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## NEW POLICY BRIEF:

### **Is the European car crisis blocking free trade agreements?**

**The crisis has deeply divided the European car manufacturing. While the majority of the sector consists of highly successful exporters that are reporting record profits, a small portion is suffering from inefficiencies, permanent overcapacities and held afloat by bailouts. The value-added of car production in some EU countries has now fallen behind developing countries like Brazil, and the industry itself is admitting that restructuring has been long overdue.**

In 2010, troubled car manufacturers lobbied for a last-minute veto against the landmark free trade agreement (FTA) between the EU and Korea. As the European Commission is about to open up trade negotiations with Japan, similar concerns over cars are repeated about a FTA that would cover one-third of global GDP, and the first ever to be attempted amongst the top five economies in the world.

[A new ECIPE report](#) examines how the EU, torn between demands for market access abroad and protection at home, finds it increasingly difficult to deliver trade agreements with large-sized economies that would have a meaningful impact on EU growth. Objections against lifting EU tariffs on Japanese imports come from EU Member States whose car industries represent less than 0.3% of EU value creation, while the negative impact on jobs from increased competition would be minimal since Asian manufacturers assemble most of their cars locally due to currency risks and local preferences.

The European industry is in ever-increasing need of tap into markets abroad to make up for meagre growth projections in the EU. Unlike the small and mid-sized economies that make up candidates for European free trade agreements so far, any trade deal between the top 5 economies will require concessions where the EU cannot come out on the winning side in every sector and product.

[Download the policy brief here](#)

#### **Publication details:**

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