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2004-12-07

U.S. OFFICIAL WARNS EU ABOUT LIFTING ARMS EMBARGO AGAINST CHINA

By Bruce Odessey
Washington File Staff Writer

Washington -- Any decision by the European Union (EU) to lift its arms embargo against China would have significant consequences for U.S. military exports to the EU, a State Department official says.

The official, Gregory Suchan, director of the department's office of defense trade controls, described how China has lobbied the EU hard for lifting the embargo, which has been in place since the 1989 Tiananmen Square massacre. The United States continues its arms embargo on China.

Suchan made the comments at a December 7 export-controls seminar in Washington, just the day before the EU-China summit in The Hague, where the arms embargo issue is on the agenda.

Published reports said the EU was divided about lifting the embargo, with France and Germany reportedly most eager to trade with China's military. Other EU countries have argued that China has not sufficiently improved its human rights behavior to warrant lifting the embargo.

Suchan reiterated U.S. opposition to lifting the embargo. If the summit produces a statement of intent to lift the embargo, he said, he suspects the U.S. Congress will before long pass legislation erecting barriers to defense trade with the EU.

"We are hopeful about our efforts to persuade the EU not to lift the embargo," he said.

Suchan described other pending defense goods issues, including what should be a difficult decision by the Bush administration about whether to allow U.S. nonmilitary aircraft to carry missiles to knock down any shoulder-fired missiles, called MANPADS, launched at them by terrorists.

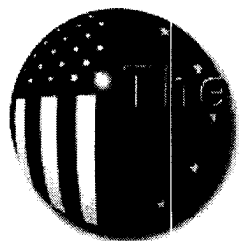
The highly regulated military technology that the civil aircraft would use would be subject to potential tampering by service crews wherever the planes go around the world, he said.

"We do not have a solution yet," Suchan said, adding that any decision would have to be made at a high level in the administration.

The Department of Homeland Security is leading the inter-agency initiative to counter the MANPADS (Man-Portable Air Defense Systems) threat. Some time in 2005 or 2006 the department is expected to make a recommendation to the administration and Congress about whether to adapt the existing technology from military to commercial aviation use.

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FACT SHEET ON U.S. DEVELOPMENT ASSISTANCE

Following is a State Department fact sheet on U.S. development assistance. All statistics are derived from U.S. Government sources unless otherwise indicated.

U.S. Department of State
International Information Programs
December 7, 2004

FACT SHEET: U.S. DEVELOPMENT ASSISTANCE

"We fight against poverty because hope is an answer to terror. We fight against poverty because opportunity is a fundamental right to human dignity. We fight against poverty because faith requires it and conscience demands it. And we fight against poverty with a growing conviction that major progress is within our reach."

-- President George W. Bush

Food Aid

The United States has long been a leader in the fight against hunger and poverty.

The United States is the world's largest provider of food aid (\$2.4 billion in 2003) and is the leading contributor to the World Food Program, donating \$1.4 billion in 2003.

In 2002, the United States contributed 64.9% of the world's total food aid, according to the U.S. Department of Agriculture. For more details see:

<http://www.ers.usda.gov/AmberWaves/September04/Features/usfoodaid.htm>

The United States actively promotes agricultural development programs around the world, providing almost \$500 million in such assistance in 2003. New technologies, with proper market incentives, may hold the key to raising agricultural productivity and ending hunger.

Economic Development Aid and the Millennium Challenge Corporation

In 2002 President Bush proposed a new compact for development that increases accountability for rich and poor nations alike, linking greater contributions by developed nations to greater responsibility by developing nations. This new compact recognizes that economic development assistance can be successful only if it is linked to sound policies in developing countries.

As part of that commitment, the Millennium Challenge Corporation (MCC) aims to direct significant official development assistance (ODA) allocations to support domestic policies propitious for growth and lasting development. The U.S. Congress approved close to \$1 billion for fiscal year 2004 for the so-called Millennium Challenge Account and \$1.5 billion for 2005.

The MCC allocates resources based on quantitative measures of how the governments of developing countries are following through on their commitments to govern justly, to invest in their country's people and to allow economic freedom.

In actual dollars, the United States is currently the world's largest contributor of ODA, providing \$15.8 billion in 2003, or 23 percent out of the world total of \$68.5 billion. U.S. ODA increased 16.9 percent in real terms in 2003, while EU ODA increased 2.2 percent in real terms. (Source: Organization for Economic Cooperation and Development)

Most importantly, the United States is leading international efforts to bring good governance, transparency, entrepreneurship, and other sound economic policies to developing countries so they may unlock unutilized capital and create incentives for lasting growth.

U.S. Private Sector Development Aid

But official development assistance tells only part of the story. As the 2004 UN report "Unleashing Entrepreneurship: Making Business Work for the Poor" makes clear, domestic private sector resources dwarf traditional development assistance.

The United States is the top importer of goods from developing countries, importing \$680 billion in 2003, 10 times greater than all ODA to developing countries from all donors.

The United States is the number one source of private capital to developing countries, averaging \$36 billion annually between 1997 and 2000.

And the United States leads the world in charitable donations to developing countries -- \$4 billion in 2000.

Remittances

While worker remittances to developing countries can only be estimated, experts believe that the total value of remittances is considerably larger than official development assistance and is sometimes more important to developing economies. The World Bank estimates that, out of a world total of \$111 billion in remittances in 2001, 65 percent or 72.3 billion flowed to developing countries. The Inter-American Development Bank estimates that 75 percent of remittances to Latin America and the Caribbean come from the United States.

U.S. Disaster Assistance

The Office of Foreign Disaster Assistance (OFDA), a part of the U.S. State Department's Agency for International Development (USAID), provides help in recovering from disasters around the world. In 2004, with a budget of over \$300 million, OFDA had by November responded to 69 disaster declarations in 58 countries. OFDA has provided assistance through implementing partners and/or deployed teams in Africa, Asia, the Caribbean, and Latin America. The assistance has included support in Iran and Morocco after earthquakes, the locust emergency that threatens food crops in northwest Africa, and drought and food emergencies in such countries as Angola and Eritrea.

Emergency Plan for AIDS Relief

This \$15 billion initiative to combat disease in more than 100 countries around the world has a special focus on 15 nations in Africa, the Caribbean and Asia. The Emergency Plan aims to treat two million HIV-infected persons with anti-retroviral therapy, prevent seven million new infections, and provide care and support for 10 million persons infected with or affected by HIV, including orphans and vulnerable children.

The United States is the largest donor of AIDS relief, contributing more than twice the amount of all other donors combined for the alleviation and prevention of AIDS.

Other International Development Initiatives

There are many other U.S. international development initiatives - in March 2003 alone President Bush announced 19 such initiatives. The Presidential Initiatives implemented in part or whole by the U.S. Agency for International Development (USAID) direct funding to key programs in health, education, environment, infrastructure, and trade in 143 developing countries. A few samples:

Hygiene and Sanitation Improvement Initiative

USAID announced in April 2004 plans to invest \$70 million over a nine-year period on targeted health programs aimed at the prevention of diarrheal diseases, a leading killer of vulnerable populations, including approximately 2 million children under five every year.

Afghanistan Road Initiative

All of the 389 kilometers (242 miles) of the U.S. portion of the Kabul-Kandahar Highway were completed by December 2003. As a result, more than 35 percent of Afghanistan's 20.6 million residents, who live near this portion of the highway and use it for economic opportunities, will cut their travel times in half.

Africa Education Initiative

As many as 25,000 educators have been trained so far under this initiative, and candidates from more than 30 Sub-Saharan countries have

been identified for scholarships.

Initiative to End Hunger in Africa

Thousands of communities benefited from more than 30 new agricultural technologies based on USAID efforts. The technology include: new fertilization techniques to help 10,000 households; plant hybridization, which aims to assist 4,000 farmers and distribute more than 64,000 plants; stress tolerant crops to be delivered to 250,000 households in nine countries; and more. Nine new biotechnology programs were also initiated.

Clean Energy Initiative

As a result of this initiative, electrification in under-developed communities in India has extended the number of hours individuals can work, helped send children to school, and reduced the average household monthly electricity bill by about 50 percent. Under the Global Village Energy Partnership, improved energy sources have contributed to better economic and social services for more than five million people.

Digital Freedom Initiative

Since its inception in March 2003, the initiative has launched innovative efforts in Senegal to expand information and communications technologies for micro, small, and medium enterprises. It is also working to represent the IT industry to government and regional decision makers in an effort to move telecommunication reforms forward in Senegal. Activities under this program will commence in Peru and Indonesia this year.

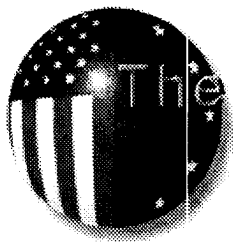
Water for the Poor

This initiative helped give 19 million people improved access to safe and sanitized water supplies. In the West Bank, wells and pipelines nearly doubled the amount of water available to 400,000 residents. In Eritrea, USAID funded the provision of emergency water supplies and the creation of a sustainable management system, helping 35,000 people affected by recurring droughts.

For more information about Presidential Initiatives, please visit: http://www.usaid.gov/about_usaid/presidential_initiative

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2004-12-06

U.S. OFFICIAL ADDRESSES FIRST PLENARY CLIMATE CHANGE MEETING

The United States is committed to substantively addressing climate change, a State Department official tells the 10th Session of the Conference of the Parties (COP-10) in Buenos Aires.

"Many here today are looking forward to the Kyoto Protocol's entry into force," Harlan Watson, senior climate negotiator and special representative, State Department Bureau of Oceans and International Environmental and Scientific Affairs, said December 6.

"The United States has chosen a different path," he added, "and I want to make it clear that we are taking substantial actions to address climate change. The United States remains committed to the Framework Convention, and we are doing much to contribute to its objective."

COP-10 marks the 10th anniversary of the entry into force of the United Nations Framework Convention on Climate Change (UNFCCC).

Meeting discussions will address accomplishments of the last 10 years and future challenges, and highlight a range of climate-related issues, including the impacts of climate change and adaptation measures, mitigation policies and their impacts, and technology. Participants will also discuss the entry into force of the Kyoto Protocol.

The Kyoto Protocol is an amendment to the UNFCCC negotiated in Kyoto, Japan, in December 1997. Countries which ratify this protocol commit to reduce their emissions of carbon dioxide and five other greenhouse gases or to engage in emissions trading if they maintain or increase emissions of these gases, which have been linked to global warming.

Watson said the three-pronged U.S. approach to climate change includes slowing the growth of greenhouse gas emissions by reducing U.S. greenhouse gas intensity (emissions per pound of production); laying groundwork for current and future action through major investments in science, technology and institutions; and cooperating internationally with other nations to develop an efficient and effective global response.

Watson also described U.S. bilateral and multilateral climate change partnerships.

"Bilaterally, we have partnerships with 14 countries and regional organizations, and are working with them on over 200 projects in the areas of climate change research and science, climate observation systems, clean and advanced energy technologies, and policy approaches to reducing GHG emissions," he said. "We also continue to assist many developing country efforts to build the scientific and technological capacity needed to address climate change."

Five multilateral climate change science and technology initiatives include: the Group on Earth Observations, the Generation IV International Forum, the Carbon Sequestration Leadership Forum, the International Partnership for the Hydrogen Economy, and the Methane-to-Markets Partnership, he said.

Text of the Watson statement follows:

Statement to the First Meeting of the Plenary
Dr. Harlan L. Watson
Senior Climate Negotiator and Special Representative and
Alternate Head of the U.S. Delegation

Tenth Session of the Conference of the Parties (COP 10) to the UN Framework Convention
on Climate Change
Buenos Aires, Argentina
December 6, 2004

Thank you, Mr. President.

I want to congratulate you on your election as President of COP 10, and to express the United States' gratitude to the Government and people of Argentina for their warm and generous hospitality and for the excellent arrangements made for this COP. I am confident we will have a productive Conference, and we look forward to participating constructively in its work.

Many here today are looking forward to the Kyoto Protocol's entry into force. The United States has chosen a different path and I want to make it clear that we are taking substantial actions to address climate change. The United States remains committed to the Framework Convention, and we are doing much to contribute to its objective.

The U.S. three-prong approach to climate change addresses both its near-term and long-term aspects by: (1) slowing the growth of greenhouse gas (GHG) emissions by reducing our GHG intensity; (2) laying important groundwork for both current and future action through major investments in science, technology, and institutions; and (3) cooperating internationally with other nations to develop an efficient and effective global response.

Meeting President Bush's near-term goal of reducing U.S. GHG intensity (GHG emissions per dollar of GDP) by 18 percent over the next 10 years represents a nearly 30% improvement over business-as-usual, and will achieve more than 500 million metric tons of carbon-equivalent emissions reductions from business-as-usual estimates through 2012 -- an amount equal to taking 70 million cars off the road.

Robust scientific research is needed to better understand the climate issue, and the United States has been pleased to have taken a leadership role in funding climate change science with a current expenditure of \$2 billion annually and a total expenditure of more than \$23 billion since 1990. We also believe that laying the foundation on technology is the most practical step that can be taken to address this issue in a manner that will be sustainable and successful over the long term. At home, we will spend nearly \$3 billion this year -- far more than any other country -- to accelerate the development and deployment of key technologies, such as renewables, energy efficiency, advanced fossil and nuclear, hydrogen, and carbon capture and storage, that have the potential to achieve substantial GHG emissions reductions.

Internationally, the United States is implementing bilateral and multilateral climate change partnerships. Bilaterally, we have partnerships with 14 countries and regional organizations, and are working with them on over 200 projects in the areas of climate change research and science, climate observation systems, clean and advanced energy technologies, and policy approaches to reducing GHG emissions. We also continue to assist many developing country efforts to build the scientific and technological capacity needed to address climate change.

The United States has also initiated five multilateral climate change science and technology initiatives, including the Group on Earth Observations (GEO), the Generation IV International Forum (GIF), the Carbon Sequestration Leadership Forum (CSLF), the International Partnership for the Hydrogen Economy (IPHE), and most recently, the Methane-to-Markets Partnership.

Thirteen countries joined the U.S. last month in a Ministerial meeting in Washington to launch an innovative program to help promote energy security, improve environmental quality, and reduce GHG emissions throughout the world by working closely with the private sector in targeting methane currently wasted from leaky oil and gas systems, from underground coal mines, and from landfills. The U.S. intends to commit up to \$53 million to the Partnership over the next five years.

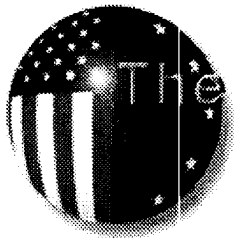
Mr. President, President Bush made a commitment in June 2001 to develop with friends and allies and nations throughout the world an effective and science-based response to address climate change. His climate change policy recognizes that efforts to address climate change will only be sustainable if they also serve a larger purpose of fostering prosperity and well being for citizens around the globe. In this regard, we recall Article 3 of the Framework Convention, which acknowledges that economic development is essential for adopting measures to address climate change.

The United States supports the development of an integrated approach through partnerships among governments, the private sector and NGOs that promote economic growth, improve economic efficiency and productivity, enhance energy security, increase the availability of cleaner, more efficient energy resources, and reduce pollution -- all in ways that have the effect of reducing greenhouse gas intensity of economies. And we look forward to working with all Parties to achieve these goals.

Thank you, Mr. President.

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2004-12-03

POWELL, EU OFFICIALS TO HOLD U.S.-EU MINISTERIAL MEETING DEC. 10

When U.S. Secretary of State Colin Powell meets with European Union officials at The Hague December 10, discussions will focus on Ukraine, Iraq, the Middle East, Iran, Afghanistan and the Balkans, according to an EU press release.

