



AUTO ALLIANCE
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July 24, 2013

The Honorable Lee Terry
The Honorable Jan Schakowsky
Subcommittee on Commerce, Manufacturing, and Trade
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Re: The U.S. – E.U. Free Trade Agreement: Tipping Over the Regulatory Barriers

Dear Chairman Terry and Ranking Member Schakowsky:

The Alliance of Automobile Manufacturers (Alliance) and its twelve member companies welcome the Subcommittee's thoughtful examination of regulatory barriers in the proposed U.S.-EU free trade agreement. The Alliance is the leading advocacy group for the auto industry, and represents 77% of annual new car and light-truck sales in the United States.

Automakers are encouraged by the recent launch of formal negotiations for a comprehensive Transatlantic Trade and Investment Partnership (TTIP). This is an unprecedented opportunity to more closely integrate our two economies on either side of the Atlantic and as a result, generate significant economic benefits in the United States and European Union. As the negotiation process moves forward, we wish to express our support for the mutual recognition of existing automotive technical standards and the creation of a joint process for harmonization of common future automotive regulations.

Auto manufacturing is a driving force in both the U.S. and EU economies. According to the International Organization of Motor Vehicle Manufacturers (OICA), the U.S. and the EU together account for 32% of global auto production and 35% of global auto sales. In 2012, the United States exported nearly \$8 billion worth of passenger vehicles to the EU and nearly \$5 billion in automotive parts.¹ During the same period, the U.S. imported approximately \$32 billion in passenger vehicles from the EU and more than \$12 billion in auto parts.² Therefore, as these trade negotiations continue, it is essential to ensure that regulatory costs do not inhibit the critical role the auto industry serves in our transatlantic economies.

¹ United States Department of Commerce and United States International Trade Commission

² Ibid.

Alliance of Automobile Manufacturers

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Inconsistent or duplicative regulations can often act as non-tariff barriers (NTBs) to trade and increase the costs of doing business. Both the U.S. and EU have highly advanced automotive safety and engineering standards and regulatory certification procedures that have been independently created and implemented. Therefore, certifying U.S. vehicles for sale in the EU and vice-versa requires additional testing and modifications.

It is important to stress that regulatory convergence need not compromise vehicle safety or environmental performance. In many cases, the regulatory differences between the two governments do not appreciably enhance safety or environmental performance, but they do impose additional and unnecessary costs on manufacturers that are often passed on to consumers. According to a study conducted by ECORYs and commissioned by the European Commission, current auto NTBs are equivalent to an ad valorem tariff of approximately 26%.³ Reducing the regulatory burden will stimulate positive economic growth in the U.S. and the EU and allow both to remain leaders in the vast global market.

The United States and European Union are presented with a unique opportunity. Rarely has there been such unified support within government and the business community for a broad and ambitious transatlantic trade agreement. Such an agreement, with effective regulatory convergence as a critical component, between two vast economic markets would bring economic growth, competitiveness, and, most importantly, job creation. Furthermore, the trade agreement could promote international cooperation and encourage other nations and regions to adopt U.S.-EU harmonized regulations, creating additional economic benefits for the United States and European Union.

The Alliance appreciates the opportunity to offer the Subcommittee our views on the proposed Transatlantic Trade and Investment Partnership, and we respectfully ask that they be included in the hearing record. We remain committed to engaging constructively throughout the negotiating process to ensure a successful TTIP with increased regulatory convergence is ultimately achieved.

Sincerely,



Mitch Bainwol
President & CEO
Alliance of Automobile Manufacturers

³ ECORYs Nederland BV, “Non-Tariff Measures in EU-US Trade and Investment: An Economic Analysis”, p. 48, 12/11/2009