UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

EVENT BRIEF

Event: U.S. Metals Sector Meeting

Date: June 12, 2003

Time: 11:00-11:30 a.m.

Location: King & Spalding LLP
1730 Pennsylvania Avenue, N.W.
10th Floor

Participants:

USG:
Assistant Secretary Lash
Eric Stewart
Don Wright

U.S. Industry Participants
John Atherton, Program Director, International Council on Mining and Metals
Representatives from several metals-producing and
-using industries

European Participants
Guy Thiran, Secretary General of Eurometaux,
Hugo Waeterschoot, Director of Environment, Health and Safety

Objective: Discuss the EU's Chemical Regulation, which is expected to raise trade barriers between the US and the EU. Encourage the U.S. Metals industry to participate in the EU's eight week comment period. Address U.S. Metal industry's concerns of the EU chemical legislation.

Background: You will speak at this event. The EU released their chemical legislation over the internet for an 8 week public comment period on May 7. This meeting will provide an excellent opportunity to outline U.S. concerns on the EU's Chemical Regulation and encourage companies to take advantage of the public comment period. The legislation is expected to have significant trade implications on U.S. chemical manufacturers and downstream users of chemical products. Both U.S. and EU industry have similar concerns on the EU Chemicals Regulation.

Attachments: **Talking Points**
Background Paper

TALKING POINTS

Introduction Point

- I would like to thank King and Spalding for organizing this event and inviting me to speak on the newly released EU Chemical Legislation.

Chemical Introduction

- On May 7, the European Commission released its draft chemical legislation on REACH (Registration, Evaluation, Assessment of Chemicals"), via the internet, for a eight-week public comment period.

- The legislation could affect more than 30,000 chemical substances, as well as thousands of downstream users exporting an intermediate or final product into Europe.

- The legislation will require all new and existing chemicals to be re-tested and registered before entering the EU marketplace

Chemical Regulation

- The EU's development of a new, comprehensive regulatory framework for chemicals is of substantial interest to the U.S. Government and many of our trading partners.

- We fully support the EU's efforts to protect human health and the environment.

- However, we are concerned the new Chemicals Regulation could have an adverse effect will have consequences for your industry, as well as other Downstream users of chemical products.

- Chemical and Downstream use products such as metals, account for almost 40 percent of U.S.-EU trade.

- I believe this system will impede innovation and create an administrative and cost burden that many U.S. and EU small and medium-sized enterprises are incapable of bearing. SMEs represent 96% of the total number of chemical enterprises in Europe, accounting for 28% of chemical production.

- The Germans and French have recently released studies on REACH which show that both economies will suffer tremendously from its implementation

- Germany's BDI (Federal Association of German Industry) released a study in October which states the implementation of the EU's new Chemical Legislation will cause a loss of GDP between 0.4 and 6.4 percent to the German economy.

- France's Union des Industrie Chemiques (UIC), the French chemical association, released a study which warned the new regulations could cost the French economy as much as 54 billion euros ($63 billion, at current exchange rates) over ten years

- They also estimate the loss of 360,000 to 670,000 jobs over the same period and have a cumulative loss of investment of up to 88 billion euros ($103 billion).

- The report also stated that the planned regulations could have a "domino effect" on the chemical industry, other industrial sectors, and downstream users as the additional costs of meeting the new requirements are passed on.

- The costs to implement and comply with REACH will be substantial. The Commission estimates that implementation of the new strategy will total 18-32 billion euros, and these figures do not include REACH's effects on prices, international competitiveness, employment and foreign investment.

Commerce Outreach

- Commerce continues to lead efforts to address U.S. concerns on the legislation. During the comment period, we have reached out to several U.S. industries, Members of Congress, and third country officials (Brazil, Canada, and Japan).

- We also continue to express our concerns to Commission and EU member states officials

- Our primary reason for addressing you today is to encourage active participation in the eight-week comment period.

- We **must** take advantage of the opportunity to comment. We also ask that you pass this information onto other interested parties.

- The U.S. Government is currently gathering interagency comments on the EU legislation. Yesterday, we submitted our comments. We expect the U.S. government comments to be delivered to the Commission before the end of the month.

- We have requested that the Commission post the comments on the internet.

Closing Remarks

- We do not want this issue to become a larger trade dispute, therefore it is important for the United States and the EU to continue dialogue on this issue to prevent it from escalating.

