

news

A review of Transatlantic Relations

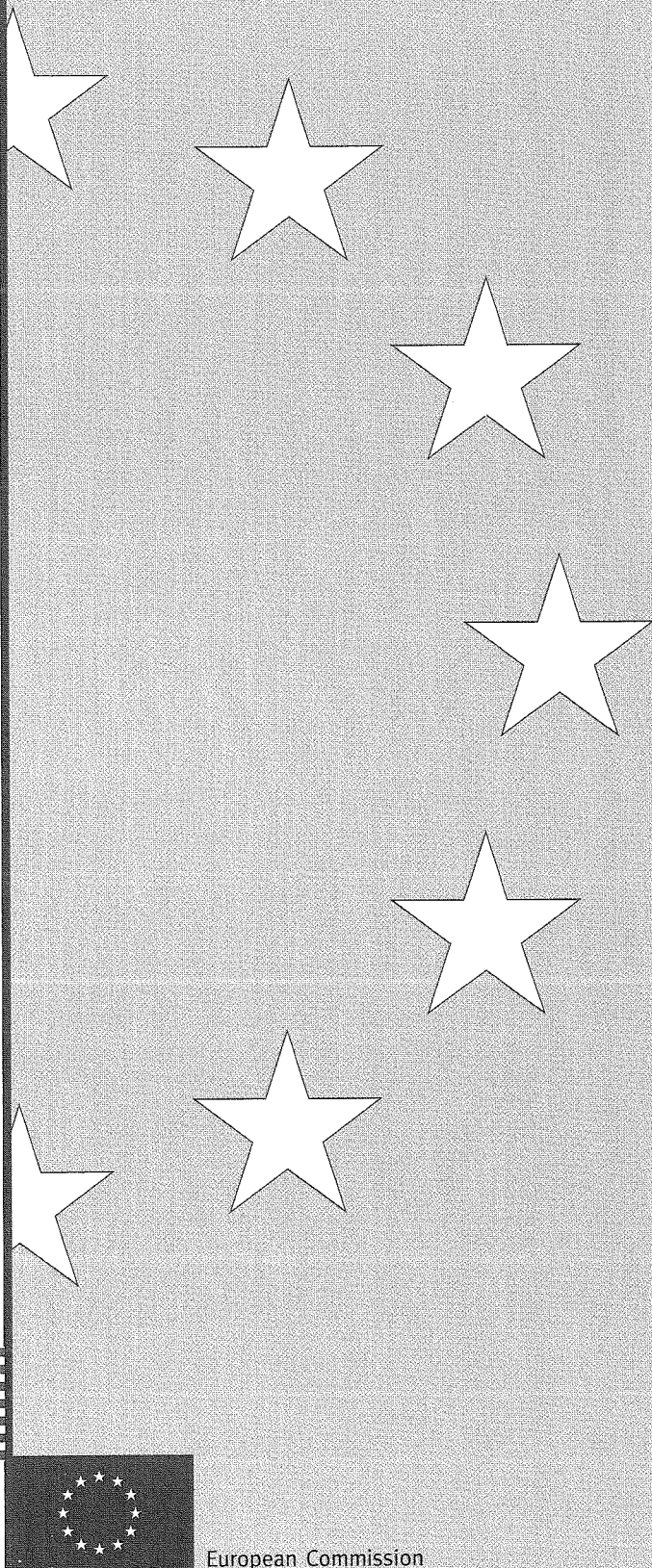
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Transatlantic Relations after 11 September

The New York skyline is almost as familiar to Europeans as it is to Americans. Like a scar on a well-known face, the change so brutally inflicted upon it continues to shock Europeans and Americans alike. Thousands of European citizens worked in the Twin Towers, and hundreds died in them on 11 September. How will the repercussions on both sides of the Atlantic affect relations between the United States and the European Union?

Though many Europeans have grown accustomed to living with the threat of terrorism, the nature and scale of September's attacks on the United States defied acceptance. The spontaneous outpouring of sympathy and solidarity on the streets of European cities towards the people of the United States was remarkable. Europe's leaders were also galvanised, and the intervening weeks and months have seen a new determination to work together within Europe and with the United States to win the fight against terrorism.

A new impetus has also been given to the day to day work of transatlantic relations. Well before the terrorist attacks, in June this year, European Commission President Romano Prodi and US President George W. Bush had already identified counter-terrorism as one of the five priority issues for cooperation between the European Union and the United States: since 11 September, this has become the overriding priority.



