

euinsight

The EU & the Pacific Northwest

Prospering through Economic Ties

Economic relations between the European Union and the Pacific Northwest are dynamic and vigorous. Europe is one of the largest markets in the world for American goods, particularly those in the high-tech industry where the states of Washington and Oregon are key players. According to *Trade in the Cyberstates 2007*, the EU was the largest overseas market for U.S. high-tech exports in 2006 (\$46.1 billion).

Trade between the Pacific Northwest and Europe accounts for more than \$10 billion each year in American exports. Europe represents the largest source of foreign investment in both Washington and Oregon; at \$15.6 billion annually, European foreign direct investment in just these two states is equivalent to half of Europe's annual investment in China and supports approximately 83,000 U.S. jobs. Overall, the EU's investment in the United States was \$856 billion in 2005, more than 27 times Europe's total investment in China during the same period.

The software industry thrives in the Pacific Northwest, not only with highly visible

players like Microsoft and Adobe, but also with smaller, more specialized firms. Home to the "Silicon Forest," Oregon plays host to more than 2,000 information and communications technology companies, and the state's software industry generated more than 51,000 jobs in 2005.

As a leader in America's open-source software industry, Oregon has strived to foster innovation and support the open-source agenda. The EU champions the right of all companies to compete on a level playing field throughout all of the Member States, and its competition policies encourage economic efficiency by creating a climate favorable to innovation and technical progress.

For example, in October 2007 Microsoft agreed to comply with a 2004 European Commission decision, which was later upheld by the European Court of First Instance, requiring the company to release technical information about its Windows operating system to third-party developers who want to build software that is interoperable with Windows desktops and servers.

euquote

"We are inspired by your example in the application of technology to other problems, with [Washington] being one of the leaders of the world in bio-technology as well as information technology."

Ambassador John Bruton, June 2006

According to Neelie Kroes, European Commissioner for Competition Policy, "These changes in Microsoft's business practices, in particular towards open source software developers, will profoundly affect the software industry."

The Pacific Northwest and the European Union are also closely linked, both literally and economically, by the international transportation industry. Thanks to Seattle-based Boeing, the world's largest manufacturer of commercial aircraft, transportation equipment is Washington's dominant export to Europe.

However, economic relations between the U.S. and the EU do not always run smoothly. Currently, the EU and the U.S. are arguing separate cases before the World Trade Organization (WTO), challenging allegedly illegal subsidies for Boeing (by the U.S.) and Airbus (by the EU). The EU contends that Boeing has benefited from various federal, state and local subsidies that fall foul of the WTO Subsidies Agreement; this comes on the heels of U.S. charges that Airbus has profited from EU Member State co-financing of research and development for new Airbus aircraft. The EU remains open to pursuing a negotiated—and binding—solution to the trade dispute.

By the Numbers

The EU and Washington State

- Washington exported \$8.3 billion worth of goods to Europe in 2006, an increase of nearly 30 percent from 2005.
- Transportation equipment is the dominant export at \$5.76 billion per year, followed by computers and electronic products at \$974 million per year.
- European investment in Washington makes up fully half of the state's FDI at \$9.3 billion, and supports nearly 51,000 jobs in the state.

The EU and Oregon

- Oregon exported \$1.8 billion worth of goods to Europe in 2006, a 13 percent increase from 2005.
- Approximately 40 percent of exports (\$699 million) consist of computers, software and related products, followed by machinery (\$286 million) and transportation equipment (\$236 million).
- European investment in Oregon supported 32,000 jobs in 2005, and of the state's \$12 billion FDI in 2005, 52 percent (\$6.3 billion) came from Europe.

A Shared Commitment to Tackling Climate Change

The states of the Pacific Northwest and the European Union share a strong commitment to confronting climate change. Both Washington and Oregon are founding members of the Western Climate Initiative, a collaboration designed to reduce greenhouse gases and address climate change in the region. Launched in February 2007 by the Governors of both states, along with their counterparts in Arizona, California and New Mexico, the Western Climate Initiative develops regional strategies to limit greenhouse gas emissions, and is working to develop a market-based, multi-sector mechanism to help achieve that goal.

