



European  
Automobile  
Manufacturers  
Association



**C L E P A**  
*European Association of  
Automotive Suppliers*

Ms Cecilia MALMSTRÖM  
Commissioner for Trade  
EUROPEAN COMMISSION  
B-1049 BRUSSELS

Brussels, 19 June 2017

**Subject: EU-Mercosur Free Trade Agreement (FTA)**

Dear Commissioner,

The European Automobile Manufacturers' Association (ACEA) and the European Association of Automotive Suppliers (CLEPA) welcome the resumption of negotiations on an FTA between the EU and Mercosur.

We would like to take this opportunity to thank you for your letter of 5 May 2017 that is addressed to CLEPA, whilst emphasising a number of points which we believe are of high relevance.

Following the renewed political determination to pursue EU-Mercosur trade negotiations, ACEA and CLEPA fully support the rapid conclusion of a deep and comprehensive FTA. Such an agreement would stimulate import and export synergies in the two blocs and bring significant benefits to both economies.

The EU and Mercosur are major producers and exporters of motor vehicles, parts and components, as confirmed by current trade figures. In 2016, EU exports of passenger cars and commercial vehicles to Mercosur (taking into account only the countries that are currently participating in the negotiations) amounted to €790 million. During the same year, EU exports of car parts and components to Mercosur amounted to €2.3 billion.

While trade flows in the automotive sector are already significant, ACEA and CLEPA believe that, under the right conditions, there is a real potential for growth, given the dimension of the Mercosur market, both in terms of population and GDP.

Across the EU there is an important interdependency in the automotive value chain. For example, while many automotive suppliers, based in Central and Eastern Europe and in other Member States do not export directly to Mercosur, their products represent valuable contributions to the value chain of finished products - parts, components and automobiles - that are manufactured in other EU countries and then exported to Mercosur.

An FTA with Mercosur would result in increased exports of the said production, and result notably in creating and sustaining growth and jobs in Central and Eastern European countries.

Currently, high import duties and non-tariff barriers (NTBs) obstruct EU exports of motor vehicles, parts and components to Mercosur countries. In order to enhance the trade relations between the two blocs, ACEA and CLEPA support the conclusion of the EU-Mercosur FTA on the basis of the following principles:

- **Full tariff liberalisation**

In order to ensure improved market access for EU exports, all import duties on motor vehicles and car parts should be eliminated (o-for-o principle). ACEA and CLEPA request that:

- The elimination of import duties on passenger cars and commercial vehicles should take place within a period of maximum 10 years.
- The elimination of import duties on car parts and components should take place within a short transitional period (2-5 years) and in a symmetrical way.

- **Regulatory convergence**

In order to ensure improved market access for EU exports, current non-tariff barriers (NTBs) need to be eliminated and future ones need to be avoided. To achieve these objectives, ACEA and CLEPA support the introduction of and stress the need for a substantive Automotive Annex to the agreement. Such provisions would help, in the long term, to improve market access for EU automotive exports to Mercosur. The FTA negotiations should also be an opportunity to encourage Mercosur countries to join the UNECE 1958 and 1998 Agreements. In the meantime, during a transitional period, UN Regulations and EU Regulations should be accepted as equivalent to their corresponding national regulations so that extra certification, labelling, marking, and testing procedures are unnecessary.

Trade barriers can also arise from other practices, such as non-WTO compliant licensing schemes, discriminatory taxes, and the unjustified use of local content measures. In this context, ACEA and CLEPA encourage the abolition of these measures and support an FTA between the EU and Mercosur that will prevent the introduction of new ones in the future.

Additional important aspects include simple and consistent Rules of Origin in line with other EU FTAs with third countries, the introduction of an efficient dispute settlement mechanism, and the establishment of a fully effective Customs Union in Mercosur to ensure the free movement of goods.

We appreciate your careful consideration of this matter and stand ready to provide any further information that might be required.

Yours sincerely,

Art 4.1(b)

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