

Transatlantic Trade Investment Partnership

Auto Sector Can Deliver Significant Benefits

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**Encouraging a Manufacturing Renaissance through
Transatlantic Trade and Investment**

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Introduction

- **As the largest manufacturing and exporting sectors in the United States (U.S.) and the European Union (EU), the U.S. and the EU auto industries have a major stake in the conclusion of an ambitious bilateral trade agreement.**
- **The U.S. and the EU together represent the largest share of auto production and sales ever covered by a FTA.**
- **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.**
- **To realize the economic promise of TTIP, meaningful U.S. – EU auto regulatory convergence must be a priority.**
- **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 U.S.-EU auto regulatory convergence effort would provide momentum to global regulatory convergence.**

U.S. & EU Auto Industry/Market/Trade (2013)

The EU and the U.S. are the second and third-largest passenger vehicle producers in the world:

- In 2013, 11.1 million passenger vehicles were produced in the United States, up from 10.34 in 2012 (8% increase). The EU produced 14.6 million passenger cars in 2012.

The U.S. and the EU are also the second and third largest markets in the world:

- The U.S. auto market grew 7.5% in 2013 to 15.6 million passenger vehicles (and 380,000 commercial vehicles). This continues a multi-year trend of growth from 10.4 million in 2009.
- The EU-27 auto market was down 1.7% in 2013 to 11.86 million passenger cars (and 1.8 million commercial vehicles).

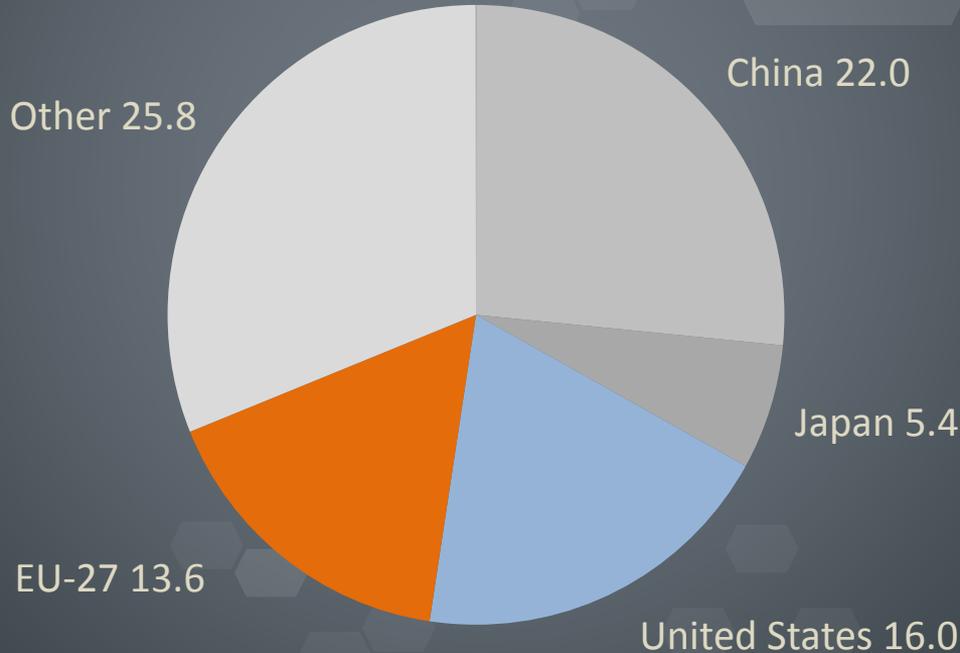
Automotive remains the largest exporting sectors in the U.S. and EU-equaling 10% of total EU-U.S. Trade:

- The U.S. automotive sector exported \$138 billion (up 4.4%) automotive vehicles and parts to the world. U.S. auto exports (vehicles and parts) to the EU was down 15% to \$11.9 billion.
- The EU automotive sector exported € 163 billion (up 3.1%) automotive vehicles and parts to the world in 2013. EU exports (vehicles and parts) to the United States was up 8.2% to € 35 billion .

U.S. & EU Auto Markets

Major Global Auto Producing Regions (in millions of cars and commercial vehicles-2013)

Together the U.S. & EU represents 36% of global sales- the single largest market



World Total, 2013: 82.8 million cars and commercial vehicles (4.2% increase).

Auto Sector & TTIP

- **TTIP is the biggest trade liberalization opportunity for the auto industry:**
 - Increase in bilateral auto trade would account for more than one-third of all gains in total bilateral trade flows - more than any other sector (CEPR, 2013);
- **Although tariff savings is important, the biggest benefit could come from regulatory convergence:**
 - Transatlantic auto regulatory divergences are equivalent to a tariff of 26% (CEPR, 2013);
- **The priority must be to reduce redundancies deriving from existing regulations:**
 - Cutting unnecessary red tape while maintaining safety/environmental performance;
- **Both regulatory regimes result in vehicles providing high-level of safety performance & outcome:**
 - This redundancy is unnecessary and results in higher costs with fewer consumer choices;

Significant economic efficiencies can be achieved through auto regulatory convergence

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.

Guiding Principles

- **Strong and sustained political support at the highest levels of government, and the relevant regulatory authorities.**
- **Eliminate regulatory barriers within the auto industry while preserving vehicle safety and environmental performance.**
- **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.**