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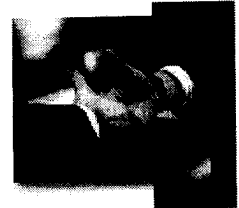
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WTO Dispute Settlement

FSC: WTO condemns US subsidies to exporters; recipients of illegal support include Boeing

Brussels, 30 September 2005



Today the WTO panel decision regarding U.S. federal tax subsidies for exporters was circulated to WTO Members. The Panel has found in favour of the EU in all respects. It concludes that despite some changes to its legislation the US has yet to abide by previous WTO rulings and the recommendations of the WTO Dispute Settlement Body regarding the FSC/ETI dispute. The Panel also makes clear that the tax subsidies which have been carried forward by using transitional periods and so-called 'grandfathering' violate WTO rules.

Peter Mandelson, EU Commissioner for Trade said "The EU welcomes the WTO's clear language and conclusions. It has been confirmed that the U.S. has yet to comply with previous WTO rulings. The EU appreciates that the U.S. Congress has repealed the original FSC tax scheme. However, despite European opposition, the US Congress chose to perpetuate the prohibited tax subsidies through a transition period and the permanent "grandfathering" of existing contracts. These provisions, which are now contained in the American Jobs Creation Act are unacceptable in view of the large benefits involved. We estimate these advantages, for example, to add up to over €750 million for Boeing alone. This is striking because the US is asking European companies to abide by the WTO definition of subsidies regarding grants to Europe's civil aircraft sector. I hope that the U.S. authorities will choose to act consistently in this matter."

On 30 August 2002 WTO arbitrators authorised the European Union to impose trade sanctions at the level of US \$ 4 billion (the estimated value of the subsidy in 2000) by increasing the customs duties on certain selected US products up to 100%. Countermeasures on certain US products entered into force on 1 March 2004, with their level gradually increasing. On 31 January 2005 the EU Council adopted a regulation suspending such sanctions retroactively as from 1 January 2005 in the light of the further WTO dispute settlement proceeding. The Council Regulation provides that the trade sanctions will apply again after 1 January 2006 or, at the latest, 60 days after the adoption of the compliance panel/Appellate Body report finding the U.S. law WTO incompatible.

Background

The U.S. FSC tax subsidies have been declared in violation of WTO rules by a WTO panel, the Appellate Body, and two compliance panels. This second compliance panel was necessitated by the American American Jobs Creation Act ("AJCA"), which preserved in a transitional or "grandfathered" form some of the federal payments made under the FSC.

The American Jobs Creation Act provides that the repeal of the Foreign Sales Corporation and Extra Territorial Income provisions "shall not apply to any transaction in the ordinary course of a trade which occurs pursuant to a binding contract" entered into between unrelated persons before 17 September 2003, and contains the following clarification: "a binding contract shall include a purchase option, renewal option, or replacement option which is included in such contract and which is enforceable against the seller or lessor."

Consequently, in practice all standard commercial contracts are covered as all such contracts bind their signatories and are enforceable. It should also be noted that the clause applies to both sales and lease contracts (and their options) which typically run for a number of years from the moment they are signed until final delivery of the goods (i.e. typically contracts for the delivery of large capital goods, such as aircraft). The manufacturer will obtain the tax benefit once the goods are paid for and actually exported.

The aim of the grandfathering clause is to ensure that certain US exporters will continue to obtain WTO-prohibited FSC/ETI export subsidies many years into the future, even beyond the expiry of the FSC/ETI transitional period in 2006.

FAQ on the FSC

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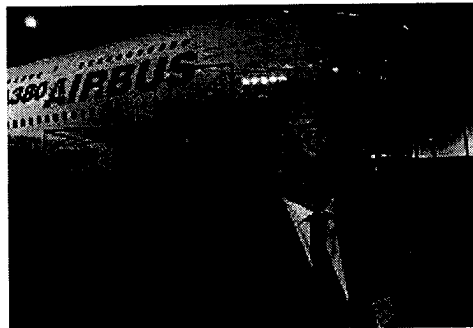
Civil aircraft sector

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The civil aircraft sector, which covers all civil aircraft, helicopters, aero-engines, parts and components, is mainly concentrated in the United States and the European Union. In 1998, the total value of aerospace production in the US was 133 billion EUR.



