TRADE/2357 - Meeting with Mercedes Benz

Meeting date and place
Meeting held on 04/10/2022 11:00 Charlemagne

Participating organisation(s) representative(s)

<table>
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<th>[Art.4.1(b)]</th>
<th>Mercedes-Benz Group AG</th>
<th>Participant, Requester</th>
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<td>Ms [Art.4.1(b)]</td>
<td>Mercedes-Benz Group AG</td>
<td>Participant</td>
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Main issues discussed

The Commission met with two trade affairs representatives of Mercedes-Benz to discuss:

1. the trade policy implications of the US Inflation Reduction Act (IRA); and
2. the state of play of the Trade and Technology Council (TTC).

 introduced the Commission’s work on TTC and the ongoing impact assessment of the IRA on the EU industrial sectors, including automotive. noted the US lack of interest in a bilateral market facilitation with the EU, and more in general with its trade partners.

US Inflation Reduction Act (IRA).

 enquired whether IRA will have any impact on Mercedes’ business and investment decisions.

 informed that IRA is not expected to impact Mercedes’ operations and investment. Indeed, the IRA has two requirements: the price and the local content. None of the two concerns Mercedes for the time being.

Prices

IRA provides for tax credits to EV made/assembled in North America below certain thresholds (55,000 for cars and 80,000 for SUV, accessories and safety devices included). Except for one EV model, Mercedes positions itself above this price range. Moreover, Mercedes only assembles in the US big SUV.

Mercedes is not considering a change in their portfolio to capture the potential subsidies contained in the IRA, nor is this in their agenda. Nevertheless, they concurred with that this revision might come with time (IRA will last 10 years).

Material and batteries

 acknowledged the existence of several initiatives in the US to localise the assembling of batteries and other material. More generally, recognised that localising battery production in the US for locally assembled cars has a double advantage: benefit from IRA’s provisions and logistical advantages. Indeed, batteries are considered as “hazardous goods”, thus dangerous and expensive to transport.

Mercedes has strict guidelines on the quality and sustainability of their supplies. These guidelines favour local EU assembling of batteries for EV produced in the EU (and of course local US assembling of batteries for other EV produced in the US), irrespective of IRA’s provisions.

They concluded by suggesting that the IRA impact assessment shall also consider price thresholds and material availability.

 enquired whether Mercedes expects the IRA to spur R&D in the automotive sector.

 expects that this is the case in general, but excluded that Mercedes will benefit as their strategy is growingly focussing on luxury and premium markets.

Trade and Technology Council (TTC)
enquired on the role that the EU intends to assume vis-à-vis the US, which seems to be dominating the TTC’s Agenda, by setting the framework, especially on export controls.

pointed that US has mostly abandoned multilateral rulemaking. The US trade policy adopted a “hub and spoke” approach: the US engage bilaterally with EU, Latin American or IPEF and always in a non-binding way.

shared some optimism about TTC progress. From the EU side, there is considerable progress: certain trade disputes are under resolution and the EU is assertive towards the US. EU stakeholders expect trade facilitations and concrete actions. From the US side, trade facilitation is often perceived as a “losing argument” in the bipartisan political dialogue.

also informed that Mercedes has a big share of their income in China (30% of sales). It asked whether there could be any big change in the EU policy vis-à-vis to China.

informed that EU does not want to have a decoupling approach with China. Engaging with China is not only important for the economy but also for reaching green targets.

asked clarifications on the share of production and turnover of Mercedes in China

clarified that 80% of the cars produced in China are for local sales. However, for certain strategic components (eg semiconductors), Mercedes would prefer a “global” approach and ideally rely on a few trusted partner to supply their plants around the World.

enquired what can be expected from the next TTC meeting.

showed optimism on concrete deliverable coming out that would respond to stakeholders’ expectations. There is already a high political pressure that pushes for a concrete set of deliverables.