



European
Automobile
Manufacturers
Association

INTA Committee

Invitation to Exchange of Views on the CARS 2020 Communication

Brussels, 10 July 2013

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Trade

- **Trade plays a very important role in the overall competitiveness of the EU automotive industry.**
- **European automobile manufacturers are global companies. They therefore support fair and balanced trade agreements that create a level playing field.**
- **European trade policy should strengthen Europe's manufacturing base:**
 - The Commission (COM) is due to present a study on the cumulative impacts of the currently negotiated FTAs on the auto industry by the end of 2013.
 - The industry should be involved.



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EU-South Korea (SK) FTA Application

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State of Play (1)

- **Entry into force: 1 July 2011**
- **The FTA was not favoured by the EU automobile industry**
 - Automobile trade between the EU and SK was already unbalanced at the beginning of the FTA discussion to the advantage of SK.
 - The industry's concerns were not reflected sufficiently during the negotiations – number of NTBs not covered.
 - Some assurances/promises to the industry were not kept – eased market access, NTB elimination, etc.
- **Basic principles of the EU-SK FTA**
 - Acceptance of UNECE regulations to the full extent (Art. 2: Regulatory convergence)
 - ✓ UNECE recognised as the international standard for the automotive products.
 - ✓ Both parties are signatories of the 1958 Agreement.
 - Further development of the international standards for the areas not covered by the FTA (Art. 4: Consolidation of regulatory convergence).
 - Refrain from impairing market access benefits (Art. 7: Other measures restricting trade).



State of Play (2)

- **ACEA members hesitate to apply the FTA automotive Annex as SK authorities are unwilling to accept the full scope of UN ECE regulations**
 - 'E-mark' & 'CoP (Conformity of Production) standards' not accepted by the Korean Ministry of Land, Infrastructure and Transport (MOLIT).
 - Conformity of UNECE type approval certificates not fully recognised by SK authorities, requiring excess technical data.
 - Regulatory convergence and consultation procedures not functioning.
- **SK authorities adopt/plan new measures after the FTA**
 - Non-acceptance of UNECE for full scope
 - ✓ Plan to cease to apply UNECE R120 ~ R128: R121 and R123 are included in Appendix 2C3 of the FTA.
 - New certification & post-market surveillance policy without consultation with the COM.
 - ✓ New fuel consumption rate certification procedures by MOLIT and MOTIE: duplicated certifications.
 - ✓ Self-certification for service parts from May 2013: scope to be extended from the current 5 items to 35 items by 2016.
 - New emission standards for gasoline vehicles may become an obstacle for Euro 6 OBD vehicle sales.



State of Play (3)

- **Concerns of the industry**

- The text of the Automotive Annex 2C contains a number of loopholes that allow different interpretations (fact recognised by the COM).
- As a result, the Korean authorities maintain NTBs and introduce new ones as well as trade irritants (proposed amendment to 'Corporate Tax Act' and 'Income Tax Act', excess data requested by SK certification authorities, new fuel economy indication program). This situation undermines the basic principles of the FTA and its spirit.
- The promise to consolidate regulatory convergence is not at all kept.

- **Next steps**

ACEA requests a firmer position towards the Korean authorities.

- If necessary, the dispute settlement mechanism should be applied.
- This situation should be avoided when the COM negotiates the FTA with Japan and with others.
- ACEA is providing the COM with inputs in view of the High level Technical meeting on 26 September 2013.



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FTA Negotiations with Japan

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State of Play

- **Japan and the EU launched negotiations on an FTA on 25 March. The first round was held in Brussels in the week of 15 April.**
- **The 2nd round was held in Tokyo in the week of 24 June, and a third one will take place at the end of October in Brussels.**
- **At the end of the first year, the Commission, in consultation with Member States (MS), will review Japan's implementation of its commitments given in the Scoping Exercise to eliminate NTBs. The mandate requires that the negotiations should be suspended if progress is not "fully satisfactory".**
- **ACEA regards the review as an important test of Japan's willingness to remove NTBs in the automotive sector.**



ACEA Requests (1)

- **ACEA wrote to J.-L. Demarty on 12 March, proposing a list of Japanese NTBs that should be reasonably eliminated during the first year of the FTA negotiations.**
- **This list covered all the areas included in the Roadmap on the EU's Illustrative List of Automobile NTBs included in the conclusions of last year's Scoping Exercise.**

Harmonisation of Technical Requirements and Certification Procedures with UN ECE Regulations:

- The GOJ should publish a roadmap for the adoption of those UN ECE Regulations which Japan has not yet adopted. This should include all those Regulations which correspond to Japanese type approval requirements where an ECE approval is not currently accepted.
- Japan should adopt existing UN ECE Regulations unless such regulations are already under review by WP29. The EU should not agree to modify existing UN ECE Regulations in order solely to meet Japanese domestic regulations.



ACEA Requests (2)

Measures for the Promotion of Vehicles (Kei cars)

- As a first step towards the elimination of the fiscal “privileges” currently enjoyed by kei-cars:
 - ✓ When Consumption Tax is raised to 8% in April 2014, the GOJ should reduce the rate at which Acquisition Tax is levied on both registered PCs and kei cars to 2%.
 - ✓ If Tonnage Tax is retained, with effect from the tax reform to be introduced from April 2014, the Tonnage Tax on kei cars should no longer be a flat rate but related directly to vehicle weight as is the case with registered passenger cars.
- In addition, the GOJ should give a commitment that, when Consumption Tax is raised to 10% by October 2015, Automobile Tax and Kei Car Tax will be unified so that there is no discrimination between kei cars and other car segments (equal treatment of all car segments).



