *Maghreb Nations*: Algeria, Morocco, Tunisia

Europe (excluding France):
Albania, Austria, Germany, Belgium-Luxembourg, Bosnia, Cyprus, Croatia, Denmark, Spain, Finland, Greece, Hungary, Ireland, Iceland, Italy, Kosovo, Macedonia, Malta, Montenegro, Norway, Baltic nations, Netherlands, Poland, Portugal, Czech Republic, United Kingdom, Serbia, Slovakia, Slovenia, Sweden, Switzerland

France
Metropolitan
France

# Exhibit 3

## Renault Financial Results 2002 Through 2006

<table>
<thead>
<tr>
<th>(In millions of Euros)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>36,336</td>
<td>37,525</td>
<td>40,292</td>
<td>41,338</td>
<td>41,528</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>1,483</td>
<td>1,402</td>
<td>2,115</td>
<td>1,323</td>
<td>1,063</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,956</td>
<td>2,480</td>
<td>2,836</td>
<td>3,367</td>
<td>2,869</td>
</tr>
</tbody>
</table>

Source: Renault 2006 Annual Report

# Exhibit 4

## The Logan Vehicle

### Exhibit 5
Logan Sales 2004 - 2006 by Region and Brand

<table>
<thead>
<tr>
<th>Brand</th>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dacia</strong></td>
<td>Americas</td>
<td></td>
<td>162</td>
<td>417</td>
<td>579</td>
</tr>
<tr>
<td></td>
<td>Asia-Africa</td>
<td>2</td>
<td>1,507</td>
<td>2,932</td>
<td>4,441</td>
</tr>
<tr>
<td></td>
<td>Euromed</td>
<td>20,751</td>
<td>103,076</td>
<td>133,707</td>
<td>257,534</td>
</tr>
<tr>
<td></td>
<td>Europe</td>
<td>2,080</td>
<td>20,511</td>
<td>28,620</td>
<td>51,211</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>9,798</td>
<td>18,794</td>
<td></td>
<td>28,592</td>
</tr>
<tr>
<td><strong>Total Dacia</strong></td>
<td></td>
<td>22,833</td>
<td>135,054</td>
<td>184,470</td>
<td>342,357</td>
</tr>
<tr>
<td><strong>Renault</strong></td>
<td>Americas</td>
<td></td>
<td>2,858</td>
<td>13,721</td>
<td>16,579</td>
</tr>
<tr>
<td></td>
<td>Euromed</td>
<td></td>
<td>7,057</td>
<td>49,323</td>
<td>56,380</td>
</tr>
<tr>
<td><strong>Total Renault</strong></td>
<td></td>
<td></td>
<td>9,915</td>
<td>63,044</td>
<td>72,959</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td>22,833</td>
<td>144,969</td>
<td>247,514</td>
<td>415,316</td>
</tr>
</tbody>
</table>

### Exhibit 6

**Logan’s Top Sales by Country in 2006**

<table>
<thead>
<tr>
<th>Position</th>
<th>Country</th>
<th>Brand</th>
<th>2006 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Romania</td>
<td>Dacia</td>
<td>96,037</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>Renault</td>
<td>49,323</td>
</tr>
<tr>
<td>3</td>
<td>France</td>
<td>Dacia</td>
<td>18,794</td>
</tr>
<tr>
<td>4</td>
<td>Morocco</td>
<td>Dacia</td>
<td>12,723</td>
</tr>
<tr>
<td>5</td>
<td>Algeria</td>
<td>Dacia</td>
<td>8,560</td>
</tr>
<tr>
<td>6</td>
<td>Turkey</td>
<td>Dacia</td>
<td>7,352</td>
</tr>
<tr>
<td>7</td>
<td>Colombia</td>
<td>Renault</td>
<td>7,129</td>
</tr>
<tr>
<td></td>
<td>Spain + Canary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Islands</td>
<td>Dacia</td>
<td>6,482</td>
</tr>
<tr>
<td>9</td>
<td>Germany</td>
<td>Dacia</td>
<td>6,292</td>
</tr>
<tr>
<td>10</td>
<td>Ukraine</td>
<td>Dacia</td>
<td>5,925</td>
</tr>
</tbody>
</table>