Peter Mandelson at the launch of the Airbus A 380. Toulouse, 18 January 2005

Europe was the second biggest producer, with a turnover of 59 billion EUR, followed by Canada and Japan. The Large Civil Aircraft sector (LCA - aircraft with more than 100 seats), which represents more than 50% of the world industry, is dominated by Airbus (EU) and Boeing (US). EU trade relations in this sector are governed at a bilateral level by the 1992 EU/US bilateral Agreement on Trade in Large Civil Aircraft, whose main objective was to regulate the level of both direct and indirect Government support to both aircraft industries. At the multilateral level, because the US and other negotiating parties blocked adoption of a new Civil Aircraft Agreement at the end of the Uruguay Round, trade in civil aircraft remains governed by the 1979 GATT Agreement on Trade in Civil Aircraft. The large civil aircraft sector is generally subject to the WTO rules on subsidies, although more specific multilateral rules exist regarding forms of government support.

1. Overview

The civil aircraft sector includes large, medium, and small-sized civil aircraft, helicopters and aero-engines, as well as parts and components. The European Commission has exclusive competence for bilateral and multilateral trade policy in this area.

The civil aircraft industry is mainly concentrated in the EU and in the United States. The Large Civil Aircraft (LCA -- aeroplanes with more than 100 seats) sector in particular, which represents more than 50% of the total turnover of the world civil aircraft industry, is dominated by US and EU manufacturers.

US and EU aircraft manufacturers compete in their domestic and third countries' markets and the EU/US rivalry takes a

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predominant position in the larger multilateral trade context.

At bilateral level, the EU and the US concluded in 1992 a Bilateral Agreement on Trade in Large Civil Aircraft **(1)**, whose main objective was to regulate and limit the level of Government support to both aircraft industries. Public support is in fact one of the most contentious issues in the aircraft industry.

At multilateral level, trade in civil aircraft is governed by the 1979 GATT Agreement on Trade in Civil Aircraft. Only 24 countries are signatories to this agreement, but major aircraft manufacturing countries **(2)** (except Brazil) are members. The main purpose of this agreement is the elimination of custom duties and other charges levied in connection with import/export of the goods covered by the agreement

2. Industry outlook

The civil aircraft sector is concentrated mainly in the United States and in Europe.

In 1998, the total value of production of the aerospace sector in the US was EURO 133 billion. In Europe the value of production was EURO 59 billion, followed by Canada and Japan.

Between 1/4 and 1/3rd of the total combined US and the EU aerospace turnover is generated through the LCA sector. In 1998, the total turnover of US LCA industry reached EURO 31 billion while in the EU it amounted to EURO 11 billion (final products: excluding turnover of US subsidiaries).

The LCA sector is today dominated by two manufacturers Airbus (EU) and Boeing (US). The third major manufacturer, Mac Donnell Douglas (US), was acquired by Boeing in 1997. Airbus market share has steadily increased since the early 70s, reaching about 1/3 of the world market in the early 90s and approaching 50% of all new orders for large civil aircraft by the end of the 1990s. However, the enlarged Boeing remains the market leader with more than 80% of all large aircraft in service today.

The aero-engine sector is the second largest in terms of turnover. In 1998, turnover in the US reached EURO 29 billion, in the EU EURO 10 billion. Major manufacturers are General Electric (US), Rolls Royce (UK), Pratt & Whitney (US). Other manufacturers include Snecma (F), MTU (D), BMW-Rolls-Royce (D), and the international consortia IAE and CFM.

3. 1992 EC/US Agreement on Trade in Large Civil Aircraft

Until the late 70s the US enjoyed almost a *de facto* monopoly in the LCA sector.

The Airbus consortium (created in 1969) started competing effectively in the 80s. At that stage the US became concerned about the European competition and the alleged subsidies paid by the European governments for the developments of the early models of the Airbus family. This became a major issue of contention, and the European side was equally concerned by subsidies accruing to US LCA manufacturers through NASA and Defense programmes.

The EU and the US started bilateral negotiations for the limitation of government subsidies to the LCA sector in the late 1980s. Negotiations were concluded in 1992 with the signature of the EC-US Agreement on Trade in Large Civil Aircraft which focuses on the limitation of both direct and

indirect government support.

On the one hand, the agreement puts a ceiling on the amount of direct government support (33% of the total development costs) for new aircraft programmes. It establishes that such support (granted in the form of repayable royalty-based loans) will be repaid at an interest rate no less than the government cost of borrowing and within no more than 17 years. Basically, this discipline applies to the form of government support in use in Europe.

On the other hand, the agreement establishes that indirect support (i.e. benefits provided for aeronautical applications of NASA or military programmes) should be limited to a 3% of the nation's LCA industry turnover. This discipline is primarily targeted to the support system in use in the US. In contrast to the European system of repayable royalty-based loans, since the repeal of the US rules on recoupment, there is no requirement for indirect support to be reimbursed.

