Mr O'Sullivan,
Director General of DG TRADE,
European Commission,
at the ACEA Commercial Vehicles event

Brussels, 22 November 2007.

EU Trade policy and the automotive industry

- Very pleased to have been invited at this important ACEA Commercial Vehicle event

- Am aware of the importance of the automotive sector, and of the Commercial Vehicle sector, in the EU industrial framework, in terms of production, jobs, investments levels, R&D, exports and trade balance. You all know the figures, therefore I am not going to mention them

- Will rather outline the strategy adopted by the European Commission in its paper called **Global Europe: competing in the world** to respond to the increasing globalisation of the world economy, including for the automotive industry and for the commercial vehicles sector

- Commission has adopted a seven point plan:
  - First, a clear commitment to a successful outcome in the current **global trade negotiations - the Doha Round**. This is our first priority.
  - Second, clear priorities for a **new generation of bilateral free trade agreements (FTAs)**.
  - Third, a new and comprehensive **strategy towards China** (confirmed in a policy paper at the end of last October), which seeks to upgrade our current relationship.
  - Fourth, further action in key markets to protect **intellectual property rights (IPR)** and tackle counterfeiting.

  - Fifth, a **renewed Market Access Strategy** focusing more closely on the key barriers to trade today, particularly the non-tariff barriers.
  - Sixth, action to open up **public procurement** markets abroad.
  - Seventh, a review of the way our **trade defence instruments** operate in a global economy.

- Let me come back in particular to 3 of these points which are particularly relevant for our discussion and of interest to you: the Doha Round, the new FTAs and the New Market Access Strategy.

1. ***The Doha round***

- Our first response to globalization must be by working at a global level, where it is appropriate to do so.

- The WTO is the most effective means of expanding and managing world trade. It is a central pillar of the international system. That is why successfully **achieving a global, comprehensive and balanced trade deal**, even in current difficult conditions, remains our **top priority**.

- As you saw, the NAMA Chair's text has come out. The only element remaining in brackets is the coefficient. In response to a long-standing request from DCs, he has taken off the brackets from flexibilities without clarifying the final sentence alluding in very general terms to the need "not to exclude whole sectors".

- We shall submit a proposal whereby the ambiguity in the text is eliminated. We refer to this provision as an "anticoncentration clause". However, I am not so hopeful that we will succeed in changing what is *de facto* already modalities language.

- I would like to indicate that from what we understand Brazil shall apply flexibilities which imply a half formula cut. Therefore their duties shall pass from 35% to around 24%. That would mean that **<u>you are the sector that despite flexibilities being applied will get a considerable reduction in duties in Mercosur</u>**, over ten percentage points. For other sectors flexibilities mean total carve out.

- Even in the case of the countries with unbound duties you shall have bindings. India and ASEANs will not have any tariff reduction, but then we are negotiating an FTA with these partners. India has already investment from us. I am more worried about the time lag with Japan that already has FTAs with the ASEANs, but even if we had ASEANs reducing duties *erga omnes*, it could well be that this favours China more than ourselves.

- We are also negotiating the FTA with Mercosur, therefore we could even have an interest in keeping the MFN duties at a level that allows us a meaningful margin of preference.

- I know that our peak of 22% for commercial vehicles is very valuable. It will be reduced to 5.87% under a SW8 or to 6.39% under a SW9. The biggest gain in commercial vehicle market access will come from the US peak of 25%: there too a SW8 will reduce it to 6.06% or a SW9 to 6.62%.

- As regards NTBs, work is advancing on the horizontal mechanism, one of your priorities. USTR continues to be difficult even if NAM and your sector in particular are supportive. The Global Automotive Industry Dialogue support is really useful. I would appreciate if you could help us put pressure on the US so that their position reflects the interests of their automotive industry.

2. *A new generation of FTAs*

- FTAs are of course not new for the EU. What is new in our approach is the greater priority we will give to **economic considerations** in choosing our future partners.
- These FTAs will also create important new opportunities to pursue our **sustainable development agenda** - greater opportunities I believe than are currently possible in the multilateral talks, where these issues are often seen by our partners as a cover for our protectionism.
- The first of these next generation agreements will target a number of important countries or regions, namely **Korea, India and Asean being our priority, but also soon Ukraine, Russia**[1]. These new agreements should create new opportunities for your industry and should help maintain the dynamic of global trade liberalization.
- As hinted earlier in the DDA section, these agreements will deliver the very much wanted real **market access to your sector**. Indeed, they will cover a broad range of issues of interest to your sector; to name a few: **removal of tariffs** on imported goods, of course, but also **non-tariff barriers**, services, **regulatory cooperation**, **establishment and investments**, competition, intellectual property rights, **public procurement**, trade facilitation.
- It is important to stress that these agreements have been well prepared inside the EU, and in particular with the input from the EU industry, including your association. This is why in these FTAs we will pay particular attention to non-tariff barriers that have been mentioned by also your association as a key factor impeding or diminishing real market access once tariffs will be eliminated. I know you are particularly concerned by the fact that some important economies, instead of relying on already existing international standards, tend to develop **unnecessary complicated technical regulations and discriminatory or unique standards** that go beyond what is necessary to achieve their declared legitimate objective. But precisely the **FTAs are an excellent tool** to remove existing non-tariff barriers and to provide a framework whereby the erection and the maintaining of any new non-tariff barriers will become much harder. To achieve this aim is not going to be easy. We have to be on the alert and we rely on your cooperation to make things work out.
- However, with all our trade partners, either within an FTA or in its absence, we do continue to promote the **UN-ECE as the international forum for standard setting** in the automotive and tyre sector. This continues to be our policy, and we see this as the best tool to avoid that our trade partners develop unique or domestic standards that are in fact protective measures. And by doing so I know that we are responding to one of your major request.
- With China, we are not going for an FTA, but rather an enhanced PCA (Partnership and Cooperation Agreement). There will be no tariffs removal, but we intend to address all other important features for fair trade, such as NTBs, IPR, regulatory dialogue, trade facilitation, investment facilitation.

[1] FTA negotiations with GCC are hopefully close to conclusion, but with Mercosur very much delayed due to DDA.

3. ***The new market access strategy***

- Let us revert now to the third action I mentioned earlier : the **new Market Access Strategy.** It is based on the Global Europe framework of 2006 and on an extensive transparent public consultation.

- The new market access strategy is a results-oriented approach focusing on concrete barriers. It calls on a closer **partnership between the Commission, Member States and business** to deliver concrete market access for European exporters.

- One key element of the new strategy is more decentralization and better use of local knowledge through the creation of **locally based EU Market Access Teams** drawn from Commission Delegations, Member States embassies and business organizations. This decentralization should encourage local initiatives to act at an early stage against new barriers.

- A closer technical cooperation of all actors has been established in Brussels. We have activated the Market Access Advisory Committee as the key platform to coordinate with Member States and business.

- I encourage you to take up this opportunity.

CONCLUSION

- To conclude, I hope I have been able to illustrate the Commission Trade policy, its objectives and its main implementing features to respond to a changing world and to an increasing and accelerating globalization pace.

- There are a number of **challenges and opportunities** ahead of us, but I am confident that by **acting responsibly and together**, and by together I mean not only the Commission, the Member States, the EU businesses and their associations, but also our trade partners, so if we are able to act together, then we should be able to improve both our situation and that of our trade partners. So I count on **your continued support** to help us achieve our common objectives; in return I can assure you that you can **count on my support** to defend your legitimate interests.

- Thank you for your attention.