



## **Summary of the Statement by Governor Matt Blunt, President of the American Automotive Policy Council**

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 TTIP negotiations present an opportunity to implement a regime that effectively breaks down regulatory barriers in the auto sector, recognizes regional integration based on existing free trade agreements that benefits both the U.S. and EU, reduces costs and increases commercial predictability, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety or environmental performance.

To achieve regulatory convergence, AAPC is guided by the following principles: 1) strong and sustained political support at the highest levels of government, and relevant regulatory authorities, 2) no net increase in U.S. or EU regulatory requirements as a result of regulatory convergence of existing regulations, and 3) 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. The AAPC has prepared a non-exhaustive list of existing U.S. and EU regulations for mutual recognition during the TTIP negotiations.

Acceptance of an existing regulation should be presumed, recognizing the significant advancements that the regulations have provided in environmental and safety technologies in both the U.S. and the EU, unless, the analysis of the data conducted by the responsible regulatory agency demonstrates that the regulation is deficient from a safety or environmental perspective.

With regard to new regulations, the AAPC recommends that the U.S. and EU implement a joint 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 standard setters, providing momentum for global auto regulatory convergence.

Eliminating tariffs and achieving greater regulatory convergence of current and future standards through the TTIP will increase trade, lower costs, create jobs, and improve the international competitiveness of the industry, strengthening the automotive industry and its economic contribution.



**Statement of Governor Matt Blunt,  
President of the American Automotive Policy Council**

**U.S. HOUSE COMMITTEE ON ENERGY AND COMMERCE  
SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE**

**On**

**“The U.S. – E.U. Free Trade Agreement: Tipping Over the Regulatory  
Barriers”**

**July 24, 2013**

I am Matt Blunt, President of the American Automotive Policy Council (AAPC). The AAPC represents the common international and domestic public policy interests of its member companies- Chrysler Group LLC, Ford Motor Company and General Motors Company. Thank you for the opportunity to share our views with the Subcommittee on this very important subject.

On May 10th, AAPC and our European counterpart, the European Automobile Manufacturers Association (ACEA), jointly submitted a detailed auto regulatory convergence proposal in response to the United States Trade Representative (USTR) Federal Register Notice, a Request for Comments Concerning Proposed Transatlantic Trade and Investment Agreement (TTIP); 78 Fed. Reg. 19566.

As the largest manufacturing and exporting sector in the United States, the auto industry has a major stake in the successful conclusion of a Transatlantic Trade and Investment Partnership Agreement (TTIP). The U.S. and the EU together account for 32% of global auto production and 35% of global auto sales.<sup>1</sup> U.S.–EU auto-related trade is also significant, accounting for 10% of all trade between the two economies. In 2012, in total, the value of bilateral U.S.–EU trade in autos and auto parts exceeded \$40 billion and 1.1 million passenger vehicles.<sup>2</sup> Although there is already robust automotive trade and investment between the U.S. and the EU, tariffs (import duties) and non-tariff barriers (divergences in automotive regulations), unnecessarily burden and constitute obstacles to free trade.

TTIP will represent the largest share of auto production and sales ever covered by a single free trade agreement and we believe that a well-negotiated TTIP, that includes the elimination of tariffs and major non-tariff barriers in the auto sector has great potential to grow the transatlantic auto trade and investment relationship.

The global landscape for auto production and sales is changing. Global auto sales are expected to increase more than fifty percent by the end of the decade, equating to roughly a billion new automobiles on the roads across the world. The concentration of this growth will be in emerging markets, with vehicles sales eventually surpassing the sales growth in more mature markets like the U.S. and Western Europe. It is essential to ensure that regulatory costs do not inhibit future

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<sup>1</sup> OICA.net (includes passenger and commercial vehicles)

<sup>2</sup> U.S. Exports-U.S. Dept. of Commerce & U.S. ITC / EU Exports- Eurostat

growth in auto sales and exports and the critical role they play in economies on both sides of the Atlantic.<sup>3</sup>

As the topic of this hearing is U.S. –EU regulatory barriers, this statement focuses on AAPC’s view on such matters. AAPC shall provide its views on appropriate tariff phase-out, rules of origin, trade facilitation and other auto-related matters regarding the TTIP negotiations at a later date.

