

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

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The Honorable Frank Lautenberg
United States Senate
Washington, D.C. 20510

Dear Senator Lautenberg:

I am responding to your recent letter regarding Administration efforts to ensure that the European Union's (EU) planned regulatory framework for chemicals (REACH) does not create an unnecessary barrier to U.S. exports that unfairly jeopardizes U.S. jobs. This Administration is working diligently to protect U.S. trade interests abroad and American jobs at home.

While we support the EU's objectives of robust protection of the environment and human health, the European Commission's (EC) proposed regulation appears to the U.S. government to be neither workable nor cost-effective. It follows a growing trend in Europe of over-reaching regulations that appear more to reflect unfounded concerns than actual scientific evidence. As this expansive regulation could impact most U.S. goods exported to the EU, we have constructively engaged with the EC to communicate our concerns. We are not alone -- approximately 40 countries have raised significant concerns with the EU about the impacts of REACH. Even senior EU officials now concede that REACH needs to be revised to be workable and cost-effective.

This draft EU regulation is a major concern for a broad range of U.S. business sectors, including leading employers in your state. In New Jersey, this proposed regulation could have direct and adverse impacts on the state's 73,000 chemical manufacturing jobs and \$5.2 billion in annual exports to the EU. For example, New Jersey's top two exports to the EU -- chemicals (\$1.5 billion) and computers and electronic equipment (\$950 million) -- could be negatively affected.

I am puzzled by your inaccurate statements regarding the Administration's alleged WTO arguments and unsubstantiated cost estimates. The Administration's June 2004 comments outline issues of concern, but do not assert that the EC's October 2003 REACH proposal is inconsistent with WTO provisions. Our comments rely on European studies of estimated economic impacts, including the EC's own analyses. I note that the Dutch government recently issued a study of 36 separate impact assessments conducted on REACH which concluded that the direct costs alone for implementing REACH are approximately 4 billion euros (\$5.2 billion). The Dutch study also specifically urges an EU focus on measures to reduce the costs of REACH.

As I have noted previously, the U.S. Government's June 2004 comments were developed and approved by the formal interagency Trade Policy Staff Committee and are available to the public. Over the past few years, USTR and other U.S. agencies have consulted with a broad range of interested stakeholders, including the Congressionally mandated Industry Trade

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Advisory Committees (ITACs) and the Trade and Environment Policy Advisory Committee (TEPAC) that were created pursuant to the Trade Act of 1974. The memberships of the ITACs and the TEPAC are available on USTR's website at:
http://www.ustr.gov/Who_We_Are/List_of_USTR_Advisory_Committees.html.

We continue to urge the EC to promote transparency in the development of this important regulation and to ensure meaningful opportunities for all stakeholders to provide input -- just as foreign governments and stakeholders have the opportunity to comment on draft U.S. regulations. An EU regulatory scheme that is neither workable nor cost-effective would impose unjustified costs on the United States and other countries. We will monitor closely the development of this regulation to ensure that the interests of American workers and businesses are protected.

Thank you again for your letter, and I appreciate your interest in this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Zoellick".

Robert B. Zoellick