In order to verify compliance with the above disciplines, the Agreement establishes that the parties must exchange transparency information on a yearly basis on their respective support systems, through bilateral consultations that normally take place twice a year. Such consultations are an occasion to discuss questions concerning the implementation of the agreement and any other issue of relevance to the LCA sector. It must be remarked that the exchange of transparency information has highlighted an important divergence between the US and the EU in the way to interpret the indirect support discipline. In general, the EU considers that the US notification of indirect support to its LCA industry falls short of the real benefits derived from NASA programmes and military spin-offs. For further details see Report on United States Barriers to Trade and Investment, European Commission, 1998 (3)

The current agreement on trade in civil aircraft was concluded in 1979 at the end of the Tokyo round. Although the aircraft negotiations for a new GATT agreement were associated to the Uruguay round, they did not succeed.

The large civil aircraft sector is generally subject to the WTO rules on subsidies, although more specific multilateral rules exist regarding forms of government support.

The EU regrets that, at the end of the Uruguay Round negotiations, the US blocked the adoption of a new Civil Aircraft Agreement supported by all other negotiating parties. Although negotiations have continued since, no progress has been made.

The 1979 agreement therefore remains in force as it was. Nevertheless, the 1979 aircraft agreement was devised to operate in a GATT context; with the introduction of the new WTO system in 1994, certain provisions of the 1979 could be put into question.

For this reason, a process of technical rectification of the aircraft agreement bringing it into conformity with the WTO, is now under way.

(1) Council Decision (92/496/EEC), OJ N° L 301 of 17 October 1992, p.31

(2) EU-and its member states, US, Canada, Japan, Switzerland, Norway and a few others

(3) In 1998, according to a monitoring study carried out on behalf of the Commission, it was estimated that the amount of US Government indirect support to its LCA industry reached almost \$ 2 billion in 1997, i.e. around 7% of its commercial turnover (thus well above the 3% limit set by

the 1992 Agreement).

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EU & WTO

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The Doha Development Agenda

Doha Agenda: Remarks by Peter Mandelson to the Press following a Bilateral Meeting with US Trade and Agriculture counterparts

Paris, 22 September 2005

EU Trade Commissioner Peter Mandelson, EU Agriculture Commissioner Mariann Fischer Boel, USTR Rob Portman and US Agriculture Secretary Mike Johanns held talks on the WTO Doha Development Round. After the meeting Commissioner Mandelson made the following remarks to the press:

We have had good, constructive, discussions this afternoon. This is the second time in a week that we have come together to take forward our Doha Round discussions, focusing on agriculture - not because it is the only subject of negotiation in this round but it is certainly the most complex, the most challenging and for many the most politically charged. We know what our responsibilities are. We know what our obligations are. We know what we are charged with taking forward from the Framework Agreement that was put in place in Geneva last year.

We need to deliver on all aspects of the agricultural pillar and the commitments collectively entered into. There is a mix of requirements and a mix of commitments, all of which we have been discussing this afternoon....market access in agriculture, domestic support - bearing down on subsidies - as well as export competition subsidies.

As far as the European Union is concerned on agriculture market access we are fully committed to following through on last July's Framework Agreement and tabling proposals in due course from which substantial additional new market access will flow. Our approach will not leave a single tariff line or product untouched and while of course there will be a number of sensitive products which need to be treated differently, which the Framework Agreement allows for, we want to keep these to a minimum.

As far as export subsidies are concerned a lot of attention has focused on the final date of elimination for these subsidies and of course there will be such a date put in place. But the approach that the EU will want to take is more phased, gradually withdrawing, eliminating and phasing out different groups of export subsidies within different timescales. That means that there will be some export subsidies that will be dealt with very early on. The phasing out will start the moment the Doha Round is finished and the Single Undertaking is signed. There may be others which in the mid-term will be phased out on a different timescale and then perhaps others which take longer but for which there will be a final date for elimination out to which we will sign up at the outset. It is important for people to realise that. Because with the focus on one single final date, people are overlooking the fact that we will be able to take action on many of these subsidies early on, right from the moment the Doha Round is finished.

... The EU and the US are sharing ideas. We have done so today, just as we did last week in Washington. We are sharing these ideas more intensely and they are better ideas than they have been in the past. One of the reasons for that is, as Rob (Portman) has said, that we are working from the same starting point in agriculture in a way that we haven't been doing previously. We have both moved to the starting point offered by the G20 proposals. But these need elaboration. Before you get to numbers you have to think through modalities and that is what

we are doing. I remain optimistic. We are moving forward.