ACEA Requests (3)

- **The ACEA list also included:**
 - The generic exemption from the import inspection requirements of the High Pressure Gas Act of airbags using compressed hydrogen.
 - The approval of high pressure gas tanks which conform to EU/ISO standards.
 - The relaxation of the zoning regulations for automobile service shops.
- **ACEA made clear that the targets for the first year are without prejudice to the need to address other issues in the course of the negotiations.**
- **ACEA has provided the COM with a list of Japanese NTBs not already included in the Scoping Exercise. Further NTBs will be put forward to the attention of the COM, including on commercial vehicles.**
- **ACEA will continue to follow closely the FTA negotiations with Japan, believing that our industry's proposals for the first year are challenging but realistic.**



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EU-U.S. Transatlantic Trade and Investment Partnership (TTIP)

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State of Play

- **On 14 June, the Foreign Affairs Council (Trade) gave the green light to the Commission to negotiate the Transatlantic Trade and Investment Partnership (TTIP).**
 - **The USTR notified Congress on its intent to negotiate with the EU. The 90-day waiting period expired on 19 June.**
 - **The 1st round of the TTIP negotiations started on 8 July in Washington DC.**
 - **The 2nd round is expected to be held in the week of 7 October in Brussels.**
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Potential Gains for the Auto Industry (1)

- **According to the Commission's Impact Assessment Reports:**
 - Current auto NTBs are equivalent to an ad valorem tariff of ~26%.
 - The elimination of tariffs and 25% of existing NTBs would increase the EU vehicle and parts exports to the U.S. by 149% (for the period 2017-2027).
 - The estimated increase in EU-U.S. auto trade associated with the elimination of tariffs and non-tariff barriers accounts for more than 1/3 of the total estimated increase in bilateral trade flows associated with a successful TTIP negotiation.
- **Significant economic gains can be achieved through regulatory convergence. For the overall success of the TTIP, auto regulatory convergence must be a priority.**



Potential Gains for the Auto Industry (2)

- **EU-U.S. auto-related trade currently accounts for ~10% of all trade between the two regions.**
- **The EU and the U.S. together total 32% of global auto production and 35% of global auto sales.**
- **Together they will represent the largest share of auto production and sales covered by a single FTA ever.**
 - **the FTA would strengthen the EU and U.S. roles as worldwide auto standards setters**

ACEA supports the momentum for the TTIP negotiations.

The TTIP presents a great opportunity for the EU auto industry to gain from a trade agreement (this is vital also in light of other ongoing and completed negotiations).



ACEA's Involvement in the TTIP

- **ACEA and AAPC delivered a joint presentation at the High-Level Regulatory Cooperation Forum in Washington D.C. on 11 April.**
- **On 10 May, ACEA and AAPC provided a joint submission to the "USTR's request for comments on the proposed TTIP".**
- **ACEA also wrote a separate letter to DG TRADE and DG ENTR indicating additional ACEA interests that have not been addressed in the joint submission.**
- **ACEA requested a comprehensive approach that includes the elimination of tariff and NTBs through regulatory convergence.**
- **ACEA calls for a parallelism between tariff elimination and regulatory convergence, under a single undertaking.**



Proposed Strategy (1)

REGULATORY ISSUES – EXISTING REGULATIONS

- **The ACEA/AAPC joint submission provides a non-exhaustive list of existing EU and U.S. regulations for full mutual recognition.**
- **Mutual recognition must be presumed unless it is demonstrated by regulators that a regulation is deficient from a safety or environmental outcome perspective compared to the corresponding regulation of the other party, based on a data driven analysis.**
- **Legal certainty shall be assured during the negotiations. Mutual recognition shall mean that conformity with either regulation shall automatically imply compliance with the other, and this in all respects and with the same legal value as compliance with domestic regulations.**
- **For regulations where mutual recognition cannot be achieved, technical harmonization shall be considered.**



Proposed Strategy (2)

REGULATORY ISSUES – NEW REGULATIONS

- **On new regulations, ACEA calls for the EU and the U.S. to implement a joint regulatory harmonization process to avoid regulatory divergence from the beginning.**
- **The GTR process under the UNECE WP29 umbrella should be jointly strengthened.**

TARIFFS, RULES OF ORIGIN, TRADE FACILITATION

- **ACEA and AAPC have addressed mainly regulatory issues in their submissions and undertook to indicate their interests on these issues at a later stage.**



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FTA Negotiations with India

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ACEA Position

ACEA position since the start of negotiations:

- “Zero-for-zero” on import duties for vehicles and parts, which can be a long and asymmetric dismantling (10/15 years) for Indian import duties, while EU duties could be eliminated more rapidly.
- India needs to join UNECE WP29 and to accept a meaningful Automotive Annex to avoid the emergence of new NTBs.



State of Play

- **The current (unofficial) offers on the table for the automotive sector are:**

Tariffs on cars

- 30% tariffs reached by 2018 or 2019 for EU exports.
- EU tariff reduction would start from 10%, would go down to 0% by 2019.
- A snapback clause on both sides would be implemented if India does not deliver on further liberalization after 2018-19.
- TRQ (quota): expected around 50,000 cars/year with possibly 10% import duties.

Tariffs on car parts

- There is an Indian negative list of certain tariff lines while the Commission seeks commitment from India to go to 0%, with a long transitional period.

Automotive Annex

- India is not a member of UNECE 1958 and strongly opposes a meaningful Automotive Annex.



ACEA's Requests

The ACEA position on the current offer is:

- These conditions would lead to an unbalanced agreement.
- Would leave no leverage for further liberalization on the Indian side.
- ACEA members do not consider the snapback clause as a favourable option.
- The lack of a meaningful Automotive Annex would leave room for India to create NTBs (divergent regulations) at will.
- ACEA is interested in an EU-India FTA with the right conditions, but prefers no agreement to a bad one.