



EUROPEAN UNION
DELEGATION TO THE UNITED STATES OF AMERICA

The Head of Delegation

Washington, 13 March 2011

E-note DELUSW

Subject: Trade Counselors Meeting on 4 March 2011

Summary:

Commission officials debrief MS on recent meetings with U.S. government and business on raw materials. The interest on the U.S. side is considerable for increased cooperation. UK makes a presentation on a study on benefits of the DDA to U.S. states. The annual market access exercise on U.S. trade barriers is launched. Delegation gives updates on certain U.S. aspects of the Russian WTO accession and on the EU-U.S. Beef Hormones Agreement.

Detail:

Hungarian Presidency trip

Mr. Gabor gave a short update of the upcoming visit to Seattle. More colleagues were invited to join the trip.

Presentations by EU colleagues

Ms Tuininga (TRADE) and Mr. Carvalho (ENTR) noted that the meetings both with U.S. government and the business community on raw materials had been very useful. On the trade and investment agenda, COM and USG discussed possible actions in their cooperation under TEC in WTO and OECD and touched on role G20 could play in putting the issue into a global perspective thus facilitating outreach of work launched in OECD. In addition, views were exchanged on bilateral actions to remove barriers in third countries. Further to these discussions, both sides will now detail out a few concrete actions that could be delivered in the course of the year under TEC in particular in respect of WTO, OECD and barriers in third countries. Broader cooperation could be expected under the Innovation Partnership as regards mining, research and development, and substitutes.

Mr. Raith (SJ) gave a short overview of the recent raw materials dispute. The draft panel report is still strictly confidential. The Chinese will most likely appeal the panel report. There are certain measures still under scrutiny, with the most significant being on export duties on other raw materials. On a question about Article XX(b) (exceptions for environmental goals), Mr. Raith noted that the exception has rarely been accepted and it is difficult to justify the necessity of export restrictions if production in the country is increasing. It remains to be seen how China will deal with this exception in possible future cases.

UK Presentation on its study on benefits of the DDA to each of the 50 U.S. states

Robin Twyman, First Secretary, British Embassy, presented, "The Doha Trade Round: What it can mean for the 50 States," a study it had commissioned on the benefits of the DDA on each of the US states. The study projected estimated benefits of \$38 billion in GSP, and over 390,000 jobs, across the US. Each state would benefit from jobs. As anticipated, California, Florida and Texas did particularly well but, surprisingly, so did Mid Western states – Illinois, Ohio, Michigan and Pennsylvania were all in the top 10 for both GSP and jobs. The Embassy was sharing the report with Congress, Think Tanks, Business and the US Administration, and to other key stakeholders in the US through its network of Consulates-General. Mr. Twyman reported that business and think tanks had been surprised that it was the UK who had completed such a study instead of the US administration (or business). Congress were receptive, but the Embassy hadn't yet detected any change of enthusiasm for the Round. Nevertheless, the Embassy would continue briefing from the report in order to tackle both support for Doha and the more general trade scepticism. While Commission (Cernat) noted that it there were some differences of view on certain parameters, in particular as regards the services sector, the study was welcomed as a useful tool that could be used both in our daily contacts in D.C. and in outreach efforts in all U.S. states.

Market access – update on U.S. trade barriers

Delegation (Nurmi) launched the annual exercise on U.S. trade barriers by distributing the current list of main trade barriers. Member States were invited to provide suggestions by e-mail on new barriers and a solid justification for their inclusion in the list. The new barriers will be discussed at the next trade counselors meeting in April. The results of those discussions will be transmitted to Brussels and they will likely be discussed at the Market Access Advisory Committee either on 14 April or 19 May. 4/14 or 5/19.

EU-U.S. discussions on Beef Hormones Agreement

Delegation (Rotenberg) gave a short overview of the beef hormones agreement at the request of a Member State (E). Both the EU and the US expressed strong support for the deal and willingness to move it into 'Phase 2' (by which the EU will increase the TRQ for non-hormones treated beef to 45.000 t and the US will drop the remaining sanctions against the EU). The US side strongly insisted on necessity of PRT approval (lactic acid – an application has been sent to EFSA) to be able to fully use the increased quota foreseen at phase 2. Without establishing a linkage with the beef hormones agreement, Commissioner Ciolos reminded both of them that the US has yet to publish its comprehensive BSE rule which would finally allow EU beef exports to the US.

U.S. aspects on Russian WTO accession

At the request of several Member States (F, FI, D) Delegation (Chen) made a short presentation on the Russia Permanent Normal Trade Relations (PNTR) legislation and the prospects and timing of a vote in the US Congress to grant Russia permanent normal trade relations status. While there are seeing some initial signs of political activity around Russia PNTR, likely triggered by progress in Geneva and the administration's wish to bring Russia in the WTO, there are off-the-record doubts about the PNTR bill passage, coming mainly from our business interlocutors. President Obama signaled his willingness to grant Russia PNTR in his recent speech at the US Chamber of Commerce. The House Ways & Means Committee Chairman Camp has in principle advocated for the passage as well, but he expressed his interest to pass all 3 FTAs first.

Congress does not have a direct legislative role when a third country accedes to the WTO, but in Russia's case it has an indirect role as it must remove an arcane Cold War restriction which prevents Russia from receiving non-discriminatory treatment. In the absence of a positive vote the US will not be in a position to grant Russia MFN treatment. A vote on Russia is possible but it will take significant political capital and require a major lobbying to acquire the necessary votes on both sides of the aisle. So far business does not yet appear to be engaged, suggesting the timing of a vote is likelier in the second half of this year, or even in 2012.

Prepared by Trade Section

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[Signed]

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