



C L E P A
European Association of
Automotive Suppliers

Motor & Equipment Manufacturers Association (MEMA)

and

European Association of Automotive Suppliers (CLEPA)

Response to the

Office of the United States Trade Representative

**RE: Request for Comments Concerning
Proposed Transatlantic Trade and Investment Agreement**

Docket No. USTR-2013-0019

About Motor & Equipment Manufacturers Association (MEMA)

MEMA represents more than 1,000 companies that manufacture motor vehicle parts and systems for use in the light- and heavy-duty vehicle original equipment and aftermarket industries. MEMA represents its members through four affiliate associations: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Motor & Equipment Remanufacturers Association (MERA); and, Original Equipment Suppliers Association (OESA). Motor vehicle parts manufacturers directly employ over 734,000 Americans, making this industry the largest creator of manufacturing jobs in the United States. Additionally, motor vehicle parts manufacturing industry generates another 1.27 million indirect jobs in the supply chain, provides over \$220 billion in annual wages and income, and contributes \$355 billion to the U.S. Gross Domestic Product.

About European Association of Automotive Suppliers (CLEPA)

CLEPA is the European Association of Automotive Suppliers with over 100 members of the world's most prominent suppliers for car parts, systems and modules and 25 National trade associations and European sector associations members. Collectively, CLEPA's membership represents more than 3,000 companies that employ approximately 5 million people and cover all products and services within the automotive supply chain. Based in Brussels, Belgium, CLEPA is recognized as the natural discussion partner by the European Institutions, United Nations and fellow associations, such as, MEMA, JAPIA (Japan Auto Parts Industries Association) and ACEA (European Automobile Manufacturers Association).

Introduction

MEMA and CLEPA appreciate the opportunity to provide input from the point of view of motor vehicle suppliers in response to the USTR's *Federal Register* notice requesting comments on the proposed Transatlantic Trade and Investment Partnership (TTIP) Agreement. MEMA and CLEPA support this critical effort to eliminate tariff and non-tariff barriers, particularly regulatory barriers, which will bring significant economic growth to both sides of the Atlantic.

US-EU Regulatory Convergence for the Vehicle Industry

MEMA and CLEPA share the collective goals of the US and European Union leaders to seek greater regulatory compatibility in pursuing a TTIP agreement. Doing so will help

reduce costs associated with the current regulatory inefficiencies thereby facilitating increased trade and competitiveness and greater economic value on both sides of the Atlantic. Specifically for the motor vehicle sector cooperation on regulatory convergence is of utmost importance for future consideration of a US-EU free trade agreement.

Achieving regulatory convergence between the US and EU rests on two main principles 1) shared recognition of performance requirements and certification procedures and 2) reducing or eliminating compounded engineering and testing resources. Recognizing that both the US and EU have strong regulatory regimes, particularly in the motor vehicle safety sector, MEMA and CLEPA see more similarities than differences between US Federal Motor Vehicle Safety Standards (US FMVSS) and European regulations or UN ECE regulations under the UN 1958 Agreement (UN Regulations). Other areas, such as vehicle emissions, can also be addressed under regulatory convergence given the similarities in the environmental needs and policies of the US and EU. Furthermore, in order to address future policies, needs and goals of the US, EU and the vehicle industry, the TTIP opens the door for the parties to work collaboratively going forward while retaining a global perspective.

Regulatory convergence should seek to break down unnecessary technical barriers while maintaining the fundamental structures of each regulatory system, utilizing resources effectively, meeting the public safety and environmental needs, and respecting sovereignty and without sacrificing vehicle safety or environmental performance.

The motor vehicle sector is global and is subject to a unique, but broad, range of technical requirements, regulations, and compliance mechanisms. The TTIP is an opportunity for the US and EU to provide this industry a vehicle by which regulatory convergence can lead the way not only to improve trade flows, but also to more effectively and smartly utilize funding and resources for advanced research and innovation.

The following are guiding principles for regulatory convergence:

- Dedicated, long-term support from highest levels of governments and regulatory bodies
- Pursue regulatory convergence efforts
 - Mutual recognition of existing regulations (with no net increase in US or EU regulatory requirements resulting from regulatory convergence)
 - Cooperation on new regulations
- Decrease in certification costs and testing resources
- Foster transparent process for regulatory cooperation

MEMA and CLEPA support a two-pronged approach to regulatory convergence by separately addressing *existing regulations* and *new regulations*.

Existing Regulations

Both the US and EU have taken significant regulatory steps to address advancements in technologies to meet the respective governments' safety and environmental objectives. Given the significant similarities between US and EU existing performance requirements, MEMA and CLEPA recommend mutual recognition of regulations deemed equally effective for specific systems or products.

Thus, vehicles, systems, products that are in compliance with mutually recognized regulations will be considered compliant with either the US or EU safety or environmental requirements.