European Commission

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The European Response

Within days of 11 September the European Commission brought forward new measures to fight terrorism across Europe, including an agreed definition of what constitutes a terrorist act; a European arrest warrant to supplant the cumbersome system of extradition between EU Member States; tighter money laundering rules; and a legislative vehicle to permit the rapid freezing of assets across Europe as soon as an individual or organisation has been identified as a potential source of terrorist financing. The Commission has also moved quickly with air transport security measures, from cockpit access to the monitoring of hold luggage.

At an extraordinary meeting on 21 September, the European Council also acknowledged that the fight against terrorism requires greater participation by the Union in the efforts of the international community to prevent and stabilise regional conflicts. By developing our Common Foreign and Security Policy and bringing the European Security and Defence Policy into operation as soon as possible, the Union will be at its most effective.

The European Commission is providing formidable humanitarian support in and around Afghanistan. Some € 310 million of aid has been mobilised already by the European Union and its Member States to relieve the suffering of the Afghan people. The European Union is also contributing to the diplomatic effort - the crucial work of building and maintaining a wide international coalition for what has to be done. In the days after September 11, External Relations Commissioner Chris Patten travelled with Louis Michel, foreign Minister in the Belgian EU presidency, and Javier Solana, high representative for the EU's common foreign and security policy, to Pakistan, Iran, Egypt, Saudi Arabia and Syria. They discussed the need to strengthen cooperation across the region as part of the fight against terrorism. Already the EU has taken an important trade initiative to improve access for Pakistani exports to Europe. The EU also hopes soon to conclude a free trade agreement with the six states of the Gulf Cooperation Council, and will shortly be making proposals for a trade and cooperation agreement with Iran.

The European Union is also playing a full part in the effort to restore momentum to the stalled Middle East peace process, not just by giving financial support to the beleaguered Palestinian Authority but by working to give effect to the Mitchell report, of which the EU was a co-signatory. The EU Council in Gent (Belgium) emphasised the crucial need to relaunch the Peace process without any pre-conditions, based on the creation of the democratic, viable, independent State of Palestine and the commitment by the international

community, including the Arab countries, to actively guarantee the security of Israel, which will be accepted as an equal partner in the region. (more information about the EU's efforts for peace in the Middle East can be found at:

http://europa.eu.int/comm/external_relations/med_mideast/euromed_news/ip01_1613.htm)

Working with the United States

In all of this activity, the European Union is coordinating its efforts closely with those of the United States. Already in the week after the events of 11 September, a ministerial level meeting took place in Washington D.C. between Commissioner Patten, Minister Michel and High Representative Solana and US Secretary of State Colin Powell. Shortly thereafter, Commission President Prodi and Belgian Prime Minister Verhofstadt (then President of the EU's Council of Ministers) travelled to Washington to meet US President George W. Bush, to brief him on developments in Europe and to be briefed in turn on the United States' campaign against terrorism. In the meantime, officials and experts on both sides are in constant contact with each other to ensure the greatest possible complementarity between US and EU actions.

Fortunately, the mechanics of EU-US relations have stood up well to this test. The New Transatlantic Agenda ('NTA'), signed in 1995, governs formal contacts between the EU and the US. Using its structures, both sides have been able to meet frequently and at all levels to coordinate the campaign against terrorism. At the same time, the underlying strength of the NTA has become apparent. Far from diverting attention from the day-to-day business of EU-US relations, this crisis has shown that we can bring all necessary resources to bear when the unexpected arises, while ensuring 'business as usual' on the very wide range of other issues that exist on the transatlantic agenda at any given time.

The successful conclusion to the WTO Ministerial meeting in Doha earlier in November bears witness to this. Working together to make the Doha meeting a success was another priority for EU-US cooperation, and its outcome demonstrates that neither the EU nor the US has allowed the attacks of 11 September to derail our commitment to working together for the good of our citizens and the global community.

An up-to-date report on the EU's fight against terrorism may be found at this website -
<http://europa.eu.int/geninfo/keyissues/110901/index.htm>

Or at the especial section on the subject within the Commission's US Unit pages:
http://europa.eu.int/comm/external_relations/news/patten/11_09_01.htm

The Euro becomes a tangible reality

From the 1st of January 2002, more than 300 million Europeans will use the same bank notes and coins for all their financial operations. Monetary frontiers between the 12 Countries members of the Euro-zone will fall. This is a historical event in economic and monetary terms, but also a similarly formidable step ahead in European integration. It is the very first time in history that so many people from so many nations decide freely to share one of the most important symbols of sovereignty.

