



ACEA

U.S.-EU AUTOMOTIVE REGULATORY CONVERGENCE

U.S.-EU High Level Regulatory Cooperation Stakeholders Forum
Washington D.C. (April 10-11, 2013)

JOINT U.S.-EU INDUSTRY PRESENTATION

ACEA & AAPC Membership

- ACEA (European Automobile Manufacturers' Association)



- AAPC (American Automotive Policy Council)



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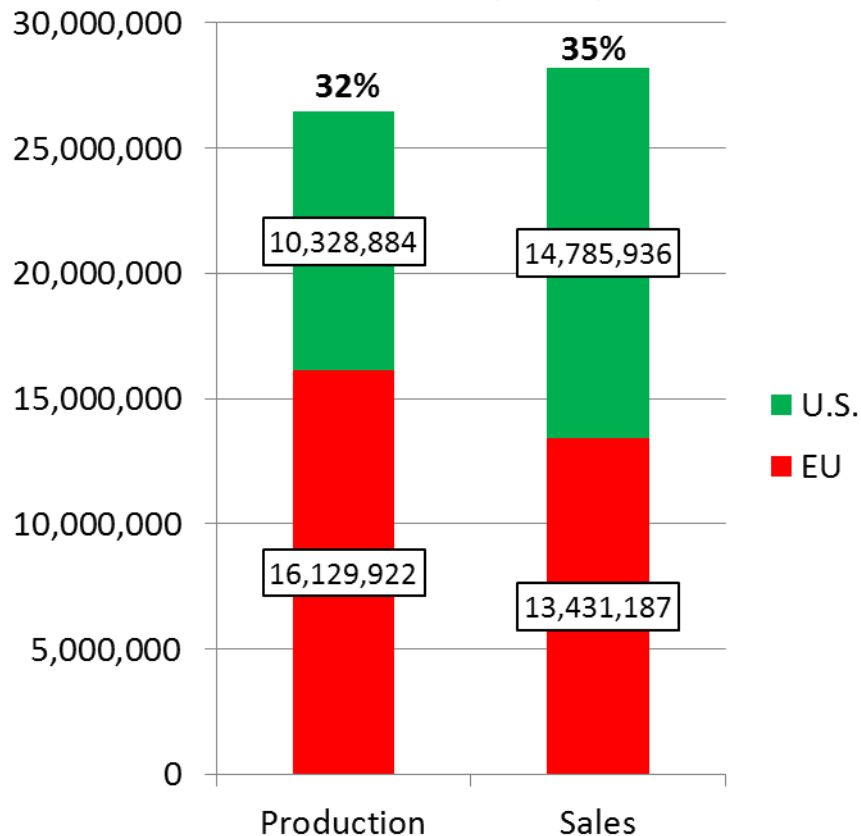
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Introduction

- The Transatlantic Trade and Investment Partnership (TTIP) presents an opportunity to break down regulatory barriers in the auto sector, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety or environmental performance.
- Increased auto regulatory convergence will increase trade, lower costs, create jobs, and improve the international competitiveness of the industry, strengthening the automotive industry and its economic contribution in both regions.
- A successful regulatory convergence effort would demonstrate the U.S. and the EU commitment to worldwide standards providing momentum for global regulatory convergence.
- To achieve meaningful regulatory convergence, there must be strong and sustained political support for the effort at the highest levels of government, and the relevant regulatory authorities.

U.S. & EU Auto Production and Sales

EU & U.S. Share of Global Passenger and Commercial Vehicles Sales and Production (2012)



