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Committee on International Trade

2007/2120(INI)

14.9.2007

OPINION

of the Committee on International Trade

for the Committee on Industry, Research and Energy

on CARS 21: A competitive Automotive Regulatory Framework
(2007/2120(INI))

Draftswoman: Erika Mann

SUGGESTIONS

The Committee on International Trade calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the European automotive industry is one of the most competitive and innovative industries in the world and whereas it will be crucial to understand fully the implications arising from multilateral and bilateral agreements for this industry as a whole; whereas it is essential to create the right conditions in Europe and worldwide in order to sustain this competitiveness in an increasingly global environment,
- B. whereas the Commission is promoting an integrated strategy to ensure that European companies will continue to be competitive within a growing global environment, and whereas that strategy is laid out in its Communications to Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled, first, "Global Europe: Competing in the World" (COM(2006)0567), second, "Global Europe: A stronger Partnership to deliver market access for European Exporters" (SEC(2007)0452) and, third, "Global Europe: Europe's trade defence instruments in a changing global economy – A Green Paper for public consultation" (COM(2006)0763),
- C. whereas the strategy set out in those Communications is currently being implemented in negotiations on several bilateral and regional free trade agreements,
- D. whereas the automotive industry in Europe differs significantly from one Member State to the next in terms of strategies, structures and global outreach, and whereas those differences must therefore be taken fully into consideration in developing a new and more globally oriented trade strategy,
- E. whereas it will be crucial to maintain and create a policy space in Europe and internationally in order to support the environmental performance of the automotive industry in Europe; whereas; therefore; it is essential that international technical standards be respected and upheld throughout the world,
- F. whereas in 2006 the European automotive industry exported around 70% of its produced units; whereas in 2004 the export of motor vehicles and of parts and accessories for motor vehicles accounted respectively for 8.7% and 2.8% of the EU's industrial exports and is therefore particularly sensitive to export conditions, and whereas in 2004 the extra-EU trade surplus in respect of transport equipment was valued at EUR 60.2 billion,
- G. whereas around 12 million jobs in the EU arise from the European automotive industry; whereas this industry invests around 4% of its turnover in research and is thus the biggest industrial investor in research and development (R&D) in Europe and whereas in 2005 it contributed to state income taxes of EUR 360 billion (3.5% of EU GDP),
- H. whereas it is vital for the Council and the European Central Bank finally to pursue an exchange rate policy that will encourage the development of jobs in industry within EU territory, since the under-valuation of the dollar and yen compared to the euro is currently leading to the loss of countless jobs and a sharp decline in salaries and working

conditions in the European automotive sector,

- I. whereas in recent years the international automotive sector has undergone significant change and is facing further challenges, primarily because of increasing global competition, and whereas the risk of relocations of production plants must therefore be taken into serious consideration in the reshaping of the European regulatory and trading environment,
- J. whereas the High Level Group CARS 21 has developed and agreed on a 10 year roadmap with recommendations aimed at enhancing the automotive industry's global competitiveness and improving the employment situation; whereas that roadmap is an integral part of its CARS 21 final report, and whereas, therefore, Parliament advocates that those recommendations be reconsidered,

Multilateral approach

1. Stresses the importance of the WTO system for the automotive industry in an increasingly global trading environment; considers it highly important that the current Doha Development Round achieve real and ambitious market access for automobile manufacturers to third countries, in particular to large emerging countries in this sector;
2. Regards the international harmonisation of standards as an absolute necessity for ensuring a level playing field; highlights that it is very important that all Members of the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations (WP.29) implement as many standards as possible under the UNECE 1958 and 1998 Agreements;
3. Stresses the importance of the WTO dispute settlement mechanism in resolving problems concerning export to third countries; recalls the positive outcome of the disputes brought before the WTO in the cases of Canada - Certain Measures Affecting the Automotive Industry, India - Measures Affecting the Automotive Sector and Indonesia - Certain Measures Affecting the Automobile Industry;
4. Welcomes the Commission's request for the establishment of a WTO panel to resolve outstanding issues related to the treatment of imported vehicle parts by China, which the Commission argues is inconsistent with several articles of different WTO agreements;