Exhibit 7
Currency Exchange and Inflation Rates from 2003 to 2006

Spot Currency Exchange Rates for the Euro to the Currency Denoted

<table>
<thead>
<tr>
<th>Currency Denoted</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentine Peso (ARS)</td>
<td>3.4</td>
<td>3.7</td>
<td>3.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Brazilian Real (BRL)</td>
<td>3.9</td>
<td>3.6</td>
<td>3.6</td>
<td>2.69</td>
</tr>
<tr>
<td>Colombian Peso (COP)</td>
<td>3200</td>
<td>3500</td>
<td>3100</td>
<td>2750</td>
</tr>
<tr>
<td>Indian Rupee (INR)</td>
<td>52</td>
<td>57</td>
<td>58</td>
<td>54</td>
</tr>
<tr>
<td>Iran Rial (IRR)</td>
<td>unavailable</td>
<td>unavailable</td>
<td>11650</td>
<td>11000</td>
</tr>
<tr>
<td>Jordanian Dinar (JOD)</td>
<td>0.77</td>
<td>0.89</td>
<td>0.94</td>
<td>0.85</td>
</tr>
<tr>
<td>Mexican Peso (MXN)</td>
<td>12</td>
<td>14</td>
<td>15</td>
<td>12.8</td>
</tr>
<tr>
<td>Moroccan Dirham (MAD)</td>
<td>unavailable</td>
<td>unavailable</td>
<td>11.15</td>
<td>10.93</td>
</tr>
<tr>
<td>Russian Rouble (RUB)</td>
<td>34.5</td>
<td>36.5</td>
<td>37</td>
<td>34.5</td>
</tr>
<tr>
<td>South African Rand (ZAR)</td>
<td>9</td>
<td>8.5</td>
<td>7.8</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Spot Currency Exchange Rates for the Currency Denoted to the Euro

<table>
<thead>
<tr>
<th>Currency Denoted</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentine Peso (ARS)</td>
<td>0.29412</td>
<td>0.27500</td>
<td>0.26000</td>
<td>0.27000</td>
</tr>
<tr>
<td>Brazilian Real (BRL)</td>
<td>0.25641</td>
<td>0.28000</td>
<td>0.28000</td>
<td>0.36000</td>
</tr>
<tr>
<td>Colombian Peso (COP)</td>
<td>0.00031</td>
<td>0.00029</td>
<td>0.00032</td>
<td>0.00036</td>
</tr>
<tr>
<td>Indian Rupee (INR)</td>
<td>0.01923</td>
<td>0.01754</td>
<td>0.01724</td>
<td>0.01852</td>
</tr>
<tr>
<td>Iran Rial (IRR)</td>
<td>unavailable</td>
<td>unavailable</td>
<td>0.00009</td>
<td>0.00009</td>
</tr>
<tr>
<td>Jordanian Dinar (JOD)</td>
<td>1.29870</td>
<td>1.12360</td>
<td>1.06383</td>
<td>1.17647</td>
</tr>
<tr>
<td>Mexican Peso (MXN)</td>
<td>0.08333</td>
<td>0.07143</td>
<td>0.06667</td>
<td>0.07813</td>
</tr>
<tr>
<td>Moroccan Dirham (MAD)</td>
<td>unavailable</td>
<td>unavailable</td>
<td>0.08969</td>
<td>0.09149</td>
</tr>
<tr>
<td>Russian Rouble (RUB)</td>
<td>0.02899</td>
<td>0.02740</td>
<td>0.02703</td>
<td>0.02899</td>
</tr>
<tr>
<td>South African Rand (ZAR)</td>
<td>0.11111</td>
<td>0.11765</td>
<td>0.12821</td>
<td>0.13514</td>
</tr>
</tbody>
</table>

Source: Yahoo! Finance, rates as of January each year.