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Benita Ferrero-Waldner, Commissioner for External Relations & European Neighbourhood Policy

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Profile

Building a Transatlantic Alliance for the 21st Century

Speech from Benita Ferrero-Waldner
Institute for Human Sciences, Boston University Boston, 12 September 2005 -
SPEECH/05/500

Professor Michalski,

Your Excellencies,

Ladies and Gentlemen,

Let me thank the Institute for Human Sciences at Boston University and Professor Michalski for this invitation to address you tonight. I have known Professor Michalski for many years through his work at the Institute für die Wissenschaften vom Menschen in Vienna, and it was a pleasure to accept his kind invitation.

My central thesis tonight is that our world is changing irrevocably, and if the US and EU want to protect our fundamental values we must work together. The transatlantic alliance must be strong enough to enable us to achieve that. I will structure my remarks around 4 points, first, the current state of EU-US relations; second the EU's ability to act as a major international power; third which powers will dominate the 21st century; and fourth the value and necessity of multilateral organisations, particularly a reformed UN.

1) EU-US relations today

Watching the footage of Hurricane Katrina and the almost apocalyptic scenes from a flooded and virtually-abandoned New Orleans we Europeans were once again reminded of the depth of the ties that unite us to Americans. Beyond the natural shock and intense sympathy for any natural disaster on this scale, we felt an additional almost instinctive desire to help.

So in response to the disaster, for the first time ever in the history of European civil protection coordination, all participating countries have offered assistance. Under the European Commission's supervision, help has been mobilised from across Europe - a crisis intervention team from Austria; tents and first aid kits from France; blankets, meals and pumps from the UK.

It seems painfully inadequate given the enormous need, but the underlying message is clear - we feel your suffering and we are here for you - just as Americans have been there for Europeans at difficult moments of our history.

Yesterday was the fourth anniversary of 9/11. That tragedy also produced a moment of great solidarity across the Atlantic, embodied in Le Monde's headline, "Nous sommes tous Américains" - we are all Americans. For me, that epitomizes EU-US relations - it is a special relationship, we feel for

each other as citizens united by the same fundamental values.

Our relations have had their ups and downs since 9/11, but I can confidently say we are now on an upward path. And this is what both EU and US citizens want - a survey of transatlantic trends released last week by the German Marshall Fund found that 80% favour greater cooperation between the EU and the US.

EU leaders share President Bush's emphasis on combating terrorism, bolstering homeland security, and promoting democracy, the rule of law and human rights. The declarations of the last EU-US Summit demonstrate how much we're working together on our common priorities, including the proliferation of weapons of mass destruction, regional conflicts, and the threat posed by non-state actors.

Neither one of us can go it alone - we both recognise that the challenges are too great for either of us to deal with individually. As President Bush said at his inauguration, "All that we seek to achieve in the world requires that America and Europe remain close partners".

I agree. And as the international capabilities of the EU have grown, it is only natural that the EU-US agenda increasingly focuses on the world beyond our borders.

Our approach may sometimes differ, but we are working together successfully around the world, in some countries turning those very differences to our mutual advantage. We are talking to each other more and more - sometimes formally, like our strategic dialogue on East Asia, sometimes informally, like our daily contacts over Ukraine, Lebanon, and Gaza disengagement.

Our views on many of today's most pressing issues are the same - for example the need to encourage China to take its place in the established international rules-based order. We have discovered the benefits of complementarity, in the Broader Middle East, in Iran, in Afghanistan, Georgia, Belarus and elsewhere. Perhaps most importantly, we agree on the need to discuss issues with one another upfront, at the stage of policy formation - before taking action.

The EU is a key partner for the US in achieving its triple goals of combating terrorism, promoting democracy and bolstering homeland security. Some people in Europe think the US is an unreformed unilateralist, only grudgingly reaching out to its partners. I strongly disagree - that is certainly not my experience in working with Secretary Rice and other members of the Bush Administration, and it does not reflect the close relationship between President Bush and President Barroso. We would not be cooperating so effectively if the US were not fully committed to working with us.

That brings me to my second point.

2) The EU as a major international power

There are also those on this side of the Atlantic who are sceptical that Europe can be a useful partner for the US - who believe the EU will never be anything other than an economic giant but a political dwarf. This school of thought, which I hope is dwindling in both influence and numbers, seems to view the EU's development beyond a Common Market as an unwelcome development, as if the EU should have stopped its political clock in the 1970s. And, unfortunately, the confusion over what the "no" votes on the European constitution in the Netherlands and France meant will only confirm their opinion. So let me take this opportunity to address the reality of EU foreign policy.

