

# news

A review of Transatlantic Relations

Volume II, Number 6, December 2000

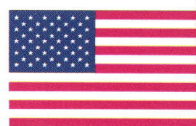
## Highlights from the EU-US Summit in Washington

*December saw a new EU-US Summit where top leaders from both sides gathered to review achievements and to impulse progress in Transatlantic Relations. From the EU, Commission President Prodi attended together with President Chirac, Commissioners Patten and Lamy, and High Representative for CFSP Solana. The US side was headed by President Clinton –who attended his fifteenth Transatlantic Summit-, Secretary of State Albright and USTR Ms Barshefsky*

Summits give the opportunity to deal with issues in a direct way, without fear of second guessing. Transatlantic Summits are outstanding opportunities to make progress in areas of mutual interest, in the benefit of EU and US citizens. They allow leaders to broker tough issues, to give political leadership on major topics and to plan for future challenges.

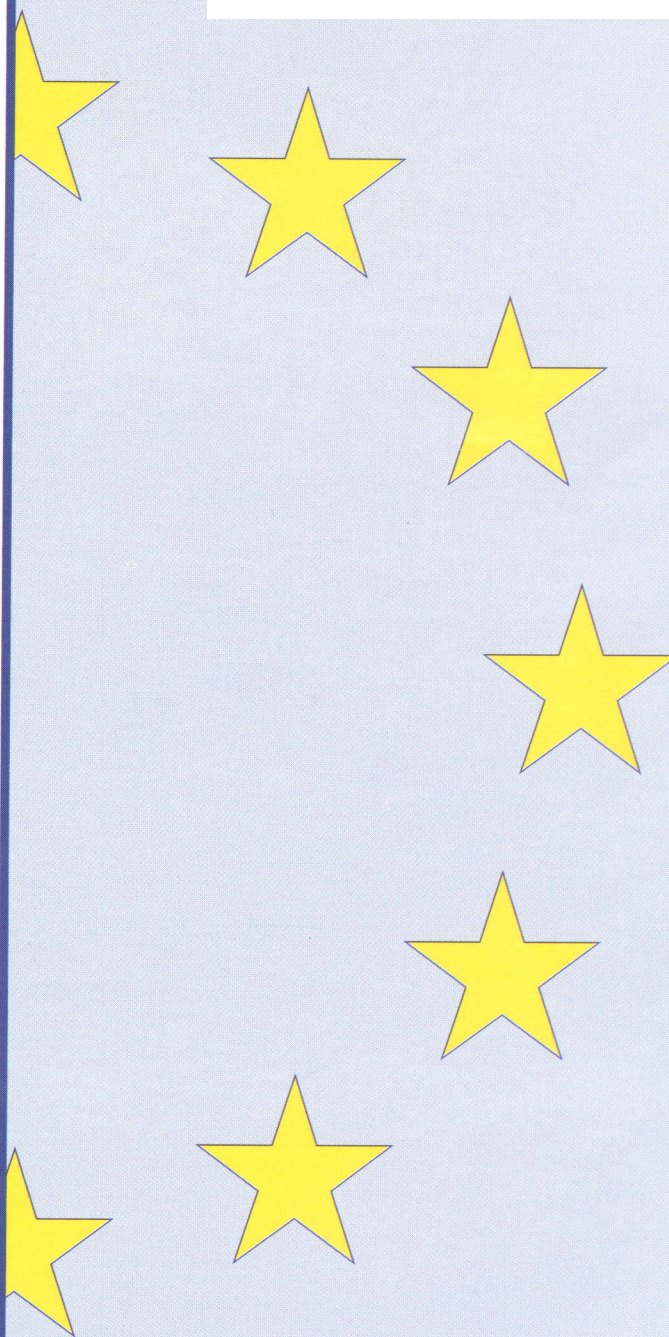
At the Washington Summit, the EU and the US worked to see success. Both sides pushed forward with statements on arms exports controls, communicable diseases in Africa, e-Confidence and the Western Balkans. The EU and the US moved forward their common agenda on information society and the new economy, where both sides want to foster the conditions for continued innovation and growth, but to see no divides within Transatlantic societies or with others to emerge.

### Some of the issues at stake at the December Summit



In Africa, communicable diseases, such as the big killers malaria, tuberculosis and HIV/Aids, have lead to precipitous declines in life expectancy. The EU is making a great effort to bring about access to affordable medicines, whilst at the same time setting up the conditions for them to retain

*(continued on page 3)*



European Commission





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their potency. Cooperation with the US will increase the efficiency of this humanitarian agenda.

Past and future cooperation in promoting progress of Democracy in the Balkans were discussed. Both sides reviewed recent positive developments in this region, and discussed how to make them irreversible. Recent developments in the Middle East were treated as well.

On e-commerce, freewheeling may be the current style. But e-commerce is commerce, and its novelty does not put it beyond the proper scope of government oversight. Both sides have an interest in increasing confidence in the sector. Judicious and proportionate legislation is needed. Among other things, governments must ensure that e-privacy is not an issue that sees a competitive drive to the lowest standards. The Summit reviewed work undertaken since the Queluz Summit in the Summer, and suggested new vistas for co-operation in the new year.

Other summit deliverables included the signature of the renewed education agreement, increased cooperation on biotechnology, science & technology, and elements under the Transatlantic Economic Agenda

(guidelines for regulatory cooperation, mutual recognition agreements).

### Fine-tuning Summits

Summits are being refashioned to be forward looking and problem solving. One of the main underlying issue is the future of Transatlantic relations, which are bound to become even more important as the EU consolidates its equal partnership with the US.

With the advent of a new Presidency, it is time to take stock of 1995 New Transatlantic Agenda. The EU is preparing some thoughts on the NTA process, including making Summits more action and result orientated. Better prioritisation and better strategic themes will make the the EU –US relationship even more fruitful and mutually beneficial not only for us but for the whole Globe. The EU and US are leading partners in World issues.

*Key participants in the Summit and their biographies can be detailed in the next page.*

*A special Washington Summit webpage can be reached at: [http://europa.eu.int/comm/external\\_relations/us/summit12\\_00/index.htm](http://europa.eu.int/comm/external_relations/us/summit12_00/index.htm)*

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## Key EU participants at the EU-US Summit



**Romano Prodi**  
President of the European Commission

Born in 1939 at Scandiano, Italy, Mr Prodi knows the US well: after his doctoral studies at the LSE, he held prestigious teaching posts at Harvard and Stanford. In 1978 he became

Minister for Industry of Italy, and later Chairman of the Institute for Industrial Reconstruction. In 1995 he was elected Chairman of the Ulivo, the centre left coalition. Between 1996 and 1999, he was President of the Italian Council of Ministers. In September 1999 Mr Prodi became President of the European Commission.

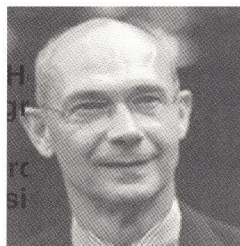


**Christopher Patten**  
Commissioner for External Relations

Born in 1944, Mr Patten graduated from Oxford; he began his political and professional career first as researcher and Political Advisor, then in 1979

as an elected Member of the UK Parliament. In 1985 he became Minister of State,

then Minister for Overseas Development and subsequently Secretary of State for the Environment. Chairman of the Conservative Party in 1990, Mr Patten was during the crucial 1992 - 1997 years Governor of Hong Kong. He was later Chairman of the Commission for Northern Ireland. In 1999 he was appointed Commissioner for External Relations at the European Commission.