Additionally, as members of the Climate Registry, Oregon and Washington are partnering with states and provinces throughout North America to share best practices and develop a comprehensive, consistent system to report and track emissions data. The City of Seattle is particularly active; as a Climate Registry “founding reporter,” the city government has volunteered to measure, verify and report its greenhouse gas emissions on an annual basis using the organization’s agreed protocols.

Washington State has a history of pioneering programs designed to slow the pace of climate change and protect the environment. In 2005, it was the first American state to stipulate that all new public buildings meet stringent “green building” specifications, enforcing minimum standards for energy efficiency, water conservation, and the use of recycled materials.

During the same year, Washington Governor Christine Gregoire signed the Clean Car bill, which adopted California’s tough automotive emissions standards requiring a 30 percent reduction in emissions in new vehicles by 2016; Oregon followed shortly thereafter.

The European Union is taking similar steps to limit automotive emissions, as well as to promote renewable energy use. In December 2007, the European Commission proposed legislation to further reduce the average emissions of carbon dioxide from new passenger cars in the EU, leading to a 19 percent reduction of CO₂ emissions from 2012 and placing the EU among the world leaders of fuel efficient cars. The proposal was followed in January 2008 by a far-reaching package that further develops the EU’s cap and trade system, including an EU-wide cap on emissions, and proposes legally enforceable targets for renewable energy use in Member States.

Similarly, in addition to tightening automotive emissions standards, Oregon Governor Ted Kulongoski has committed to other greenhouse gas reduction goals, including lowering overall greenhouse gas emissions by 2010; shrinking greenhouse gas levels to 10% less than 1990 levels by 2020; and decreasing greenhouse gas levels to 75% below 1990 levels by 2050.

To achieve such ambitious targets, Kulongoski supports the development of a cap and trade proposal like the EU Emissions Trading System (EU ETS), a cost-effective mechanism which

caps the overall level of emissions allowed while at the same time permitting participating companies and organizations to buy and sell allowances as they require. He also advocates aggressive action to improve energy efficiency and encourage green building, and the allocation of resources to integrate climate change policy and analyze impacts of climate change at the state and local levels.

EU–Pacific Northwest Cooperation in Higher Education

Through a grant funded jointly by the European Commission and authorities in the United States, *Oregon State University* is partnering with two other U.S. institutions and three universities in the EU to develop and implement a curriculum for comparative study of health and social services for the elderly.

The *University of Washington* hosts one of the ten original European Union Centers of Excellence, promoting the study of the EU, its institutions and policies and EU-U.S. relations through teaching programs, scholarly research and outreach activities.



EU Insight is published by the Delegation of the European Commission to the United States.

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ISSN: 1830-5059

Catalogue No: IQ-AB-08-02-EN-C

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Issue No.17, March 2008

Wine Lovers United

In the 19th century, French, German and Italian immigrants to Washington planted the first wine grapes and set the stage for today’s thriving wine industry in the Pacific Northwest; today, the United States is the fourth largest wine producing country in the world after France, Italy and Spain. Next to California, Washington and Oregon are the United States’ largest producers of wine, contributing more than \$6 billion each year to the U.S. economy and accounting for almost 30,000 jobs.

Location is often considered to be the most vital element in the creation of distinctive and original wines. Europe, Washington and Oregon share a common commitment to educating consumers about the importance of wine origin and the practice of clear and accurate labeling. In 2005 winemakers from Napa Valley, Oregon and Washington joined producers of Champagne, Port and Sherry to sign the Joint Declaration to Protect Wine

Place & Origin, an agreement to ensure that wine place names—such as Chianti, Champagne or Chablis—are used accurately and consistently.

In 2005, the EU and the U.S. concluded an agreement that facilitates bilateral trade in wine valued at \$2.8 billion annually. Among other parameters, the agreement provided for the mutual recognition of current wine-making practices; limited use of certain terms considered “semi-generic” in the U.S.; the recognition and the protection through labeling of certain names of origin in each other’s market; and simplified certification requirements. Both parties decided to make best efforts to agree on a second phase agreement to further facilitate trade in wine between them. The second phase was formally launched in Washington on June 5, 2006, and since then four rounds of discussions have taken place.

For more information: www.eurunion.org/euinsight