

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

[Docket No. USTR-2008-0036]

Modification of Action Taken in Connection with WTO Dispute Settlement Proceedings on the European Communities' Ban on Imports of U.S. Beef and Beef Products

AGENCY: Office of the United States Trade Representative.

ACTION: Notice and modification of action.

SUMMARY: The United States Trade Representative ("Trade Representative") has decided to modify the action taken in July 1999 in connection with the World Trade Organization ("WTO") authorization to the United States in the *EC-Beef Hormones* dispute to suspend concessions and related obligations with respect to the European Communities ("EC"). In particular, as described in this notice and its annex, the Trade Representative has decided: (1) to remove some products from the list of products currently subject to 100 percent *ad valorem* duties; (2) to impose 100 percent *ad valorem* duties on some new products from certain EC member States; (3) to modify the coverage with respect to particular EC member States; and (4) to raise the level of duties on one of the products that is being maintained on the product list. The trade value of the products subject to the modified action continues not to exceed the \$116.8 million per year level authorized by the WTO in July 1999.

EFFECTIVE DATE: The modifications described in the Annex to this notice shall be

effective with respect to products that are entered, or withdrawn from warehouse, for consumption on or after March 23, 2009. Any merchandise subject to increased duties under this determination that is admitted to U.S. foreign-trade zones on or after March 23, 2009 must be admitted as “privileged foreign status” as defined in 19 C.F.R. 146.41.

FOR FURTHER INFORMATION CONTACT: Roger Wentzel, Director, Agricultural Affairs, (202) 395-6127 or David Weiner, Director for the European Union, (202) 395-4620 for questions concerning the *EC-Beef Hormones* dispute; or William Busis, Associate General Counsel and Chair of the Section 301 Committee, (202) 395-3150, for questions concerning procedures under Section 301.

SUPPLEMENTARY INFORMATION

A. The *EC-Beef Hormones* Case

The EC bans the import of beef and beef products produced from animals to which any of six hormones¹ have been administered for growth promotion purposes. The effect of the EC ban is to prohibit the import of substantially all U.S.-produced beef and beef products. In February 1998, the WTO Dispute Settlement Body (“DSB”) found that the EC ban was inconsistent with EC obligations under the WTO Agreement. In July 1999, a WTO arbitrator determined that the EC import ban on U.S. beef and beef products has nullified or impaired U.S. benefits under the

¹ The six hormones at issue are estradiol 17- β , testosterone, progesterone, zeranol, trenbolone acetate (“TBA”) and melengestrol acetate (“MGA”).

WTO Agreement in the amount of \$116.8 million each year. On July 26, 1999, the DSB authorized the United States to suspend the application to the EC, and member States thereof, of WTO tariff concessions and related obligations covering trade in an amount of \$116.8 million per year. Pursuant to that authorization, the Office of the United States Trade Representative (“USTR”) announced a list of EC products that would be subject to a 100 percent rate of duty effective with respect to products entered, or withdrawn from warehouse, for consumption on or after July 29, 1999. See 64 FR 40638.

Since that time, the United States and the EC have continued to consult in an effort to resolve this dispute. Those discussions include the possibility of an interim agreement that would provide meaningful market access for U.S. beef products produced without growth-promoting hormones, in return for a suspension of the increased duties on EC products.

The EC argues that EC legislation of 2003 amending the import ban on beef and beef products produced from animals treated with certain hormones brought the EC into compliance with its WTO obligations. In January 2005, the EC requested the establishment of a WTO dispute settlement panel to consider the EC claim that the United States was no longer authorized to suspend concessions as a result of the EC’s adoption of the new legislation amending the import ban. (See 70 FR 8655 for a description of this dispute brought by the EC.)

On October 16, 2008, the WTO Appellate Body issued a report rejecting the EC claim and confirming that the July 1999 DSB authorization to suspend concessions remains in effect unless and until the DSB rules that the EC has brought its measures into compliance with its WTO

obligations. The DSB adopted its recommendations and rulings on November 14, 2008. On December 22, 2008, the EC took steps towards initiating another WTO proceeding by requesting consultations with the United States regarding the EC view that it has brought its measures into compliance with the 1998 WTO recommendations and rulings.