EU High Representative Javier Solana and Commissioner for External Relations Benita Ferrero-Waldner will also participate in the semi-annual EU-US ministerial meeting.

Following is the press release:

European Union
<http://europa.eu.int/>

EU-US MINISTERIAL TROIKA ON FRIDAY 10 DECEMBER
03 December 2004

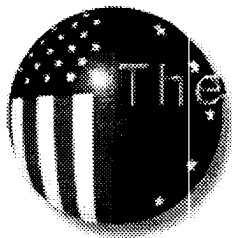
Netherlands Minister of Foreign Affairs Bernard Bot, in his capacity as president of the Council of Ministers of the European Union, will receive Secretary of State Colin Powell in The Hague next week, on Friday 10 December. EU High Representative Javier Solana and Commissioner for External Relations Benita Ferrero-Waldner will also participate in the semi-annual EU-US ministerial meeting.

The four will discuss the situation in Ukraine, Iraq, the Middle East Peace Process, Iran, Afghanistan and the Balkans as well as exchange views on the broader Middle East and Mediterranean, China and Russia.

The past years have reshaped the international landscape. During the lunch discussion, Secretary Powell and the EU Troika are expected to focus on the new threats and challenges that face us and on ways to increase EU-US co-operation in addressing these challenges. They will reflect on the lessons from the past for the future of the Transatlantic relationship.

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2004-12-03

POWELL URGES U.S.-EUROPE "SPIRIT OF COLLABORATION"

The United States and Europe must both reach out in order to heal any breaches that remain between them, Secretary of State Colin Powell said December 3 in an interview with the Reuters news agency just days before he was scheduled to depart for meetings with his European counterparts in Bulgaria, Belgium and the Netherlands.

"There are so many areas in which the United States is working in close collaboration and very successfully with the Europeans, and I think if we keep that spirit of collaboration up and the President reaches out, as he said he would, I hope Europe also reaches out, so the remaining breaches can be healed," Powell said.

Ukraine's disputed election was another subject in the wide-ranging interview that also touched on the investigations of the United Nations Oil-for-Food Program, possible Israeli-Palestinian talks, the Forum for the Future to be held in Morocco, Iran's agreement with the European Union Three (the United Kingdom, France and Germany) concerning Iran's nuclear activities, and whether Russia is "backsliding" on democratic reform.

Powell was interviewed shortly before the Ukrainian Supreme Court announced its decision overturning the results of that country's disputed presidential election and ordering that a new runoff election take place by December 26.

"I hope that once the Ukrainian Supreme Court has brought down their judgment on what should happen next, we can move forward," Powell said in the interview.

He thanked the European Union and European leaders who have been assisting in resolving the election crisis and said it "isn't the time" to discuss whether he believes Russia interfered with the Ukraine election.

"I think all of us have an equity in helping the Ukrainians work their way through this, and I have been in regular touch with Russian authorities, with Foreign Minister (Sergey) Lavrov, on how we can do this," Powell said.

As President Bush said December 2, "it's best for all of us to allow the Ukrainians to resolve this problem and for there to be no outside interference," Powell said, adding: "I'm not going to start placing charges against any one or the other."

Asked whether the United States has confidence in U.N. Secretary-General Kofi Annan's leadership during the investigations into corruption surrounding the Oil-for-Food Program, the secretary said "Annan is a good Secretary-General and the United States has tried to support him and the United Nations in every way that we can."

The investigations "are not of Mr. Annan, they're of the Oil-for-Food program," Powell said. "We should not prejudge where this inquiry will take us."

He added that the United States is "deeply troubled by what happened with the Oil-for-Food Program. There can be no question in anyone's mind that the program was corrupted by Saddam Hussein. And now we've got to get to the bottom of it."

It is "premature right now to assign blame and to take action against anyone until these investigations and inquiries are finished," Powell said.

Following is a State Department transcript of the interview:

U.S. Department of State
December 3, 2004

INTERVIEW
SECRETARY OF STATE COLIN L. POWELL WITH REUTERS

December 3, 2004
 Washington, D.C.
 (10:05 a.m. EST)

MR. MOHAMMED: Mr. Secretary, thanks for taking the time to speak to us today.

SECRETARY POWELL: My pleasure.

MR. MOHAMMED: You're going to the OSCE [Organization for Security and Cooperation in Europe] meeting next week and will have a chance to speak to [Russian] Foreign Minister Lavrov. Do you believe Russia has interfered in Ukraine's electoral process, with President Putin's two visits there during their campaign, with his clearly premature congratulations to the Prime Minister last week, and with his rejection yesterday of a rerun of the second round?

SECRETARY POWELL: Well, this isn't the time, I think, to get into these kinds of issues. What we're trying to do now is to help the Ukrainians find a way out of the situation that they are in now. And I'm very pleased that President Kwasniewski has paid a visit there and may be going back, and Javier Solana and President Adamkus of Lithuania are involved.

And I think all of us have an equity in helping the Ukrainians work their way through this, and I have been in regular touch with Russian authorities, with Foreign Minister Lavrov, on how we can do this. Now, there are different points of view as to how it should happen, and that's why we're having these negotiations. And I hope that once the Ukrainian Supreme Court has brought down their judgment on what should happen next, we can move forward.

But this isn't the time to point fingers at one another. As the President has said, it's best for all of us to allow the Ukrainians to resolve this problem and for there to be no outside interference. I'm not going to start placing charges against any one or the other.

At the OSCE meeting next week, I'm sure that this will be a major subject of discussion among all the nations that are represented there. And, of course, I'll have to chance to have, I'm sure, bilateral conversations with Foreign Minister Lavrov. But it's not just a U.S.-Russian issue. It shouldn't be a U.S.-Russian issue. It's an interest that all the members of the international community are interested in and want to see a peaceful solution without outside interference, a solution that the Ukrainians must decide upon.

MR. MOHAMMED: Do you expect some kind of statement to that effect at the OSCE meeting?

SECRETARY POWELL: I expect it will come up at the OSCE meeting. Whether the OSCE meeting comes to any conclusion or is in any way performing a role in a resolution remains to be seen. We have a resolution mechanism in place with the work of the European Union and the work of President Kwasniewski and President Adamkus and Javier Solana, with all the rest of us helping and staying in touch with the parties. I've been in touch with President Kuchma on a regular basis and Deputy Secretary Armitage has talked to both of the contenders in recent days, and we've been in regular touch with the European Union. The President talked to President Kwasniewski. So we're staying closely involved but we're trying to support the Ukrainians as they find a legal, constitutionally based, political solution to this problem.

MR. MOHAMMED: In September, you told us that Russia appeared to be pulling back on some of its democratic reforms. This morning, the Duma overwhelmingly approved the political changes that President Putin had called for earlier this year. Since September, have you or President Bush heard anything from President Putin to allay your concerns about the backsliding on democratic reforms?

SECRETARY POWELL: We had discussions with the Russians in a variety of fora. President Bush and President Putin had discussions in Santiago, Chile, just a few days ago and I've been in regular touch with Foreign Minister Lavrov and others. And we do have concerns. I've expressed those concerns and the President has expressed those concerns directly to the Russians.

We have no problem and no thought that Russia is going back to the days of the Soviet Union. That's not the case. I think Russia is firmly grounded in democracy and in elections of a president, such as we saw last year where President Putin won. But we have some concerns about how that democracy is going to be firmly grounded in institutions and with a free and open media. And with respect to the selection of governors, or how governors are appointed, we have expressed some of our concerns to the Russians as to the manner in which this will happen. And President Putin has, in turn, explained to the President why he has moved in this direction and now the Duma has ratified that decision.

And so we will continue to speak out when we do have concerns, but we also know that Russia is not going to go back and become the Soviet Union. We just want to encourage the Russians to ground their democracy on those institutions that are vital to a democracy -- free elections, open elections, a media that can represent all the interests of the people -- and this will be a subject of continuing discussion with the Russians in the months ahead.

MR. HUDSON: Mr. Secretary, the Bush Administration has taken no position on whether Kofi Annan should resign until the Oil-for-Food investigations are complete. In contrast, your allies, such as Britain, have praised Annan. Does the United States have confidence in Annan?

SECRETARY POWELL: Secretary General Annan is a good Secretary General and the United States has tried to support him and the

United Nations in every way that we can. Frankly, the issue doesn't arise yet. Investigations are underway, an inquiry under the leadership of Paul Volcker, in who we have great confidence, a number of investigations that are taking place up on Capitol Hill. And these investigations are not of Mr. Annan, they're of the Oil-for-Food program.

So let's wait and see what the results of these investigations are. As the Sec -- as the President, excuse me, as the President said the other day, why would this be a question before us right now when we have these inquiries underway? And that's the point he was making. And he did not link it to whether or not we would provide funding for the UN, as I've seen suggested in some accounts.

What he was essentially saying is that the United States, the American people and the American Congress want to see this matter investigated fully, and I think so does the Secretary General.

MR. HUDSON: But in itself, is the failure of UN oversight of the program sufficient grounds to merit a resignation?

SECRETARY POWELL: But you're asking me to prejudge the outcome of the inquiry, and I think that is not the way to go about this. We should not prejudge where this inquiry will take us. Let's wait for not only the Volcker inquiry, but the inquiries and investigations being done by the Congress and anyone else who's looking into this. And the media is also examining all of this, but let's wait until the results are known.

It is a serious matter. We are deeply troubled by what happened with the Oil-for-Food program. There can be no question in anyone's mind that the program was corrupted by Saddam Hussein. And now we've got to get to the bottom of it. We've got to find out who was responsible and when those answers are known, then action could be taken. And it would be, it seems to me, premature right now to assign blame and to take action against anyone until these investigations and inquiries are finished.

MS. GIACOMO: Mr. Secretary, there are increasing reports of political turmoil in North Korea, including a report that large numbers of North Korean generals have gone to China. What do you think is going on there, and do you see any sign that Pyongyang is going to come back to six-party talks?

SECRETARY POWELL: Well, with respect to the various reports about unrest in North Korea, I think you just have to see them as reports. I don't know that they represent anything fundamental that is taking place inside of North Korea. It's very hard to divine from day to day and week to week exactly what is happening in this very, very sealed country.

Last week we were talking about pictures that had come down off walls, and then suddenly the pictures were back up on walls of the President of North Korea. So I think we ought to just watch these things but not draw any broad conclusions from them.

With respect to the six-party talks, we hope that the next round can be held as soon as possible. It's up to the North Koreans. All the other members, the five other members, are ready and anxious to move again into the fourth round of six-party talks.

The North Koreans continue to say things that keep it from happening: the United States has a hostile policy, and they want us to show more flexibility. We showed flexibility in June when we put forward a new proposal. The South Koreans also put forward some ideas, as did the North Koreans. Well, there are ideas out there. We showed flexibility. Let's have another round of talks to explore these different possibilities and these different proposals.

We can't have a situation where the North Koreans sit back and say, you're not flexible enough, in the media, and they make these statements, and then we are having a negotiation in the media, and the negotiation is always, why doesn't the U.S. do more? Well, let's get to the table and see what the different positions are and examine the positions in a negotiating context and not just by media statements.

So the United States is ready and we are hopeful that a way will be found to reconvene the next round of six-party talks as soon as possible, or something short of six-party, you know, maybe not -- six-party talks, but maybe not at the same level initially, perhaps working groups, I don't know. But let's get to the table either with working groups or full membership of all six parties at the talks as soon as possible. That's where we ought to solve this problem, not by media charges and media statements back and forth.

MS. GIACOMO: With all do respect, on the question of unrest, though, if a large number of North Korean generals have gone to Beijing, that's something that the United States would certainly ask China about. Have you discussed this with China and what have they told you?

SECRETARY POWELL: Actually, I have not discussed it with China, and it is a report that I haven't seen confirmed yet. And what we can't do is take every report, confirmed or otherwise, and respond to and act on it. I'm sure that if this has happened in some, you know, some significance, we will follow up on it. But these reports come out on a fairly regular basis. If something is happening in North Korea, where people have gone here and people have gone there, and we just have to wait and see what we can confirm and we will act on that which we can confirm.

MR. MOHAMMED: Former Secretary of State Baker yesterday said that once there's a Palestinian interlocutor, the United States should take a direct hand in Israeli-Palestinian talks, offering suggestions, brokering compromises, providing assurances. Do you expect the Bush Administration to take that kind of a hands-on approach?

SECRETARY FOWELL: We do. We did it last year when we created a set of conditions that produced a Prime Minister, Mr. Abu Mazen. And we took a very hands-on approach. The President went to the region, he went to Aqaba, he stood there with Prime Minister Sharon, he stood there with Prime Minister Abu Mazen and with King Abdullah and with other leaders present, and committed himself, as they all committed themselves, to the roadmap as the way forward.

Unfortunately, we didn't get traction with that proposal and Abu Mazen stepped down. And now, in the aftermath of Chairman Arafat's death, there is a new opportunity, and as Secretary Baker said, we have to be ready to take advantage of it.

And so we are ready and that's why I went to the region two weeks ago, last week really, to speak to Prime Minister Sharon and to speak to all the Palestinian leaders and let them know that we must not let this new moment of opportunity pass; we have to take advantage of it.

And the next step, I think, in this process, is for us to have the Palestinian election on the 9th of January so that we will have an elected leader of the Palestinian Authority who should give us a responsible interlocutor to deal with Israel and to deal with the international community.

I met with the Quartet last week during my trip in Sharm el-Sheikh, and the Quartet stands ready to help politically, economically and in any other way that we can.

And so I think, as Mr. Baker noted, that this is a moment of opportunity and the United States will continue to be hands-on. We are the designer of the roadmap, we are the leader, frankly, of the Quartet, and we stand ready to do everything we can to move this process forward.

MR. HUDSON: Next week, you attend the Forum of the Future in Morocco. Given anti-American sentiment throughout the Arab world, which has only increased with the Iraq war, is it possible anything seen as a U.S. push for democracy and reform in the region may actually be counterproductive?

SECRETARY FOWELL: Not at all. We had the first meeting of this group to get ready in New York at the tail end of the United Nations General Assembly debate period. And 28 nations came to that meeting and they all talked about reform and modernization in the Broader Middle East and North Africa region. And the reason for that is they know they need it, and it is ongoing.

So many of the countries in that region are moving down the path of reform. Each one moves at their own pace, and consistent with their own history, culture, goals, objectives and aspirations. The United States and the industrial community, the G-8 and others, stands ready to help. It's help that I think it is welcomed. We have made it clear that we are not coming to dictate, we are not coming to tell you what your reform program should be; you determine what it is. They all know they need a reform in one way or the other.

We're seeing rather remarkable things. The Saudis are now having municipal level elections. What's happening in Bahrain, what's happening in Morocco, what's happening in Tunisia and other nations -- all of them have reform efforts underway. I didn't touch on all of them, but all of them are doing something. And to the extent that we can help them with resources, through our Middle East Partnership Initiative, training teachers, helping with education, helping with infrastructure, helping with the creation of civic society, of an active civic society, these are things we can do to help them. We have experience and we have resources, and so we're there to help them.

And rather than it being seen as an American initiative, I want it to be seen as a partnership between the United States and the industrialized world and these nations who are in need of reform and modernization. They're in need, not because I say so, but because they say so. In the Arab Development Report, two editions of the Arab Development Report, written by experts, Arab experts that say we need to move in this direction.

Unemployment is the biggest problem that exists in that part of the world, and you only solve unemployment when you have economic activity taking place that will create jobs and when you are educating your young people for the kinds of jobs that will be available in this 21st century.

MS. GIACOMO: President Bush has said that Iran will not be allowed to acquire nuclear weapons. How does the Bush Administration plan to make good on that goal, especially since many Administration officials are deeply skeptical that Iran will adhere to the agreement with the EU-3?

