VIA ELECTRONIC MAIL

NO HEARING TIME REQUESTED

May 10, 2013

Mr. Douglas Bell
Chair Trade Policy Staff Committee
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Sir:

Jaguar Land Rover North America, LLC (hereinafter "JLRNA") appreciates the opportunity to respond to your solicitation of comments on those negotiating objectives which the United States should consider in the upcoming U.S. –European Union trade negotiations, now known as the Transatlantic Trade and Investment Partnership (hereinafter "TTIP"). The invitation to comment was published in the *Federal Register* on April 1, 2013. (78 *Fed. Reg.* 19566)

Headquartered in Mahwah, New Jersey, JLRNA has offices across the USA and Canada and is represented by more than 330 retail outlets. Our parent company, Jaguar Land Rover is the UK's largest automotive manufacturing business built around two iconic British car brands with a rich heritage and powerful consumer appeal and loyalty. Additionally, Jaguar Land Rover is at the center of the UK automotive industry's drive to deliver technical innovation in all areas of vehicle development. As the UK's largest automotive employer, JLR has a world class team of nearly 25,000 people. Jaguar Land Rover is the largest investor in automotive R&D and engineering in the UK. Jaguar Land Rover has two state of the art engineering and design facilities and three advanced manufacturing plants in the UK. .

Your notice proposes a wide variety of negotiating objectives, which, of course, will vary among the industries from which you obtain comments. JLRNA will address only those negotiating objectives that relate directly to the automotive industry.

We specifically note four objectives that, we suggest, will benefit the international automobile industry in particular, and the worldwide economy as a whole.

1. Customs duties should be eliminated on automobiles and parts thereof.

As you know, reductions in rates of duty have been an important focus of virtually every bilateral and multilateral trade agreement since the first such agreement was negotiated in Geneva in 1947. The American experience has been that, as rates of duties are reduced or eliminated in the territories of the negotiating parties, the improved levels of trade and the economic benefits from those increases in trade flows more than offset the comparatively nominal loss of customs revenues that are occasioned by the trade agreement concessions. We expect to see the same economic benefits if duties are eliminated on automobiles and aftermarket parts imported into the United States.

You have asked us to address issues of trade sensitivities or trade priorities in the context of these trade negotiations. Historically, imported automobiles have been considered an important trade article, but not a trade sensitive article, and therefore, we do not believe that a reduction or elimination of duties will create any trade sensitivity.

2. Duty reductions should be eliminated rather than phased in.

In other bilateral and multilateral trade agreement talks, the United States established as a general negotiating objective the elimination of rates of duty in those instances in which the threshold rate was 5% or less, and a phased-in rate reduction in cases where the threshold rate was above 5%. The existing rate of duty on automobiles entering the United States is 2.5% and therefore under prior trade negotiation standards the duty on automobiles should be simply eliminated. We see no reason to modify that negotiating tradition. It has worked well in the past.

As you know, under the terms of the original 2007 U.S. Korean Free Trade Agreement, the United States originally committed to an immediate phase out of tariffs on approximately 90% of vehicles imported from Korea and a full phase out by the third year. That original proposal met Congressional resistance, in part for reasons not relevant to these negotiations. However, even under the finally-adopted 2011 Agreement the Negotiating Parties agreed to a modification of rates of duty on automobiles. Thus, what is clear from both the 2007 and 2011 Agreements with Korea is that there was a willingness to modify the rates of duty on automobiles and we believe that the EU-US case presents even a better argument for the elimination of duties than the KORUS Agreement. .

