



Transatlantic trade & investment partnership

ACEM, the Motorcycle Industry in Europe, is the professional body representing the interests and combined skills of manufacturers of 14 L-category vehicles (two, three, and four-wheelers) and 18 national industry associations out of 15 European countries.

ACEM is pleased to submit this contribution to the EU-US Transatlantic Trade and Investment Partnership (TTIP) consultation launched by the Directorate-General for Trade of the European Commission.

The association strongly believes that further regulatory convergence, the simplification of administrative procedures and the gradual elimination of duties between the EU and the US will bring substantial benefits to companies and consumers on both sides of the Atlantic.

1. EXECUTIVE SUMMARY

- PTW trade between the EU and the US. In 2012 the United States was the number one destination of EU powered two wheelers (PTWs) exports. The US accounted for nearly 30% (about €0.5 billion) of all European exports of PTWs. Imports of PTWs from the US amounted to €0.46 billion in 2012. The US ranks third among the EU's import partners, supplying 16% of PTWs imported into Europe. The cumulative trade balance for 2008 - 2013 is positive and amounted to €157 million.
- Regulatory convergence and recognition of technical regulations. Technical regulations in the PTW sector in the EU and the US offer similar levels of protection for consumers and the environment, although there are also important regulatory differences. These differences between technical regulations that have a similar level of

stringency should be addressed through mutual recognition by EU and US regulators. In the few cases in which EU regulations are more stringent, ACEM's view is that the US administration should recognize their validity and accept them integrally. The remaining cases should be dealt with by cooperation at UNECE's World Forum for Harmonization of Vehicle Regulations.

- Elimination of tariffs. The existing duty rates (6% and 2.4% for imports into Europe and the US respectively) are already relatively low. ACEM believes that they should be gradually brought down to 0% over a period of 3 years for the imports to Europe. However for the imports to the US, the already low duty rates should be directly brought down to 0%.
- Rules of origin. ACEM believes that in general the change-of-tariff-heading (CTH) rule should be used. CTH provides a simple and objective test of origin, is easy to administer and reduces costs for both companies and consumers.
- Public procurement. The TTIP chapter on public procurement should be applied to all levels of government, public agencies and public procurement entities. Protectionist measures that require American public authorities to give preference to domestic products (e.g. Buy American Act) should not apply between the EU and the US. No further measures restricting market access for PTWs in public procurement should be allowed.

2. TRADE FLOWS OF PTWS BETWEEN THE EU AND THE US

The EU exports PTWs, parts and accessories to a wide range of countries. These exports, however, are concentrated on a limited number of markets. In 2012, for example, nearly 60% of the total EU exports of PTWs were destined to only four countries: the United States, Switzerland, Australia and Japan. These were also the main export destinations in 2011. In that year, however, their share was lower (55%). This shows that between 2011 and 2012, the EU-27 exports of PTWs became even more "concentrated".

In 2012 the United States alone accounted for nearly 30% of total EU-27 exports of PTW (more than €490 million in absolute terms), a share that had increased significantly when compared to the previous year (when it was 26.5%).

Main EU export destinations for PTWs

COUNTRY	VALUE	% TOTAL
United States	€492,073,832	29.7%
Switzerland	€194,364,988	11.7%
Japan	€153,986,240	9.3%
Australia	€138,532,835	8.4%

Between 2008 and 2012 exports to the US declined by 0.8%. Although exports increased between 2009 and 2011 (+19.7%) and between 2011 and 2012 (+24.9%) this did not fully compensate for a sharp fall which took place between 2008 and 2009 (-33.7%).

EU exports of PTWs to the US

COUNTRY	2008-2009	2008-2009	2008-2009	2008-2009
United States	-33.7%	19.7%	24.9%	-0.8%

Data clearly shows that imports of PTWs are much more concentrated than exports. More than three quarters of EU imports come from only three countries: the United States (almost 16%), China (20%) and Japan (nearly 42%).