SECRETARY FOWELL: We are skeptical, and for good reason. But at the same time, over the last four years, we have put a spotlight on Iran's activities and we put a heat lamp on Iran's activities so that the Russians now in their work with the Iranians at the reactor at Bushehr have made it clear that all of the material that goes into shield that reactor will come back to the Russian Federation, and so it will not be diverted to improper uses.

The IAEA has become much more active since they discovered that Iran was not being fully forthcoming with respect to its activities, and the EU-3, as they are called, the Foreign Ministers of France, Germany and Britain, have done a good job in getting Iran to commit to the suspension of their conversion and enrichment activities.

But we have to remain uneasy about this because it is still only a suspension, and I understand Iranian officials have said today we're only going to suspend for six months. We really need an end to that program, and I think that we have had some success in really bringing

attention to this issue.

Ultimately, though, it is a problem that I think will be solved and can be solved politically and diplomatically. And that's what the United States is doing. We're often accused of acting unilaterally. This is case where we're acting quite multilaterally. We have a view and the view is we should have referred this to the Security Council long ago, but others feel otherwise. So we're working with our friends and partners in Europe and in the IAEA to keep the heat on the Iranians and to keep the spotlight on what the Iranians are doing to make sure that they do not get a nuclear weapon.

MS. GIACOMC: Many people say that the IAEA will never be able to find secret Iranian sites if it doesn't have unrestricted access. How is the United States going to make sure that this happens?

SECRETARY POWELL: Well, I can't make sure it's going to happen. It's a question of whether or not the international community, in the form of the IAEA, and especially the European Union, the European Union Three, will be diligent and will be insistent in pressing the Iranians to give us full disclosure to their program. But you can't look in every cave that might be in Iran, but for the facilities that are known about I'm pleased that we now have suspension of enrichment and conversion activities, but we now have to build the suspension into something more permanent.

And so I think it is important for the international community to remain alert, to continue to consult within the community and to continue to apply pressure on Iran and to make it clear to Iran that the community remains united in the goal of not having Iran equipped with nuclear weapons.

MS. GIACOMC: Does the Administration plan to increase support for pro-democratic forces in Iran?

SECRETARY POWELL: The United States believes that Iran has a useful population and it's a population that is seeking a more open society. It's a population that I think understands that its interests are best served if it had a better relationship with -- if the country had a better relationship with the rest of the world. And to the extent that in our messages we reinforce that message, we will do so.

MR. MOHAMMED: You're going to Europe next week, possibly for the last time as Secretary of State. What does the United States need to do to heal the breach with those countries in Europe that were so opposed to the Iraq war?

SECRETARY POWELL: Let's start out with the simple fact that so many nations in Europe were supportive of our efforts and contributed troops and other resources to that effort because they understand that what we are seeking is a peaceful, democratic Iraq with a freely elected government that will no longer be a threat to its neighbors or a destabilizing factor in the world. All Europeans now want to see that happen, whether they supported the war or did not support the war.

And so the President has said that he will be reaching out to Europe. He plans to make an early trip to Europe. In my conversations next week in Europe, I will reinforce the point that the President wants to reach out. But it is not just the President and the United States reaching out. I think Europe also has to reach out toward us and have to -- you know, we have to meet one another here and not just say, "Come on, United States, it's all your fault. You heal these breaches." I think Europe has to reach out as well. And that would be my message.

There is a new opportunity here for us to work together in Iraq. NATO has put a training mission in Iraq. The European Union is providing assets. The United Nations is building up its presence in Iraq for the elections.

So I think that particular breach is slowly being healed. And we've done so much together that it sometimes doesn't get enough credit: the transfer of responsibility in Bosnia; what we're doing together, the Europeans and the United States in Afghanistan, which produced a successful election; how we worked with some of our European partners to deal with the problem of Libya's weapons of mass destruction; what we are doing together with respect to Iran.

So there are so many areas in which the United States is working in close collaboration and very successfully with the Europeans, and I think if we keep that spirit of collaboration up and the President reaches out, as he said he would, I hope Europe also reaches out, so the remaining breaches can be healed.

Just look at how we have worked with Europe on the Ukrainian election matter for the last couple of weeks -- close coordination, consistent messages, constant talking between leaders, President Bush and President Kwasniewski, I speaking to so many of my European colleagues and my Russian colleague -- is an example of what we can do together, and really is the pattern rather than the exception. This is how we try to solve problems.

MR. MOHAMMED: We're running out of time. But how specifically should they reach out, the Europeans?

SECRETARY POWELL: Well, the reason I answered the question that way is that very often, the way it's put to me is that, "What is the United States going to do?" -- as if there's -- you know, it's not a partnership. If there are problems, then two parties have to come together to resolve these problems and heal these breaches. We will explain our policies and positions. We want to listen and we want to hear what our European friends have to say.

But Europe and the United States are pulled together by so many things that create a strong bond: our values system, our belief in democracy, our belief in open economic systems, what we're doing together. All these things pull us together. And if we both work on building on these ties that keep us together, we can overcome the difficulties. But it's a question of partnership. It's a question of everybody talking plainly and clearly to one another and each of us trying to understand the position of the other so that we can come into agreement and gain a consensus as to how we should move forward as a transatlantic community.

Just look how much we have accomplished over the last four years: expansion of NATO, expansion of the European Union. The United States has been active in all of these efforts, in the Balkans together, out of the Balkans together. You know, everybody thought we would walk away as soon as we came into office in early 2001. The President made it clear, no, we have obligations with our European friends.

And so we have done so much together that will continue to pull us together in the bonds of friendship and shared sacrifice over so many years. Our belief in democracy and those value systems that flow from democracy, the values that flow from democracy, this will keep us together and we can overcome these difficulties, of this I'm confident.

MR. MOHAMMED: Thank you for your time.

SECRETARY POWELL: You're welcome.

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EU-US Ministerial Troika on Friday 10 December

[03-12-2004 | Press releases | General Affairs and External Relations]

Netherlands Minister of Foreign Affairs Bernard Bot, in his capacity as president of the Council of Ministers of the European Union, will receive Secretary of State Colin Powell in The Hague next week, on Friday 10 December. EU High Representative Javier Solana and Commissioner for External Relations Benita Ferrero-Waldner will also participate in the semi-annual EU-US ministerial meeting.

The four will discuss the situation in Ukraine, Iraq, the Middle East Peace Process, Iran, Afghanistan and the Balkans as well as exchange views on the broader Middle East and Mediterranean, China and Russia.

The past years have reshaped the international landscape. During the lunch discussion, Secretary Powell and the EU Troika are expected to focus on the new threats and challenges that face us and on ways to increase EU-US co-operation in addressing these challenges. They will reflect on the lessons from the past for the future of the Transatlantic relationship.

Preliminary programme

13.00 hrs Arrival of US State Secretary Powell, welcome by minister of Foreign Affairs Bot
Binnenhof 20, The Hague
Press opportunity, doorstep

13.10 – 14.30 hrs Luncheon
Lairessezaal (Binnenhof, The Hague)

14.30 – 16.30 hrs Plenary session
Ridderzaal (Binnenhof, The Hague)

16.45 – 17.15 hrs Press conference
Oude Zaal (Binnenhof, The Hague)

N.B. Accredited media wishing to attend the first photo session are required to be present at least 30 minutes in advance at the entrance of the Binnenhof on the Buitenhof. There will be a security check at this location. The Binnenhof can be reached by individual transport and public transport.

Accreditation (+31 70 348 4112)

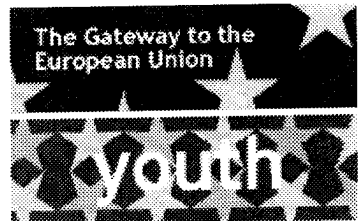
Media access to the Binnenhof complex (including the press centre) will be reserved for accredited journalists only. Official accreditation badges (orange) are personal and not transferable. The badges must be worn visibly at all times.

Accreditation badges can be picked up at the accreditation desk in Nieuwspoort, Lange Poten 10, at the following times:

Tuesday December 7th, from 13.00 – 18.00 hours

- ▶ The Presidency's priorities
- ▶ Media accreditation
- ▶ Presidency photos
- ▶ EU Enlargement
- ▶ 'Europe. A beautiful idea?'

Links



Wednesday December 8th , from 07.30 – 14.00 hours
Friday December 10th, from 10.00 – 16.45 hours

Please note: last minute accreditation is only possible upon presentation of:

- 1) a valid passport/EU identity card;
- 2) a valid press card; and
- 3) an original commissioning letter, which may not be dated earlier than seven days prior to the meeting, is signed by the chief editor/producer of the relevant media organisation, and states the professional status of the representative of the media.

If one of the above mentioned documents is missing, access will be denied!

Last-minute accreditation might take some time. Immediate attendance to all press opportunities cannot be guaranteed. In addition, the organisation reserves the right to refuse requests for last-minute accreditation for security reasons.

For questions or requests regarding accreditation please call: +31 70 348 41 12 of +31 70 348 41 26

Press centre

The press centre is located at the Houses of Parliament at the Binnenhof, The Hague.

Opening hours:

Friday December 10th 10.00 – 20.00 hours

Facilities:

- 48 individual workstations with ISDN, LAN and PSTN lines
- 16 stand-alone PCs with Internet access
- 24 telephones
- 4 printers
- 4 faxes
- Information desk
- ICT Helpdesk
- catering

The press information desk will provide information concerning the meeting, press releases, press facilities, transport etc.

NOS Eurovisie

NOS Eurovisie will provide technical assistance to radio- and television stations. Stand-up positions on request. For further information please contact: Andy Docter, +31 (0)35 677 3279.

Contact

Ministry of Foreign Affairs
Press Information Department
tel: +31 70 348 7510

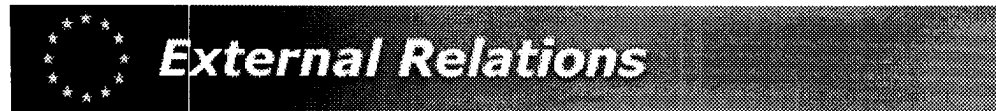
Public Transport in The Hague

For information on public transport in the Hague please refer to the following website www.htm.net.



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

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Profile

Transatlantic Policy Network - Autumn Meeting

Speech by Benita Ferrero-Waldner, Brussels, 07/12/2004

Mr Chairman, Ladies and Gentlemen,

First let me say what a pleasure it is to be here today in front of so many familiar faces. I am delighted to have this opportunity to address such a distinguished group of committed Atlanticists.

As many of you know, I am a firm believer in the importance of the Transatlantic Policy Network. These opportunities for policy makers from both sides of the Atlantic to meet and discuss are simply invaluable. I very much support the work you have been doing here over these two days of meetings. Like my predecessor, I hope to find many such occasions on which to meet, and to further our shared commitment to increased understanding between our two sides of the Atlantic.

This meeting provides me with a good opportunity to take a step back and examine the current state of Transatlantic relations. The presidential elections in the United States have just taken place. President Bush and his team are setting the priorities for US foreign policy for the coming four years. Similarly, on this side of the Atlantic, a new European Commission has just been appointed, and is setting its foreign policy priorities.

Much talk has been heard about the need for a new start in EU-US relations. I do myself share the feeling that we can do more and better together. But let me stress the point that a lot of important work has already been invested in reinvigorating our ties. An example of this is the paper "Transatlantic Partnership - A Strategy for Renewal" you yourselves produced.

Let me look first briefly at the framework of our relations, before moving to what I believe is the real substance of the matter.

On the political side, as you know, the Transatlantic Declaration which governs EU-US relations will be 15 years old next year; and the New Transatlantic Agenda will be 10. Following your suggestion, we are currently reviewing this framework, with a view to producing recommendations for the EU-US Summit in 2005.

Economic affairs are also a key part of our formal relationship. You spoke of the need to re-launch the WTO Doha negotiations, which my colleague Peter Mandelson addressed yesterday. You also spoke of the need to accelerate efforts to deepen and broaden the transatlantic market, and we are engaged in consultations with key economic stakeholders to achieve just that. The results of these consultations will feed into a forward-looking strategy on this subject due to be presented to the Summit next year.

But today it is probably worth thinking beyond the formal arrangements for managing our relationship, and reminding ourselves of why it is that we are really here; why it is so important that we keep on working together; and of just how much it is that we all have in common.

I presume I do not need to remind this audience of how much we have in common. The European Union and the United States are both founded on the same principles of respect for the rule of law, democracy, and human rights. It is this set of common values which is at the heart of the Transatlantic relationship and which binds us so firmly to each another.

What also tends to be obscured in some of the debates surrounding EU-US relations is that we have an extremely wide range of common interests, spanning the economic, political and security fields. So for the hard-nosed realists too there are compelling reasons why the EU and US should continue their efforts to cooperate closely together.

Let me take some time to look at these in more detail.

First, the threats. Both sides of the Atlantic are faced by the threat of international terrorism, and both sides have experienced the pain and suffering it can deliver. There is also the threat posed by the proliferation of chemical, biological, radiological, and nuclear weapons, whether in the hands of states or non-state actors. Other threats include the conjunction of poverty, disease, and instability which overwhelms much of Africa, and the global threat posed by climate change.

Such threats do not respect national borders. We will only overcome them by closer international co-operation. And EU-US co-operation is a necessary precondition for progress in these areas.

In this regard, if the EU is to play a serious role in protecting its global interests and addressing the threats mentioned above, we need to improve our ability to respond quickly, flexibly, and coherently to rapidly emerging challenges. But we are making progress, and now have an impressive range of instruments which we can bring to bear. These include trade policy, development assistance - technical and financial - and our regional approach, including the new European Neighbourhood Policy, one of the key priorities of my mandate as External Relations Commissioner. Yesterday saw a small but important step towards the realisation of another tool of European policy, with the hand-over from NATO to the EU of responsibility for peace-keeping in Bosnia - the smooth transition in Bosnia is further evidence that the US recognises Europe's growing capabilities in this area.

But then there is another compelling reason for working together, which goes beyond the common threats we face. And that is the **common vision we share for a more democratic, tolerant, and prosperous world.**

It is here that a cursory glance at our two sets of foreign policy priorities is revealing.

Our objectives in many areas are the same. The United States talks of the importance of promoting reform in the Broader Middle East and the Mediterranean, and this is one of our objectives too. We see the post-Arafat era as an opportunity to re-launch the Middle East Peace Process and look forward to close cooperation with the US in this area. We also welcome the US commitment to support the EU's objectives of stability, prosperity and co-operation in the Mediterranean. We intend to work with the US in extending a similar approach into the broader Middle East.

On Iraq we share the objectives of supporting the reconstruction of the country and the establishment of a democratic political process. No matter what disagreements may have existed in the past, it is indisputable that a united front is now needed to ensure a positive outcome. And on Iran we need close EU-US co-operation to make sure that the 'Paris agreement' is properly implemented.

Maintaining peace on the Korean peninsula; supporting efforts at rapprochement between India and Pakistan; and encouraging the integration of China into the global political and economic system represent other important common priorities.

Somewhat closer to home, the European Neighbourhood policy will be a key priority for me during my time in office, and again is an example of our common interests. It offers our neighbours the chance for a closer political and economic relationship with the EU, and the opportunity for increased assistance in achieving their policy objectives. The first set of Action Plans will be tabled next week, and we very much hope that the US will offer us its support as we move towards implementing them.

And finally, an area where I believe the US recognises the unique role that the EU can play, is that of the very *idea of Europe*. This embodies a union of nations based on democracy, tolerance, prosperity, and the rule of law.