The decision by the Trade Representative to modify the July 1999 action should not be construed as a determination with respect to whether or not the EC legislation of 2003 amending the import ban on beef and beef products is consistent with WTO rules. Rather, the purpose of modifying the action is to increase its effectiveness in terms of promoting a resolution of this dispute, including through the possible conclusion of an interim agreement that would provide meaningful market access for U.S. beef producers, taking into account the economic impact of the action on the United States.

B. Section 307 of the Trade Act of 1974, as amended

Section 307 of the Trade Act of 1974, as amended, provides for a review of actions taken under Section 301, including actions taken in connection with a WTO dispute settlement proceeding. In particular, Section 307 provides for the Trade Representative to conduct a review of –

(A) the effectiveness in achieving the objectives of section 301 of –

(i) such action, and

(ii) other actions that could be taken (including actions against other products or services), and

(B) the effects of such actions on the U.S. economy, including consumers.

C. Section 306 of the Trade Act of 1974, as amended

Section 306(b)(2)(B) of the Trade Act provides for the periodic review and revision of Section 301 actions taken in the course of a WTO dispute settlement proceeding. Section 306(b)(2)(B)(ii) provides exceptions in the event that (1) the USTR and the Section 301 petitioner (or, if USTR self-initiated the Section 301 investigation, the affected U.S. industry) agree that changing the action under Section 301 is unnecessary, or (2) resolution of the case is imminent. Section 306 provides that the standard for revising actions is to select changes that are most likely to result in implementation of the DSB recommendations, or in achieving some other satisfactory resolution of the dispute. The provision also requires that lists of products subject to increased duties – both initially and after each of the periodic changes – include reciprocal goods of the U.S. industries affected by the measure at issue in the WTO dispute.

The USTR and the affected U.S. industry had agreed that changes in the action taken under Section 301 in connection with the *EC-Beef Hormones* dispute have been unnecessary; accordingly, the exception under Section 306(b)(2)(B) has been in effect.

In response to the November 6, 2008 request for public comments (see below), the affected industry expressed the view that a different approach may be needed in order to obtain a resolution of this dispute.

D. Prior Notice and Comment

In order to assist in a possible modification to the action in accordance with Section 306 of the Trade Act, and to provide information in connection with a review under Section 307 of the Trade Act, USTR published a notice on behalf of the Section 301 Committee seeking public comments regarding a possible modification to the July 1999 action. See 73 FR 66,066 (November 6, 2008). The notice requested that comments be submitted by December 8, 2008.

The Section 301 Committee sought comments with respect to: (i) whether maintaining or imposing increased duties on particular products would be practicable or effective in terms of encouraging a favorable resolution of the dispute, and (ii) whether maintaining or imposing increased duties on particular products would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers. In addition, the Section 301 Committee requested comments on whether actions with respect to particular products should be taken with respect to products of all member States of the European Communities, or whether action should be taken with respect to products of one or more particular member States of the European Communities.

Approximately 600 public comments were received in response to the November 6, 2008 notice. Taking account of the public comments, the Section 301 Committee – considering the effects on the U.S. economy, including consumers – prepared a recommendation for a modified action that would be more effective in terms of achieving the objectives of Section 301.

E. Determination and Action

The Trade Representative, taking account of the effects of such action on the U.S. economy, including consumers, has accepted the recommendation of the Section 301 Committee to modify the July 1999 action so as to increase its effectiveness. The modified action further implements the authorization granted by the DSB to the United States under Article 22 of the DSU, and is taken pursuant to the authority granted to the Trade Representative under sections 306 and 307 of the Trade Act. The trade value of the products subject to the modified action remains at or below the \$116.8 million per year level authorized by the WTO in July 1999.