Referring to Attachment 1, MEMA and CLEPA recommend a proposed non-exhaustive list of regulations as a starting point that we agree are suitable for mutual recognition between the US and EU. Mutual recognition should be presumed unless it is demonstrated by the responsible regulatory agency that a regulation does not provide the desired level of safety and environment protection and fuel efficiency, based on a data driven analysis. For those regulations where mutual recognition and equivalence cannot be established, the US and EU should clearly identify gaps and establish a joint cooperative process with common goals and input. Perhaps this could be a joint motor vehicle working group to continue to work on regulatory convergence. The preferred option of MEMA and CLEPA is to undergo harmonization by filling in the regulatory gaps by amending the regulations. Some cases, where suitable, may trigger a global technical regulation (GTR) development process under the UN 1998 Agreement (on the basis of a joint US-EU proposal) under the United Nations' World Forum for the Harmonization of Vehicle Regulations (a.k.a. WP.29), which focuses on promoting the use of common test procedures and performance requirements across nations.

When established GTRs are existing (marked with an "*" in Attachment 1), we see a unique opportunity for full harmonization. The scope of the working group mentioned above could include evaluating common transpositions of the GTRs (in US and EU regimes) and to agree on common options where GTRs allow for it.

New Regulations

If successful, mutual recognition of existing regulations will provide momentum for a collaborative process where input from the US and EU will form the basis for future new regulations that facilitate rather than hinder trade and that effectively utilize government and industry resources.

For future regulations, where there is a need, establishing a cooperative process among governments and industry that addresses the common goals and needs of the US and EU will promote regulatory convergence. A joint process must take into account the different regulatory development and implementation timelines to foster a transparent and collaborative approach. The aforementioned working group should play a key role in promoting the development of US-EU common future new regulations, when such regulations become necessary. The outcome of the joint US-EU regulatory convergence process should also be the common input to the GTR development process under the 1998 Agreement and a commitment to transpose them similarly into their respective regulatory frameworks.

Addressing future safety and environmental needs of the US and EU should be developed in a global context, such as the UN WP.29 process, in parallel with the increasing globalization of the motor vehicle industry particularly in fast growing regions such as the Asia-Pacific that may deviate and present regulatory challenges. This cooperative endeavor should begin at the earliest possible

moment – particularly on those GTRs either currently in or soon to be in development. For these considerations we present subjects in Attachment 2.

Motor vehicle parts manufacturers are truly global, supporting all the major international vehicle manufacturers, so it is absolutely critical that US and EU governments and industry support and encourage GTR development and harmonization efforts. This will help enhance the competitiveness of motor vehicle parts suppliers beyond the transatlantic trade region.

Regulatory Convergence Impacts on Global Harmonization and Compliance

MEMA and CLEPA consider an ambitious and comprehensive US-EU agreement on regulatory convergence as a unique opportunity to foster global harmonization. A unique set of technical requirements and regulations in the US, in the EU, and at the global level will not only improve trade, but also will effectively allow smarter use of research and innovation funds and resources. We support and encourage GTR development and harmonization efforts under the 1998 Agreement of the WP.29 and should remain the forum for future technical harmonization. We recognize the concern among some WP.29 signatories that the GTR process lacks steady progress. We encourage the US and EU governments and stakeholders to seek out ways to improve the WP.29's global harmonization capabilities. A US-EU agreement could form the basis for a global system to eliminate regulatory barriers to trade for motor vehicles and motor vehicle components.

It is very important that the parties recognize differing aspects of the US and EU regulatory systems and find new ways to break down barriers, accommodate the governments' public safety and environmental needs, and be effective. MEMA and CLEPA urge the USTR to evaluate how to address and resolve differences in compliance and enforcement mechanisms for effective regulatory convergence.

Tariffs

Tariffs for our members are a major cost driver. For example, some automotive parts can amount to tariffs of 2-5 percent of total costs; for already assembled parts, tariffs may even account for 15-20 percent of overall costs. Where there are low margins, tariff costs can result in missed business opportunities overseas.

US imports into the EU: Average duty rate 6.5%	EU imports into the US: Average duty rate 2.5%.
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As such MEMA and CLEPA are in favor of complete tariff liberalization, which we consider would lead to considerable benefits for both parties.

Regarding transitional timelines, certain vehicle products may have to be differentiated and therefore treated conservatively, with staggered tariff elimination, introducing longer transition periods. Whereas, others tariff lines, may benefit from immediate liberalization, upon entry into force.

Rule of Origin

MEMA and CLEPA support a reasonable rule of origin that recognizes regional integration between the parties based on existing free trade agreements, along with the introduction of a harmonized system of standardized customs processes. The overall

objective would be for a worldwide, harmonized and easy-to-handle rule of origin, providing for a mechanism to adapt to a changing business environment.