It is here that Europe can act as an example and an inspiration to those parts of the world which face challenges today every bit as daunting as those which faced our predecessors half a century ago. The importance of this demonstration factor has been revealed time and time again, not least in the Balkans and Afghanistan, where the EU and US have been working together in promoting the core values both hold so dear.

Conclusion

Of course, Europe and the US will not overcome these challenges without the help of other strategic partners. But in facing them, it is immensely reassuring to note just how close our analyses and objectives really are.

Nor should it be understood that promoting close EU-US ties is an alternative to, or a retreat from, our commitment to a united, assertive European foreign policy. Rather these two strands complement one another nicely.

The new Europe of which we are so proud today could not have come about without the efforts of generations of Europeans and Americans working together. We now have an opportunity - indeed a moral and practical obligation - to commit ourselves to working together to project peace, democracy, the rule of law, the protection of human rights and prosperity to the wider world.

For myself I am totally committed to working closely with the new US administration to achieve our common objectives, and indeed firmly believe that the realisation of these objectives will only be possible through such close cooperation.

The TPN and other such illustrious groups will continue to have an important role to play in furthering EU-US ties. And I look forward to continuing cooperation with you as an important group of allies in ensuring that EU-US relations only go stronger over the coming years.

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Peter Mandelson
EU Commissioner for Trade
The case for a fresh start in EU-US trade relations
Transatlantic Policy Network - Congressional Autumn Conference
Brussels, 2nd December 2004

Reference: SPEECH/04/510 Date: 02/12/2004

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SPEECH/04/510**Peter Mandelson**

EU Commissioner for Trade

The case for a fresh start in EU-US trade relations

Transatlantic Policy Network - Congressional Autumn Conference
Brussels, 2nd December 2004

I want to thank Vivian Haig and the Transatlantic Policy Network team for inviting me to address this gathering. I'm sorry I had to withdraw from an earlier invitation.

I also want to record particular thanks to Erika Mann MEP – a brilliant tornado of inexhaustible enthusiasm for, and dedication to, EU Trade Policy, in particular EU US economic cooperation.

It is a special pleasure to be able to meet our US participants, in particular Senator Robert Bennett. [*Chair of your session*].

Networks like the TPN make an invaluable contribution to a productive and cooperative partnership between the world's two most significant trading economies. But the unique thing about TPN is your capacity to make me feel like a member before one even thought of applying. It's the reverse of Groucho Marx's dictum. Or I think it is. So even though it's my first formal visit to TPN, I feel like I've been talking to you for some time.

In my hearing before the European Parliament in October I said that Transatlantic trade and investment would be one of my top priorities.

We all know why that should be. The volumes of trade and investment between us are enormous. They forge strong ties between our economies, businesses and people. Although the world is changing fast, our relationship remains a key motor of the global economy.

But that economic relationship is both a foundation and an expression of something much wider and even more important. This is the political partnership and alliance between Europe and America.

Let me dwell on this partnership a moment. My commitment to Europe and to the transatlantic relationship have been the twin pillars of my politics all my adult life. In my view, the partnership is of fundamental importance to us all.

Nobody would deny that we have been through a difficult patch in the last few years. It is time for us to make a fresh start. I accept that, in this changing world, the identity of interest and approach between Europe and America is less self evident than it was during the Cold War. Of course we need to understand and indeed in most respects, welcome the structural changes in our global environment such as the rapid emergence of major developing countries as a key new economic force. At the same time, we must confront the new security challenges that face us in different parts of the world, not least the Middle East. Life is in many ways less simple for the Western democracies than it was twenty years ago, when we faced a common Soviet threat.

Today, our reactions to events and challenges will not always be the same. Over Iraq we saw very different views in America and in some parts of Europe – as well as between Europeans. In Iran, while I hope we share the same objectives, there has been a difference of emphasis in approach. On other major global issues like climate change we have not been able to forge a common analysis, let alone a common view.

Our relationship is evolving. But that does not make it any less important or any less strong. I do not agree with those who argue that our basic values are fundamentally diverging, or that our interests no longer coincide.

On the contrary, we still share a belief in democracy and individual freedom. We face the same global challenges to our security.

We have to find ways to address the same shared human problems: poverty, migration, climate change, resource crises. And as I have said, our societies and economies remain ever more closely intertwined. Nor do I forget the historical debt we Europeans owe America.

So, instead of consigning the relationship between Europe and America to the history books, we need to find the commitment and vision to redefine it for a new century.

Broadly speaking I believe that what we should work for is a stronger and more balanced, less unequal partnership between the two of us. One in which Europe is more united, more able and more willing to take a role of global responsibility and leadership; and one where the US is more inclined to share leadership in working with a more effective, more united Europe.

We will not be able to have either side of this equation without the other. Europe certainly needs to do still more to forge stronger and more integrated foreign and defence policies, and to be ready to act. We need to show the US that we are serious, as partners not rivals. But equally the body language and sometimes the policies themselves we see from America – for example, on climate change - have a huge impact on how Europeans feel about the partnership. We must find ways to complement each other, not compete with each other in the political arena.

I have one particular message for some in Washington who tend to dismiss Europe: a successful relationship between Europe and America, which is our common interest, requires a strong Europe, not a weak and divided one. I hope that the US will restate and reinvigorate its traditional support for European integration – a process which has brought so much good to the world. This is why the United States should see ratification of Europe's new Constitutional Treaty as being in the US as well as the European interest. And while I am at it, I also hope and believe that the US will restate and reinvigorate the case for NATO. I want to give my US friends two reasons to come to Brussels, not two reasons to avoid it!

I am fortunate to be working now in the area of policy in which Europe is perhaps strongest and most effective - trade. There is much to be done both in multilateral negotiations and bilaterally to strengthen global growth and people's prosperity. Europe and America have particular responsibility.

Our top priority in trade on both sides of the Atlantic has to be to put our weight behind the current multilateral negotiations and to encourage others to demonstrate a similar commitment. Bringing to a successful conclusion a Doha Development Agenda that lives up to its name, and matches the bold ambitions of those who launched, it will bring enormous benefits to both developed and developing countries.

Europe took a major step earlier this year on agricultural export subsidies. The EU, US and others then worked hard and collectively to produce a framework agreement in Geneva in July. We are looking to the US to build constructively on that. And I will be talking to Bob Zoellick next week about how we can now accelerate work in other areas of the Round – such as services, industrial tariffs and anti-dumping rules – so that we can advance a balanced and ambitious agenda, which is what we need to secure agreement.

The Doha Round is different from its predecessors in that it has, at its core, the question of development. If we do not deliver on this there will be no Round. So I hope there will be strong buy-in by America to these goals. We need to show shared commitment to ensuring that the poorer countries are engaged and derive benefit. We need to involve them more in setting the agenda and reaching the decisions. And the more advanced developing countries have responsibilities here too.

I believe too that there is much scope for new thinking and action on bilateral EU-US trade relations. We can and must do this without undermining our work in the Doha Round and I see no incompatibility.

Of course, problems crop up in our trade relations. They are relatively small as a proportion of trade affected, but they certainly make the news. I inherited a prime example when I walked into my office.

The disputes reflect two things. First the sheer size and importance of trade and investment flows between us. In such volume problems are inevitable. Second, our readiness to use the agreed international dispute settlement procedures of the WTO. Both are good signs, in different ways, of the maturity of the transatlantic economy and the international system of governance.

The broader and deeper issues we need to address primarily between us are different from those on the Doha agenda. Our markets are relatively open and highly developed. Tariffs are not the problem. A Transatlantic Free Trade Area is not the issue. Today we need to concentrate on removing the regulatory and structural barriers that still impede businesses and inhibit innovation, growth and prosperity on both sides.

This means looking harder at regulatory convergence and mutual recognition of standards, looking at the nitty-gritty of transatlantic business transactions: how our businesses interact; how our

economies are intertwined and occasionally bump into each other. I know this is not glamorous stuff. The important things often are not.

It certainly is very complicated stuff. I am beginning to understand just how complicated, given our different regulatory systems and cultures. To make progress we need closer dialogue, at all levels, and we need to think outside the box for ways in which to move forward, which is one reason that I am so pleased we are both consulting widely in our "stakeholder dialogue", a process shortly to come to a conclusion. Of course, TPN doesn't need any such encouragement to speak up and make its voice heard: you have already done much to stimulate debate on the way forward.

There is a positive transatlantic economic agenda for us to work on, as my predecessor Pascal Lamy acknowledged. I intend to do just that. Work. I am not inclined to set high sounding targets or launch lofty initiatives. I prefer to set a practical, attainable agenda that I can actually help deliver on in my five years in this job.

Given how many companies do business on a transatlantic level, we need to make a decisive move on accountancy rules; we need to look at how our stock exchanges are run and at the detail of financial markets regulation (because if there is one place where the devil really resides, it is there...).

I am equally interested in areas related to consumer interest, such as health. I understand the "right to regulate" is an issue of great concern to individual citizens, but my instinct is that we need to keep a close eye on our approach to the assessment of risk. Once again, we want to give proper attention to the detailed responses from our stakeholders, and then we will get to work.

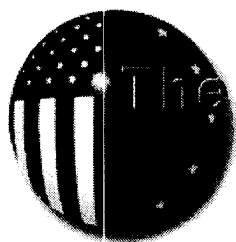
This work on regulatory convergence and cooperation will contribute greatly to another key part of my portfolio responsibilities in the Commission: the international aspects of Europe's competitiveness. Growth and jobs are the priorities of this Commission. As Trade Commissioner I want to ensure that the policies I pursue in Trade contribute to the creation of growth and jobs in Europe. This mission needs to embrace closer regulatory cooperation with our major trade partners to simplify transactions, as well as learning from them about how we can do things differently and better. But this requires work on both sides. Bringing the Lisbon agenda into transatlantic relations must mean a two way street. Is America ready to take forward this agenda? I hope so.

First, we need to build a meeting of minds. Our work will be helped and stimulated if it is supported by close dialogue between us on global trade and other economic questions, such as piracy and IPR. With so much going on, we really do need to share our thinking on it.

So my message is simple. There is still a Transatlantic Economic Partnership. It is critically important to Europe, the US and the rest of the world. Like all partnerships there is rough with the smooth. Like all partnerships we need to find new concrete and practical ways to develop and deepen it. And like all partnerships it must not be too introspective: we have a joint responsibility, in pursuing our own interests, to keep our eye firmly on the DDA and other means of delivering benefits too for other less advantaged parts of the world.

Together, I look forward to doing business with the USA – in every sense of the word.

ENDS



United States Mission to the European Union

<http://www.useu.be>

Brussels, Belgium

AMB. SCHNABEL WELCOMES EP ROLE IN SHAPING COMMON U.S.-EU AGENDA

Date: December 1, 2004

U.S. Ambassador to the EU Rockwell Schnabel welcomed, with his Canadian and Mexican counterparts, the members of the newly elected European Parliament at a December 1 reception hosted by NAFTA countries for the EP. This was the first time that the three North American Free Trade Agreement countries held such an event in Brussels.

"North America has a vital relationship with the European Union, and an integral part of that is the European Parliament -- the democratic voice of European citizens," Amb. Schnabel said in prepared remarks. "Our relationship, which we celebrate tonight, is based on deep ties and shared values," and also on shared tasks. "Our sometimes serious disagreements do not take away from the urgency of what we must accomplish together," he will say, mentioning in particular the election crisis in Ukraine, the continued violence in the Darfur region of Sudan, and the effort to prevent terrorist incidents. "I am confident that we can meet the challenges before us, and that the Parliament will play an ever greater role in shaping our common agenda."

This reception, which also marked the 10th anniversary of the NAFTA, aimed to celebrate the strong, historic, political and economic ties that unite the three North American countries with the European Union. It also recognized the important and growing role played by the European Parliament in the deepening of the relationship between the European Union and the three NAFTA countries.

The NAFTA and EU countries together account for approximately 60% of the world's economic output (GDP), over 55% of global exports, and about 60% of global imports. The two regions receive about 2/3 of global foreign investment, and provide over 3/4 of global foreign investment. The transatlantic economy - including two-way trade and foreign affiliate sales - totals over US \$ 2,500 billion (Euro 1,912 billion) and is responsible for more than 14 million jobs on both sides of the Atlantic. The transatlantic economy is deeply interconnected through impressive levels of foreign investment in both directions.

Below are prepared remarks by U.S. Ambassador to the EU Rockwell Schnabel for a reception held by NAFTA countries (the United States, Canada and Mexico) in honor of the new European Parliament:

**Ambassador Rockwell Schnabel
Remarks for NAFTA Reception at European Parliament
December 1, 2004
Brussels, Belgium**

As prepared for delivery.

It is an honor to welcome you as members of the newly elected European Parliament, along with my Canadian and Mexican colleagues.

My country has had the great honor of playing a role in the two most ambitious integration projects the world has ever witnessed.

American leaders worked closely with Adenauer, Schumann, Monnet and others in supporting European efforts at integration. Last year, the Mission I represent in Brussels celebrated the 50th anniversary of formal U.S. relations with European institutions.

Ten years ago, my country joined our neighbors in North America in another massive integration effort, creating the world's largest free trade zone, and paving the way to unprecedented growth on our continent.

North America has a vital relationship with the European Union, and an integral part of that is the European Parliament -- the democratic voice of European citizens.

Our relationship, which we celebrate tonight, is based on deep ties and shared values:

- o A faith in the dignity of humankind, and of every individual.
- o Democracy and free-market economies combined with guarantees of social and economic justice.
- o Respect for human rights.

We have shared values. But we also have shared tasks. Our sometimes serious disagreements do not take away from the urgency of what we must accomplish together.

Today's headlines underscore how much that is the case. In Ukraine, your High Representative Javier Solana, other European leaders and U.S. officials are united in seeking a peaceful solution to the election crisis. Tomorrow, in Bosnia, the EU will formally take command of a 7,000-strong stabilization force from NATO, as we work to assure a better future in the Balkans.

We also work with you on many other issues that affect the well-being of our citizens and of people all over the world:

- o We all condemn continued violence and the humanitarian suffering in Darfur;
- o Our traveling publics must feel that governments are doing everything possible to prevent terrorist incidents, while respecting individual privacy;
- o Business leaders, both European and American, are contributing to the economic agenda of the new Commission and new U.S. Administration to reduce trade and investment barriers.

These are all issues that members of our Congress and of the European Parliament work on regularly through the Transatlantic Legislators Dialogue, taking into account the impact of our laws on partners and allies.

I am confident that we can meet the challenges before us, and that the Parliament will play an ever greater role in shaping our common agenda. And I am hopeful of even greater dialogue between Congress and Parliament.

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Brussels, 26 November 2004

US Byrd Amendment: WTO authorises retaliation – US urged to conform to WTO ruling

The EU, alongside six WTO members (Brazil, Canada, India, Korea, Japan and Mexico), today received WTO authorisation to impose retaliatory measures against the US for failing to bring its legislation into conformity with its international trade obligations. This was a formal step before retaliatory measures could be imposed. These measures will take the form of additional import duties on wide variety of US products from an indicative list approved by the WTO that includes machinery, foodstuffs, textiles and paper products (see below). The EU has urged the US to avoid retaliation by complying with its international obligations.

The Continued Dumping and Subsidy Offset Act of 2000 (the 'Byrd Amendment') mandates the distribution of anti-dumping and countervailing duties to the US companies that brought or supported the complaints. It creates an undue incentive for US industries to seek the imposition of duties on imported goods, improving their competitive position and assisting them in the form of cash payments. The WTO ruled that this constituted a double penalty on non-US competitors; it ruled the Byrd Amendment illegal in January 2003.

A total of US \$ 231 million was distributed in 2001 and around US \$ 330 million in 2002. Information published indicates that distribution for 2003 would amount to about US \$ 240 million.

If the US does not bring its legislation into conformity with its international obligations the EU would impose retaliatory measures early in 2005.

