AMERICAN AUTOMOTIVE POLICY COUNCIL

February 3, 2012

The American Automotive Policy Council (AAPC) views on the United States Trade Representive (USTR) request for comments on options for increasing U.S.-E.U. trade and investment to support mutually beneficial job creation, economic growth and international competiveness for use by the Transatlantic Economic Council (TEC) U.S.-E.U. High Level Working Group [Docket Number USTR-2012-0001]

The American Automotive Policy Council (AAPC) is the association representing the common public policy interests of its member companies- Chrysler Group LLC, Ford Motor Company, and General Motors Company. We appreciate the opportunity to provide our input in response to USTR's request for comments on options for increasing United States-European Union (U.S.-E.U.) trade and investment to support mutually beneficial job creation, economic growth, international competiveness, and on ways to enhance cooperation. For purposes of this submission the twenty-seven countries of the European Union will be referred to as the E.U. or the European Union.

The trade and economic relationship between the United States and the European Union is already among the world's largest, most important, and stable. Nevertheless, opportunities remain to build on that strong foundation. This document proposes several ways in which to further facilitate transatlantic automotive trade, with a focus on addressing automotive regulatory divergences. Additionally, this submission identifies areas where the United States and the European Union can further cooperate in the development of rules and principles on global issues of common concern.

Importance of America's Automakers

America's automakers—Chrysler Group LLC, Ford Motor Company and General Motors Company—remain the heart of the industrial base of the United States and an engine of the American industrial economy. These three companies are committed to investing in the United States, growing U.S. exports, and leading the nation's economic recovery.

With nearly 200,000 direct company employees (2 out of 3 auto manufacturing jobs nationwide), Chrysler, Ford and General Motors support hundreds of thousands of additional jobs in all 50 states—from high-tech research labs, to the suppliers that ship thousands of parts to manufacturing shop floors, to the 9,800 U.S. dealerships that deliver high quality products to their customers. Today, Chrysler, Ford and General Motors are at the forefront of the United States' economic recovery—adding billions of dollars in American manufacturing investments and creating tens of thousands of new American jobs.

When it comes to trade, the U.S. automotive industry already exports more than any other sector. Over the past six years, U.S. automakers and suppliers have exported nearly $600 billion worth of vehicles and parts—surpassing the next best performing sector (aerospace) by $74 billion. In

2011, AAPC member companies combined to export nearly one-million vehicles produced in the United States to 100 markets around the world.

U.S.-EU Auto Trade & Investment

The United States and the European Union have a robust exchange of automotive trade and investment as a result of our open markets. With regards to transatlantic automotive trade, the United States exported $4.9 billion in passenger vehicles and $4.7 billion in auto parts in 2010, while importing $24 billion in passenger vehicles and $11.4 billion in auto parts. In 2011, through November, the United States exported $6.5 billion worth of passenger vehicles (a 48% increase over the same period in 2010), and $4.9 billion in auto parts (a 13% increase). During the same period, the United States imported $24.7 billion in passenger vehicles and $13.9 billion in auto parts.

The three American automakers currently all have major investment ties with Europe. General Motors and Ford have had major investments in Europe since the early part of the 20th century, and Italy's Fiat SpA is currently the majority owner of Chrysler Group LLC.

AAPC Views and Recommendations

In its request for comments, the U.S. government welcomes written input on options for increasing U.S.-E.U. trade and investment, including: addressing unnecessary barriers to trade, enhancing the compatibility of regulations and standards, and enhance the development of rules and principles on global issues of common concern. The following are the AAPC's views and recommendations on these subjects:

> Addressing unnecessary barriers to trade:
>
> As in most developed markets around the world auto tariffs are relatively low in the United States and the European Union. The European Union has a 10% tariff and the United States has a 2.5% tariff on passenger cars. Although important, neither of these tariffs prevents trade. And, as noted above, there has and continues to be major transatlantic investments in the auto sector so there are no barriers to transatlantic investments in this sector.
>
> Non-tariff measures, however, do have a major impact on automotive trade flows between the United States and the European Union. The most important non-tariff measures are differences in automotive safety and emissions regulations, certification procedures and reporting. Both the United States and the European Union has highly advanced and developed automotive standards and regulatory certification procedures that were independently developed decades-ago, which has led to major differences. Consequently, certifying U.S. vehicles for sale in Europe and certifying European-built vehicles for sale in the United States requires additional testing and modifications of the vehicles to meet the others' regulatory requirements. This can be very costly, especially for low-volume sellers, and suppresses growth in transatlantic automotive trade.
>
> To address this and to also contribute to the ultimate goal of "tested once and accepted everywhere," we strongly encourage both the United States and the European Union to promote and aggressively pursue the development of Global Technical Regulations

(GTRs) through the United Nations Working Party 29 (UN WP-29). This existing GTR development process is the best means to bridge the differences in automotive regulations while simultaneously furthering the overall objective of global automotive regulatory harmonization. We strongly encourage both the United States and the European Union to work together to accelerate the development of more GTRs.

Opportunities for enhancing the compatibility of regulations and standards:
Equally important to aligning existing automotive regulations through the work of the UN WP-29, is establishing a process that facilitates the alignment of current and future automotive regulations and standards. Once different regulations are firmly established by the regulatory authorities in either the United States or Europe, it is much more difficult to align than if the process begins early in the regulatory development process. Establishing a process to align current and future auto regulations is growing in importance as the automobile is going through a fundamental transformation through the inclusion of advance technologies- necessitating major changes in the regulations that cover the motor vehicle.

A good example of an ongoing effort to align new standards is being undertaken by the Transatlantic Economic Council on electric vehicle fast charging which is being undertaken by the representatives of American and European automaker, standards setting associations, the Transatlantic Business Dialogue, and the U.S. and E.U. governments (a.k.a TEC e-mobility plan). We strongly support this effort and encourage using this as a model for harmonization and compatibility and by expanding this approach to other new regulations being considered by the United States and the European Union.

If the United States and the European Union can cooperate more closely on new regulations, it would go a long way towards achieving the goal of "tested once and accepted everywhere." We strongly recommend that a process be established, where the United States and the European Union regulatory authorities meet to exchange regulatory agenda plans and identify areas where the two can cooperate and share information in order to avoid further regulatory divergences.

Enhanced cooperation for the development of rules and principles on global issues of common concern:
Another area of opportunity for United States and European Union cooperation is the development of rules and principles on global issues of common concern that impact job creation and economic growth in both markets, and competitiveness in third markets. A key area of enhanced cooperation should be to coordinate efforts to address the systemic trade distorting measure of currency manipulation practiced by our trade partners to gain an unfair competitive advantage.

Currency is the medium in which trade occurs and exchange rates can be as important a determinant of trade outcomes as the qualities of the goods and services themselves. Currency manipulation is a policy used by governments and central banks of some of the largest trading partners of the United States and the European Union (i.e., Japan and

Korea) to artificially set the value of their currency to gain an unfair competitive advantage for their auto exports and to simultaneously discourage auto imports. This action comes at the expense of taking jobs and siphoning economic growth away from our respective markets. The United States and the European Union have an opportunity to drive and demand strengthened disciplines against currency manipulation both within a multilateral (WTO) and a bilateral context, vis-à-vis third country trade or FTA partners.

Conclusion

Again, we appreciate the opportunity to share our views on options for increasing United States-European Union automotive trade to support job creation, economic growth and international competiveness in both the United States and the European Union. We look forward to working with USTR to further discuss our input and ways we can work together to achieve the objectives of the U.S.-E.U. High Level Working Group on Jobs and Growth.