EU imports of PTWs by country of origin

COUNTRY	VALUE	% TOTAL
Japan	€1,190,166,453	41.8%
China	€568,870,122	20%
United States	€454,136,143	15.9%

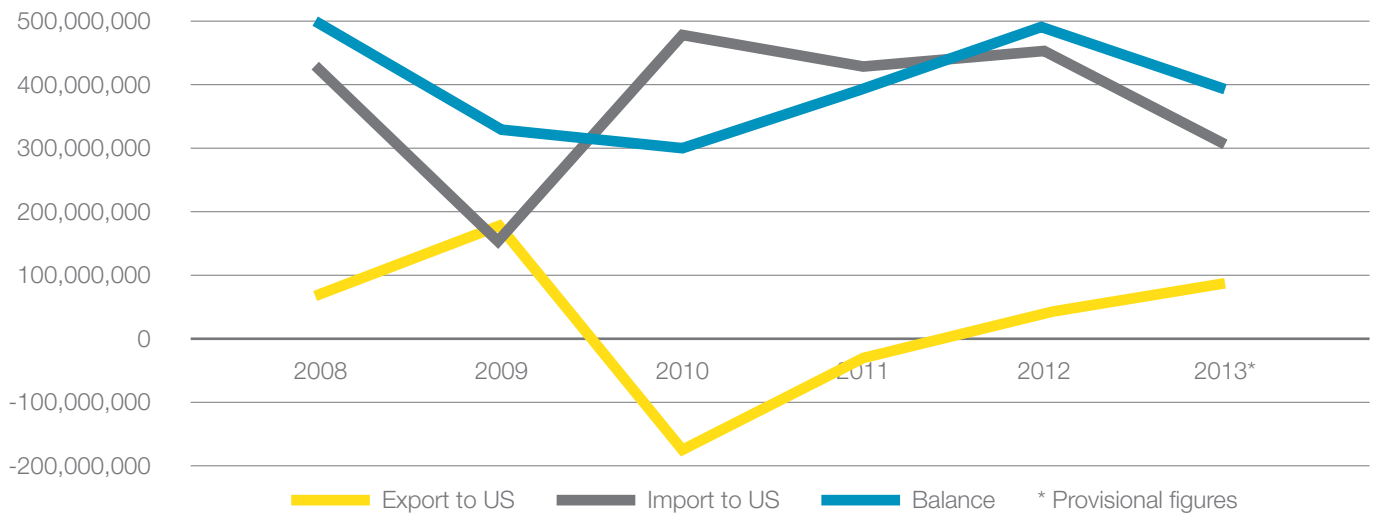
In recent years, the number of PTWs imported into the EU varied considerably from country to country. Total imports from the US increased by a modest 5.8% between 2008 and 2012.

Imports of PTWs from the United States

COUNTRY	2008-2009	2008-2009	2008-2009	2008-2009
United States	-64.9%	184%	6.1%	5.8%

The recent economic crisis affected the trade flows between the US and Europe. However between 2008 and 2012 trade of PTWs was relatively balanced, with a positive cumulative balance of €157 million.

EU/US PTW trade between 2008 and 2013*



3. TECHNICAL REGULATIONS

Main principles

The EU and the US have similar levels of protection for consumers and the environment. However, their regulatory systems have been designed in different ways. This results in some technical regulations creating unnecessary barriers to trade.

On the basis of a comparison and an assessment of technical regulations applicable to PTWs in the EU and the US, ACEM has prepared a list of prioritized requests and recommendations. For existing regulations, three possibilities have been considered, as follows:

- **Adoption of Global Technical Regulations (GTRs)** developed in the World Forum for the Harmonization of Vehicle Regulations in the framework of the 1998 Agreement¹. In cases where there are GTRs, these should be implemented by the EU and the US in their domestic legal systems. Moreover, by agreeing on new GTRs, the EU and US will be in a position to influence the regulations of other countries, reduce worldwide regulatory fragmentation and foster international trade.
- **Mutual recognition of technical regulations.** If the adoption of GTRs is not possible in a specific area, mutual recognition of technical regulations is a second best option. Mutual recognition is recommended when EU and US technical regulations present a similar level of stringency.

- **Preferential treatment for more advanced legislation.** For all the other cases, when technical regulations offer different levels of protection for consumers and the environment, the most advanced legislation should be adopted (i.e. the ones that offer a higher level of protection for consumers and the environment).
- **Development of future technical regulations.** Regarding future technical regulation, the EU and the US should work together towards the adoption of GTRs. These GTRs should be developed exclusively at UNECE level. Only after individual standards are agreed at UNECE, should the development of the corresponding domestic technical regulations in the EU or the US begin.

