



EUROPEAN UNION
DELEGATION TO THE UNITED STATES OF AMERICA

The Head of Delegation

Washington, November 14, 2012
TRADE,

E-NOTE DELUSW

Subject: EU Trade Councillors Meet with Amber Cottle, Chief Intl. Trade Counsel, Senate Finance Committee (Democrats), 13 November 2012

Summary

Cordial meeting with top Democratic (majority) trade staffer in the U.S. Senate. Amber Cottle is positive on EU-U.S. negotiations, though unclear on timing of launch, which may hinge on when USTR Kirk departs and how quickly he can be replaced. She reiterated that TPA legislation is unlikely before USTR has the outline of a trade deal, and is confident that USTR could handle simultaneous TPP and EU-U.S. negotiations. Senate Finance Committee is monitoring situation around possible USDA marketing order on olive oil and discouraged it during recent Farm Bill consideration in the Senate.

Details

Post election transition. Democrats are delighted with the results, though they feel they could have done a little better in the House. There will be a new USTR on the trade portfolio and Cottle confirmed that Michael Froman's name is heard the most frequently (she suggested the job "is basically his if he wants it"). His interest may be conditioned on the possible reorganisation of departmental structures in DC, bearing in mind that his current responsibilities cover more different areas. Cottle said Baucus would obviously support WTO Ambassador Michael Punke or Deputy USTR Demetrius Marantis, as both them worked for him in the past.

Potential for EU-U.S. Trade and Investment Negotiations. Cottle confirmed that many of Baucus' counterparts had raised the issue with the Senator during his recent trip to Germany, Spain and Belgium. There was also growing interest in DC. But she added that she would nonetheless be surprised if USTR were to send a notification to Congress of its intent to start talks before the change of administration at the end of January. In part this was because there have been too few political contacts between USTR and Congressmen so far, and also because Congress is only in session for limited periods in January, basically meaning that a letter would have to be submitted before Christmas. However, if USTR Kirk does not leave office quickly, a notification could be made after inauguration if he is still around. She had doubts notification would be made in the absence of a sitting USTR.

Russia PNTR. There is very broad bipartisan support to now get this done and approval of the Russian and Moldovan PNTR Bills is expected during the Lame Duck period. The voting process on Russia will include the parallel adoption of the Magnitsky Bill on human rights. The House is scheduled to vote this Friday, likely followed by the Senate immediately after the Thanksgiving break. So the expectation is that the law will be in effect by early December.

Trade Promotion Authority. Cottle confirmed the existing democratic line on TPA: not before USTR has achieved the outline of a trade deal. By extension, a request for TPA would require USTR to reach the outline of a TPP deal, after on the back of which sufficient momentum would be generated to enable the Democratic administration to ask Congress for broad TPA powers.

Cottle broadly observed that trade politics are very parochial in the US, with members deciding their stance based largely on constituent interests. In contrast to what a Republican administration would have done, a TPA debate in the abstract falls outside the political agendas of many Democratic legislators, and would therefore not be welcomed by them, even if there were a new, more bipartisan overall approach to trade in the Congress.

TPP, EU-U.S., and USTR. Recalling her time in the Zoellick USTR, Cottle remarked that USTR could handle simultaneous TPP and EU-U.S. negotiations, notwithstanding that these two negotiations would be significantly more complex and demanding than a number of smaller agreements. "USTR will just get it done." Legislatively, it seems unlikely that agreements would be presented to the Congress simultaneously, and so she is not worried at this point about a legislative logjam affecting either.

On TPP specifically, she explained that many difficult issues involving U.S. market access and more sensitive political matters had been left until after the elections and that negotiations will begin in earnest next year on matters.

In relation to whether or not Japan will join the TPP FTA, Japan would have to officially ask to join, with consensus from all eleven participants required. Japan has yet to make the request, and there is no certainty on domestic political will in Japan for this. Beef and autos would be big issues for the US (the former especially for Senator Baucus) and there would need to be an indication from Japan on tackling these before the U.S. would agree to their entry.

The Fiscal Cliff/Tax Reform as Impediment to Trade Action? In response to a question from UK, Cottle expressed that fiscal cliff and tax reform issues, as consuming as they might be politically, should not affect movement on trade legislation or congressional support of EU-U.S. negotiations. As to how Congress is likely to deal with the fiscal cliff this November and December, Cottle expects some sort of temporary arrangement ("kick the can down the road") followed by a broader fiscal discussion in 2013.

Labour Unions and Trade. While the fact that the EU has higher labour standards will make an EU-U.S. agreement less disagreeable to US labour, Cottle noted that US labor unions have never supported an FTA; they even opposed the agreement with Australia, notwithstanding its high labor standards. Unions do, however, choose which agreements to actively lobby against. For example, the labor community nominally opposed the Panama FTA but did not actively try to rally opposition, as opposed to Colombia and

Korea. They have similarly not lobbied vigorously against PNTR for Russia. She reminded that unions provide critical campaign support and voter mobilization for Democrats in Congress.

Olive Oil. GR, IT, and ES raised the issue of olive oil and were highly critical of a potential USDA marketing order that would require all shipments to be inspected for quality and would derogate from international standards. Finance Committee staff member Bruce Hirsh responded that the Committee has been discouraging the marketing order effort: the Senate version of the Farm Bill does not contain marketing order language.

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