Annex: list of products

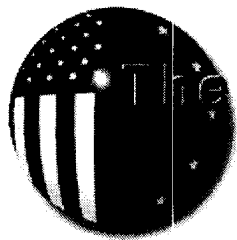
The products covered by the list are determined by the product description of the European Communities' tariff and statistical nomenclature corresponding to the eight-digit product codes (Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff as last amended by Commission Regulation (EC) No 1810/2004, OJ L 327, 30.10.2004, p. 1). The descriptions hereunder are given for information purposes only.

| CN codes | Description of products |
|----------|--|
| 07104000 | Sweetcorn, uncooked or cooked by steaming or by boiling in water, frozen |
| 48030031 | Creped paper for household or sanitary purposes and webs of cellulose fibres 'tissues', in rolls of a width > 36 cm or in square or rectangular sheets with one side > 36 cm and the other side > 15 cm in the unfolded state, weighing ≤ 25 g/m ² per ply |
| 48182010 | Handkerchiefs, cleansing or facial tissues and towels, of paper pulp, paper, cellulose wadding or webs of cellulose fibres |
| 48183000 | Tablecloths and serviettes of paper pulp, paper, cellulose wadding or webs of cellulose fibres |
| 48185000 | Articles of apparel and clothing accessories, of paper pulp, paper, cellulose wadding or webs of cellulose fibres (excl. footwear and parts thereof, incl. insoles, heel pieces and similar removable products, gaiters and similar products, headgear and parts thereof) |
| 48201050 | Diaries with calendars, of paper or paperboard |
| 48201090 | Writing pads and the like, of paper or paperboard |
| 48203000 | Binders (other than book covers), folders and file covers, of paper or paperboard |
| 48205000 | Albums for samples or collections, of paper or paperboard |
| 48209000 | Blotting pads and similar articles of stationery, of paper and paperboard, and book covers of paper or paperboard (excl. registers, account books, Note books, order books, receipt books, letter pads, memorandum pads, diaries, exercise books, binders, folders, file covers, manifold business forms and interleaved carbon sets, and albums for samples or for collections) |
| 61013010 | Men's or boys' overcoats, car-coats, capes, cloaks and similar articles of man-made fibres, knitted or crocheted |
| 61013090 | Men's or boys' anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers) |
| 61023010 | Women's or girls' overcoats, car-coats, capes, cloaks and similar articles of man-made fibres, knitted or crocheted |
| 61023090 | Women's or girls' anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles, of man-made fibres, knitted or crocheted (excl. suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls) |
| 61034300 | Men's or boys' trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted, of synthetic fibres. |
| 61044300 | Women's or girls' dresses of synthetic fibres, knitted or crocheted (excl. petticoats) |
| 61046300 | Women's or girls' trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted, of synthetic fibres. |
| 61051000 | Men's or boys' shirts of cotton, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) |
| 61052010 | Men's or boys' shirts of synthetic fibres, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) |

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| 61052090 | Men's or boys' shirts of artificial fibres, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) |
| 61061000 | Women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted (excl. T-shirts and vests) |
| 61101110 | Jerseys and pullovers containing $\geq 50\%$ by weight of wool and weighing ≥ 600 g/article, knitted or crocheted |
| 61101130 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excl. jerseys and pullovers containing $\geq 50\%$ by weight of wool and weighing ≥ 600 g/article, and wadded waistcoats) |
| 61101190 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excl. jerseys and pullovers containing $\geq 50\%$ by weight of wool and weighing ≥ 600 g/article, and wadded waistcoats) |
| 61101210 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of hair of Kashmir 'cashmere' goats, knitted or crocheted, for men or boys (excl. quilted articles) |
| 61101290 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of hair of Kashmir 'cashmere' goats, knitted or crocheted, for women or girls (excl. quilted articles) |
| 61101910 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of fine animal hair, knitted or crocheted, for men or boys (excl. from hair of Kashmir 'cashmere' goats and quilted articles) |
| 61101990 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of fine animal hair, knitted or crocheted, for women or girls (excl. from hair of Kashmir 'cashmere' goats and quilted articles) |
| 61102010 | Lightweight fine knit roll, polo or turtle neck jumpers and pullovers of cotton, knitted or crocheted |
| 61102091 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excl. lightweight fine knit roll, polo or turtle neck jumpers and pullovers and wadded waistcoats) |
| 61102099 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excl. lightweight fine knit roll, polo or turtle neck jumpers and pullovers and wadded waistcoats) |
| 61103010 | Lightweight fine knit roll, polo or turtle neck jumpers and pullovers of man-made fibres, knitted or crocheted |
| 61103091 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excl. lightweight fine knit roll, polo or turtle neck jumpers and pullovers and wadded waistcoats) |
| 61103099 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excl. lightweight fine knit roll, polo or turtle neck jumpers and pullovers and wadded waistcoats) |
| 61109010 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of flax or ramie, knitted or crocheted (excl. wadded waistcoats) |
| 61109090 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted or crocheted (excl. of man-made fibres, wool, fine animal hair, cotton, flax or ramie, and wadded waistcoats) |
| 62011210 | Men's or boys' overcoats, raincoats, car-coats, capes, cloaks and similar articles, of cotton, of a weight per garment of ≤ 1 kg (excl. knitted or crocheted) |
| 62011290 | Men's or boys' overcoats, raincoats, car-coats, capes, cloaks and similar articles, of cotton, of a weight per garment of > 1 kg (excl. knitted or crocheted) |
| 62011310 | Men's or boys' overcoats, raincoats, car-coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of ≤ 1 kg (excl. knitted or crocheted) |
| 62011390 | Men's or boys' overcoats, raincoats, car-coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of > 1 kg (excl. knitted or crocheted) |

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| 62019200 | Men's or boys' anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles, of cotton (excl. knitted or crocheted, suits, ensembles, jackets, blazers and trousers) |
| 62019300 | Men's or boys' anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles, of man-made fibres (excl. knitted or crocheted, suits, ensembles, jackets, blazers and trousers) |
| 62021100 | Women's or girls' overcoats, raincoats, car-coats, capes, cloaks and similar articles, of wool or fine animal hair (excl. knitted or crocheted) |
| 62029300 | Women's or girls' anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles, of man-made fibres (excl. knitted or crocheted, suits, ensembles, jackets, blazers and trousers) |
| 62034231 | Men's or boys' trousers and breeches of cotton denim (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) |
| 62034311 | Men's or boys' trousers and breeches of synthetic fibres, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) |
| 62034319 | Men's or boys' trousers and breeches of synthetic fibres (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) |
| 62034390 | Men's or boys' shorts of synthetic fibres (excl. knitted or crocheted, underpants and swimwear) |
| 62044200 | Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats) |
| 62044300 | Women's or girls' dresses of synthetic fibres (excl. knitted or crocheted and petticoats) |
| 62044400 | Women's or girls' dresses of artificial fibres (excl. knitted or crocheted and petticoats) |
| 62044910 | Women's or girls' dresses of silk or waste silk (excl. knitted or crocheted and petticoats) |
| 62046231 | Women's or girls' cotton denim trousers and breeches (excl. industrial and occupational, bib and brace overalls and panties) |
| 62046311 | Women's or girls' trousers and breeches, of synthetic fibres, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) |
| 62046318 | Women's or girls' trousers and breeches, of synthetic fibres (not of cut corduroy, of denim or knitted or crocheted and excl. industrial and occupational clothing, bib and brace overalls, briefs and track suit bottoms) |
| 62046390 | Women's or girls' shorts of synthetic fibres (excl. knitted or crocheted, panties and swimwear) |
| 62046918 | Women's or girls' trousers and breeches, of artificial fibres (not of cut corduroy, of denim or knitted or crocheted and excl. industrial and occupational clothing, bib and brace overalls, briefs and track suit bottoms) |
| 62046990 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials (excl. of wool, fine animal hair, cotton or artificial fibres, knitted or crocheted, panties and swimwear) |
| 62052000 | Men's or boys' shirts of cotton (excl. knitted or crocheted, nightshirts, singlets and other vests) |
| 62053000 | Men's or boys' shirts of man-made fibres (excl. knitted or crocheted, nightshirts, singlets and other vests) |
| 62063000 | Women's or girls' blouses, shirts and shirt-blouses of cotton (excl. knitted or crocheted and vests) |
| 62064000 | Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excl. knitted or crocheted and vests) |
| 63013010 | Blankets and travelling rugs of cotton, knitted or crocheted (excl. electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) |

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| 63013090 | Blankets and travelling rugs of cotton (excl. knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) |
| 63014010 | Blankets and travelling rugs of synthetic fibres, knitted or crocheted (excl. electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) |
| 63014090 | Blankets and travelling rugs of synthetic fibres (excl. knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) |
| 64021900 | Sports footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear of heading 6401, ski-boots, cross-country ski footwear, snowboard boots and skating boots with ice or roller skates attached) |
| 64031900 | Sports footwear, with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excl. ski-boots, cross-country ski footwear, snowboard boots and skating boots with ice or roller skates attached) |
| 64041100 | sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes and the like, with outer soles of rubber or plastics and uppers of textile materials |
| 84672199 | Drills of all kinds for working in the hand, with self-contained electric motor operating with an external source of power (excl. electropneumatic drills) |
| 87051000 | Crane lorries (excl. breakdown lorries) |
| 90031930 | Frames and mountings for spectacles, goggles or the like, of base metal |
| 90091100 | Electrostatic photocopying apparatus, operating by reproducing the original image directly onto the copy [direct process] |
| 90091200 | Electrostatic photocopying apparatus, operating by reproducing the original image via an intermediate onto the copy [indirect process] |
| 94037090 | Furniture of plastic (excl. for civil aircraft, medical, dental, surgical or veterinary, and seats) |
| 94060011 | Mobile homes |
| 94060038 | Buildings, prefabricated, whether or not complete or already assembled, made entirely or mainly of iron or steel (excl. Mobile homes and greenhouses) |
| 93081010 | Ball-point pens with liquid ink |



United States Mission to the European Union

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Brussels, Belgium

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2004-11-19

SENATOR GRASSLEY CONCERNED AT EU ACTIONS ON TRADE DISPUTES

Senator Chuck Grassley, the chairman of the Senate Committee on Finance, has described his disappointment over recent actions by the European Commission (EC) in a letter to EC Trade Commissioner Pascal Lamy.

Grassley, a Republican from Iowa, expressed frustration that after the Congress recently completed a "tremendous legislative effort" to ensure U.S. compliance with World Trade Organization (WTO) rulings on Foreign Sales Corporation (FSC) and Extraterritorial Income issues, "it seems that we're right back where we started before Doha -- facing the prospect of continued litigation and increasing tension over beef, bananas, and FSC."

He said the commission's actions "divert precious energy and resources on both sides of the Atlantic" from what is needed to bring the Doha Round of trade negotiations to a successful conclusion.

Grassley in his letter discussed EC actions relating to the FSC/ETI and its link to the Airbus dispute, trade in bananas, and trade in beef treated with growth-promoting hormones.

Following is the text of the letter as released by Senator Grassley's office:

United States Senate
Washington, D.C.
November 18, 2004

To The Honorable Pascal Lamy
Member of the European Commission
Brussels, Belgium

Dear Commissioner Lamy:

Thank you for the courtesy of your letter dated November 5, 2004. Your remarks underscore how important it is that we maintain and respect the rule of law in our bilateral and multilateral trade relations. I have worked hard to advance that respect. I also believe it is important that we do everything we can to resolve outstanding bilateral trade disputes in a thoughtful manner, so we can focus our efforts on developing a mutually supportive trade agenda. That's why I'm troubled by some recent actions taken by the European Commission. I share my concerns with you out of courtesy, as I intend to raise them with your successor at the earliest opportunity.

First, I am deeply disappointed by the request for consultations in the FSC/ETI dispute under Article 21.5 of the WTO Dispute Settlement Understanding ("DSU"). There is simply no basis for perpetuating this dispute any further. I am confident that upon review, our grandfathering of legally binding contracts will be upheld. As my staff has indicated to yours, to the extent these contracts are leases they are not implicated by the WTO decisions on FSC/ETI. Leasing is a service and the WTO decisions do not address services. To the extent these contracts are other than leases, they must be legally binding as of September 17, 2003, in order to be grandfathered. That means grandfathered contracts will not have any impact on future trade if the contracting parties are not legally bound as of September 17, 2003, they cannot claim a continued benefit. This is consistent with a fundamental rationale for the DSU, which is that a compliance effort should not be punitive. In addition, the system is self-policing. Parties claiming a continued benefit must demonstrate to the Internal Revenue Service that it derives from a legally binding contract entered into as of September 17, 2003. Absent that demonstration, the benefit will be denied.

Now, I understand that the Commission has indicated there is no linkage between the request for further consultations under Article 21.5 and the recently initiated Airbus dispute. However, earlier indications from the Commission clearly suggested that any decision to challenge our FSC/ETI repeal legislation would be linked to whether the United States initiated WTO dispute resolution procedures against Airbus subsidies. I fail to see why our decision to exercise our legitimate rights against Airbus subsidies should drive a decision to pursue Article 21.5 proceedings in an unrelated case. To the extent it did, I very much hope that such linkage will not serve as precedent in the future.

Second, I am extremely troubled by the announcement on October 27, 2004, that as of January 1, 2006, the European Union will impose a tariff of 230 euros per metric ton on banana imports that do not originate in African, Caribbean, and Pacific ("ACP") countries. As you know,

in April 2001 the United States and the European Union reached an Understanding on Bananas in an effort to resolve the ongoing WTO dispute over trade in bananas. As part of that Understanding, the United States agreed to a temporary tariff-rate quota through 2005, under which the most-favored-nation ("MFN") rate of duty is 75 euros per metric ton while ACP bananas may be imported duty-free. The United States agreed to this lengthy transition period in order to afford ACP countries and the EU sufficient opportunity to adjust to a final tariff-only regime. A final tariff rate was not specified at that time. However, in November 2001, the United States agreed to the EU's request for a WTO waiver from the MFN obligation found in Article 1 of the General Agreement on Tariffs and Trade ("GATT") based on the understanding that the final tariff rate would "at least maintain total market access for MFN banana suppliers."

Now, you don't have to be a trade lawyer or an economist to see that increasing the MFN duty on bananas by over 200 percent will not serve to maintain total market access for MFN banana suppliers. In fact, it will have exactly the opposite effect. One study estimates that a 230 euro tariff will reduce banana exports from Latin American suppliers by over one-third, resulting in lost income of about \$400 million per year and over 75,000 job losses. That is not the outcome envisioned by the United States when we agreed to the Understanding and when we consented to the WTO waiver. It appears at least some in Europe would concur. A recent report by Sweden's Ministry of Agriculture, Food and Consumer Affairs concludes that the final tariff should "reach a level of no more than 75 euro/ton" And according to at least one press report, Sweden's position is supported by a number of EU Member States. I very much hope that the Commission will reconsider its position and instead honor the commitment to introduce a final tariff rate that will at least maintain total market access for MFN banana suppliers.

Third, I am quite dismayed by the Commission's most recent decision to initiate a new WTO case against the sanctions we imposed in response to the EU's ban on imports of U.S. beef treated with growth hormones. Apparently the Commission claims that, by changing its regulation from a permanent ban on six hormones to a provisional ban of indefinite duration on five hormones and continuation of the permanent ban on the sixth, the EU is now in compliance with its WTO obligations. Regardless, the EU's ban on beef treated with growth hormones remains in place. And this new version of the ban isn't backed by sound science any more than the old ban that was ruled illegal by the WTO. Instead, the new ban appears to be backed by "political" science. This exercise in smoke and mirrors sets a poor example. By replacing one scientifically unfounded ban with another and claiming compliance, the EU significantly discredits the DSU. And in the meantime, beef producers in my home state of Iowa and across the United States will continue to be injured, while consumers in Europe will continue to be denied access to high-quality beef. That is hardly a thoughtful and effective way to resolve a dispute that has been left outstanding for far too long.