First, the EU is not in crisis. It is true that the “no” votes were a disappointment - the Constitutional Treaty includes many useful innovations to make the enlarged EU work better and bring policy closer to our citizens. But our institutions continue to function without it - although we also have not gone further forward. However, coupled with June's lack of agreement on the EU's future budget, it was right to decide on a “period of reflection” to address the unease felt by some of our citizens about the EU's future.

There is still overwhelming support for the EU, but our citizens now take for granted the most impressive achievements - most importantly, 60 years of peace on our continent. So we politicians must ensure that today's EU also tackles the current concerns of our citizens - the economy, jobs, quality of life and security.

To maintain our position as an economic giant we must increase our competitiveness - through better, more efficient regulation including deregulation and more focus on education, research and innovation. At the same time we must maintain the core of the European way of life - our member states will be meeting next month to discuss the sustainability of our social model. This is the right answer to globalisation, not cutting ourselves off from the world. We need to be moulding global trends, and influencing the shape of the 21st century world order.

We are already a global actor - I know from my daily experience that when we talk, people listen. We are the world's largest economic bloc, and the biggest donor of development assistance. We use our foreign policy tools - aid, trade, and economic agreements - to promote human rights and good governance in every corner of the globe. And for those who say we are no military power - more than 50,000 European soldiers are currently keeping the peace and promoting stability across the world.

But we need to do more to match our political clout to our economic power. And we know that both the EU's citizens and our partners throughout the world demand we play a greater role internationally. So a large part of our reflection on the EU's future will focus on how we can do more and do it better.

In the meantime, the EU remains a committed international player. Take our involvement in the peace process in Aceh. We are spear-heading a 230-strong monitoring mission which will be on the ground just 3 days from now. We brokered the August peace deal putting an end to 30 years of bloody conflict, and together with 5 members of ASEAN we are now staffing and funding a mission to monitor the decommissioning of arms and relocation of police and military.

We are also engaged in Afghanistan, where we are providing significant financial assistance to next weekend's elections and have sent the largest international election observation mission. And we are playing an active role in Darfur, Iran, and Gaza. I could go on.

My point is that whatever our internal difficulties we are still in business. And we will remain a committed and engaged partner for the US and others as we work through our internal challenges.

Public diplomacy is vitally important.

Within the EU it is clear that we have to do more to capture the public imagination in an age where the EU's original purpose - peace - has lost its immediacy. We must convince the public economic reform is necessary to maintain our standard of living; enlargement brings us enormous economic and security benefits; and innovation in our social model is essential to avoid being outpaced by global competition.

Public diplomacy is also important for the transatlantic relationship. The

transatlantic trends survey showed that EU and US publics view each other in the same way as a year ago. In other words, the significant improvement in EU-US relations at official level is not reflected in public opinion. Both the US and EU governments must do more to present our citizens with the new reality of our relationship. Because public opinion matters - ours cannot just be a relationship of elites or we seriously undermine its very basis.

Let's publicise the success stories which reveal the true strength of our relations, like having two of the most integrated economies on earth. Our bilateral trade relationship is the largest in the world - every day we trade more than €1 billion worth of immensely diverse goods and services. As many as 14 million workers in the EU and the US owe their job to our commercial ties, including more than 100,000 here in Massachusetts. Yes, there's the occasional trade dispute, but they only account for 2% of our \$2.5 trillion economic and trade relationship. An unsung success of last June's EU-US Summit was the EU-US Economic Initiative, designed to remove further obstacles to efficient operation of the transatlantic marketplace.

But there is more to this debate than simply feeling good about our relationship.

3) Who will dominate the 21st Century?

Recently a number of analysts - including at least two Americans (Rifkin, Reid) - have suggested that the future belongs to Europe. They believe the EU is best placed to meet the challenges of globalization in the 21st Century. My analysis is different - not only because I realise it might be risky for a European to stand here in Boston, not far from the beginnings of the American Revolution, and suggest that the "American Century" is drawing to a close!

No, my thesis is that the world is changing to such an extent that we will need to draw on the strengths of both the EU and the US if we want to define the international order of the 21st century. We will only wield sufficient influence if we act together, and we must build a transatlantic alliance strong enough to do that.

Today, the EU and US have unrivalled influence in terms of relative wealth and power. Power relationships in the 21st century may be very different.