3. *To the greatest extent possible, the Negotiating Parties should harmonize safety and environmental regulatory requirements in the production of automobiles and establish a transatlantic framework to adapt to later-developed technologies.*

Your notice requested our views on "opportunities for greater transatlantic regulatory compatibility, including concrete ideas on how greater compatibility could be achieved in a particular economic sector." We suggest that there is probably no industry that could more benefit from a harmonization of regulatory requirements than the international auto industry. There is now a clear harmony among the trading nations that automobiles should have safety restraints for all passengers; an ability to have bumpers withstand low level impact; side door impact resistance; the capacity to reduce carbon emissions, and a host of other safety or environmental features. However the slightly varying safety and environmental restrictions that exist on a country-by-country basis impose on the international automobile industry a significant burden of creating production lines that will accommodate each of these slightly varying standards, at a cost to the purchasing public that far exceeds its benefits. If a system of harmonization of safety and environmental standards could be developed among the Transatlantic Partners, the international automobile producers could see meaningful manufacturing efficiencies with little or no compromise in safety or environmental standards. We note that a 2009 study of Non-tariff barriers in the EU-US automobiles trade sector found that these measures add up to 26% to the cost of automotive sector trade, and that fully half of that cost is capable of being reduced. The same study further noted that there are significant opportunities here for standardization among the members. [1]

JLRNA fully understands that issues of regulatory compliance also raise fundamental issues of national sovereignty. No nation easily chooses to cede its authority to regulate its industries or products sold within its borders. However, in this industry the clear commonality of interests that have emerged in the last 75 years in the development particularly of safety and emission standards indicates that the manufacturing nations are ceding virtually nothing by a harmonization of standards – especially when each nation will directly participate in the harmonization of those standards in the TTIP negotiations.

Again we note the KORUS experience. In the Korean US Trade Agreement negotiations, the two parties agreed that U.S. made automobiles exported to Korea would be deemed to have met Korean environmental and greenhouse emission standards if the U.S. produced cars were within 19% of the emission standards established in Korea of its own auto makers. This is a good example of the ability

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[1] "Environmental and safety requirements in the automotive industry are becoming increasingly global and – as is shown by the EU and US cooperation through United Nations Economic Commission for Europe – there is potential for addressing standardisation issues at a global scale and achieving further convergence in this area, even though actionability is slightly reduced by the fact that the US is not a signing member of the 1958 agreement and the EU has also its own Directives alongside UNECE standards." Ecorys Nederland BV, Non-Tariff Measures in EU-US Trade and Investment 2009, at xxvi.

of nations to recognize the standards of another nation when the goals of the two nations' standards are clearly harmonious, even though they may not identical.

The single lesson of the automobile industry is that its safety and environmental standards evolve as does the science in this industry. Consequently, we know that new methods will be developed for the reduction in carbon emissions; child and passenger safety restraints; and stronger and lighter production materials, long after the trade agreement negotiations have concluded. As these new products emerge, we suggest that there be some governing model by which harmonized regulations can promulgated to adapt to later-developed products.

4. *In developing rules of origin for vehicles, all components from all TTIP members should be considered qualifying materials for purposes of calculating TTIP eligibility, and flexible accounting rules should be established for purposes of determining an eligible material.*

There is probably no industry that is more aggressive in finding the best production components for use in its finished goods than is the automobile industry. Consequently, virtually every automobile producer now sources its components worldwide. Therefore, the eligibility rules will be important to the industry.

We assume that, in determining the origin of an article for purposes of TTIP eligibility, any material originating in any TTIP country will be treated as a qualifying material for purposes of determining the eligibility of the finished article under the Agreement. Similarly, we assume that direct identification of the material itself will not be required, but some form of accounting methodology will act as a substitute for direct identification of the qualifying input material. Because of both the multinational character of JLRNA's components purchasing and the industry wide practice of commingling of materials inventory, it will be important to have some form of identification, other than direct identification, to determine the eligibility of the originating materials. This issue has come up in other trade agreement negotiations and we do not expect that it will be problematic, but we underscore its importance.

Thank you for your attention to these issues and our company appreciates the opportunity to comment.

Sincerely,

Chris Marchand
Executive Vice President, Operations
Jaguar Land Rover North America