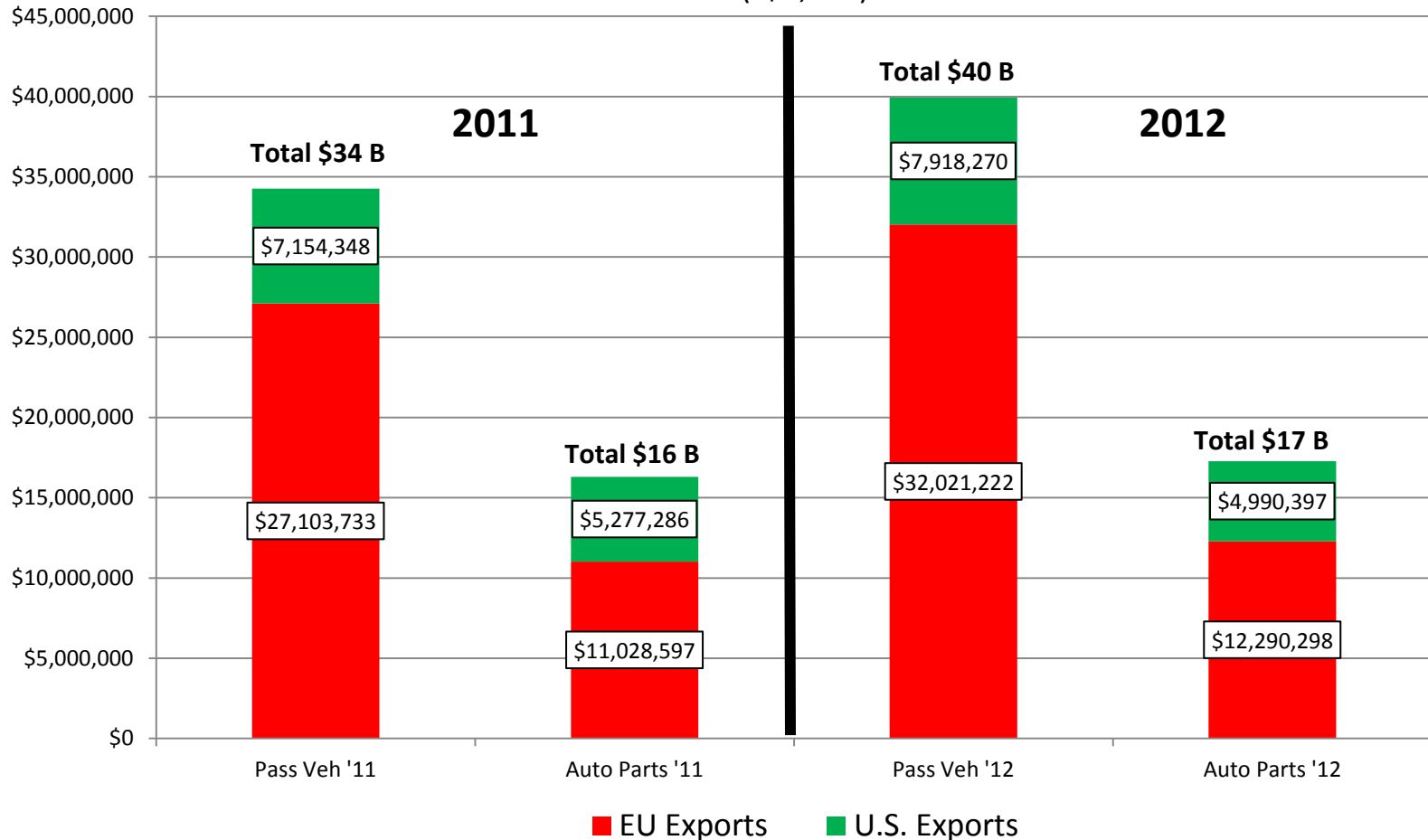
Note: Includes passenger and commercial vehicles
Source: OICA.net

- The U.S. and the EU together total:
 - 32% of global auto production
 - 35% of global sales
- Together they will represent the largest share of auto production and sales ever covered by a single FTA.

