## CECILIA MALMSTRÖM

MEMBER OF THE EUROPEAN COMMISSION

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Dear Ambassador Lighthizer,

Dear Bob,

I am writing to follow up our phone conversation on 24 October.

First of all, I am pleased to enclose the EU proposal for a text on Conformity Assessment. This addresses the long-standing US request to allow US-domiciled conformity assessment bodies to certify against EU requirements in a comprehensive manner. It also addresses the difficulties met by EU producers in the certification of machinery for the US market. While preparing this document, my team has done the utmost to accommodate the concerns raised by your side during the technical discussions, within the confines of our legal system. We are ready to engage on the basis of this proposal at your earliest convenience.

On standards, I reiterate that I believe we have a short-term deliverable in sight. In May, we provided you with a non-paper outlining how transatlantic cooperation on the development of new standards could work in practice, especially in areas of new technology, as well as how we could improve the functioning of our respective systems when it comes to the existing stock of standards. We have invited your team to react to this document in writing, so that we could harvest the results in a joint declaration. I am convinced that we could deliver an agreed text within my term.

During our call, you asked whether there might be scope for us to agree quickly a small package of tariff reductions on a limited set of industrial and fisheries products. You mentioned lobsters and chemicals as two areas where the US would welcome tariff cuts by the EU.

I have looked at this closely. I consider that the EU could certainly address your concerns about EU tariffs on products such as lobster and chemicals; but given the WTO constraints on bilateral preferences, this should be as part of a wider agreement to liberalise tariffs bilaterally for industrial products, including fisheries. The Commission remains prepared to engage on the negotiation of such an agreement immediately. This would be an economically meaningful package.

These proposals are framed by the positive spirit of the Joint Declaration of our two Presidents of July 2018. I trust that you will understand that should Section 232 measures be imposed on cars and car parts from the EU, we would be forced to respond firmly and proportionately.

We should also push ahead with the trilateral cooperation on industrial subsidies, forced technology transfer and any other area identified for a joint approach. We have made good progress recently at working level — and I hope this will continue at the next discussion, which I understand will take place in the week of 11 November. Following

internal consultations here. I can now confirm to you that the EU is in principle able to commit to prohibit subsidies in a number of specific areas.

I also consider that there is room to do better in managing and resolving our disputes. While I recognise the Administration's wish to support the US steel and aluminium sectors, our proposals for a simultaneous elimination of US tariffs and EU rebalancing — in the context of an overall framework where there would be sufficient measures in place to guard against the risk of transhipment — would in our view provide a viable way forward. Should you prefer to approach this in a progressive manner, reducing US Section 232 measures step-by-step, the EU would be ready to modulate its own rebalancing in parallel.

Meanwhile, on Airbus/Boeing, as I recalled in our phone conversation on 24 October, our proposals of July address both clearly identified existing aircraft subsidies and future support to the civil aircraft sector. This offer remains on the table – notwithstanding the US decision to impose countermeasures following the WTO arbitration in the Airbus case. Of course, the US decision to impose countermeasures only makes it more certain that the EU will do the same once the arbitration ruling is made in the Boeing case. Nevertheless, I continue to hope that you will authorise your staff to engage in efforts to agree a negotiated settlement. This should also include the immediate reduction in the level of US countermeasures, as we discussed on 24 October.

Finally, I consider that it is also important to explore potential solutions to the crisis facing the WTO Appellate Body. I would suggest we discuss this issue again over the phone in the next few days.

In addition to contacts at our level, I suggest we instruct our officials to take detailed discussions forward on all these items as a matter of priority.

Yours sincerely,

Cecilia Malmström

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