**Pascal Lamy**  
Commissioner for Trade

Mr Lamy was born in 1947.

He owns several prestigious degrees, and graduated from French E.N.A. His

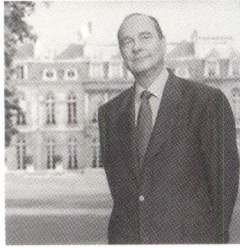
Professional record includes positions of responsibility at the French Inspectorate-General of

Finances and the Treasury.

Between 1985-1994 he was Head of President Delors' Private Office.

He oversaw the recovery of Crédit Lyonnais, and since 1999 became its Director-general. Member of the Socialist Party, he has been since 1995 Member of the office of the European Movement (France). Mr Lamy was appointed European Commissioner for Trade in September 1999.

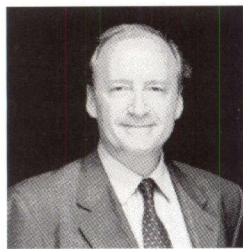




**Jacques Chirac**  
**President of the French Republic**

Born on November 29, 1932, Jacques Chirac studied at the Institute of Political Science, Paris, and Harvard University Summer School (USA). He has numerous distinctions includ-

ing the Légion d'Honneur, the Military Courage Cross and other. Minister Delegate in 1971-72, Mr Chirac became in 1972 Minister of Agriculture and Rural Development. In 1974 he was nominated Minister of the Interior and the same year he became Prime Minister. He was later Mayor of Paris, Member of the European Parliament and from 20 March 1986 to 10 May 1988 French Prime minister ("Cohabitation" period). In May 7, 1995 Mr Chirac was Elected President of the French Republic.



**Hubert Védrine**  
**Minister for Foreign Affairs**

Mr Védrine was born in 1947. He graduated in history, political studies and at the Ecole nationale d'Administration (ENA). In 1986 he was nominated legal adviser at the

Conseil d'Etat Councillor. Spokesman of the Presidency of the Republic since 1988, he was between 1991-1995 Secretary-General of the Presidency of the Republic. In June 1997 Mr Védrine was appointed Minister for Foreign Affairs



**Javier Solana -**  
**High Representative for CFSP**

Mr Solana was born in 1942. He was Fulbright scholar at several American universities, and has a solid academic background in physics. Member of the Spanish Socialist Party since 1964, he became a Member of

Parliament in 1977. He was later Minister from 1982 to 1995 without interruption: Culture, Education and Science, and Foreign Affairs. He was Secretary General of NATO during the key 1995-1999 years. Since 18 October 1999 Mr Solana is Secretary General of the Council of the European Union/High representative for the Common Foreign and Security Policy; he is also Secretary General of WEU.

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## Welcome to EU-US News, number 6

This is the last 2000 issue of the EU-US Newsletter. The current year has been generous in developments both sides of the Atlantic. The United States held their Presidential elections and renewed the US Congress and a large part of the Senate. Europe continued its integration efforts, and the new Commission played an essential role in this endeavour.

Transatlantic Relations also registered significant progress. We continued debate towards better understanding on sensitive issues like biotechnology or transatlantic trade disputes. We took action in many areas like fighting communicable diseases, illegal arm trafficking or organic pollutants. We also cooperated on the international arena, on Korea, the Middle East Peace Process and South-Eastern Europe. Concerning the latter, Yugoslavia has gone through very positive changes and it is quickly rejoining the concert of democratic nations. Reconstruction of Kosovo is also experiencing remarkable progress. The EU has taken a leading role in the region's reconstruction and stabilisation, but EU-US cooperation has also been critical in securing peace in the Balkans.

Other areas have, *helas*, enjoyed less success. Transatlantic disputes continue to be an irritant for our relations, even though they affect a very small part of the overall relationship. Environment remains another controversial area.

You will find in this newsletter a non-exhaustive update on both lights and shadows of the transatlantic relationship. We will not avoid difficult issues because information and awareness is the first step to resolution. But it must be stressed that the overall relationship remains excellent. We are each other's most important partner and ally, and increasingly so. Transatlantic trade is vital and essential for the continued economic growth of both sides. Our political and security dialogue is increasingly regular and fruitful.

Our leading article on year ago was titled 'New times in Transatlantic Relations'. There is little doubt that through hard work this prophecy is beginning to be fulfilled and a new relation, more equal and closer than ever before, is beginning to consolidate.



# What is being done about AIDS in Africa ?

*Five million people die EACH year through the spread of communicable diseases - HIV/AIDS, Malaria and tuberculosis. This year, in Africa alone, two million people will die of AIDS and over a million of Malaria and Tuberculosis. In our latest EU-US News issue, we informed on the renewed focus on joint EU-US action against this scourge. Read this article to find what has happened since.*

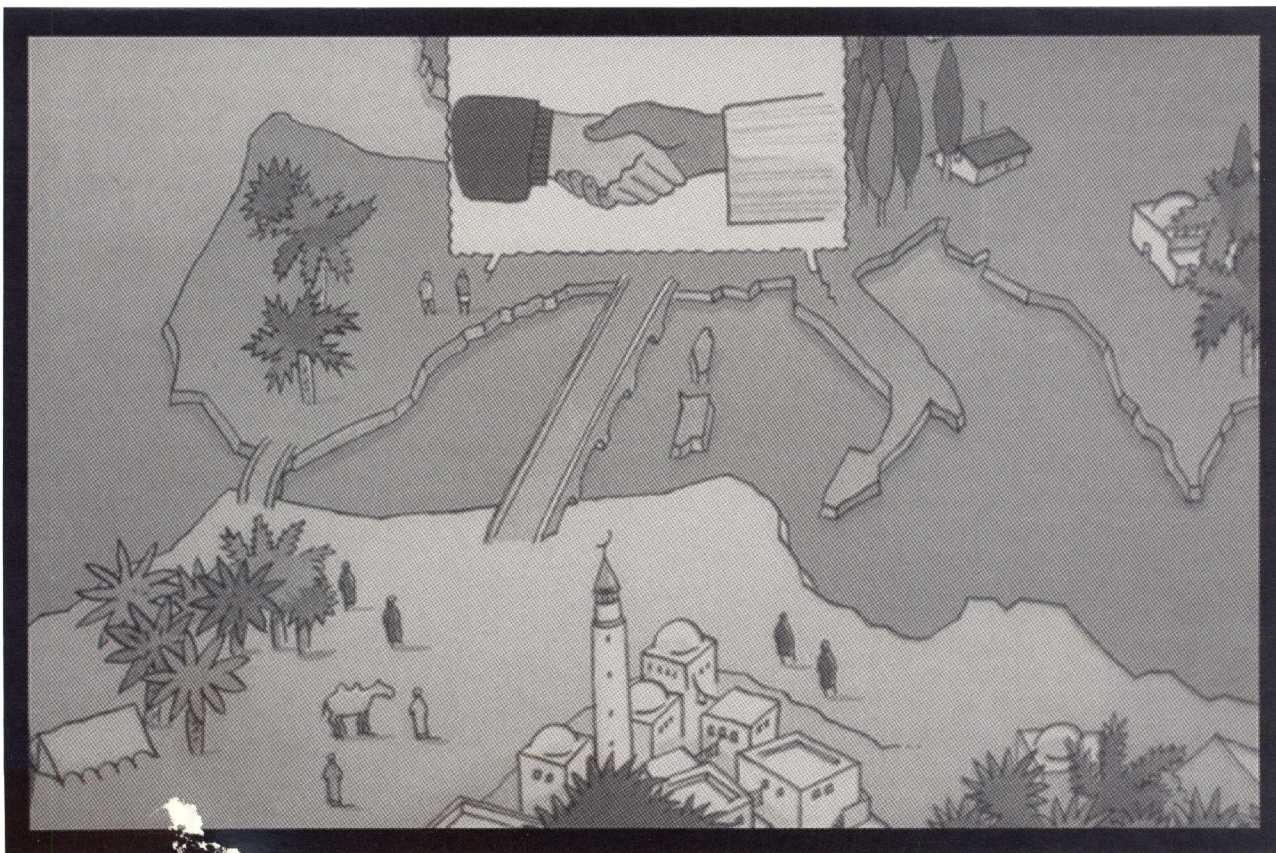
We read that HIV/AIDS is crippling the economy through its decimation of those of a working age, it is undermining the whole social fabric of societies by producing millions of orphans and wiping out whole families. We read that the situation is exacerbated by poverty, malnutrition, inadequate medical systems, population growth, lack of education and poor infrastructure. That there is a problem has been clearly outlined.