Bilateral approach

5. Recalls that the successful conclusion of multilateral trade negotiations should remain a priority of the EU; understands and supports, nevertheless, the Commission's will to negotiate new bilateral trade agreements in order to improve market access conditions; insists that EU policy must safeguard the competitiveness of European automobile manufacturers in Europe and in non-EU countries; is convinced of the importance for the automotive industry of concluding bilateral agreements between the EU and Mercosur, ASEAN, India and , following their accession to the WTO, Ukraine and Russia;
6. Demands that, in those bilateral agreements, existing non-tariff barriers be removed; insists that proper implementation of the agreements in the partner countries in this respect be guaranteed, requests , therefore, that consideration be given to including

- dispute settlement systems as part of those agreements;
7. Is concerned about the delay in resuming discussions with Mercosur within the framework of an Association Agreement; criticises in this context the announced Strategic Partnership with Brazil; calls on the Commission to report to Parliament on the consequences which this will have for the automotive and fuel industry;
 8. Emphasises that the currently negotiated EU-Korea Free-Trade Agreement (FTA) is of particular importance to the automotive sector in Europe; requests that the Commission consider a strategy of phasing out EU import tariffs with safeguards and, therefore, recommends that it be connected to the lifting of non-tariff barriers on the Korean side; stresses the importance of carrying out an impact assessment before a bilateral agreement is considered; regrets that this has not been the case for the EU-Korea FTA; calls on the Commission to negotiate a comprehensive agreement which is more driven by the objective of reaching a balanced deal than by meeting time constraints;
 9. Reiterates that Korea has signed and ratified the 1958 UNECE Agreement and has thus committed itself to implementing the standard regulations; urges the Commission to stress this during negotiations and to insist on rapid implementation; notes that a FTA should in any case clearly state that Korea allows European cars that live up to UNECE standards to be given real access to the Korean market;
 10. Calls on the Commission to evaluate the possibility of a special expedited dispute settlement on auto-related measures, as introduced in the US-Korea Free Trade Agreement, whereby the complaining party may suspend its tariff concessions on passenger cars and assess duties at the prevailing most-favoured-nation rate, if a panel finds a violation of an auto-related commitment or the nullification/impairment of expected benefits to be an option, which the Commission could likewise consider integrating in the EU's FTAs;
 11. Calls on the Commission to evaluate the possibility of setting up an Autos Working Group, as has been done pursuant to the US-Korea Free Trade Agreement, which will provide a specialised early warning system to address regulatory issues that may develop in the future and promote good regulatory practices; is convinced that such a group should also be established in the context of the EU-Korea Free Trade Agreement, and should possibly be considered in other free trade agreements where the European automotive industry has specific interests;
 12. Calls on the Commission to substantially improve access to the Chinese market by eliminating trade-distorting non-tariff barriers, regulatory barriers and investment restrictions; also requests that the Commission pay special attention to this in the future negotiations of the EU-China Partnership and Cooperation Agreement;
 13. Refers to the European tyre industry as an important contributor to a successful European automotive sector; therefore calls on the Commission to look closely into the issue of unjustified technical trade barriers, such as local technical regulations, which the tyre industry is facing in key Asian emerging markets;
 14. States that technical regulations are partly responsible for a strong negative trade balance in the tyre sector between the EU and key Asian markets;

Biofuels

15. Emphasises the importance of investment in second generation biofuels; points out that this is of particular significance with regard to the already existing competition between first generation biofuels and some staple crops; considers that investment in R&D in the field of second generation biofuels must be given high priority within the 7th Research Framework Programme;
16. Stresses that the further development of capacities and innovation with respect to biofuels in Europe must be secured and promoted by European policies; notes that a worldwide strategy will be essential in order to develop standards and technologies for sustainable second generation biofuels;