Detailed recommendations

High priority areas for the industry

- **Pollutant emissions.** In the EU and other world regions, GTR N° 2 (WMTC2) applies for motorcycle tailpipe emissions. ACEM urges the US to implement this GTR and to engage in the work currently undertaken within the 'EPPR informal group' in UNECE3 to develop complementary GTRs on environmental performance. Meanwhile, as Euro 4 is more stringent than current US emissions requirements, the US should accept Euro 4 test reports provided that actual run (or 50% run with extrapolation) is chosen for durability.
- **Brakes.** GTR3 ensures partial equivalence as Peak Braking Coefficient (PBC) is left to regional level. Therefore mutual recognition is the solution as the safety level is the same.
- **Noise.** US regulators should accept ECE-R41-04 approvals / test reports, which are more stringent and offer better protection for consumers than the current US requirements.
- **Light Installation (phase 1).** For phase 1, ACEM proposes mutual recognition as the safety level provided by both regulations is very similar.

Medium / lower priority areas for the industry

- **Light Installation (phase 2).** ACEM suggests the development of a GTR in which requirements from both regions can be merged.
- **Rear-view mirrors.** The US administration should recognize ECE-R81 test reports since they prove compliance with more stringent requirements than the ones used in the US, and provide for a higher level of safety for users.
- **Controls and tell-tales.** As explained in the 'main principles' section, the simplest and obvious solution in some cases is to apply GTRs. In this case GTR n° 12 concerning the location, identification and operation of motorcycle controls, tell-tales and indicators, should be applied by both partners, the EU and the US.

Areas where concessions can be made during bilateral negotiations

It is worth noting that the US has adopted technical regulations that do not have equivalents in EU law. As a concession to the US during the TTIP negotiations, ACEM could recommend that the Commission support the incorporation of the following US/DOT requirements into EU Regulation 168/2013:

- Windshield marking, signifying the material's compliance with ANZI Z26.1 of 1996.
- Motor Vehicle Brake Fluids and Brake Hoses (FMVSS #116 and FMVSS #106) (DOT/SAE standard and marking are required).
- Rims for vehicle wheels (FMVSS #120)

4. PROPOSAL FOR A PHASED REDUCTION OF DUTY RATES UNDER TTIP

Motorcycle tariffs between the EU and the US are relatively low. As an example, custom duties paid by American motorcycles of over 250cc imported into the EU are 6% (the Most Favoured Nation status applies). European PTWs of over 700cc imported into the US pay a 2.4% custom duty. Custom duties for vehicles of less than 700cc are set at 0%.

The removal of motorcycle tariffs between the EU and the US would not only reduce costs for exporters but also make European exports more competitive. ACEM supports a gradual reduction of import tariffs for PTWs for the imports into the European Union. However the already low duty rates for the imports into the US justifies a complete elimination of duties without a transition period. The association recommends therefore that duty rates for PTWs are brought to 0% in the EU and the US, as follows:

YEAR	IMPORTS INTO THE EU	IMPORTS INTO THE US
Year 0 (current MFN)	6%	2.4%
Year 1 under TTIP	4%	0%
Year 2 under TTIP	2%	0%
Year 3 under TTIP	0%	0%

5. RULES OF ORIGIN

Rules of origin can put a considerable burden on manufacturers by complicating export procedures. Moreover inadequate rules of origin can substantially hinder exporting efforts of PTW manufacturers. The agreement of robust rules of origin would help the motorcycling sector to realise the full economic potential of the TTIP.

Methods to determine the origin of products

- Determination of the origin of products should be based on the Change of Tariff Heading (CTH) method. ACEM strongly supports the adoption of the CTH method to determine the origin of exports. The basis for the tariff shift should be facilitated by allowing a change in tariff subheading (6-digit level) instead of the currently applied change in tariff heading (4-digit level).
- As a result of this, the process to determine the preferential origin would become more straightforward and would not be affected by external factors (e.g. currency fluctuations, new market specifications of the product, etc.). Moreover, the information required to provide this evidence could easily be linked to the custom imports records as the tariff code used on the import of the components can be easily cross referenced to the final product shipped, proving that there has indeed been a change in tariff classification. If an element of administration is required it would be much simpler to administer.
- Moreover the use of this system ensures that actual manufacturing and assembly are processed in the concerned country. This ensures continuous investment in local skills and jobs and encourages more local processing to be carried out in the region leading to investment not in the plant itself but also in the service industries surrounding it.