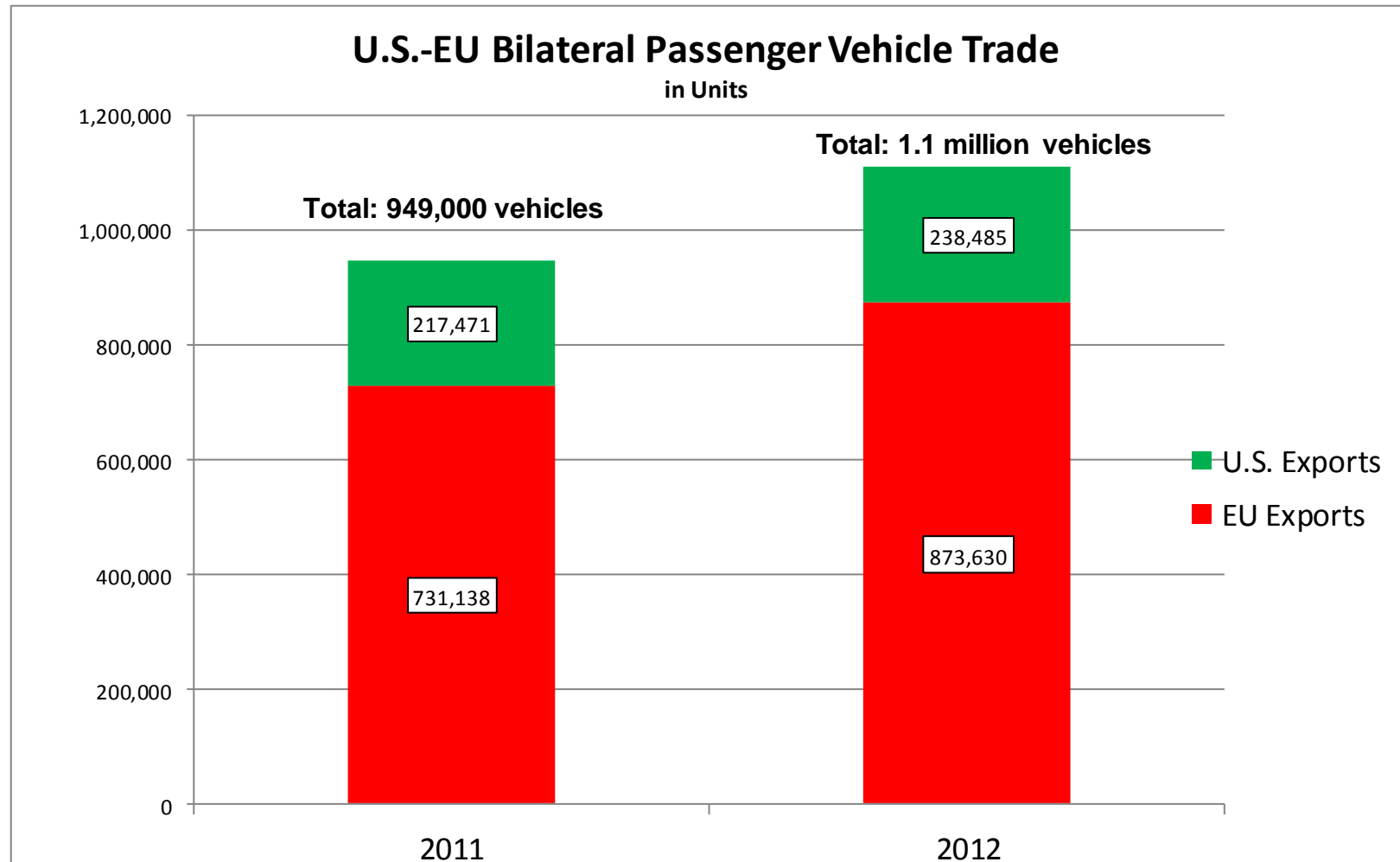
U.S. - EU Bilateral Auto Trade Flows

U.S. - EU Bilateral Passenger Vehicle & Auto Parts Trade

(x\$1,000)



U.S. - EU Bilateral Auto Trade Flows



U.S. – EU Regulatory Convergence: Current Regulatory Differences Impose High Costs

- According to the EU Impact Assessment Reports:*
 - **U.S. - EU regulatory differences act as non-tariff barriers to trade (NTBs)**
 - **Current auto NTBs are equivalent to an ad valorem tariff of ~26%**
 - *Significant economic gains can be achieved through regulatory convergence.*

*See Commission Staff Working Document (2013): “ Impact Assessment Report on the Future of EU-US trade Relations”, p. 43. http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150759.pdf and Centre for Economic Policy Research (2013): Reducing Transatlantic Barriers to Trade and Investment http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.

U.S. – EU Regulatory Convergence: Anticipated Gains

- According to the EU Impact Assessment Reports:
 - **The elimination of tariffs and 10% of existing U.S. and EU NTBs would**
 - Increase EU vehicle and parts exports to the U.S. by 71%*
 - Increase U.S. vehicle and parts exports to the EU by 207%**
 - **The elimination of tariffs and 25% of existing U.S. and EU NTBs would**
 - Increase EU vehicle and parts exports to the U.S. by 149%*
 - Increase U.S. vehicle and parts exports to the EU by 347%**

Note: Estimates based on 2027 projections, ten years after TTIP implementation.