## **The Queluz Statement**

It has, however, been less common to read about an encompassing proactive strategy against this crisis in Africa. There has indeed been a lot of work carried out by international organisations such as WHO, World Bank and UNAIDS but to get real broad movement on a large and coherent scale there needs to be an overall framework from which to start. This framework was supported by the EU-US Summit at Queluz in May of this year.

At Queluz, both sides promised to work together to advance the progress in international partnerships, public awareness, research and accessibility in the area of drugs and the provision of resources.

The two parties issued a joint statement on accelerated action on HIV/AIDS, Malaria and Tuberculosis. In this statement they promised to work together to advance the progress in international partnerships, public awareness, research and accessibility in the area of drugs and the provision of resources. The issue of communicable diseases was finally put on the global political agenda.





## What Happened Next?

Even though this took a while to come about - as these things are wont to do - it has become a self-propelling machine. The Queluz statement was followed by the July G8 Summit in Okinawa, where it was agreed that *an ambitious plan on infectious diseases, notably HIV/AIDS, malaria and tuberculosis (TB) would be implemented*. Japan, itself, outlined an extensive initiative on the fight against infectious and parasitic diseases. In September, the Commission organised a Round Table co-sponsored by WHO and UNAIDS on HIV/AIDS, Tuberculosis and Poverty reduction. This was remarkable for the fact of its unprecedented co-operation between these international organisations and the Commission as well as the co-operation within the Commission and its separate directorate generals. There was a high degree of agreement on all three areas of the EU's proposed policy - Impact, Affordability and Research.

## Looking Ahead

The EU and US, having made this joint statement, have now set themselves the agenda to keep up the momentum on this issue. At the beginning of December, the conference on communicable diseases within the framework of the G8 Summit will take place, a short few weeks later, on 18<sup>th</sup> December, the next EU/US Summit is scheduled.

Given the amount of action in this area in the last few years[...] the time has finally arrived where it will be possible to not just read of the global crisis of HIV/AIDS but of global action against it.

By then, they will have to have come up with a tangible further initiative, which shows evidence of the accelerated action that they promised at Queluz. Given the amount of action in this area in the last few years, such as the G8 (Birmingham 1998, Cologne 1999, Okinawa 2000), the EU-Africa Summit and the African Heads of State Meeting in March 2000 and now the EU-US promise for commitment, the time has finally arrived where it will be possible to not just read of the global crisis of HIV/AIDS but of **global action** against it.

*The EU-US statement on communicable diseases can be found on the EU-US Unit website at :*

*[europa.eu.int/comm/external\\_relations/us/summit\\_05\\_00/statement\\_diseases\\_africa.htm](http://europa.eu.int/comm/external_relations/us/summit_05_00/statement_diseases_africa.htm)*

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# Environment : deal or consequences

*At the United Nations climate talks recently held in The Hague (The Netherlands), senior politicians from 185 countries tried to reach a deal on how to achieve the emissions reductions they accepted under a U.N. pact forged in Kyoto, Japan, in 1997. The EU and the US played a very active role, although their respective approaches to the problem proved impossible to reconcile at the meeting. Unfortunately negotiations were postponed without any agreement - but a global solution is more urgent than ever.*

Jan Pronk, the host country's environment minister chairing the meeting, said the main aim of the talks was to agree rules that would mean genuine pollution reductions. *'The targets will have to be met. If we don't reach the targets then there's no possibility for more ambitious targets. This is a warning against tricks,'* said Mr Pronk.

One of the most moving calls for action came from the states threatened from the warming of the oceans: *'If we can no longer find clean water, or look to the land to produce our crops, or look to our reefs to provide the fish upon which we have survived for hundreds upon hundreds of years, I ask you, what are we to do?'* said Redley Killion, vice president of the Federated States of Micronesia.

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## The EU and US positions

The European Union accused the United States of seeking to avoid making any cuts in its emissions, relying instead on using forests to soak up carbon dioxide and buying credits for emissions reduced in other countries.



The United States are vehemently opposed to the EU plan to cap the use of such so-called "flexibility mechanisms" which, they claim, will achieve the same reductions at a cheaper price.

Under the Kyoto Protocol industrialised nations agreed to cut their greenhouse gas emissions -- mainly carbon dioxide -- by an average of five percent from 1990

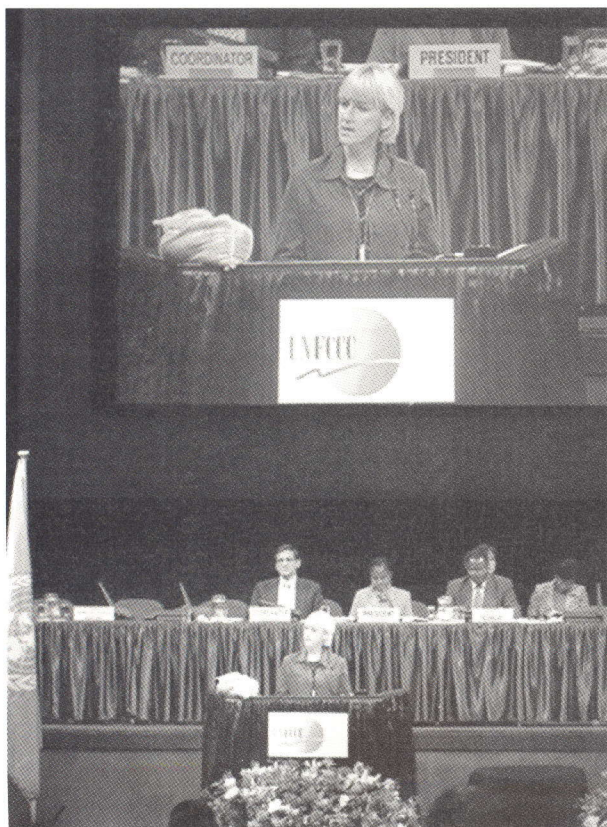
Scientists say a much greater cut is needed to halt a trend which, if unchecked, will mean an increase in the Earth's temperature of 1.5-6.0 degrees Centigrade (2.7-10.8 Fahrenheit) by 2100 and sea levels rising by up to one metre (yard).

levels by 2008-2012. Scientists say a much greater cut is needed to halt a trend which, if unchecked, will mean an increase in the Earth's temperature of 1.5-6.0 degrees Centigrade (2.7-10.8 Fahrenheit) by 2100 and sea levels rising by up to one metre (yard).