The Trade Representative has decided: (1) to remove some products from the list of products currently subject to 100 percent *ad valorem* duties (specifically, the articles provided for in HTS subheadings 9903.02.31, 9903.02.33, 9903.02.35, 9903.02.37, 9903.02.38, 9903.02.39, 9903.02.40, 9903.02.41, 9903.02.42 and 9903.02.47) ; (2) to impose 100 percent *ad valorem* duties on some new products from certain EC member States; (3) to modify the coverage with respect to particular EC member States; and (4) to raise the level of duties on one of the products that is being maintained on the product list. The modified action pursuant to the Trade Representative's determination is set out in Annex A to this notice. Annex B to this notice deletes the chapter 99 subheadings established in July 1999 for the purpose of implementing the prior action.

The Trade Representative's determination shall be effective with respect to articles that are entered, or withdrawn from warehouse, for consumption on or after March 23, 2009. Any merchandise that is subject to increased duties under part A of the Annex that is admitted to a U.S. foreign trade zone (U.S. FTZ) on or after March 23, 2009 must be admitted with "privileged

foreign status,” as defined in 19 C.F.R. 146.41. In addition, any merchandise that is no longer subject to increased duties as a result of the Trade Representative’s determination to modify the July 1999 action is no longer subject to the requirement that it must be admitted to a U.S. FTZ with “privileged foreign status.”

William L. Busis

William L. Busis

Chair, Section 301 Committee

Annex

A. Effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after March 23, 2009, the Harmonized Tariff Schedule of the United States (HTS) is modified by adding in numerical sequence the following superior text and subheadings to subchapter III of chapter 99 to the HTS. The superior text and subheadings are set forth in columnar format, and material in such columns is inserted in the columns of the HTS designated

“Heading/Subheading”, “Article Description”, and “Rates of Duty 1-General”, respectively:

“Articles the product of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain or Sweden:

Meat of bovine animals, fresh or chilled (provided for in heading 0201):		
9903.02.48	Articles of subheading 0201.10.05, 0201.10.10, 0201.20.02, 0201.20.04, 0201.20.06, 0201.20.10, 0201.20.30, 0201.20.50, 0201.30.02, 0201.30.04, 0201.30.06, 0201.30.10, 0201.30.30 or 0201.30.50	100%
9903.02.49	Articles of subheading 0201.10.50, 0201.20.80 or 0201.30.80	100%
Meat of bovine animals, frozen (provided for in heading 0202):		
9903.02.50	Articles of subheading 0202.10.05, 0202.10.10, 0202.20.02, 0202.20.04, 0202.20.06, 0202.20.10, 0202.20.30, 0202.20.50, 0202.30.02, 0202.30.04, 0202.30.06, 0202.30.10, 0202.30.30 or 0202.30.50	100%
9903.02.51	Articles of subheading 0202.10.50, 0202.20.80 or 0202.30.80	100%
9903.02.52	Meat of swine, fresh or chilled (provided for in subheading 0203.11, 0203.12 or 0203.19)	100%
9903.02.53	Carcasses and half-carcasses of swine, frozen (provided for in subheading 0203.21)	100%
9903.02.54	Hams, shoulders, and cuts thereof, with bone in, of swine, frozen (provided for in subheading 0203.22)	100%
9903.02.55	Processed meat of swine, frozen, other than carcasses and half-carcasses of swine and other than hams, shoulders, and cuts thereof, with bone in (provided for in subheading 0203.29.20)	100%
9903.02.56	Edible offal of bovine animals, fresh or chilled (provided for in subheading 0206.10)	100%
9903.02.57	Edible offal of bovine animals, frozen (provided for in subheading 0206.21, 0206.22 or 0206.29)	100%
9903.02.58	Meat and edible offal, of the poultry of heading 0105, fresh, chilled or frozen (provided for in heading 0207)	100%
9903.02.59	Hams, shoulders, and cuts thereof, with bone in, of swine, salted, in brine, dried or smoked (provided for in subheading 0210.11)	100%