Raw materials

17. Regards access to raw materials as a key component for the automotive sector; calls on the Commission and the Member States to give high priority to access and import strategies for raw materials vis-à-vis key third country actors;

Foreign direct investment and establishments

18. Notes that foreign direct investment and establishments are an essential component for today's global automotive industry; nevertheless insists that the conditions in Europe for a vibrant automotive sector must continue to exist;
19. Points out that European companies establishing themselves in countries outside the EU should respect the principles of corporate social responsibility, as well as international social standards, such as the ILO norms and the principles pertaining to decent work; recommends that the design of the Labour Affairs Council, as provided for in the US-Korea FTA, be closely looked into; stresses that specific attention should be given to implementation of those rules in so-called special economic zones, where the rights of workers and trade unions are often neglected;

Intellectual Property Rights

20. Notes that the European automotive industry is devoting large funds to R&D; is, therefore, deeply concerned at the lack of enforcement of IPRs in large emerging countries; urges the Chinese Government in particular to ensure implementation and enforcement of the TRIPS agreement and international IPR rules in order to fight effectively against counterfeiting and piracy; urges the Commission to pay special attention to the problem of IPR protection in upcoming bilateral agreements and to include provisions on protection of advanced technology;
21. Disagrees with the Commission's proposal to abolish design protection rights, as this may have a negative effect on Europe's automotive sector while not guaranteeing that customers benefit; calls on the Commission to respect the existing level playing-field in relation to Japan and certain US States, where very high standards are in force;
22. Disagrees with the current proposal by the Commission to change the existing origin marking system in the EU, stressing that the automotive industry is particularly

dependent on customer confidence in its brands; points out that the marking of cars or components as provided for in the Commission's proposal would have a negative impact on the producer, burdening it with additional non-tariff barriers;

Creating the right conditions for trade and setting up the right defence instruments

23. Calls for caution in the Commission's effort to revise trade defence instruments in principle; recalls that the automotive industry may be subject to anti-competitive practices by third countries and urges the Commission to safeguard the basic philosophy of trade defence instruments in defending EU industry from unfair practices;
24. Calls on the Commission to step up its efforts to combat the import of counterfeit spare parts;

Environment and trade

25. Supports the EU objective of reducing CO₂ emissions to 120g/km by 2012; calls on the Commission to encourage similar initiatives through its Partnership and Cooperation Agreement and bilateral FTAs; stresses that the automotive industry plays a significant role in the reduction of emissions globally; stresses that only a holistic and international approach will significantly lower CO₂ emissions; believes, however, that the benefits of EU environmental regulations in the automotive sector would spread well beyond EU markets; stresses that research into second generation biofuels and alternative fuels, road safety performance, the setting of international standards and incentives to retire most polluting vehicles must be factored into the EU strategy;
26. Stresses that a significant reduction in CO₂ emissions cannot be achieved unless additional efforts are made by other actors, including drivers, infrastructure providers, the fuel industry and those involved in city and road management systems; recommends that experiences be shared with third country trading partners in this area, for example with Japan.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	12.9.2007
Result of final vote	+: 25 -: 1 0: 4
Members present for the final vote	Kader Arif, Francisco Assis, Graham Booth, Daniel Caspary, Françoise Castex, Glyn Ford, Eduard Raul Hellvig, Jacky Henin, Syed Kamall, Sajjad Karim, Alain Lipietz, Caroline Lucas, Marusya Ivanova Lyubcheva, Erika Mann, Helmuth Markov, Cristiana Muscardini, Vural Öger, Georgios Papastamkos, Godelieve Quisthoudt-Rowohl, Tokia Saïfi, Peter Šťastný, Robert Sturdy, Gianluca Susta, Daniel Varela Suanzes-Carpegna, Corien Wortmann-Kool, Zbigniew Zaleski
Substitute(s) present for the final vote	Małgorzata Handzlik, Pia Elda Locatelli, Eugenijus Maldeikis, Javier Moreno Sánchez
Substitute(s) under Rule 178(2) present for the final vote	