*"It would be absurd if the biggest emitter of greenhouse gases [the United States] would not ratify the Kyoto Protocol,"* European Environment Commissioner Margot Wallstrom said.

### US domestic pressures

U.S. negotiators know any agreement they make will have to be acceptable to a sceptical Congress.



Commissioner Wallstrom at the The Hague Summit.



*New technologies can help promoting a more environmental-friendly agriculture.*

Republican Senator Chuck Hagel told Reuters that Congress would not agree to the Kyoto pact if it threatened U.S. economic growth and if it did not require action by developing countries.

Only 30 countries have so far ratified the Kyoto Protocol, and none of the major industrialised countries have legally bound themselves to the targets.

Chairman Pronk stressed that it was essential for richer nations to pledge funds to help poorer countries.

*"Without support enabling them to build sustainable development...they are hardly in a position to participate,"* he said.

NGOs were very critical on the climate negotiations' failure. Bill Hare, climate policy director for Greenpeace International, said that *'The U.S. thought that the EU would do a deal at any price. It was wrong'*. Environmentalists say the problem is becoming extremely urgent and should be committedly confronted by all. Environment-dependent business like insurers share concern about climate change. The world's hottest year, 1998, was also the costliest year for insured losses from weather-related catastrophes. The storms, floods, droughts and fires that year exceeded all weather-related losses of the 1980s.

*More information about the EU's actions and positions regarding climate change can be found on DG Environment website at :*

*http://europa.eu.int/comm/dgs/environment/index\_en.htm*  
*The Transatlantic Environment Dialogue can be reached at: http://www.tiesweb.org/taed/index.html*



## EP adopts resolution on climate change conference

Prior to the conference, on 26 October 2000, the EP adopted a resolution reiterating its call for reduction of greenhouse emissions and halting climate change. The EP stressed the importance of the 'polluter pays' principle, and proposed that industrial countries should take the lead in the work to halt climate change. The EP recommended special caution about including greenhouse gas sinks among ways of complying with reduction obligations, proposing that pending final scientific results, use of this method

should be 'strongly restricted' and in any case linked to recognised sustainable forest management schemes.

The EP specifically appealed Members of the US Congress 'to drop their resistance to principles agreed in Kyoto and to do justice to their responsibility to combat the greenhouse effect'.

The full text of this EP resolution can be found at : <http://www.europarl.eu.int/>

# The end of a myth: EU and US farm support compared

*Changes in world commodity markets increasingly impact on domestic agricultural policy, both in the EU and the US. Falling world prices and rising competitiveness have focussed attention on the justification for farm support policies. US Secretary of Agriculture Dan Glickman spelt out his rationale at the February Outlook Forum, stating that "farm policy must continue to celebrate farmers, their contribution and their unique role in society"*

'And it must do that', Mr Glickman went on, 'by embracing a more complete vision of the American farmer: farmer as effective risk manager, farmer as conscientious landsteward,... farmer as resourceful, multi-faceted, flexible business-person.'<sup>(1)</sup>

In the EU, the contribution of farmers to society is also recognised to go well beyond commodity production—sometimes referred to as 'multi-functionality'. Speaking earlier this year to the *Outlook Conference*, EU Commissioner for Agriculture, Rural Development and Fisheries, Franz Fischler summed this up as "the fundamental link between sustainable agriculture, food safety, territorial balance, maintaining the landscape and the environment, and particularly important for developing countries, food security."<sup>(2)</sup> He added that the impact of globalisation on the farm sector is a matter of public concern.

With comparable goals and related world market constraints (and, indeed, similarly named conferences), we might expect equivalent policy responses. However, the EU and US have taken radically different paths over recent years, both in terms of budgetary outlay and farm programme mechanisms.

## Budget policy: expansion vs. stability

In 1996 the US introduced the FAIR Act farm reform, which was intended to replace production-boosting

support programmes by fixed payments, not related to output, which decreased to a moderate extent annually. In theory, this would provide an adequate safety net, but expose farmers to market signals. However, since 1998, the public purse has been called upon to fund four emergency bail-outs and considerable resources have continued to be devoted to production-linked 'loan deficiency payments' (*see box*). *Figure 1* shows the dramatic increase in these direct payments. Estimates of expenditure for calendar year 2000 are in the region of \$32 billion (€ 37 bn)—the US has already announced a record \$28 billion for the fiscal year ending in October 2000.

In the EU, farm policy reforms in 1992 and more significantly in 1999 have been no less radical, but they have been more successful in promoting stability. The whole budget has been capped at about € 43 billion/year (\$37 bn) right through to 2006. The only significant increase since 1992 was in 1996, and that was a pro-rata top-up to cover payments to farmers in Austria, Finland and Sweden, which had joined the EU in 1995. *Figure 1* shows the direct payment component of EU expenditure, unchanging around the € 37 billion (\$32 bn) mark. US dollar comparisons are also shown—illustrating the fall of the €/ \$ rate.

<sup>(1)</sup> Agricultural Outlook Forum 2000, 24 February 2000, Arlington, VA.

<sup>(2)</sup> 19th European Agricultural Outlook Conference, 9 March 2000, London.



Under the **loan deficiency payment** scheme, a farmer can elect to receive a payment equal to the difference between a national fixed price (called the '**loan rate**' although no loan need be involved) and a local '**county price**' (in effect the market price), up to a maximum of \$150,000 per farmer. Thus, provided the farmer can break even at the national loan rate,

the scheme offers a strong incentive to maximise production—which in turn puts downward pressure on prices. This 'loan rate spiral' renders market prices an increasingly irrelevant factor in business decisions of farmers who focus on their profitability at the loan rate.