Only a few years ago, monetary union seemed to be just a long-term possibility, if not an utopic dream altogether. The fulfillment of all the requirements and conditions established for monetary union by the nations of the Euro-zone made it possible to transform this project into a tangible reality. The actual introduction of pieces and bank notes culminates the process.

The single currency was launched on the 1st of January 1999. At the same time, a common central bank was created. The Frankfurt-based European Central Bank (ECB) is in charge of monetary policy in the new currency area. But the actual coins and notes continued to be different in each and every Country.

This will no longer be the case from 1 January 2002. By the end of February 2002 at the latest, after a short period of dual circulation, the euro will fully replace the national currencies of those 12 EU countries which have signed up for the final stage of the Economic and Monetary Union (EMU) ⁽¹⁾. The euro area has some 300 million inhabitants and accounted for about 16% of world GDP and also of world trade in 2000.

The euro cash changeover is an unprecedented organizational and logistical undertaking. Almost 15 billion banknotes and over 50 billion coins have to be distributed. Millions of vending machines and about 170 000 dispensers need to be adapted.



The first years of EMU

In the first two years of EMU, the GDP growth of the euro area averaged about 3% per annum. Overall, the growth in economic activity in the past three years has created about 6 million jobs net. Headline inflation moved above the ECB's upper inflation threshold of 2% in 2000, largely due to higher import prices. After peaking at 3.4% in May 2001, the inflation rate has again been on a declining trend and is expected to fall below 2% in early 2002.

Although the primary objective of the ECB is to maintain price stability, the external value of the euro has attracted a great deal of attention. The focus on the exchange rate was nourished by the fact that the euro depreciated by 30% against the dollar between January 1999 and October 2000. However, the decline has stopped since then. The initial fall in the euro's exchange rate against the dollar may have been rooted in the belief that the US economy would in the medium term expand at a faster pace than the euro area - or may have reflected the absence of actual coins and notes, which once introduced will be essential to enhance consumers' confidence.

From a domestic EU perspective, by eliminating the risk of intra-euro-area exchange-rate variations, the euro has created an area of stability in which the full benefits of the single market can be reaped.

An international currency

Since its introduction, the euro has been a leading currency in the international monetary system. This is based on the weight of the euro area in the world economy, sound economic fundamentals supported by the stability-oriented economic-policy framework within EMU, and the gradual development of broad, deep and liquid European financial markets.

Over time, and in particular after the introduction of bank notes and coins, the euro is expected to progressively expand its role as an invoicing currency, above all in trade with the non-participating European Union countries, Central and Eastern Europe and North Africa. As an international investment and financing currency, the euro has swiftly outperformed the aggregate of its predecessor currencies and established itself solidly in the international investment market.

(1) The twelve EU Member States participating in the euro area are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. The other three EU Member States, Denmark, Sweden and the United Kingdom, are not participating at this stage.

Both the dollar and the euro are widely used as an anchor or reference currency for the exchange rate regimes of other countries, and contribute jointly to global stability. The euro is used in this way by more than 50 countries, mainly in central and Eastern Europe and in Africa, either in isolation or as part of a reference currency basket.

The consolidation of the Euro is therefore a historic event for the United States in particular, which for so long has been used to bearing alone the burdens associated with the dominance of the "greenback" in financial markets.

The Euro, good news for the United States

The advent of the Euro in January 1999 had immediate beneficial effects. Stability within the Euro zone was increased; the costs to businesses of currency exchange and risks associated with exchange rate fluctuations were removed and economic growth was promoted. And all of these also benefited the United States. Global economic stability was enhanced. US exporters to, and investors in, the EU shared in the cost savings. Growth in the European economy was boosted, providing new opportunities for US businesses. The US has therefore a new opportunity to join in

creating a powerful partnership with Europe on global economic and financial issues.

Europe's new currency is not a rival to the US dollar but complements it, allowing for diversification and reducing the risk of countries being faced with currency fluctuations. Former European Commission President Jacques Delors once said, "The construction of Europe is not a boxing match", a statement that can certainly be applied to Europe's approach to its single currency internationally.

The culmination of the EU Monetary Union and the introduction of actual coins and notes will further contribute to stability and growth both within Europe and at a Global level.