I don't only mean the emerging economic powers, like China, India, and possibly others. There are other threats: energy security - look at the current price of oil; global health risks - HIV/AIDS, malaria and new pandemics like SARS or Avian flu; entrenched poverty - sub-Saharan Africa has been getting poorer not richer; and environmental problems - climate change, major natural disasters like the tsunamis and Hurricane Katrina, and the mix of fire and floods in Europe this summer. The world's demographics are changing and there are generational challenges to us all. Plus the "hard" security threats of violent extremists, international terrorism and international crime, proliferation of weapons of mass destruction, and trafficking in people, drugs and arms.

Another major issue which will dominate the 21st Century, or at least this part of it, is relations between different cultures or civilisations. This encompasses not only the Islamic world and the West, but many other cultures and religions. I do not subscribe to the Huntington belief in an inevitable "clash of civilisations", but nevertheless we must improve understanding between different cultures. Last week at the EU-India summit this topic drew a lot of attention, as it will at the UN summit this week. I want to explore innovative ways of pursuing this discussion - in the Middle East, India and Indonesia, and through cooperation with the media.

To summarize - the 21st Century will confront us with an even more

complex world than today's. I come back to the title of tonight's speech, "Building a Transatlantic Alliance for the 21st Century". The US and EU need to work together to create an international order that will protect our interests and principles of democracy and freedom. And to do that, we need to encourage other powers to work with us, and sign up to that international order.

4) The value of multilateralism and a reformed UN

For that we need what we in the EU refer to as "effective multilateralism", a rules-based, inclusive international order. The EU works through many multilateral organisations, including the WTO, whose Doha round will make a major contribution to development, and regional multilateral bodies like the OSCE.

But the only truly universal multilateral institution is the United Nations. With its inclusive membership and worldwide legitimacy, it remains the most important arena for advancing common solutions to our common problems.

So it is the perfect starting point for building and consolidating the kind of international order we will need to protect our way of life and values. All the more so as the UN's values are our own - let's remember the US is the home of modern multilateralism, as the sixtieth anniversary of the UN Charter's signature in San Francisco reminds us.

I believe that both the EU and the US, perhaps especially in the wake of recent events, recognise the value of international solidarity and compromise, in return for the international legitimacy that confers. And there is increasing recognition that multilateral action, involving large parts of the international community, is the only way forward if our goal is to find solutions that work.

And make no mistake - as the balance of power changes in the coming decades, we will need the support of others.

Ladies and Gentlemen,

We are on the eve of a major UN Summit, one of the biggest gatherings of world leaders ever. I cannot overstate the significance of this occasion - at which we will agree the first serious reform of the UN's 60-year history.

It embodies just the sort of grand bargain between north and south, rich and poor, that is necessary to establish a solid framework for international relations in the decades to come. Choosing development, security and human rights as the focus of the debate reflected a new recognition of their interdependence - without peace there is no development, without development no peace, and without human rights, neither.

The other major issue is management reform, which for obvious reasons has dominated the news headlines recently. Given our desire to see the system function effectively, the EU would be the first to say that the UN needs an organisational re-fit to equip it for the challenges ahead. But above all we are clear that the organisation's original promise - anchoring international peace and security, promoting sustainable development and defending human rights and human security - remains as valid today as 60 years ago.

The lengthy and difficult negotiations over the Summit statement are drawing to a close. I hope the result will be ambitious and concrete. It must live up to expectations - we need a UN better equipped to deal with the complex challenges to development, peace and security and human rights.

But the real work begins after the Summit - as we translate the commitments into action. This is where the EU and US can really make a difference. Together we have a proud history as the driving force behind multilateralism. As the world's two richest, most democratic, and most powerful entities, it is our duty to continue this leadership role. By pooling our diplomatic power and resources, we can lead the world in building a new international architecture.

One of the major successes of this Summit will be the creation of a Peacebuilding Commission. This will plug the gap between post-conflict assistance and longer-term stabilisation and development. Getting post-conflict states up and running is a complicated matter. Too often there is not enough continuity between the different post-conflict activities and international aid: peacekeepers funded by one party, demobilisation by another, reconstruction and institution-building by yet another. But given that half of all countries emerging from conflict relapse back into violence within five years, it is vital that we find a way of improving our performance.

That is why the EU and US have been fully engaged in the discussions for setting up this new body.

The EU has longstanding experience in providing support for a wide spectrum of peacebuilding activities around the world, ranging from demining and social rehabilitation initiatives in Ethiopia to promoting the constitutional dialogue in Nepal. And we are ready and fully committed to actively contribute to the Peacebuilding Commission's work.