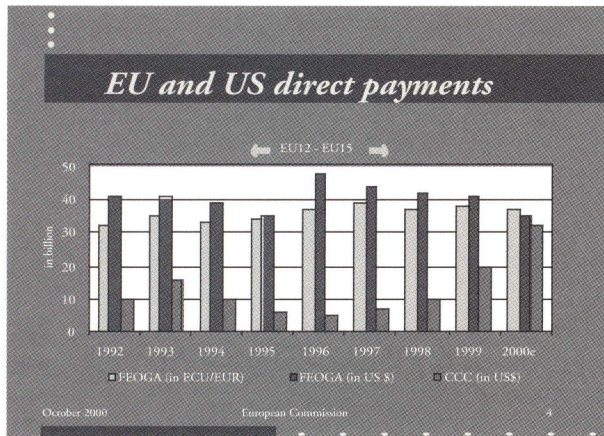


Figure 1: Evolution of direct payments <sup>(3)</sup>

### Responding to market signals

The most fundamental change in EU farm support policy has been in the development of the types of programme. The bulk of direct payments are now made to farmers on the basis of their historical yield as recorded in fixed reference years—with the result that payments are not linked to production. In addition, while some production-linked expenditure remains, such as minimum guaranteed prices (which have themselves been greatly reduced), the programmes are linked to supply limitations, such as set-aside. This is designed to prevent production at levels for which there is no realistic market outlet. For example, in the case of wheat policy in the EU, although prices have fallen since 1996, the support payments have been held constant. So while farmers had the security of a guaranteed cheque, they also had to react to clear market signals and adjust their businesses accordingly.

In the US, whatever may have been the original intention, as wheat prices fell, so the government stepped in with *ad hoc* payments and production-linked loan deficiency payments (but without any set-aside condition to dampen supply). Figure 2 illustrates the evolution of US wheat support policy, showing that the significance of the declining wheat price was masked by the additional payments.

### Domestic support and trade distortion

As the levels and types of support have the potential to impact world trade, large increases in production-linked support are a cause for concern. Commenting

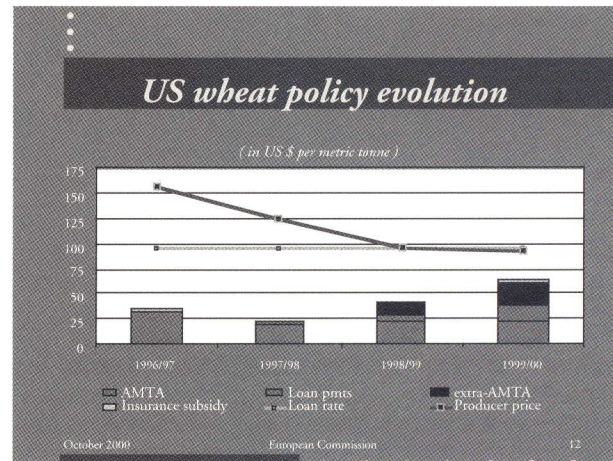


Figure 2: Wheat policy evolution showing the falling producer price and loan rate. The planned support ('AMTA') was increased by 90% in 98/99 and by 140% in 99/00 by *ad hoc* payments and loan deficiency payments. <sup>(4)</sup>

on the US farm budget for 2001, Franz Fischler said he saw "little inclination in the US to move away from production-boosting forms of support. This presents the unattractive prospect of farm programmes designed to further block out market messages, coupled with ever more ingenious ways to dispose of the inevitable surplus and distort world markets." <sup>(5)</sup> EU policy has had to respond to essentially the same pressures from global developments as US policy. However, the EU has concentrated on achieving budgetary stability and providing safety-net support to farmers in less trade-distorting ways. Payments per farm in the US now outstrip payments in the EU by nearly 3:1.

Figure 3 shows the constant payments made in the EU at about \$5000, compared with a year-on-year increase in the US from less than \$3000 in 1996 to almost \$15,000 in 2000. It has been suggested that much of the increase has been capitalised into rising land prices. If so, this presents a dilemma for the US: attempts to cut budget expenditure could result in significant reductions in farm income, with the result that farmers whose borrowing collateral is their land value would face problems of insolvency. On the other hand, US farmers confidence that their government will make up for any shortfall in market return has the potential to disturb world commodity markets.

<sup>(3)</sup> Notes: 'FEOGA'=EU farm budget authority; 'CCC' (Commodity Credit Corporation)=US budget authority.

<sup>(4)</sup> Notes: 'AMTA'=lump-sum payments brought in under US FAIR Act 1996; 'extra-AMTA'=ad hoc additional spending; 'loan pmnts'=loan deficiency payments.

<sup>(5)</sup> Commission press release: Bumper harvest for US farmers—but from the budget again, 30 October 2000.



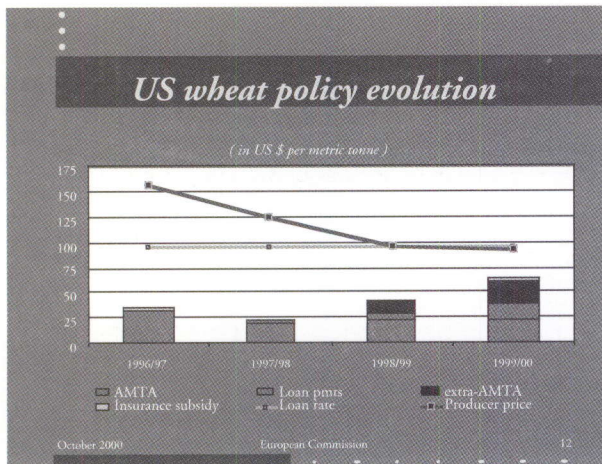


Figure 3: Payments per farm <sup>(6)</sup>

In terms of the objectives of farm support policy, there is a considerable degree of common thinking in the EU and the US. Farmers are recognised as occupying a "unique role in society", embracing stewardship of the land and production of commodities, as well as being central to rural development objectives. However, in terms of farm support instruments, it is clear that the EU and US are on divergent tracks.

## EU-US Trade Disputes : negotiation and compensation rather than sanctions

*The Commission believes that an essential element for solving disputes is the need to avoid escalation. The EU has given a clear example in the way the FSC problem was managed. This case demonstrates the EU willingness to de-escalate trade disputes to move away from sanctions-based dispute resolution.*

Unfortunately, the US side has repeatedly chosen to impose sanctions and trade punitive measures in the framework of other disputes which involved, however, much lesser amounts than US FSCs. The EU has nonetheless continued its work to achieve a fully WTO compatible banana regime and it is willing to negotiate adequate compensation in the case of hormones.

The primary objective, however, remains avoiding new disputes. This objective can notably be achieved through a possible improvement and reinforcement of the Transatlantic Economic Partnership (TEP) and the Early Warning Mechanism.

The Community has presently 13 active WTO disputes underway with the United States. In 10 out of these 13 disputes, it is the Community which is the complaining party, mainly in the area of trade defence mechanisms and taxation, being the defendant only in three cases in the agricultural sector (bananas, beef/hormones and in the case concerning the establishment of customs duties for rice imported into Belgium).

### Current major cases launched by the EU

**Foreign Sales Corporations (FSC)** involves by far the largest amount in damages to EU transatlantic trade. The WTO Appellate Body, in February 2000, condemned the income tax exemption afforded to US exporters by means of FSCs as an export subsidy inconsistent with WTO provisions. On 17 November 2000, the US adopted a new system, which, in the Community's view, remains WTO incompatible. Both sides agreed in September 2000 that a new WTO Panel would review this new US system. Furthermore, at the end of November 2000, the EC requested authorisation from the WTO to adopt countermeasures against the US in order to preserve its rights. However, these countermeasures will not be in place earlier than spring-summer next year and only if the WTO has concluded that the new legislation is still a prohibited export subsidy.