I appreciate your acknowledgment of my efforts with respect to FSC/ETI. I've worked hard for over two years to bring the United States into compliance with the FSC/ETI decisions. During that time I've heard some in Europe berate the United States for a lack of commitment to the multilateral trading system. And quite frankly, I'm left frustrated. Because after completing this tremendous legislative effort with respect to FSC/ETI compliance, it seems that we're right back where we started before Doha-facing the prospect of continued litigation and increasing tension over beef, bananas, and FSC. That is unfortunate. For instead of looking ahead together to the substantial work that remains to bring the Doha Round to a successful conclusion, the Commission's actions divert precious energy and resources on both sides of the Atlantic, over issues that should have been resolved long ago. Nevertheless, I intend to engage your successor in an effort to minimize these distractions and advance a positive trade agenda, both bilaterally and multilaterally, over the coming years.

Sincerely yours,

Charles E. Grassley
(Republican from Iowa)
Chairman, Committee on Finance
U.S. Senate

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Bush Administration in Transition: New Nominees

Following a presidential election, the winning candidate's first challenge is to put together a new government. This transition period, in which the old government is still in power while the new one is being formed, lasts from the moment an election winner is declared until Inauguration Day on January 20. A smooth transition is a key element in the orderly transfer of power in American democracy.

Unlike parliamentary systems, where there is a shadow government already formed within the opposition party, the U.S. system requires the new president to put together a team from scratch. Usually only the top jobs, the 15 cabinet secretaries and several key advisors, are named during the transition period. Lower ranking officials are typically named in the months following the installation of the new administration.

Since President George Bush has won a second term in office, there will be no major handover of power to the opposition party. Still, tradition requires that all appointed officials be prepared to resign so the president will have the opportunity to start his new term with a fresh team. It is not uncommon for cabinet members and high-level advisers to choose to depart after one term, and important members of Bush's government have already announced they are leaving. New appointees will be named to take their places.

Created: 17 Nov 2004 Updated: 17 Nov 2004

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Condoleezza Rice

Nominated for Secretary of State, November 16, 2004



Dr. Condoleezza Rice has been the Assistant to the President for National Security Affairs, commonly referred to as the National Security Advisor, since January 22, 2001.

In June 1999, she completed a six year tenure as Stanford University's Provost, during which she was the institution's chief budget and academic officer. As Provost she was responsible for a \$1.5 billion annual budget and the academic program involving 1,400 faculty members and 14,000 students.

As professor of political science, Dr. Rice has been on the Stanford faculty since 1981 and has won two of the highest teaching honors -- the 1984 Walter J. Gores Award for Excellence in Teaching and the 1993 School of Humanities and Sciences Dean's Award for Distinguished Teaching.

At Stanford, she has been a member of the Center for International Security and Arms Control, a Senior Fellow of the Institute for International Studies, and a Fellow (by courtesy) of the Hoover Institution. Her books include *Germany Unified and Europe Transformed* (1995) with Philip Zelikow, *The Gorbachev Era* (1986) with Alexander Dallin, and *Uncertain Allegiance: The Soviet Union and the Czechoslovak Army* (1984). She also has written numerous articles on Soviet and East European foreign and defense policy, and has addressed audiences in settings ranging from the U.S. Ambassador's Residence in Moscow to the Commonwealth Club to the 1992 and 2000 Republican National Conventions.

From 1989 through March 1991, the period of German reunification and the final days of the Soviet Union, she served in the Bush Administration as Director, and then Senior Director, of Soviet and East European Affairs in the National Security Council, and a Special Assistant to the President for National Security Affairs. In 1986, while an international affairs fellow of the Council on Foreign Relations, she served as Special Assistant to the Director of the Joint Chiefs of Staff. In 1997, she served on the Federal Advisory Committee on Gender -- Integrated Training in the Military.

She was a member of the boards of directors for the Chevron Corporation, the Charles Schwab Corporation, the William and Flora Hewlett Foundation, the University of Notre Dame, the International Advisory Council of J.P. Morgan and the San Francisco Symphony Board of Governors. She was a Founding Board member of the Center for a New Generation, an educational support fund for schools in East Palo Alto and East Menlo Park, California and was Vice President of the Boys and Girls Club of the Peninsula. In addition, her past board service has encompassed such organizations as Transamerica Corporation, Hewlett Packard, the Carnegie Corporation, Carnegie Endowment for International Peace, The Rand Corporation, the National Council for Soviet and East European Studies, the Mid-Peninsula Urban Coalition and KQED, public broadcasting for San Francisco.

Born November 14, 1954 in Birmingham, Alabama, she earned her bachelor's degree in political science, cum laude and Phi Beta Kappa, from the University of Denver in 1974; her master's from the University of Notre Dame in 1975; and her Ph.D. from the

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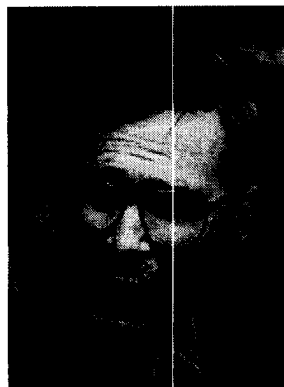
Graduate School of International Studies at the University of Denver in 1981. She is a Fellow of the American Academy of Arts and Sciences and has been awarded honorary doctorates from Morehouse College in 1991, the University of Alabama in 1994, the University of Notre Dame in 1995, the Mississippi College School of Law in 2003, the University of Louisville and Michigan State University in 2004. She resides in Washington, D.C.

(White House Biography)

Created: 17 Nov 2004 Updated: 17 Nov 2004

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Stephen Hadley



President Bush named Stephen Hadley, Condoleezza Rice's deputy at the National Security Council, to be the new National Security Advisor. The National Security Advisor does not have to be confirmed.

Stephen J. Hadley was appointed Assistant to the President and Deputy National Security Advisor on January 22, 2001.

Mr. Hadley served as a senior foreign and defense policy advisor to Governor Bush during the Presidential Campaign and worked in the Bush-Cheney Transition on the National

Security Council.

Previous to this position, he was a partner in the Washington, D.C. law firm of Shea & Gardner and a principal in The Scowcroft Group, Inc., an international consulting firm.

Mr. Hadley served as the Assistant Secretary of Defense for International Security Policy from 1989-1993. In that position, he had responsibility for defense policy toward NATO and Western Europe, on nuclear weapons and ballistic missile defense, and arms control. He also participated in policy issues involving export control and the use of space. Mr. Hadley served as Secretary of Defense Cheney's representative in talks led by Secretary of State Baker that resulted in the START I and START II Treaties.

Mr. Hadley previously served in a variety of other capacities in the defense and national security field, including serving from 1986-1987 as Counsel to the Special Review Board established by President Reagan to inquire into U.S. arms sales to Iran (the "Tower Commission"), as a member of the National Security Council staff under President Ford from 1974-1977, and as an analyst for the Comptroller of the Department of Defense from 1972-1974.

Mr. Hadley has been a member of the Department of Defense Policy Board, the National Security Advisory Panel to the Director of Central Intelligence, and the Board of Trustees of Analytical Services, Inc. ("ANSER"). His professional legal practice focused on business problems of U.S. and foreign corporations particularly as they involve international business, regulatory, and strategy issues. He received a BA degree from Cornell University and a law degree from Yale Law School.

(White House Biography)

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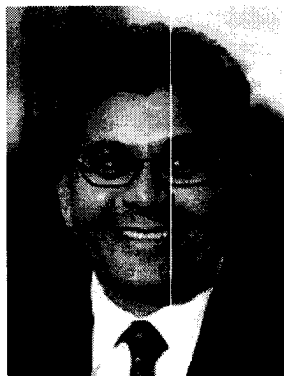
Secretary of Commerce: Carlos Gutierrez

Secretary of Agriculture: Mike Johanns

Secretary of Homeland Security: Bernard Kerik

Alberto Gonzales

Nominated for Attorney General



Judge Al Gonzales was commissioned as Counsel to President George W. Bush in January of 2001. Prior to serving in the White House, he served as a Justice of the Supreme Court of Texas. Before his appointment to the Texas Supreme Court in 1999, he served as Texas' 100th Secretary of State from December 2, 1997 to January 10, 1999. Among his many duties as Secretary of State, Gonzales was a senior advisor to then Governor Bush, chief elections officer, and the Governor's lead liaison on Mexico and border issues.

Prior to his appointment as Secretary of State, Gonzales was the General Counsel to Governor Bush for three years. Before joining the Governor's staff, he was a partner with the law firm of Vinson & Elkins L.L.P. in Houston, Texas. He joined the firm in June 1982. While in private practice, Gonzales also taught law as an adjunct professor at the University of Houston Law Center.

Among his many professional and civic activities, Gonzales was elected to the American Law Institute in 1999. He was a board trustee of the Texas Bar Foundation from 1996 to 1999, a board director for the State Bar of Texas from 1991 to 1994, and President of the Houston Hispanic Bar Association from 1990 to 1991. He was a board director of the United Way of the Texas Gulf Coast from 1993 to 1994, and President of Leadership Houston during this same period. In 1994, Gonzales served as Chair of the Commission for District Decentralization of the Houston Independent School District, and as a member of the Committee on Undergraduate Admissions for Rice University. Gonzales was Special Legal Counsel to the Houston Host Committee for the 1990 Summit of Industrialized Nations, and a member of delegations sent by the American Council of Young Political Leaders to Mexico in 1996 and to the People's Republic of China in 1995.

Among his many honors, in 2003 Gonzales was inducted into the Hispanic Scholarship Fund Alumni Hall of Fame, was honored with the Good Neighbor Award from the United States-Mexico Chamber of Commerce, and received President's Awards from the United States Hispanic Chamber of Commerce and the League of United Latin American Citizens. In 2002, he was recognized as a Distinguished Alumnus of Rice University by the Association of Rice Alumni and was honored by the Harvard Law School Association with the Harvard Law School Association Award. Gonzales was recognized as the 1999 Latino Lawyer of the Year by the Hispanic National Bar Association, and he received a Presidential Citation from the State Bar of Texas in 1997 for his dedication to addressing basic legal needs of the indigent. He was chosen as one of the Five Outstanding Young Texans by the Texas Jaycees in 1994, and as the Outstanding Young Lawyer of Texas by the Texas Young Lawyers Association in 1992. Gonzales was honored by the United Way in 1993 with a Commitment to Leadership Award, and received the Hispanic Salute Award in 1989 from the Houston Metro Ford Dealers for his work in the field of education.

Gonzales was born in San Antonio, Texas and raised in Houston. He is a graduate of Texas public schools, Rice University, and Harvard Law School. Gonzales served in the United States Air Force between 1973 and 1975, and attended the United States Air

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Force Academy between 1975 and 1977. He is married to Rebecca and is the father of three sons.

(White House Biography)

Created: 17 Nov 2004 Updated: 17 Nov 2004

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Margaret Spellings

Nominated for Secretary of Education, November 17



Margaret Spellings currently serves as the Assistant to the President for Domestic Policy. She is responsible for the development and implementation of White House policy on education, health, labor, transportation, justice, housing and other elements of President Bush's domestic agenda.

Prior to her White House appointment, Mrs. Spellings worked for six years as Governor George W. Bush's Senior Advisor with responsibility for developing and implementing the Governor's education policy. Her work included the Texas Reading Initiative, the Student Success Initiative to eliminate social promotion, and the Nation's strongest school assessment

and accountability system. She also made recommendations to the Governor for key gubernatorial appointments.

(White House Biography)

Created: 17 Nov 2004 Updated: 17 Nov 2004

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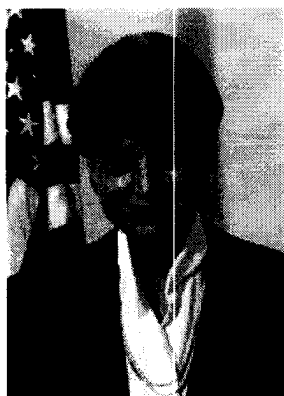
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Harriet Miers



President Bush on November 17 named Harriet Miers as White House counsel, a position she will hold upon the Senate confirmation of Alberto Gonzales -- current White House counsel -- as U.S. Attorney General.

Most recently, Miers served as Assistant to the President and Staff Secretary. Prior to that, she was Co-Managing Partner at Locke Liddell & Sapp, LLP. Previously, she was President of Locke, Purnell, Rain & Harrell, where she worked from 1972 until 1999. From 1995 until 2000, she was chair of the Texas Lottery Commission. In 1992, Harriet became the first woman president of the Texas State Bar, and in 1985 she became the

first woman president of the Dallas Bar Association. She also served as a Member-At-Large on the Dallas City Council. Harriet received both her undergraduate and law degrees from Southern Methodist University.

(White House Biography)

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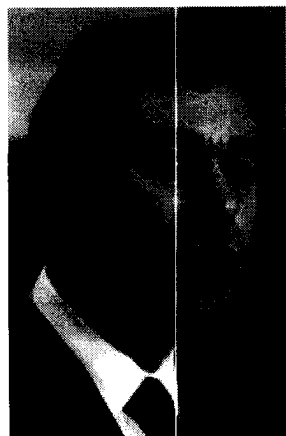
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Carlos Gutierrez



President George W. Bush announced November 29 his intention to nominate Carlos M. Gutierrez, of Michigan, to be Secretary of Commerce. Mr. Gutierrez currently serves as Chairman of the Board and Chief Executive Officer of the Kellogg Company. Mr. Gutierrez began working for Kellogg in Mexico City, Mexico nearly 30 years ago. In 1982, he was promoted to Supervisor for Latin American marketing services and transferred to the corporate headquarters in Battle Creek, Michigan. Two years later, Mr. Gutierrez was named General Manager of Kellogg de Mexico. In 1989, he was appointed President and Chief Executive Officer of Kellogg Canada, Inc.

Mr. Gutierrez went on to serve as Executive Vice President of Sales and Marketing for Kellogg USA and then President of Kellogg Asia-Pacific. In 1998, he was appointed President and Chief Operating Officer. He was elected to the company's Board of Directors and was named President and Chief Executive Officer in 1999.

Mr. Gutierrez is a co-trustee of the W. K. Kellogg Foundation Trust. He is also a member of the Board of Directors of the Colgate-Palmolive Company and Grocery Manufacturers of America.

(White House)

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Mike Johanns



President Bush on December 2 nominated Nebraska Governor Mike Johanns to be Secretary of Agriculture.

Mike Johanns was sworn into office as Nebraska's 38th Governor on January 7, 1999 and in November, 2002 became the first Republican to be reelected Governor of Nebraska since 1956.

As Governor, he has promoted an agenda of tax relief, less government, building the economy, protecting families, and ensuring the health, safety, and success of Nebraska's

children.

Mike Johanns was born in Iowa and raised on a dairy farm. He graduated from Osage (Iowa) Community High School, St. Mary's College in Winona, Minnesota, and earned his law degree from Creighton University in Omaha. He then clerked for the Honorable Hale McCown at the Nebraska Supreme Court.

Mike Johanns began practicing law at the firm of Cronin & Hannon in Omaha, Nebraska, then moved to Lincoln where he joined the law firm of Nelson Johanns Morris Holdeman & Titus. He sought public office for the first time in 1982 and was elected to a four-year term on the Lancaster County Board of Commissioners. After deciding not to run for reelection to the County Board, Johanns was elected to the Lincoln City Council in 1989. Two years later he successfully challenged the incumbent mayor of Lincoln. In 1995, Johanns was reelected mayor without opposition. As mayor he focused on public safety, domestic abuse, economic development, and holding the line on property taxes.