9903.02.60	Meat of bovine animals, salted, in brine, dried or smoked (provided for in subheading 0210.20)	100%
9903.02.61	Meat of poultry of heading 0105, salted, in brine, dried or smoked (provided for in subheading 0210.99.20)	100%
9903.02.62	Roquefort cheese (provided for in subheading 0406.40.20 and 0406.40.40)	300%
9903.02.63	Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, being goods of a kind suitable for bouquets or for ornamental purposes, fresh, dried or bleached (provided for in subheading 0604.91 or 0604.99.30)	100%
9903.02.64	Truffles, fresh or chilled (provided for in subheading 0709.59.10)	100%
9903.02.65	Rolled or flaked grains of oats (provided for in subheading 1104.12)	100%
9903.02.66	Grains of oats, hulled, pearled, sliced, kibbled or otherwise worked, not elsewhere specified or included (provided for in subheading 1104.22)	100%
9903.02.67	Sausages and similar products of beef, and food preparations based on these products, in airtight containers (provided for in subheading 1601.00.40)	100%
9903.02.68	Other prepared or preserved meat, meat offal or blood, of liver of any animal (provided for in subheading 1602.20)	100%
9903.02.69	Other prepared or preserved meat, meat offal or blood, of poultry of heading 0105 (provided for in subheading 1602.31, 1602.32, 1602.39)	100%
9903.02.70	Other prepared or preserved meat, meat offal or blood, of bovine animals (provided for in subheading 1602.50)	100%
9903.02.71	Chewing gum, whether or not sugar-coated, not containing cocoa (provided for in subheading 1704.10)	100%
9903.02.72	Chocolate and other food preparations containing cocoa, in blocks, slabs or bars, filled, weighing 2 kg or less each (provided for in subheading 1806.31)	100%
9903.02.73	Lingonberry and raspberry jams (provided for in subheading 2007.99.05)	100%
9903.02.74	Pears, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included (provided for in subheading 2008.40)	100%
9903.02.75	Peaches, excluding nectarines, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included (provided for in subheading 2008.70.20)	100%

Articles the product of Finland, France, Ireland, the Netherlands or Sweden:

9903.02.76	Meat of swine, frozen, not processed, other than carcasses and half-carcasses of swine and other than hams, shoulders, and cuts thereof, with bone in (provided for in subheading 0203.29.40)	100%
------------	---	------

Articles the product of France:

9903.02.77	Chestnuts (<i>Castanea</i> spp.), fresh or dried, whether or not shelled or peeled (provided for in subheading 0802.40)	100%
------------	--	------

9903.02.78	Wool grease (other than crude wool grease) and fatty substances derived from wool grease (including lanolin) (provided for in subheading 1505.00.90)	100%
------------	--	------

Articles the product of Austria, Cyprus, France or Poland:

9903.02.79	Grape juice (including grape must), not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter (provided for in subheading 2009.61 or 2009.69)	100%
------------	--	------

9903.02.80	Juice of any other single fruit, not elsewhere specified or included, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter (provided for in subheading 2009.80.60)	100%
------------	--	------

9903.02.81	Mixtures of juices, other than mixtures of vegetable juices, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter (provided for in subheading 2009.90.40)	100%
------------	---	------

Articles the product of Italy:

9903.02.82	Mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored (provided for in subheading 2201.10)	100%
------------	--	------

B. Effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after March 23, 2009, subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States (HTS) is modified by deleting the following HTS subheadings: 9903.02.21, 9903.02.22, 9903.02.23, 9903.02.24, 9903.02.25, 9903.02.26, 9903.02.27, 9903.02.28, 9903.02.29, 9903.02.30, 9903.02.31, 9903.02.32, 9903.02.33, 9903.02.34, 9903.02.35, 9903.02.36, 9903.02.37, 9903.02.38, 9903.02.39, 9903.02.40, 9903.02.41, 9903.02.42, 9903.02.43, 9903.02.44, 9903.02.45, 9903.02.46 and 9903.02.47.