Other issues

In addition, the TTIP should focus on addressing other issues such as investments and intellectual property rights (IPR), with the intention of providing proposals on these matters. The protection of IPR and the promotion of proper IPR enforcement are essential in protecting and advancing invaluable research, development and innovation in the vehicle sector.

Conclusion

In conclusion, MEMA and CLEPA congratulate both governments on deciding to move ahead with TTIP negotiations and look forward to working with governments, vehicle manufacturers, and other stakeholders to realize the goal of regulatory convergence in the negotiations. This is an opportunity to efficiently dissolve regulatory barriers for the vehicle industry, improve regulatory stability, and streamline resources, all while respecting US and EU sovereignty and without sacrificing vehicle safety or environmental performance.

Regulatory convergence must be a top priority for the US and EU. Not achieving regulatory convergence will severely limit the economic potential of TTIP, an outcome that both sides of the Atlantic must work hard to avoid. The other matters we raised are also important; MEMA and CLEPA support complete tariff liberalization, practical rule of origin, and strong IPR protections.

High-level support from both governments and regulators is essential to achieve a meaningful outcome. Realizing regulatory convergence and other key issues are critical to the long-term and mutually beneficial success of the motor vehicle industry sector as well as the viability of the US and EU economies.

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MEMA and CLEPA Attachments

RE: US-EU Regulatory Convergence in the Motor Vehicle Sector

Attachment 1

Existing Regulations –MEMA and CLEPA recommend a proposed, non-exhaustive list of candidate regulations for mutual recognition between the US and EU.

US Federal Motor Vehicle Safety Standard	Topic	Corresponding EU/UN Regulation
FMVSS 101	Controls and displays	UN-R 121
FMVSS 103	Windshield defrosting and defogging systems	78/317/EEC + (EU) 672/2010
FMVSS 104	Windshield wiping and washing systems	78/318/EEC + (EU) 1008/2010
FMVSS 105	Hydraulic brake systems	UN-R13
FMVSS 108	Lamps, reflective devices	UN-R 48 + separate regulations for different lighting, light signaling, and reflective units
FMVSS 111	Rear Visibility	UN-R 46
FMVSS 114	Theft prevention	UN-R 116
FMVSS 118	Power operated window / roof panel systems	UN-R 21
FMVSS 121	Air brake system	UN-R 13
FMVSS 125	Warning Devices	UN-R 27
FMVSS 126	<i>Electronic stability control*</i>	UN-R 13H
FMVSS 135	Passenger car brake systems	UN-R 13H
FMVSS 138	Tire pressure monitoring system	UN-R 64
FMVSS 201	Occupant protection in interior impact	UN-R 21
FMVSS 202a	<i>Seat Strength and head restraints*1)</i>	UN-R 17
FMVSS 203	Impact protection for the driver (steering wheel)	UN-R 12
FMVSS 204	Steering control rearward displacement	UN-R 12
FMVSS 205	<i>Safety Glazing*</i>	UN R-43
FMVSS 206	<i>Door locks and door retention components*</i>	UN-R 11
FMVSS 207	Seating systems	UN-R 17 and 80
FMVSS 208	Occupant crash protection	UN-R 94
FMVSS 209	Seat belt assemblies	UN-R 16
FMVSS 210	Seat belt assembly anchorages	UN-R 14
FMVSS 213	Child restraint systems	UN-R 44
FMVSS 214	Side impact protection	UN-R 95
FMVSS 225	Child Restraint Anchorage Systems	UN-R 14
FMVSS 302	Flammability of materials	UN-R 118
40CFR Part 205	Noise	UN-R 51 + New draft EU Regulation
40CFR Part 86	Light Duty Emissions	UN-R 83 + (EC) 715/2007
40CFR Part 86	<i>Heavy Duty Emissions*2)</i>	UN-R 49 + (EC) 595/2009

* Established GTR under the UN 1998 Agreement

*1) Agreed to transpose after end of phase 2, see attachment 2

*2) Established GTRs under the UN 1998 Agreement for Test Procedures, On Board Diagnostic Systems and Off-Cycle Emissions

MEMA and CLEPA Attachments
RE: US-EU Regulatory Convergence in the Motor Vehicle Sector

Attachment 2

Future Regulations – Whether establishing new subject GTRs or reviewing established, existing GTRs – foster the UN Process under the 1998 Agreement by bilateral cooperation, then transpose the technical requirements of the established GTRs the same way.

The GTR development process is designed to engage contracting parties in a full, transparent discourse and to promote comprehensive transposition among the CPs. Concurrently, there also must be recognition that the US and EU have different compliance and enforcement mechanisms to adopt into their own regulatory frameworks.

Future Regulations
Pedestrian Safety - Phase 2
Head Restraint - Phase 2
Worldwide Harmonized Light Vehicles Test Procedure (WLTP)
Hydrogen/Fuel Cell Vehicles
Pole Side Impact
Electric Vehicles (Safety and Environment)
Quiet Road Transport Vehicles

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