Other administrative issues related to proofs of origin

- The direct transport should be adapted as a modernized principle of non-alteration and be integrated into the TTIP. According to the non-alteration principle goods do not lose their preferential status if they are not shipped in a direct way to end destination as long as they are not manipulated. In case of doubts, the customs authorities are required to provide evidence of non-compliance. It should not be the task of the economic operators.
- The “tracing requirement” (as defined in the NAFTA agreement) should not be considered for the TTIP.
- The declaration of preferential origin on invoices or other trading documents (e.g. airway bill, shipping manifest, etc.) for authorised exporters should be provided in addition to the regular issuance of formal proofs of origin by the customs authorities (like EUR.1). The issuance of regular proofs of origin should be possible in favour of small and medium-sized companies and in case of the suspension of authorisations.
- The issuance of a proof of origin not only valid for a single delivery but for a certain period should be possible (analogous to the long-term supplier’s declarations existing for deliveries within the EU). Proofs of origins issued by an economic operator should only be allowed to be verified by its local customs authority.

6. OTHER REGULATORY ISSUES

- **Duty drawbacks.** The prohibition of duty drawback should be reciprocal for the EU and the US.
- **Definitions used in the treaty.** The definitions used in the TTIP should be coherent with EU practices and ongoing reforms of the Pan-Euro-Med agreements.
- **Bilateral cumulation.** Prior-ranking, a bilateral cumulation should be implemented as the standard of established free trade agreements also in TTIP. In a later step - if there are FTAs between the EU and all NAFTA countries in force - simple and practical approaches should be found for multilateral cumulation.

- **Standard rules.** Standard rules should be implemented (e.g. the de minimis rule ranging between 10% - 15%, definition of insufficient operations like re-packing, etc.).
- **Periods of limitation.** Increase the periods of limitation under US and EU rule of law (preferably from 1 to 3 years).

7. PUBLIC PROCUREMENT

The US Public Procurement Market is, after the EU, the second largest in the world. As such, it offers remarkable business potential for ACEM members (e.g. government purchases of PTWs and protective equipment for the police, fire departments or the US military, among others).

However access to public procurement markets in the US remains limited. Several protectionist measures oblige American public authorities to buy domestic products, whereas US firms face considerably fewer restrictions when bidding for EU public sector contracts.

The TTIP should address this important challenge by securing a competitive and non-discriminatory environment for PTW manufacturers. In order to achieve this objective:

- The TTIP chapter on public procurement should be applied to all levels of government (federal government, states, local government). Public agencies and public procurement entities should also be bound by this chapter.
- “Buy American” and similar schemes as well as legislation establishing local content requirements on public purchases should not apply between the EU and US.
- No further measures restricting market access for PTWs in public procurement should be allowed.
- Public procurement opportunities in the US often lack transparency. A one-stop public procurement website could help PTW manufacturers and other industries to regularly monitor US government purchases and to secure new contracts with public authorities.

About ACEM

The European Association of Motorcycle Manufacturers (ACEM) represents manufacturers of mopeds, motorcycles, three-wheelers and quadricycles (L-category vehicles) in Europe.

ACEM members include 17 manufacturing companies: BMW Motorrad, Bombardier Recreational Products (BRP), Ducati Motor holding, Harley-Davidson, Honda, Kawasaki, KTM, KYMCO, MV Agusta, Peugeot Scooters, Piaggio, Polaris Industries, Renault, Royal Enfield, Suzuki, Triumph Motorcycles and Yamaha.

ACEM also represents 17 motorcycle industry associations in 14 different European countries. About 156,000 jobs depend on the L-category industry in Europe. There are about 35.3 million motorcycles and scooters on Europe's roads (2015 figures).

To find out more about ACEM please visit www.acem.eu