*Foreign Sales Corporations and their incompatibility with the WTO were examined in the April 2000 issue of the EU-US Newsletter, available on line at [http://europa.eu.int/comm/external\\_relations/us/intro/index.htm](http://europa.eu.int/comm/external_relations/us/intro/index.htm)*

<sup>(6)</sup> See Footnote 3 for 'FEOGA' and 'CCC'.



Note.- Due to a printing error, the wrong graph has appeared on page 10 ("Figure 3: Payments per farm"). The correct version is included below.

**Erratum**

**EU/US NEWS, VOL II, NO 6, DECEMBER 2000**

**"The end of a myth: EU and US farm support"**

The last graphic (page 10) should be read as follows:

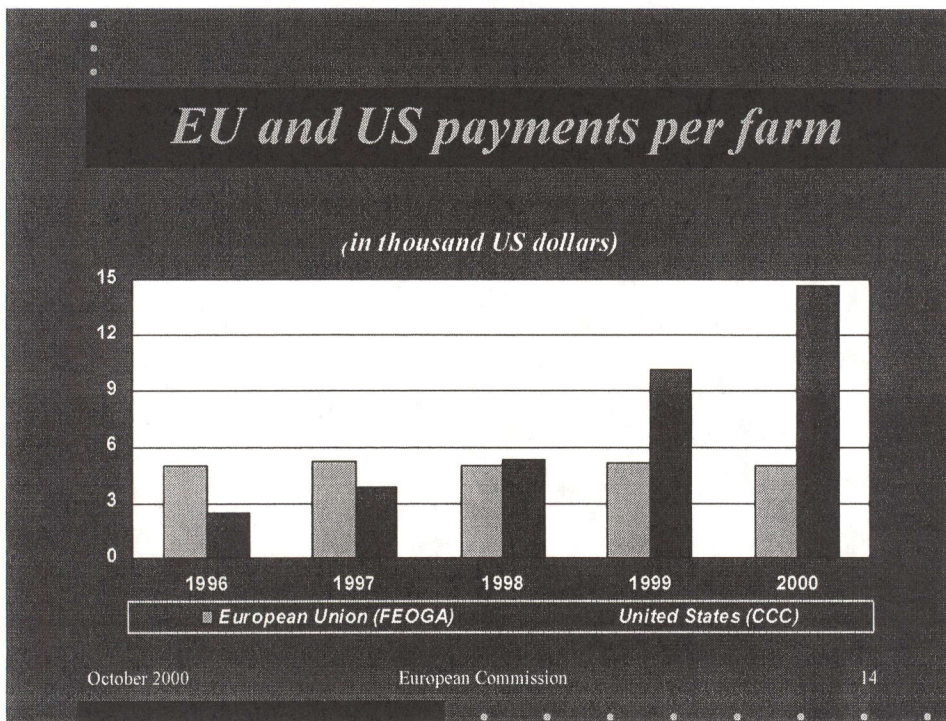


Figure 3: Payments per farm



Foreign Sales Corporations (FSC) involves by far the largest amount in damages to EU transatlantic trade.

On the **Carousel** legislation, which provides for a mandatory and unilateral revision of the list of products subject to sanctions against imports from WTO Members which have been determined not to have implemented WTO rulings, the Community believes that the US law is in breach of the WTO provisions and has, therefore, requested WTO consultations on 5 June 2000. These consultations were held on 5 July 2000, but, pending the expected application of the legislation, the Community will only request the establishment of a WTO panel once sanctions are rotated.

In August 2000, the WTO Appellate Body condemned the **1916 US Anti-Dumping Act**. Two European companies are still facing a judicial challenge before US courts on the basis of the 1916 Act. There is a possibility that those firms be condemned and that new cases be brought before the law is repealed. The Community will closely monitor US implementation and expects that the US and US authorities will fully comply with the WTO ruling in the shortest period of time.

On 15 June 2000, a WTO Panel condemned Section 110 of the **US Copyright Act** containing an exemption to the exclusive rights of authors when their music is played in bars, restaurants or shops via a radio or a TV. The Community requested the WTO to determine the period by when the US has to implement the ruling for which the US originally requested a period of time of 15 months

In June 2000, the Community requested the establishment of a WTO Panel concerning **Section 211 of the U.S. Omnibus Appropriations Act** which is designed to diminish the rights under the WTO TRIPs Agreement of owners of US trademarks which previously belonged to a Cuban national or company which was expropriated in the course of the Cuban revolution. In September and December 1999, the EU held consultations with the US. Those consultations failed to solve the dispute.

In September 2000, the Community appealed a WTO Panel ruling of July 2000 concerning the US measures of 3 March 2000, the so-called '**bananas sanctions**', by which the US unilaterally imposed sanctions on European imports before the completion of the respective arbitration procedure. The hearing before the Appellate Body took place in October 2000 and a final ruling is expected in December 2000.

In September 2000, the US appealed a WTO Panel ruling of July 2000 which condemned the US safeguard measures on **imports of wheat gluten** in the form of quantitative restrictions. The hearing before the Appellate Body took place in November 2000 and the final ruling is expected in December 2000.

Under **Section 337 of the 1930 Tariff Act**, the US International Trade Commission (ITC) may declare the importation into the US of articles infringing US intellectual property rights illegal. In a number of ways, foreign respondents under Section 337 investigations receive less favourable treatment than US respondents in comparable cases thus violating the national treatment principle of the GATT and certain due procedural requirement contained in the TRIPs Agreement. European companies are already subject to various ITC investigations for alleged patent violations. Section 337 has already been examined by a GATT panel at the request of the Community in 1989 which found that important aspects of Section 337 violated the GATT. Although Section 337 was amended by the US in 1994, it failed to bring the statute into conformity with the GATT Panel's findings. The Community requested WTO consultations in January 2000 which took place in February 2000. The Commission is currently reviewing the results of these consultations, however, it is obvious that the US does not want to change its legislation.

After the US in 1986 decided to stop financing maintenance of harbours from the federal budget an *ad valorem* **Harbour Maintenance Tax** (HMT) on imports and exports was created. Following a Supreme Court ruling of 1998, the tax is only applied to imports into the US thus violating the provisions of the GATT. WTO consultations have been held in June 1998 and, in March 1999, the US administration proposed to Congress to replace the HMT by a Harbour Service Fee. This proposal is far from satisfactory since it would directly and significantly affect EC shipping lines. The new law is not yet adopted and, at the two last EC-US Summits, the US Government indicated that the US Administration was open to take the EC concerns into account and to modify the proposal in an appropriate manner.

In May 2000, the WTO Appellate Body confirmed a WTO panel's finding that countervailing duties imposed by the US Department of Commerce on **British Steel's** exports of lead and bismuth steel from the UK were in breach of the WTO Subsidies Agreement. The US had wrongly presumed that British Steel had benefited from subsidies granted to its predecessor, the state-owned British Steel Corporation, before its privatisation. The Department of Commerce applied this methodology in 16 other cases against EU companies. Although the US is forced to review this methodology, it still refuses to take account of the WTO ruling. The Community, in November 2000, requested WTO consultations on the outstanding cases. The Community sees WTO consultations as a further attempt to resolve this question in a speedy and satisfactory manner without pre-judging a decision to proceed to dispute settlement. It is hoped that a successful conclusion to these consultations will avoid the need to launch a number of new dispute settlement cases.