### **Auto Regulatory Convergence**

The negotiation of TTIP presents an opportunity to implement a regime that effectively breaks down regulatory barriers in the auto sector, recognizes regional integration that benefits both the U.S. and the EU, reduces costs and increases commercial predictability, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety or environmental performance.

Past efforts to harmonize auto standards, were ineffective and slow. We propose a new approach: mutual recognition for existing automotive regulations and for future regulations that are deemed necessary, and the establishment of a joint regulatory harmonization process that facilitates the development and adoption of common future new regulations.

Our regulatory convergence proposal is guided by the following principles:

- Strong and sustained political support at the highest levels of government, and the relevant regulatory authorities;

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<sup>3</sup> Auto Alliance Submission to USTR’s request comments concerning proposed Transatlantic Trade Investment Agreement (TTIP); 78 Fed. Reg. 19566, May 10, 2013.

- No net increase in U.S. or EU regulatory requirements, as a result of regulatory convergence of existing regulations;
- No new third regulations (in addition to the existing U.S. and EU regulations) or additional certification requirements; and
- Mutual recognition shall permit an automaker to sell a vehicle built to either recognized standard in either market.

### **Mutual Recognition of Existing Regulations**

Recognizing the significant advancements that the regulations have provided in environmental and safety technologies in both the U.S. and the EU, acceptance of an existing regulation should be presumed unless the analysis of the data conducted by the responsible regulatory agency demonstrates that the regulation is deficient from a safety or environmental perspective.

We recommend that the process begin immediately in close cooperation with the industry in order to take advantage of the current increased existing political will and interest in regulatory convergence.

Our May 10<sup>th</sup> submission provides a list of U.S. and EU safety and environmental regulations for mutual recognition consideration during the TTIP negotiations and proposed a data driven process for purposes of completing the necessary assessment.

### **Treatment of Existing Regulations Not Included on the AAPC Mutual Recognition List**

The best possible outcome for the U.S. and EU auto sectors 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, even if this mutual recognition is a complete success, there will still be a number of U.S. and EU regulations that remain to be converged. AAPC therefore also recommends that the U.S. and EU include a provision in TTIP establishing a joint auto task force coordinated by the Office of the United States Trade Representative (USTR) and the Office of Information and Regulatory Affairs (OIRA) for the United States and the appropriate authorities for the European Union to continue to work towards comprehensive mutual recognition following the conclusion of the trade pact negotiations.

### **Development of Common Future New Regulations**

When a new regulation is needed, a joint EU-U.S. auto regulatory harmonization process, that takes into account differences in U.S. and EU auto regulatory development and implementation timelines, needs to be developed that promotes and facilitates the development and adoption of common future new regulations. This process should also include a mechanism to foster the development of common voluntary standards in the pre-regulatory environment.

Key elements of a U.S.-EU harmonized standards development process must:

- Aim at strengthening the automotive industry in both regions, with lower costs through reductions in regulatory complexity, reducing administrative burdens while maintaining flexibility and increased predictability;
- Have strong and sustained political support at the highest levels of government;
- Engage industry to work together to develop each harmonized approach; and
- Provide a timeline to complete the development of each harmonized approach.

## **Conclusion**

We believe that the TTIP presents an opportunity to break down tariffs and regulatory barriers in the auto sector, promote regional integration, reduce costs and increase commercial predictability, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety and environmental performance.

We also believe that to achieve an ambitious outcome, especially with regard to regulatory convergence, there must be decisive and sustained political will at the highest levels of both the economic and regulatory agencies.

Again, thank you for the opportunity to present our views on the TTIP. We look forward to working with the Subcommittee on this important negotiation.