Annual Inflation Rates for Each Currency Denoted

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>39.6034</td>
<td>2.7407</td>
<td>7.2207</td>
<td>12.1011</td>
</tr>
<tr>
<td>Brazil</td>
<td>14.4670</td>
<td>7.7073</td>
<td>7.4073</td>
<td>5.6999</td>
</tr>
<tr>
<td>Colombia</td>
<td>6.2000</td>
<td>7.1000</td>
<td>5.9000</td>
<td>5.0000</td>
</tr>
<tr>
<td>India</td>
<td>3.4305</td>
<td>4.3520</td>
<td>4.3634</td>
<td>4.7443</td>
</tr>
<tr>
<td>Iran</td>
<td>17.0387</td>
<td>14.9767</td>
<td>15.2508</td>
<td>10.7055</td>
</tr>
<tr>
<td>Jordan</td>
<td>0.2907</td>
<td>3.6715</td>
<td>3.0755</td>
<td>5.0633</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.1571</td>
<td>4.2015</td>
<td>4.5448</td>
<td>3.9350</td>
</tr>
<tr>
<td>Morocco</td>
<td>0.6200</td>
<td>1.9100</td>
<td>1.2696</td>
<td>2.3284</td>
</tr>
<tr>
<td>Romania</td>
<td>16.6424</td>
<td>13.9284</td>
<td>8.9409</td>
<td>8.8895</td>
</tr>
<tr>
<td>Russia</td>
<td>14.2643</td>
<td>11.2352</td>
<td>12.6994</td>
<td>10.7442</td>
</tr>
<tr>
<td>South Africa</td>
<td>11.5596</td>
<td>0.1645</td>
<td>2.9557</td>
<td>3.9872</td>
</tr>
</tbody>
</table>

Source: Datastream, World Bank for all countries, except Colombia’s rates, which were obtained from Index Mundi.
### Exhibit 8

**Rates For a 20’ Standard Container From Origin to Destination For CKD Commodity**

<table>
<thead>
<tr>
<th>Origin:</th>
<th>Destination:</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agadir Morocco</td>
<td>Cartagena Colombia</td>
<td>€ 1,784.84</td>
</tr>
<tr>
<td>Agadir Morocco</td>
<td>Durban South Africa</td>
<td>€ 1,275.64*</td>
</tr>
<tr>
<td>Agadir Morocco</td>
<td>Port Said East Egypt</td>
<td>€ 850.47</td>
</tr>
<tr>
<td>Agadir Morocco</td>
<td>Chennai/Madras India</td>
<td>€ 1,361.90</td>
</tr>
<tr>
<td>Agadir Morocco</td>
<td>Pipavav India</td>
<td>€ 1,302.70</td>
</tr>
<tr>
<td>Casablanca Morocco</td>
<td>Cartagena Colombia</td>
<td>€ 1,814.67</td>
</tr>
<tr>
<td>Casablanca Morocco</td>
<td>Durban South Africa</td>
<td>€ 1,305.04*</td>
</tr>
<tr>
<td>Casablanca Morocco</td>
<td>Port Said East Egypt</td>
<td>€ 780.30</td>
</tr>
<tr>
<td>Casablanca Morocco</td>
<td>Chennai/Madras India</td>
<td>€ 1,391.73</td>
</tr>
<tr>
<td>Casablanca Morocco</td>
<td>Pipavav India</td>
<td>€ 1,332.53</td>
</tr>
<tr>
<td>Tangier Morocco</td>
<td>Cartagena Colombia</td>
<td>€ 1,784.84</td>
</tr>
<tr>
<td>Tangier Morocco</td>
<td>Durban South Africa</td>
<td>€ 1,275.64*</td>
</tr>
<tr>
<td>Tangier Morocco</td>
<td>Port Said East Egypt</td>
<td>€ 800.47</td>
</tr>
<tr>
<td>Tangier Morocco</td>
<td>Chennai/Madras India</td>
<td>€ 1,361.90</td>
</tr>
<tr>
<td>Tangier Morocco</td>
<td>Pipavav India</td>
<td>€ 1,302.70</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Buenos Aires Argentina</td>
<td>€ 1,481.11</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Santos Brazil</td>
<td>€ 1,496.22</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Paranagua Brazil</td>
<td>€ 1,504.16</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Rio Grande Brazil</td>
<td>€ 1,484.32</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Itajai Brazil</td>
<td>€ 1,484.32</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Cartagena Colombia</td>
<td>€ 2,927.91</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Port Said East Egypt</td>
<td>€ 730.99</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Chennai/Madras India</td>
<td>€ 1,127.41</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Pipavav India</td>
<td>€ 1,068.21</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Casablanca Morocco</td>
<td>€ 1,396.17</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Agadir Morocco</td>
<td>€ 1,087.30</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Tangier Morocco</td>
<td>€ 1,387.32</td>
</tr>
<tr>
<td>Constanta Romania</td>
<td>Durban South Africa</td>
<td>€ 2,153.29</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Port Said East Egypt</td>
<td>€ 1,436.18</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Casablanca Morocco</td>
<td>€ 1,636.42</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Agadir Morocco</td>
<td>€ 1,620.08</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Tangier Morocco</td>
<td>€ 1,620.08</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Cartagena Colombia</td>
<td>€ 3,355.62</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Chennai/Madras India</td>
<td>€ 1,105.15</td>
</tr>
<tr>
<td>Durban South Africa</td>
<td>Pipavav India</td>
<td>€ 989.89</td>
</tr>
</tbody>
</table>