## Current major cases launched by the US

The problems involved in reforming the **banana regime** is to bring it into conformity with WTO rulings of 1997 while maintaining ACP trade and avoiding difficulties for EU production. While most operators favour a system based on past trade, they differ as to the appropriate period, each preferring the period most beneficial for them. However, such a system runs the risk of also being condemned by the WTO. Furthermore, this solution is not technically feasible, nor acceptable by certain complaining countries. In order to solve the dispute, launched i.a. by the US in 1999 over the implementation of the WTO ruling against the Community of 1997, the Community has, therefore, concluded that the only way to bring the EC trade banana regime into compliance with WTO was to move to a transitional tariff-rate quota system managed under a non-discriminatory 'first-come, first served' method, followed by a definitive tariff-only system. Since October 2000, discussions have taken place with the US authorities on this approach, but the US continue to argue that the proposal is still de facto discriminatory.

In February 1998, the WTO condemned the EU ban on imports of **beef produced with growth promoting hormones** since it was not based on a sufficiently specific risk assessment. The Commission, therefore, decided to carry out such an assessment, in line with indications given by the WTO. While awaiting the results of the ongoing assessment, the US was authorised by the WTO to suspend concessions equivalent to the losses to their industries caused by the maintenance of the Community import ban. On 5 May 2000, the Commission adopted a proposal to amend the 'hormones directive'. In addition, further studies will be launched with the objective of obtaining more complete scientific information. The Commission proposal is not yet adopted. In the meantime, the Community still has every interest to convert present US sanctions into compensatory tariff reductions. The US has showed some interest in increased market access for non-hormone treated beef and both sides are engaged in negotiating a possible trade-enhancing compensation package.

In October 2000, the US requested WTO consultations with Belgium over the establishment of customs duties for rice imported into Belgium. According to the United States, the measures have restricted imports of rice into Belgium.

The US has showed some interest in increased market access for non-hormone treated beef and both sides are engaged in negotiating a possible trade-enhancing compensation package.

## Further trade issues of concern to the EU

In March 2000, the US introduced two safeguard measures on imports of **steel wire rod and imports of welded line pipe**, under the form of a tariff increase above a tariff quota. The EC contends that both safeguard measures violate several substantive requirements of the WTO Safeguard Agreement.

On 18 October 2000, the US Senate passed the Bill on the so-called '**Byrd Amendment**' which stipulates that the revenue from anti-dumping duties and countervailing duties shall be distributed to the domestic producers who had filed the petitions. It will thus provide double protection for US domestic producers in dumping and subsidization from overseas. The Community believes that the 'Byrd Amendment' is inconsistent with the WTO. On 25 October 2000, the EU, supported by Japan and Canada, urged the US President to veto the 'Byrd Amendment'.

Until October 2000, the US Congress was considering legislation, the so-called '**Hollings Bill**', that would prevent participation in US telecommunications companies by publicly owned foreign companies. The EU as well as the US Administration fought these initiatives. Finally, the 'Hollings Bill' was removed from the respective budget Bill, but it needs to be seen whether it will be replaced by different wording on the necessity for the US administration to pursue privatisation in third countries. These initiatives will probable surface again in the new Congress.

*More information on this subject can be found at:  
<http://europa.eu.int/comm/trade/bilateral/usa/usa.htm>*



# New cycle of EU Centres in the US launched

*The EU Centres in the US have played a critical role in building transatlantic bridges, promoting closer people-to people-relations, and eliminating misconceptions on Europe in the United States. Building on the success of the initial project, the European Commission is planning to launch a 2nd cycle, which will consolidate and expand the network created during the last three years. The ultimate objective is to multiply the positive effect of the Centres, increasingly extending their reach towards the US citizens.*

The programme was launched in 1997 by the Commission, following a proposal by the European Parliament. The overall objective was to promote the New Transatlantic Agenda, in particular the "People-to-People" objectives of chapter IV - building bridges across the Atlantic. Funding was allocated for the 1998-2001 period, renewable on an annual basis subject to satisfactory performance reviews and to the assessment of the yearly proposals.

The Centres' project has been highly successful up to now. This conclusion has been endorsed by several matching assessments, conducted by different evaluators using different procedures. The independent evaluator's report for the 1st year stated that *'most of the Centres have met or surpassed the first year goals'*. The year 2 report confirmed the good general performance of the Centres. Another comprehensive and independent evaluation stated that *'In general, the Centres have had a great impact in their local communities and also towards the general public'*, adding that Centres *'clearly have an even greater potential for this outreach dimension, which seems to be one of the most promising areas for the whole programme'*

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Building on the successful completion of this initial cycle of funding, the European Commission, through the EU Delegation of the European Commission in Washington, DC plans to launch a new competition for European Union Centers in institutions of higher education in the United States. It must be noted, though that this competition is contingent upon the pending approval of additional funding by the budgetary authority of the European Union. Its terms and conditions may be subject to possible modifications before its official publication. The final terms will only be known when the official call for tenders is released.

Potential activities for this second cycle include hosting prominent European scholars-in-residence, short-term exchanges involving faculty and practitioners, graduate research grants, the development of new curricula incor-

activities for this second cycle include hosting prominent European scholars-in-residence, short-term exchanges [...], graduate research grants, the development of new curricula incorporating EU material, conferences, publications, electronic exchange, and regional outreach programs.

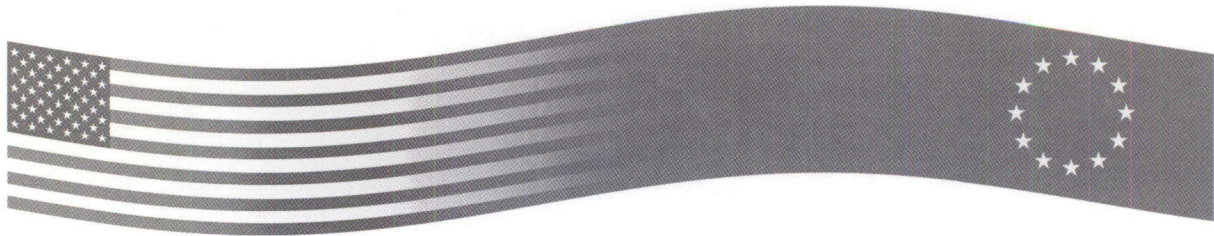
porating EU material, conferences, publications, electronic exchange, and regional outreach programs. Individual Centers will also be required to take part in co-operative activities with others in order to form a Network. A pre-existing program in European Studies is not required of applicant institutions. However, applicants must demonstrate sufficient administrative and substantive background in international programs and a record of institutional commitment to successfully implement Center activities.

Institutions selected will receive funding for the 2001-2002 academic year. It is intended that grants will be renewable subject to satisfactory performance, evaluation of the new proposal and available funding. The Delegation anticipates initial awards up to Euros 200,000, depending on the nature and quality of activities proposed. Institutions interested in applying for the proposed award program should submit, preferably by November 30, 2000, a short statement (one or two paragraphs) of intention to apply within the above criteria

The concrete terms of the call for proposals will be automatically forwarded to the institutions having responded to the call for expressions of interest. The terms will also be posted on the Commission's public websites and disseminated through other public information channels.