Governor Johanns has made property tax relief, reducing the size of government, building the state's economy, protecting families, and ensuring the health, safety and success of Nebraska's children his priorities. A list of his major enacted initiatives:

- \$85 million dollars in surplus state sales tax and state income tax dollars dedicated for direct property tax relief over two years and an expanded homestead exemption for seniors, veterans, and the disabled;
- reductions in the size and cost of the Governor's office staff, elimination of the Washington lobbyist, restrictions on the use of state cars, an emphasis on e-government and technology applications, and the merger of the Department of Water Resources and Natural Resources Commission into the new Department of Natural Resources;
- incentives for business growth and job creation in rural and urban areas of Nebraska and an emphasis on value-added agriculture, especially ethanol;
- tougher penalties for drug dealers, fourteen additional state troopers, increased technology for law enforcement, and settlement of a long-running labor disagreement between the state troopers' union and the State; in the area of health care, boosted the state's investment in mental health services, extended Medicaid coverage to the treatment of breast and cervical cancer for low income women, and directed the state's share of the national tobacco settlement to health care needs including developmental disabilities, public health, mental health and biomedical research; and

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- promoted adoption of foster children, a record number of children covered by health insurance, dramatically increased investment in early childhood education, increased state funding for K-through-12 and special education costs, and criminalized the offense of child enticement.

Governor Johanns has led five delegations of Nebraska government, business, and agriculture leaders on trade missions to eight countries including Japan, Taiwan, China, Hong Kong, Australia, Korea, Singapore, Malaysia, Brazil, and Chile. He has also been a strong advocate for Nebraska agriculture producers during a period of depressed commodity prices and severe drought.

Currently, Governor Johanns is a member of the National Governors' Association's Executive Committee. He has been an active member of the Association, previously serving as Chairman of the NGA's Committee on Economic Development and Commerce, a post he also held in 2000-2001. Governor Johanns also serves as Chairman of the Governors' Biotechnology Partnership and continues to serve as the state government representative on the advisory committee to the Export-Import Bank of the United States. He is a Co-lead Governor for the Western Governors' Association (WGA) on drought issues. Governor Johanns is a past Chairman of the Midwestern Governors' Association (2002), former lead governor for agriculture including the 2002 re-authorization of the federal farm bill, and past Chairman of the 25-state Governors' Ethanol Coalition (2001).

Mike Johanns has two children and is married to Stephanie Johanns, a former Lancaster County Commissioner and former State Senator. Stephanie Johanns is currently Vice President of External Relations for Nebraska, Kansas and Missouri, for ALLTEL, a communications company.

Created: 00 Dec 0000 Updated: 00 Dec 0000

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Bernard Kerik



Bernard Kerik with President Bush, December 3, 2004.

President Bush nominated former New York City police commissioner Bernard Kerik as Secretary of Homeland Security on December 3.

From the United States Army to the New York City Police Department, Bernard B. Kerik has distinguished himself as a leader and innovator. His years of government service have been characterized by dedication, loyalty, success and courage under fire. Commissioner Kerik was appointed New York City's 40th Police Commissioner on August 21, 2000. Prior to his appointment, he served as Commissioner of the Department of Correction, a position to which he was appointed on January 1, 1998.

He previously served for three years as this Department's First Deputy Commissioner and the Director of the Investigations Division.

Commissioner Kerik began his professional career as a member of the U.S. Army's Military Police, serving in Korea and in the 18th Airborne Corps where he trained Special Forces personnel. Following his military service, Commissioner Kerik traveled to Saudi Arabia where he assumed various security assignments, including protection for members of the Saudi Royal Family.

Returning to the United States, Commissioner Kerik served as the Passaic County Sheriff's Office Training Officer, the Assistant Commander of the Sheriff's Emergency Response Team, and the Commander of its Special Weapons and Operations Units. In December 1985, Commissioner Kerik was appointed the Warden of the Passaic County Jail.

In July of 1986, Commissioner Kerik left the Passaic County Jail to join the New York City Police Department. He served in a variety of assignments including undercover duties with anti-crime and narcotics units in various commands before being selected for the U.S. Department of Justice's New York Drug Enforcement Task Force. It was there that he helped direct a narcotics investigation that resulted in the conviction of more than sixty members of the Cali Cartel.

During his tenure with the NYPD, he was decorated on thirty separate occasions for meritorious and heroic service, receiving the Police Department's prestigious Medal of Valor.

In December 1997, he was appointed by Mayor Giuliani to the newly formed New York City Gambling Control Commission. Commissioner Kerik currently is president of the American Academy for Professional Law Enforcement, and serves on the Terrorism Committee of the International Association of Chiefs of Police. He is also a member of the Criminal Justice Advisory Council of St. John's University and a former chairman of the Michael John Buczek Foundation's Annual Fundraiser, which honors law enforcement heroes across the nation.

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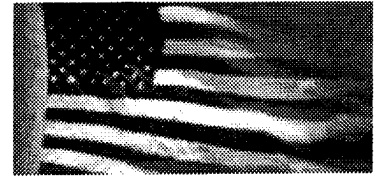
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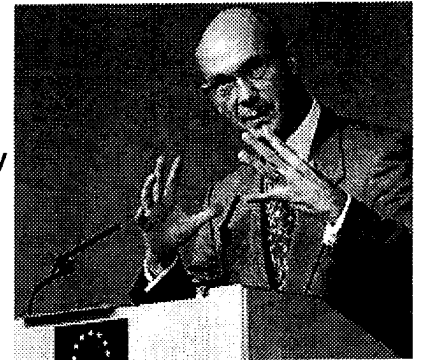
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Pascal Lamy



No. 137/04
October 6, 2004

US-BOEING: EU TAKES US TO THE WTO OVER SUBSIDIES GRANTED TO BOEING

Today, the EU has requested consultations with the United States in the World Trade Organization (WTO) on massive subsidies granted to Boeing. The EU believes that these subsidies are in serious violation of the WTO Agreement on Subsidies and Countervailing Measures. The US launched a case regarding European support to Airbus earlier in the day. EU Trade Commissioner Pascal Lamy stated: *"The US move in the WTO concerning European support to Airbus is obviously an attempt to divert attention from Boeing's self-inflicted decline. It also shows that the US were never seriously interested in seeking to renegotiate the existing '92 EU-US Bilateral Agreement. If this is the path the US has chosen, we accept the challenge, not least because it is high time to put an end to massive illegal US subsidies to Boeing which damage Airbus, in particular those for Boeing's new 7E7 programme. Nonetheless, it is a pity that the US has chosen to go to litigation which could destabilize trade and investment, including in Boeing's 7E7 project. Aerospace workers can rely on the European Commission to defend their interests."*

For many years the US Government has subsidised Boeing, mainly by paying research and development costs through NASA [US National Aeronautics & Space Administration], the Department of Defense, the Department of Commerce and other government agencies. Since 1992 Boeing has received around \$23 billion in US subsidies. Moreover, the US Government continues to grant Boeing around \$200 million per year in export subsidies under the Extraterritorial Income Exclusion Act (the successor to the "FSC" – Foreign Sales Corporations legislation), despite a WTO ruling expressly declaring these subsidies illegal.

The latest and most flagrant violation consists in massive subsidies of about \$3.2 billion, inter alia, in the form of tax reductions and exemptions and infrastructure support for the development and production of Boeing's 7E7, also known as "Dreamliner." The evidence the European Commission has collected over the years clearly demonstrates that the above subsidies violate the WTO Agreement on Subsidies and Countervailing Measures.

Moreover, they also violate the 1992 EU-US Agreement on Trade in Large Civil Aircraft which regulates precisely the forms and level of government support the US and the EU

provide to Boeing and Airbus respectively.

Despite repeated invitations by the Commission, the US has declined to participate in the bilateral consultations stipulated by the 1992 Agreement for more than two years. Nonetheless, further to a US request only a few weeks ago, the Commission agreed to discuss the question of a possible revision of the 1992 Agreement provided that this would cover all forms of subsidies including those used in the US and that the US would bring any subsidies for the Boeing 7E7 into conformity with the 1992 Agreement.

Finally, and just when these discussions were taking place (most recently in a constructive meeting on 16 September), the US requested WTO consultations on European support to Airbus. This suggests that the US request for re-negotiation of the 1992 Agreement was never particularly serious.

WTO consultation and dispute settlement procedures

The first step in a WTO dispute settlement is a request for consultation from the complaining member. The defendant has 10 days to reply to the request and shall enter into consultation within a period of no more than 30 days (unless otherwise agreed by the 2 parties). The consultation should aim at finding a positive solution to the issue at stake.

If the consultations fail to settle the dispute within 60 days after the date of receipt of the consultation request, the complaining party may request the Dispute Settlement Body (DSB) to establish a Panel. (However, the complaining party may request a panel during the 60-day period if the 2 parties consider that the consultations have failed to settle the dispute.)

Once the panelists are nominated, the complaining party has normally between 3 and 6 weeks to file its first written submission and the party complained against another 2 to 3 weeks to respond. Two oral hearings and a second written submission follow. On average a panel procedure lasts 12 months. This can be followed by an appeal that should not last longer than 90 days.

For more information:

http://europa.eu.int/comm/trade/issues/sectoral/industry/aircraft/index_en.htm

http://europa.eu.int/comm/trade/issues/respectrules/dispute/index_en.htm

Background Information:

EU – US Agreement on Large Civil Aircraft 1992: key facts and figures

The '92 EU-US Agreement

Until the late '70s, the US enjoyed almost a de facto monopoly in the Large Civil Aircraft (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, as 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 imposes disciplines on government support on both sides of the Atlantic which are significantly stricter than the relevant WTO rules: notably, the Agreement regulates in detail the forms and limits of government support, prescribes transparency obligations and commits the parties to avoiding trade disputes.

Disciplines on EU and US 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 launch investments, which are 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 mainly in use in Europe.

- On the other hand, the agreement establishes that indirect support (e.g., benefits provided for aeronautical applications of NASA or military programmes) should be limited to 3% of the nation's LCA industry turnover. This discipline is primarily targeted at the support system in use in the US. In contrast to the European system of repayable launch investment, there is no requirement for indirect support to be reimbursed, and the generous ceiling of 3% is calculated on the larger basis of the turnover of the LCA industry and applies per individual year.

European Government Support

European governments provide repayable launch investment – not grants – to Airbus at the time of program launch. European government investments support the European technology research & development sector, just as US Government R&D schemes have sought to do, through NASA, FAA [US Federal Aviation Administration], Department of Defense (DoD) and export tax relief programs. However, EU governments spend 3 times less on aerospace R&D than the US Government.

All European government loans for Airbus programs have been made entirely within the letter and the spirit of the 1992 US-EU Agreement on Trade in Large Civil Aircraft since its entry into force, and this will continue to be the case for all future Airbus programs. The US have not disputed this fact.

- Of the 8 Airbus aircraft launched since 1990, only 3 programs have been launched with government investment.

- Airbus pays royalties to governments over the entire life of the aircraft programs. Interest and principal is repaid on deliveries, even before the programs break even and irrespective of the sale price.

US Government Subsidies

US Government subsidies, mostly in the form of military and NASA contracts, research and development expenditure and tax subsidies have enabled the US aerospace industry to maintain its global dominance for more than 50 years.

- Unlike European launch investment, none of this support has to be repaid – and in fact is not repaid.

- Since 1992, Boeing has received around \$23 billion in subsidies from the US Government.

- The total US Government indirect support of the US LCA industry in FY 2003 alone was up to \$2.74 billion. This represents around 11.9% of the FY 2003 commercial turnover of the US LCA industry.

- Since 1990, Boeing has outsourced increasingly large shares of its civil aircraft programmes to other countries, e.g., Japan (more than 60% of the 7E7). The governments of these countries subsidize these shares, such that Boeing's programs also receive substantial foreign subsidies.

- Since 1990 Boeing has avoided paying around more than \$1.65 billion in federal taxes through the use of off-shore Foreign Sales Corporations (FSC). This is a direct (and illegal) government subsidy prohibited by international rules.

The real issue is one of competitiveness: from 2001 to 2003, Boeing has invested only \$2.8 billion of its own funds in commercial aircraft R&D and capital expenditure compared to \$9.4 billion by Airbus. Lack of R&D and capital investment has meant that Boeing has not launched any new programs since 1990.

US subsidies in the form of Defence Procurement

There are massive benefits accruing to Boeing's large civil aircraft business from military R&D programmes and overpriced DoD contracts, e.g., sales of subsequently converted civil airplanes to the US Department of Defense at inflated prices. Recent examples include:

- Regarding the possible sale of B-767 refuelling "tanker" aircraft, a 2003 Morgan Stanley report establishes a subsidy margin of 9% or \$1.6 to \$2.3 billion in profits for Boeing. The report argues that the lease deal is the equivalent "at least 700 firm deliveries of Boeing 767s," that the normal profit margin for the 767 is 6% and that the Pentagon plans to give Boeing up to 15%.
- On 14 June 2004, the US Navy awarded Boeing a contract worth potentially about \$44 billion until 2030 for the production and maintenance of 108 civil B-737 and their into long-range submarine hunter Multi-Mission Aircraft. It appears that airplanes will be built at Boeing's civil plants in Wichita, Kansas, and Renton, Washington.

US subsidies in the form of R&D expenditure

Boeing's large civil aircraft business benefits significantly from NASA and DoD R&D programmes. In 2003 alone, Boeing received \$2.74 billion in subsidies, including around \$2 billion from the US Department of Defense and more than \$600 million from NASA.

The largest part of funds spent by the government in R&D for a specifically aeronautical product constitutes a reduction in R&D expenses for the main potential user of the technology, i.e., Boeing. This is the case even if the R&D is eventually not successful.

Subsidies to the planned Boeing 7E7: over \$ 5 billion

Planned subsidies for Boeing's 7E7 programme from Washington State (\$3.2 billion), Kansas (\$0.5 billion), Oklahoma (\$0.35 billion). Washington State 7E7 subsidies alone are about as high as European launch investment for A380. The only difference is that A380 launch investment is paid back and is compatible with the 1992, while Washington support is not. In addition, Washington 7E7 production subsidies are illegal under the 1992 Agreement. To this must be added the planned 7E7 subsidies of around \$1.6 billion from Japan.

EU-US links in the aeronautics sector

Numerous European companies participate in US programmes and vice versa, e.g.

Airbus A380 – US suppliers

| | |
|------------------|--|
| Eaton | Hydraulic systems |
| General Electric | Engines |
| Goodrich | Main landing gear; evacuation systems; interior lighting |
| Honeywell | Avionics |
| Northrop Grumman | Navigation equipment |
| Parker Hannifin | Fuel; flight control; hydraulic & pneumatic systems |

Boeing 7E7 – European suppliers

| | |
|----------------------------|----------------------------------|
| Cobham (U.K.) | Pumps & valves |
| Dassault Systemes (France) | Software & tools |
| Finmeccanica (Italy) | Airplane elements |
| GKN (UK) | Materials technology development |
| Groupe Latecoere (France) | Structural development work |
| Rolls-Royce (UK) | Engines |

- Airbus spent in US ca. \$50 billion since 1990, \$15 million per day, procures \$5.6 billion per year.
- Airbus supports 120,000 jobs in the US aerospace industry.
- Boeing continues to move jobs abroad via outsourcing to foreign subcontractors.
- Boeing is indirectly benefiting from European launch investment through its European partners.