Note: A 20’ container could hold parts for approximately three Logan vehicles.

Exhibit 9
Agreement on Trade-Related Investment Measures
Annex: Illustrative List

1. TRIMs that are inconsistent with the obligation of national treatment provided for in paragraph 4 of Article III of GATT 1994 include those which are mandatory or enforceable under domestic law or under administrative rulings, or compliance with which is necessary to obtain an advantage, and which require:
   (a) the purchase or use by an enterprise of products of domestic origin or from any domestic source, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production; or
   (b) that an enterprise’s purchases or use of imported products be limited to an amount related to the volume or value of local products that it exports.

2. TRIMs that are inconsistent with the obligation of general elimination of quantitative restrictions provided for in paragraph 1 of Article XI of GATT 1994 include those which are mandatory or enforceable under domestic law or under administrative rulings, or compliance with which is necessary to obtain an advantage, and which restrict:
   (a) the importation by an enterprise of products used in or related to its local production, generally or to an amount related to the volume or value of local production that it exports;
   (b) the importation by an enterprise of products used in or related to its local production by restricting its access to foreign exchange to an amount related to the foreign exchange inflows attributable to the enterprise; or
   (c) the exportation or sale for export by an enterprise of products, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production.

Exhibit 10

Renault’s Import Duty Rates
CKD Parts and CBUs Shipped From Romania to Local Sites

<table>
<thead>
<tr>
<th>From Romania</th>
<th>Duty Rate (CKD parts)</th>
<th>Duty Rate (CBU)</th>
<th>Requirements for duty on CKD parts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Columbia</td>
<td>0%</td>
<td>35%</td>
<td>with Rules of Origin</td>
</tr>
<tr>
<td>Brazil</td>
<td>14 – 21%</td>
<td>35%</td>
<td>none</td>
</tr>
<tr>
<td>India</td>
<td>10%</td>
<td>100%</td>
<td>none</td>
</tr>
<tr>
<td>Iran</td>
<td>31%</td>
<td>90%</td>
<td>with 65% local contents, 25% duty achieved with 60% local contents</td>
</tr>
<tr>
<td>Morocco</td>
<td>0%</td>
<td>25%</td>
<td>Economical vehicle</td>
</tr>
<tr>
<td>Russia</td>
<td>0%</td>
<td>25%</td>
<td>obligations of Decree 166</td>
</tr>
<tr>
<td>South Africa</td>
<td>8 – 11%</td>
<td>20 – 25%</td>
<td>with DFA/IRCC/PAA provisions of MIDP</td>
</tr>
</tbody>
</table>

Note: Brazil—Some parts were subject to a duty rate reduction of 40%, which was a temporary measure for OEMs.

Source: Interview with Isabelle Roca, Renault, February 4, 2008.

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49 These rates were as of January 1, 2007, when Romania entered the European Union.
Exhibit 11
Overview of Nissan and Renault Global Operation Assets in 2006