*The call for the expression of interest can be found on the website of the EU Delegation of the Commission in Washington at :*  
<http://www.eurunion.org/infos/eucall.htm>





## Progress in European security and defence

*Shorts*

On 20 November in Brussels the EU Member States took part in a 'Capabilities Commitment' Conference, in the framework of the military capability goals set by the Helsinki European Council.

This conference was the first stage of a demanding process of reinforcing military capabilities for crisis management by the EU. In accordance with the decisions taken at the Helsinki and Feira European Councils, the Member States committed themselves at the Conference to making national contributions corresponding to the capabilities identified, to attain the headline goal. These commitments have been set out in a catalogue known as the "Force Catalogue". Analysis of this catalogue confirms that by 2003, in keeping with the headline goal established in Helsinki, the European Union will be able to carry out the full range of Petersberg tasks, but that certain capabilities need to be improved both in quantitative and qualitative terms in order to maximise the capabilities available to the Union. In this respect, Ministers reaffirmed their commitment fully to achieve the goals identified at the Helsinki European Council.

The United States welcomed European pledges to a European Union (EU) rapid reaction force. The US

also stressed the links between the European force and the NATO alliance. U.S. Secretary of State Madeleine Albright qualified the outcome from the conference as 'a strongly positive development we wholly support [...], a first step towards making the Headline Goal of a European rapid reaction force a reality and getting the European Security and Defense Identity right'.

The United States has traditionally encouraged the Europeans to bear a greater share of the common defense burden, especially after the Kosovo war last year showed that the Europeans did not have the precision weaponry needed to fight that kind of conflict. But some Americans are skeptical that the Europeans can create a credible intervention force; others are wary about an independent European force that could erode U.S. domination. The Conference was very useful in helping to allay these unfounded concerns. For the EU Member States involved, these efforts and those deployed as part of NATO's Defence Capabilities Initiative will be mutually reinforcing. The force would be no substitute for NATO. 'It's going to make NATO stronger, not weaker', said the representative of one Member State. As summarized in the words of Ms Albright, 'this EU force [...] offers a valuable complement to the efforts and capabilities of NATO'.

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## Business Dialogue holds CEO Conference

*Shorts*

The Transatlantic Business Dialogue held its sixth annual CEO Conference in Cincinnati on November 16 - 18, 2000. The conference brought together more than 200 American and European CEOs and senior government officials to develop recommendations on how to best boost trade and investment. The EU and U.S. CEOs who attended the conference agreed to present to their respective governments a set of recommendations designed to increase economic opportunities in the face of today's challenges. In pursuit of this objective, it was agreed that business must work not only with governments and international organizations, but also with non-governmental organizations and citizens' groups, out of the conviction that globalization is not incompatible with their concerns.

Among other issues discussions focused on ways to improve the trade and investment environment through regulatory cooperation based on transparency, on the creation of an efficient early warning system in order to prevent trade disputes, on solving transatlantic disputes. Concerning the latter, TABD advocated negotiation rather than systematic appealing to the WTO. TABD urged governments and trade policy stakeholders to work with them to benefit economies, business initiatives and citizens.

*More information in TABD's website at <http://www.tabd.com>*



On 5 October 2000, the new EU-US Education Agreement covering the period 2001-2005 was initialled at the US Mission in Brussels. In the spirit of the New Transatlantic Agenda adopted in 1995 by the EU and the United States, this Agreement encourages the creation of "joint consortia" between higher education and vocational training establishments on both sides of the Atlantic. Each consortium must include at least three partners on each side. Consortia develop and implement projects in the following fields: student mobility preparation (language courses, etc.), student and teacher exchanges, joint teaching modules, use of new technologies in education and training, and distance learning.

Concluded for the first time in 1995, the Education Agreements with the USA has been highly successful. Since 1995, more than 200 higher education and voca-

tional training establishments on each side of the Atlantic have been involved in the EU/USA cooperation programme. While the range of subjects covered by the consortia has been extremely wide, including the environment, medicine, the social sciences and a host of others, the lion's share of the projects supported since 1996 has gone to engineering and commercial studies.

The new agreement is due to be signed at the summit between the EU and the United States on 18 December in Washington. It is due to be concluded definitively in February, after the European Parliament has given its opinion.

*The website of the Commission's Directorate General for Education can be reached at :*  
[http://europa.eu.int/comm/education/index\\_en.html](http://europa.eu.int/comm/education/index_en.html)

## *It is not all about money*

Not only was it the closest presidential election on record, it was also the most expensive one. The latest estimates are that the whole campaign cost more than \$ 1,000 million, and that only for national level candidates. Worth it. The US citizens have expressed their sovereign will in making their presidential choice. Such is the foundation of Democracy. Besides, both candidates fought to the last day, and nobody can deny that in the end every vote counted. Of course there will be some dissenting voices, in particular those saying that campaign funding played too high a role in the outcome.

Well, that's wrong. It is not all about money. There are many other more imaginative, less exclusive means to fight the elections. Here is a sample of other important tools often used in our Transatlantic democracies, which are free –or quite- and indisputably effective:

- *Grassroots action.* We borrow one of the candidate's suggestions directly from his website: 'Write letters to the editors of your local newspapers, call in to your local talk radio shows, send e-mail to news organizations, get involved in the on-line discussion groups'. Some say that talking politics to family, colleagues and friends would be included under this item – we will not go as far as that.
- *Sense of humour.* Never was sense of humour more important than in the latest election. All candidates went through a more or less conscious self-derision exercise. Humour was as important as the issues at stake, if not more. And it was also very important after the election.

## *The last word*

- *Kissing.* The power of kissing should never be underestimated. Almost *anyone* can be kissed and increase vote expectations. The ranking goes as follows: 1. Popular TV hosts; 2. Legal spouses; 3. Lovable children; 4. Other children; 5. Old folks; 6. Pets (careful with this one); 7. Minorities (excluding any members of your own minority); 8. Aged astronauts, 9. Hollywood rising stars, 10. Mainstream religious leaders. Avoid kissing: foreigners, former one-mandate presidents, any irregular liaison, convicts of gruesome crimes, vegetarians.
- *Goodwill and bonhomie:* both are freer than the air, and can be owned in unlimited amounts without interfering in the actual political programme.
- *Writing on walls.* Already used in the good old times – the walls of Pompeii carry the marks of politically-conscious Roman citizens whose contributions to good government were thus immortalised.
- *Bumpers and stickers.* Their cost is close to zero and they have the additional virtue of demonstrating its owner's commitment, interest, grasp and understanding of the issues at stake.

The list goes on and on. We hope to have demonstrated that there are many ways apart from financial means to fight an election campaign. It is true that some of the above are often too close to demagogic use -but in the end, the decision is up to the judgement and will of the individual citizen. Fortunately.



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Your comments, questions and other input are most welcome.  
To let us know what you think of EU-US News, or to ask us to add  
someone to our mailing list, please contact us, preferably by e-mail.

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