*Commission Staff Working Document (2013): “ Impact Assessment Report on the Future of EU-US trade Relations”, p. 43.
See http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150759.pdf.

**Centre for Economic Policy Research (2013): Reducing Transatlantic Barriers to Trade and Investment
http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.

U.S. – EU Regulatory Convergence: Essential to a Successful TTIP Result

- U.S.-EU auto-related trade currently accounts for 10% of all trade between the two regions.
- The estimated increase in U.S. – EU auto trade associated with the elimination of tariffs and non-tariff barriers accounts for more than 1/3 of total estimated increase in bilateral trade flows associated with a successful TTIP negotiation.*
- To realize the economic promise of TTIP, meaningful U.S. – EU auto regulatory convergence must be a priority.

*Centre for Economic Policy Research (2013): Reducing Transatlantic Barriers to Trade and Investment
http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.

U.S.-EU Regulatory Convergence

Guiding Principles

- Strong and sustained political support at the highest levels of government, and the relevant regulatory authorities.
- No net increase in U.S. or EU regulatory requirements.
- No new third regulations (in addition to the existing U.S. and EU regulations) or additional certification requirements.
- Mutual recognition shall permit an automaker to sell a vehicle built to either recognized standard in either market.

U.S.-EU Regulatory Convergence

Proposed Approach

In the past, major efforts have been undertaken to harmonize auto standards, yet progress has been slow.

Therefore, we propose a new approach:

- Existing regulations:

Mutual recognition should be presumed unless it is demonstrated that a regulation is deficient from a safety or environmental outcome perspective based on a data driven analysis.

Mutual recognition shall imply that with regard to the regulations concerned vehicles shall be considered to offer the same high-level of safety or environmental performance.

- New regulations:

Implement a joint U.S.-EU auto regulatory harmonization process that promotes and facilitates the development and adoption of common future new regulations. This approach will strengthen the U.S. and EU roles as worldwide auto standards setters, providing momentum for global auto regulatory convergence.

U.S.-EU Regulatory Convergence

Proposed Illustrative Mutual Recognition List

- The best possible outcome is comprehensive mutual recognition, where a vehicle certified as compliant with safety and environmental requirements in the U.S. is accepted as compliant in the EU, and vice versa.
- However, in light of the short time frame designated for this negotiation, achieving comprehensive mutual recognition is unlikely.
- Thus, as an interim step, AAPC and ACEA are developing a list of regulations for input into the TTIP negotiations, with five illustrative examples (slide 14).
- Success in this TTIP-related mutual recognition effort will define the process for additional convergence of regulations, eventually achieving comprehensive mutual recognition.

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Illustrative Mutual Recognition List

- AAPC's and ACEA's mutual recognition priorities include, but are not limited to, the safety regulations found below.
- By May 10, AAPC, in cooperation with ACEA, will submit a more detailed mutual recognition list in response to USTR's "Request for Comments Concerning Proposed Transatlantic Trade and Investment Agreement". This list will include vehicle emissions and other environment-related issues.

	EU Regulation	Title	US Regulation
1	UNECE Reg. 94	Occupant Crash Protection	FMVSS 208
2	UNECE Reg. 95	Side Impact Protection	FMVSS 214
3	UNECE Reg. 14,16,44	Child restraint systems	FMVSS 213/FMVSS 225
4	UNECE Reg. 21	Occupant Protection in Interior Impact	FMVSS 201
5	To be Determined	Vehicle Emissions and Other Environment-related Issues	To be Determined

Conclusion

- The TTIP represents an opportunity to break down regulatory barriers in the auto sector, without sacrificing safety or environment.
- Increased auto regulatory convergence will increase trade, lower costs, create jobs, and improve auto sector international competitiveness.
- Regulatory convergence would strengthen the US and EU roles as worldwide auto standards setters, curbing further auto regulatory fragmentation.
- Strong and sustained political support for the effort at the highest levels of government and regulatory authorities is essential.
- Success in this interim mutual recognition effort will define the process for additional convergence of regulations, eventually achieving comprehensive mutual recognition.