- We continue to support multilateral efforts in the OECD to promote greater international regulatory cooperation and harmonization in the area of chemicals. We're disappointed that the Commission's approach departs from ongoing OECD cooperation.

Chemicals

Issue: The European Commission released their draft chemical legislation May 7, via the internet, for a eight-week public comment period. This legislation will require all new and existing chemicals to be re-tested and registered before entering the EU marketplace. The proposed regulations have the potential to affect more than 30,000 chemical substances, as well as thousands of downstream users of chemical products exporting an intermediate or final product into Europe. The new EU Chemical legislation will have a negative impact on economic growth in Europe and potentially worldwide. The new regulations are estimated by the European Commission to cost 18-32 billion euros.

Background: The Commerce Department has developed comments to the EU Chemical Regulation and have submitted them for interagency approval. The U.S. government comments are expected to be sent to the Commission before the end of the June 2003. The Commerce Department continues to lead efforts to address U.S. concerns on the EU Chemical Legislation. During the comment period, Commerce officials will be reaching out to U.S. producers, Members of Congress, and other key parties to inform them of the regulations. In addition, Commerce will be talking with officials from third countries, and will continue to press the European Commission and EU member states to revise this policy. Commerce officials have been engaged on this EU issue since the Commission released the Chemical White Paper in February 2001.

Additional Facts Pertaining to Metals (These have already been distributed to the audience)

1. The legislation will apply to all chemicals (including metals and metal compounds) produced or imported in more than 1 ton per year on the European market

2. The same duties will be applied to importers as to producers in Europe including the registration (submit report on hazard assessment, effect assessment, risk assessment and risk management of the chemical of concern), the evaluation of chemicals (execute obligatory testing plans) or requesting an authorization permit (some metals like Ni, Co, Pb, Be will require specific market access permits for each application they are used for due to their Carcinogenic, Mutagenic and or Teratogenic potential)

3. The legislation applies to metals but there is a proposal to extend it to ores and concentrates which would cause a serious burden on mining companies outside Europe

4. Authorised chemicals needs to be labeled as such also if they are be imported from outside the EU. Marketing of those substances without the appropriate authorization number and labeling will be forbidden.

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European Union Chemicals Strategy

ISSUE

In February 2001, the European Commission issued a legislative White Paper proposing a new strategy for future chemicals policy. The new policy called "REACH:" registration, evaluation, and authorization of chemicals seeks to address information gaps between existing and new chemical substances. Under the new EU policy, registration costs are expected to rise on over 100,000 chemical substances, and have a direct impact on worldwide chemical companies exporting to and/or operating in Europe. It will also affect any downstream user of chemical products exporting an intermediate or final product into Europe.

The European Commission is expected to formally release the REACH proposals via the internet during the upcoming months. The U.S., and other countries (most notably, Brazil, Canada and the APEC members) have expressed numerous concerns about the program. U.S. government and industry continues to work with EU Commission and member state officials to insure the issue does not escalate into a trade dispute.

BACKGROUND.

In November, Under Secretary Aldonas led a U.S. government delegation at the Annual Transatlantic Business Dialogue (TABD) Conference's Chemical Working Group session. The session provided an opportunity for both sides to continue ongoing dialogue on this important issue. As a followup to the meeting, Commerce has implemented an outreach program to EU, and non-EU countries to garner support for the U.S. position on the REACH. In the upcoming months, officials plan to meet with interested parties from several countries to engage them in efforts to become more involved and better educated to the implications of the upcoming changes in the new chemical strategy.

The American Chemical Council (ACC) has also undertaken an outreach program on the EU Chemical Strategy. ACC has met with Ambassadors in Austria, Spain, Portugal, Italy, Ireland, Germany to discuss their concerns. ACC and CEFIC (European Chemical Association) are planning to convene a high level government/industry meeting in the near future to address the specific technical issues of the upcoming legislation.

TALKING POINTS

- I believe we have similar concerns to the Commissions' new chemical strategy. We believe everyone could benefit from increased education to the implications of the upcoming changes in the new chemical strategy.

- We understand that the new chemical strategy could also have a negative impact on your industries. Therefore, it is imperative that we work together to address the Commission on this significant issue.

- We believe meetings with you and other relevant interested parties can be very pivotal in changing the direction of the Commission's new strategy.

- We encourage you to raise this issue when you having discussions with EU officials and your trading partners.