Together with the US we must work hard to ensure it can carry out its mandate effectively.

We also have to do more to protect human rights. Abuse of fundamental rights is one of the clear indicators for future conflict - so improving our ability to act in this field is not only a moral obligation but also addresses our security concerns. The present Human Rights Commission is no longer fully up to the job, and reforming the UN's human rights architecture is crucial.

Together the EU and US must push for a system which takes rights seriously, because this is about people - the prisoner at risk of torture, the child forced into armed combat, the woman threatened by cruelty and abuse. We must also put human security to the fore - adopting a modern concept of sovereignty where states are responsible for protecting their people, not just their borders. We want the Summit to decide on a new principal Human Rights body, the Human Rights Council. The Summit must make clear the UN's undivided commitment to human rights and human security - empowering women; helping states meet their international obligations; assisting human rights defenders and children in armed conflict; and sounding the alarm when violations occur.

And we must also be more serious about development. Economic prosperity is not the preserve of the developed world. Eradicating poverty and promoting development are moral imperatives which the world's richest nations are bound to address.

European Commission President Barroso recently compared the modern scourges of poverty, hunger and disease to slavery 200 years ago. "Slavery" he said, "was then considered an inevitability; a natural part of the order of things. But that was wrong." Equally, it is wrong for us today to think of poverty as a fact of life. We can and must fight against it.

That is why reconfirming our commitment to the Millennium Development Goals and setting target dates for their achievement is so vital. It is mainly a question of mustering the necessary political will. The EU is already the world's biggest donor, providing 55% of worldwide official development

assistance between the Commission and Member States, worth \$43 billion in 2004. In May this year we committed ourselves to further and substantially increase this amount - by 2010 we will provide nearly an extra \$26 billion, and by 2015 we will reach the recommended 0.7% of gross national income (GNI).

There is a clear link between poverty and political instability. Failed states pose one of the biggest security risks of our day. So in addressing the causes of conflict and misgovernment in developing countries we are also acting to defeat terrorism.

In tackling poverty we also move a step closer to human security. But again - this cannot just be rhetoric. It requires developing countries to tackle corruption, reform justice systems and build transparent, efficient institutions. Both developing and donor countries must make serious efforts to translate dollar and euro signs on paper into real and sustainable progress in our partner countries of the South.

If the US, the world's second biggest donor, were to join us in this commitment and follow the EU's lead on increasing ODA, the impact on poverty and security would be tremendous.

Ladies and Gentlemen,

Only last week the UN Secretary General pointed out that "the American people ... have always been the most generous in responding to disasters in other parts of the world". That generosity of spirit is quintessentially American, as is the exercise of moral authority and world leadership at critical moments in world affairs.

Even as the US is still reeling from the effects of Hurricane Katrina I am confident that it is capable of exerting that moral leadership again in the cause of a more just world order, one which also holds in trust the values that underpin both US and EU societies.

The EU will support the US in this quest. After all, as my 4 points have illustrated, we are natural partners in seeking to build a consensus around the values of democracy, human rights, prosperity and security for all. The EU will be an increasingly useful partner for the US as we strengthen our capacity to act internationally. The world is changing rapidly and we must unite together to shape international affairs in the 21st century. And to do so, we must be the driving force behind creating an effective United Nations.

None of this will be easy - we will have our work cut out to build the international order we wish to see prevail in the 21st Century. But acting together, drawing others in by working through the United Nations, we have the best chance to succeed. Which is why our task today and in the months and years to come must be to build the Transatlantic Alliance - stronger than ever!

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Commissioner Ferrero-Waldner | Directorate General External Relations

U.S. – EU JOINT STATEMENT
U.S. AND EU COMPLETE FIRST ANNUAL REVIEW OF AIRLINE
PASSENGER DATA

Date: September 21, 2005

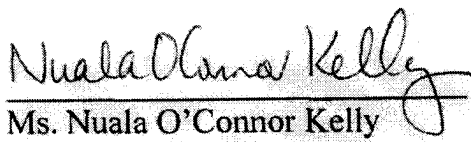
On September 20 and 21, representatives from the U.S. Department of Homeland Security (DHS) and the European Union completed the first annual Joint Review of the Passenger Name Record or “PNR” data sharing arrangement. The Customs and Border Protection (CBP) Undertakings issued in May 2004--a series of representations to the European Union (EU) concerning the handling of PNR--called for an annual review of their implementation, with a view to mutually contributing to the effective operation of the processes described in the Undertakings.