Key Facts and Figures

- \$23 billion in subsidies from the US Government to Boeing since 1992.
- Over \$1 billion in illegal FSC/ETI subsidies to Boeing between 1999 and 2003 and continues to receive around \$200 million per year.
- \$2.7 billion subsidies to Boeing in 2002 alone: this represented 8.6% of Boeing's turnover in 2002, i.e., almost 3 times the 3% limit of the 1992 Agreement. The situation in 2003 is similar.

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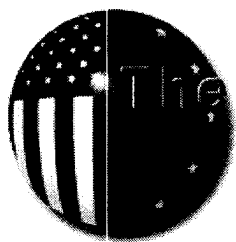
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The United States Mission to the European Union

<http://www.useu.be>

Brussels, Belgium

U.S. FILES WTO CASE AGAINST EU OVER UNFAIR AIRBUS SUBSIDIES

Date: October 6, 2004

By Tim Receveur, Washington File Staff Writer

The United States filed a complaint against the European Union to the World Trade Organization (WTO) on October 6, contesting billions of dollars in "unfair subsidies" provided to aircraft company Airbus SAS by European governments. The Office of the U.S. Trade Representative (USTR) announced the action, saying that last month's negotiations between senior U.S. and European Commission trade officials failed to resolve the dispute.

"This is about fair competition and a level playing field," said U.S. Trade Representative Robert Zoellick. "Since its creation 35 years ago, some have justified subsidies to Airbus as necessary to support an 'infant' industry. If that rationalization were ever valid, its time has long passed. Airbus now sells more large civil aircraft than Boeing," he said.

Although the U.S. is willing to accept current subsidies, including those "in the pipeline," Zoellick said new EU-subsidies to aircraft manufacturers are unacceptable and a violation of international trade rules. In recent months Airbus has signaled its intention to seek government subsidies to launch its new A350 model airliner, a prime competitor to Boeing's 7E7, according to a USTR fact sheet.

The United States also announced that it is terminating the 1992 U.S.-EU Agreement on Large Aircraft, which limited subsidies for U.S. and EU airplane makers to one-third of the production costs for new models. "The United States remains interested in an agreement that ends all new subsidies. So as this case proceeds, we remain open to negotiating a new accord -- as long as it ends the new subsidies," said Zoellick.

The U.S. filing begins a 60-day period of consultations between the United States and the EU to end the dispute on their own. This is a mandatory first step before the United States can request a WTO panel to hear the case.

In response to the U.S. filing, the European Commission filed its own complaint to the WTO claiming Boeing receives "massive subsidies" from the U.S. federal government and new tax incentives from Washington state. "We remain open to addressing Europe's concerns with regard to government support they believe Boeing receives. It is in the interests of both Europe and the United States to find a durable solution to this long-standing problem," said Zoellick.

Please find below a press release issued by the U.S. Trade Representative's office, along with a Chronology and Fact Sheet (pdf files):

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20508

Contact: USTR: Richard Mills / Neena Moorjani at +1 (202) 395-3230

U.S. FILES WTO CASE AGAINST EU OVER UNFAIR AIRBUS SUBSIDIES

WASHINGTON - U.S. Trade Representative Robert B. Zoellick announced that in order to level the playing field for American workers and companies, the United States today would file a World Trade Organization (WTO)

dispute settlement case against the European Union (EU) regarding billions of dollars in unfair subsidies provided to Airbus by European governments.

"This is about fair competition and a level playing field. Since its creation thirty-five years ago, some Europeans have justified subsidies to Airbus as necessary to support an 'infant' industry. If that rationalization were ever valid, its time has long passed. Airbus now sells more large civil aircraft than Boeing," said Zoellick.

The United States and Europe share a trillion dollar economic relationship, and have worked closely on many trade fronts in recent years, most importantly on mutual efforts to advance trade liberalization efforts in the Doha negotiations. Both parties recognize the appropriateness of using the WTO process to resolve trade disputes. The WTO was created for just such purposes. In recent years, the United States and Europe have each brought about the same number of WTO disputes against the other.

In recent months, the United States has been urging the European Commission (EC) to negotiate a new agreement to replace the 1992 U.S.-E.U. Agreement on Large Civil Aircraft. The agreement places limits on certain government support, including limiting it to one-third the costs of developing a new aircraft.

"We urged the EU to agree that neither of us should provide new subsidies to aircraft manufacturers. We offered to simplify our task by using the subsidy definition that the EU and the United States had already agreed to in the WTO. We even were willing to accept subsidies in the pipeline - but then draw the line. That's a fair offer," said Zoellick. "But the EU and Airbus appear to want to buy more time for more subsidies for more planes. That isn't fair and it violates international trade rules. Since we could not agree, the United States decided to pursue resolution through the agreed procedures of the multilateral trading system, by bringing a WTO case before an international dispute resolution panel."

Boeing is the leading U.S. producer of airplanes, and Airbus is its main competitor. When the 1992 agreement was negotiated, Airbus accounted for only about 30 percent of the global market. It now represents more than 50 percent of this market. Clearly, the 1992 agreement has outlived its usefulness.

"The 1992 Agreement was negotiated after the United States had won a case against the European subsidies to Airbus and was pursuing another case within the GATT system that preceded the WTO dispute settlement procedures," Zoellick went on to note. "The United States remains interested in an agreement that ends all new subsidies. So as this case proceeds, we remain open to negotiating a new accord - as long as it ends the new subsidies."

Consistent with today's decision to move forward with a WTO case, the United States also exercised its right, as provided by the 1992 Agreement's terms, to terminate that agreement.

"American farmers, workers, and businesses can compete against anyone, as long as there is a level playing field. Terminating this agreement reinforces our belief that now is the time to end subsidies, ideally through a new agreement. We remain open to addressing Europe's concerns with regard to government support they believe Boeing receives. It is in the interests of both Europe and the United States to find a durable solution to this long-standing problem," Zoellick said.

Background:

The WTO Case Against Airbus

The U.S. case alleges that launch aid and other government support to Airbus qualifies as a subsidy under the Agreement on Subsidies and Countervailing Measures (SCM) and that such subsidies are "actionable" because they cause adverse effects or are "prohibited" because they are export-contingent, or both.

The 1992 Agreement does not preclude the United States or the European Commission from bringing a WTO case. The terms and obligations under the 1992 bilateral Agreement are separate and distinct from the terms and obligations of the 1994 SCM Agreement. Compliance with one is not a defense against claims of non-compliance with the other.

The first step in the WTO process is to file a Request for Consultations. The United States is taking this step today. This begins a period of no less than 60 days for the parties to consult in an effort to resolve the matter. If after 60 days the parties are unable to do so, the United States would be authorized to request that a WTO panel be established to make findings on this matter.

Termination of the 1992 Agreement

Consistent with the United States' view that now is the time to end new subsidies and its decision to file a WTO

case, the United States today is also exercising its right, as provided by the 1992 agreement's terms, to terminate that agreement.

Subsidies to Airbus

Airbus S.A.S. ("Airbus") was established in 1970 as a European consortium of French, German, and later, Spanish and U.K. companies. In 2001, Airbus formally became a single integrated company. The European Aeronautic Defence and Space Company ("EADS") and BAE SYSTEMS of the U.K. transferred all of their Airbus-related assets to the newly incorporated company and became 80 percent and 20 percent, respectively, owners of the company. The operating results of Airbus are fully consolidated in the EADS balance sheet.

Over its 35 year history, Airbus has benefited from massive amounts of EU member state and EU subsidies that have enabled the company to create a full product line of aircraft and gain a 50 percent share of large commercial aircraft ("LCA") sales and a 60 percent share of the global order book. Every major Airbus aircraft model was financed, in whole or in part, with EU government subsidies taking the form of "launch aid" - financing with no or low rates of interest, and repayment tied to sales of the aircraft. If the sales of a particular model are less than expected, Airbus does not have to repay the remainder of the financing. EU governments have forgiven Airbus debt; provided equity infusions; provided dedicated infrastructure support; and provided substantial amounts of research and development funds for civil aircraft projects.

Since 1985, the United States has been involved in several major rounds of negotiations with the Airbus partner governments and the Commission with the objective of achieving greater disciplines over the subsidies provided to Airbus. In 1989 and 1991 the United States brought two cases at the GATT challenging Airbus subsidies. The first case challenged a German program that offset adverse exchange rate fluctuations on sales of Airbus aircraft, and the second, broader case challenged overall subsidies to the Airbus consortium. The first case ended in a victory for the United States after a GATT panel determined that the exchange rate scheme constituted a prohibited export subsidy. The EC blocked adoption of the panel report, which was permitted before the creation of the WTO, but Germany subsequently withdrew the scheme.

The United States withdrew the second case in July 1992 after the two sides negotiated a bilateral agreement limiting government support for large civil aircraft programs. The agreement included a prohibition of future production support and a limitation on the share of government support for the development of new aircraft programs to 33 percent of the project's total development costs.

After 12 years, the United States believes the 1992 agreement has outlived its usefulness and needs to be terminated. Expected to lead to a progressive reduction of subsidies, the 1992 agreement has instead become an excuse for EU governments to continue subsidizing Airbus. The \$3.2 billion in launch aid that the EU governments have committed for the new Airbus A380 is the largest amount of funds committed for a single project. The EU has provided further loans and infrastructure that has pushed the total amount of A380 subsidies to approximately \$6.5 billion. Airbus is now contemplating the launch of another competitor (A350) to the recently-launched Boeing 7E7, and has indicated its intentions to request subsidies for that aircraft as well.

In addition, Airbus' market share has increased markedly over the agreement's lifetime. Its share of the market had already increased from 16 percent in 1988 to 30 percent in 1990, prior to the agreement's signing; it reached 50 percent in 1999. In the meantime, McDonnell Douglas' market share dropped precipitously, culminating with the firm's purchase by Boeing in 1997. Airbus's success in gaining additional market share is exemplified by the goals it has set for itself over its lifetime: In 1975, Airbus aimed to gain a 30 percent share of the world aerospace market. By 1994, it had declared that nothing less than 50 percent would do. It has exceeded that goal.

In 1997, the EC conditioned approval of the merger of Boeing and McDonnell Douglas on a commitment by Boeing to license to Airbus any "government-funded patent" that could be used in the manufacture or sale of large civil aircraft. Airbus has no similar commitment to share the fruits of government-funded technology with Boeing. The United States has sought to include a mutual commitment of this kind in a new bilateral agreement.

In 1999, a WTO panel reviewing a complaint by Brazil found that Canadian aircraft financing with launch aid-type terms was a prohibited export subsidy. Another panel, reviewing a case brought by Canada, found that Brazil's interest rate subsidies to its aircraft manufacturer were also an export subsidy.

Efforts to Negotiate a New Bilateral Agreement

The last major USG effort to address subsidies to Airbus was in 1999 - 2000, when the United States sought to head off subsidized financing for the A380. The considerations at that time included a possible WTO case. For its own business reasons, however, Boeing did not support such a course. As a consequence, the Clinton Administration did not pursue a WTO case at that time.

Matters changed significantly this year as talk surfaced of new subsidies for a new Airbus plane. Subsequently, USTR Zoellick had several conversations with EU Trade Commissioner Lamy in late Spring and early summer regarding this matter. USTR and EC trade officials met in July and more recently in September with the goal of securing a commitment to end new subsidies.

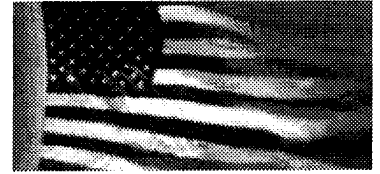
In August, President Bush instructed USTR Zoellick to pursue all options to end the subsidization of Airbus, including the filing of a WTO case, if need be. USTR has sought to end the subsidies through the negotiation of a new bilateral agreement. The EC has been unwilling to agree on the goal of ending all new subsidies, much less on how to achieve this goal.

USTR Zoellick met with Commissioner Lamy on September 30 to discuss this matter. The EC remains opposed to the goal of ending new subsidies for large civil aircraft.

While the United States remains committed to resolving this matter through the negotiation of a new bilateral agreement, we have concluded that filing a WTO case at this time is necessary to ensure that, one way or another, the playing field is leveled. The WTO offers an agreed multilateral forum for resolving trade disputes according to agreed rules.

For more information: Chronology and Fact Sheet (pdf files)

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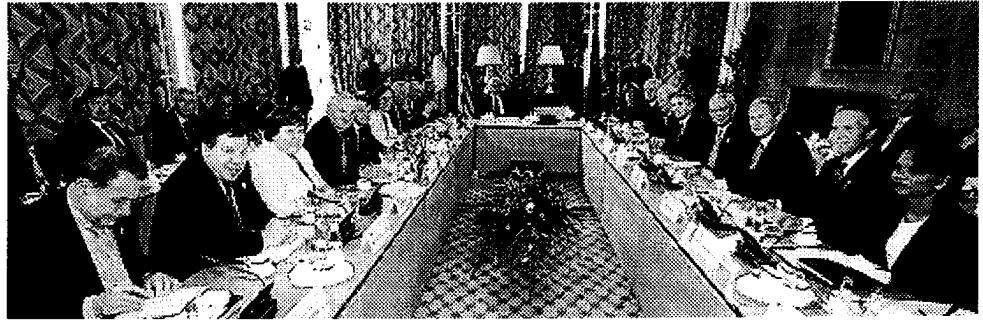
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June 26, 2004 EU/US Summit

No. 133/04
 September 30, 2004

2004 COMMISSION LAUNCHES PUBLIC CONSULTATION ON STRENGTHENING OF EU-US ECONOMIC PARTNERSHIP

The European Commission launched today a public consultation of stakeholders on how to enhance the Transatlantic Economic Partnership. This is the first step towards implementing the "EU-US Declaration on Strengthening our Economic Partnership" adopted at the EU-US Summit on 26 June 2004 in Ireland by Presidents Prodi and Bush and Taoiseach Ahern. The Commission invites the business community, environmental and consumer organisations, trade unions and other interested groups and individuals to provide their views on the obstacles they face when trading or investing in each other's market and on future trade and economic relations between the European Union and the United States.

The attached document contains a number of questions to stakeholders and invites them to provide their ideas and proposals.

The public consultation will be held during the months of October and November 2004. Its results will be summarised, analysed and compared with the outcome of a similar consultation held in parallel by the United States Administration. Subsequently, policy options will be elaborated by both sides, feeding into a joint forward-looking strategy to be presented by the EU-US Senior Level Group of officials to the next EU-US Summit in 2005.

This consultation is aimed at bringing forward new ideas on how to further transatlantic economic integration, to enhance the flow of investment as well as trade, to spur innovation and job creation and to identify and overcome obstacles to the realisation of the competitive potential of our economies.

The EU and the US form the largest trade and investment relationship in the world and are each other's largest trade and investment partners. The volume of trade in 2003 comprised more than € 600 billion worth of goods and services and, in terms of investment, EU firms hold € 890 billion of direct investment in the US while the US companies hold € 650 billion in the EU: a total of over € 1.5 trillion.

The consultation is open until 30 November 2004 via the European Commission's Trade and External Relations' websites. A presentation, a link to the questionnaire, available in all EU official languages, as well as more information on EU-US relations can be found at:

http://europa.eu.int/comm/external_relations/us/intro/index.htm ;

http://europa.eu.int/comm/trade/issues/bilateral/countries/usa/index_en.htm .

The questionnaire is provided by the "Your Voice in Europe" Internet site, which is the relaunched one-stop shop giving access to all Commission consultations and their results across all policy areas.

http://europa.eu.int/yourvoice/consultations/index_en.htm#open .

To access the results of the 2004 EU-US Summit, go to:

http://europa.eu.int/comm/external_relations/us/sum06_04/conclusions.htm or to

<http://www.eurunion.org/partner/summit/20040625&26sum.htm> .

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