EU and U.S. review teams, lead by Mr. Francisco Fonseca Morillo, Director, Commission Directorate General Justice, Freedom and Security, and Ms. Nuala O’Connor Kelly, Chief Privacy Officer of DHS, engaged in two days of review and site visits. The teams comprised of officials from border and transportation, data protection, and law enforcement, including


representatives from EU Member States and senior CBP officials. The review considered the implementation by CBP of the PNR Undertakings and the results of an audit conducted by the DHS Privacy Office.

In site visits to CBP operations at Dulles Airport and the National Targeting Center (NTC), the teams learned more about how PNR data is used to facilitate travel into and out of the U.S. and to screen for individuals or groups related to terrorism or transnational crimes. The two teams were able to engage in a thorough set of questions and answers concerning the U.S. privacy protections of the EU data. The discussions were candid and constructive. Both parties agreed to analyze in depth the different issues raised to ensure an effective follow-up.

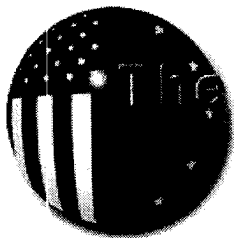
In this context, the Chairs committed to planning for the next Joint Review for 2006.


Ms. Nuala O'Connor Kelly
U.S. Delegation Chair

Date: Sept. 21 '05


Mr. Francisco Fonseca Morillo
EU Delegation Chair

Date: Sept. 21. 05



United States Mission to the European Union

<http://www.useu.be>

Brussels, Belgium

U.S, EU CONDUCT JOINT REVIEW OF PASSENGER DATA ACCORD IMPLEMENTATION

Date: September 27, 2005

Representatives from the U.S. Department of Homeland Security (DHS) and the European Union held the first annual joint review of the Passenger Name Record (PNR) data-sharing agreement September 20-21, 2005, in Washington, D.C.

The U.S.-EU PNR accord, concluded in May 2004, allows U.S. Customs and Border Protection (CBP), part of DHS, to collect certain data on passengers flying European airlines to or from the United States. As part of this agreement, CBP agreed to a series of Undertakings concerning the processing, use and retention of PNR data. The effective implementation of these Undertakings was to be reviewed annually.

In a joint statement, the U.S. and EU delegations stated that they had completed two days of site visits and discussions, would analyze the different issues raised in order to ensure an effective follow-up, and planned to hold another such review in 2006.

Below is a fact sheet on the PNR review, issued by the Privacy Office of the U.S. Department of Homeland Security. The Privacy Office also published a report on the handling of PNR data:

FACT SHEET

On the Report Concerning Passenger Name Record Information Derived from Flights Between the United States and the European Union

On September 20 and 21, 2005, delegations from the U.S. Department of Homeland Security (DHS) and the European Union engaged in the first Joint Review of the Undertakings concerning Passenger Name Record information (PNR). This fact sheet summarizes key points from the Privacy Office report of the internal review.

1. CBP achieved full compliance with the representations in the Undertakings.

As of the date of the Joint Review, the Privacy Office finds that CBP is in full compliance with representations made in the Undertakings. CBP has invested substantial time, capital, and expertise to bring its operations and procedures into compliance with the Undertakings. This is a recognizable achievement, particularly because it involves implementation of state-of-the-art technology solutions for use by officers of CBP nation-wide.

2. In cases where implementation took longer than anticipated, CBP has performed remediation at the request of the Privacy Office.

CBP undertook responsible measures to address and correct deficiencies that were identified by the Privacy Office prior to the full technical implementation of CBP's IT solutions that comply with the Undertakings.

3. CBP has put in place an extensive privacy program that includes employee training, procedural and technical controls.

CBP has an excellent privacy training program required for all employees with access to PNR data. CBP has also implemented best practices and state-of-the-art technical controls on access, use and disclosures of PNR data to ensure that data is properly filtered and protected from the moment it enters CBP systems.

4. The Privacy Office has had no reports of any misuse of PNR information.

CBP has instituted appropriate technical and procedural controls to regularly monitor access, use and disclosure of PNR data by officers of CBP.

5. Several areas will continue to be monitored by the Privacy Office to ensure future compliance.

CBP's data retention schedule has been submitted to the National Archives and Records Administration (NARA) for approval. The Privacy Office will monitor data retention, archiving and disposal for compliance with the Undertakings and the data retention schedule. The Privacy Officer will also further review the means for notice to travelers.

6. The Undertakings call for an annual Joint Review of CBP compliance.

The DHS Privacy Office will continue to coordinate the annual Joint Review. We look forward to continuing cooperation with our European colleagues.

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