The Euro has a symbolic dimension as well – it embodies the decision of the EU Member States to share an important part of their sovereignty, and their determination to deepen European Integration.

The benefits from this historical event will reach well beyond the EU, and in particular on the United States as Europe's closest partner and ally.

More information about this historical event can be found at:

<http://europa.eu.int/euro/>

The Göteborg Summit and beyond

The EU - US Summit held in Göteborg on June 14 was the first collective gathering between President Bush and the European Union leaders. Both sides engaged in a constructive dialogue on a wide range of subject matters and set the priorities for the cooperation in the years to come.

Last June's summit was part of a wider European program, during which President Bush reaffirmed to the eyes of the Europeans his clear commitment to work closely with Europe in addressing bilateral and multilateral issues. In his opening remarks at the joint press conference following the summit, President Prodi described the EU / US partnership as *"more than solid, ... indispensable for the U.S.,*



for Europe and for the world peace". After the 11th of September, This has now become more true than ever.

The President of the United States met President Prodi and the then President of the Council of Minister, Swedish Prime Minister Persson, and High Secretary for CFSP Solana, among other EU leaders, to move forward the bilateral agenda and to discuss issues of global nature.

The Summit offered the opportunity for a frank and open exchange of views on major policy issues. Moreover, it resulted for the first time in a single summit statement, where President Bush and the European leaders reaffirmed their historic partnership "based on shared fundamental values", expressed common views on several subject matters and set the path for the cooperation in the years to come.

In the spirit of the reform of Transatlantic procedures, and to facilitate a more streamlined and result-oriented dialogue, the Göteborg Summit returned to a simple plenary session followed by a working lunch, without separate gatherings of trade and foreign ministers.

Both parties reaffirmed their engagement in liberalising the world **trade** and committed to "launching and ambitious new round of multilateral trade negotiations at the WTO Ministerial Meeting in Doha". Leaders expressed support for a trade round that promotes economic growth and at the same time meets the challenges of globalisation and the priorities of developing countries.

In the light of the recently resolved banana dispute and the still unresolved steel discussions, leaders reaffirmed the importance of preventing frictions more effectively before they develop into a political problem.

Climate change was another all-important topic for discussion, after the United States had declared they would not ratify the Kyoto protocol. Despite the clear disagreement over that matter, both parties recognised the need to address climate change. President Bush words best illustrate the US stance: *"...we must be partners in confronting environmental challenges. The United States is committed to addressing climate change...we do agree that climate change is a serious issue, and we must work together"*. To this end, summit leaders decided to nominate personal representatives to continue discussions in a constructive manner.

Leaders have also debated on how best to combat **communicable diseases**, in particular in Africa. They agreed to follow a comprehensive approach to confront these diseases, from prevention to treatment and further research, in order to "facilitate the broadest possible provision of drugs in an affordable and medically effective manner". Leaders also expressed their support for the Global Health Fund to combat communicable diseases, which should start functioning shortly.

The situation in the **Western Balkans**, where Europe called on the US to remain committed to the work of ensuring peace and stability in the region, and in the **Middle East** were also discussed. On the latter, the EU and the Bush Administration have for the first time issued a joint statement, which addresses the ways for peace and reconciliation, as recommended by the Mitchell Committee, and calls on Israelis and Palestinians to go for a cease-fire, undertake confidence-building measures and resume negotiations.

As regards the **Korean Peninsula**, leaders expressed their support for South Korean President Kim Dae-Jung's policies for peace in the region. They also welcomed the results of the EU High Level Mission to the two Koreas which led to the re-established diplomatic relations, and the US decision to resume talks with North Korea.

President Prodi reiterated the European concerns with unilateral **sanctions** initiatives by the United States, with particular reference to Helms Burton and the Iran Libya Sanctions Act.

Under the heading "looking to the future", six **strategic themes** for cooperation were defined, and **immediate priorities** for five of these were agreed:

- **Addressing security challenges:** Preventing conflict and managing crises; fighting terrorism; promoting non-proliferation;
- **Promoting Growth and a Multilateral Trading System:** Reaching agreement on the scope of the new round and working together to solicit support for the agreement in the run-up to the WTO Ministerial in Doha;
- **Fighting Crime:** Cooperating in fighting trafficking in human beings, drugs and cybercrime;
- **Protecting the Environment:** Promoting effective ways to address climate change;
- **Fighting against poverty in the developing countries:** Combating the communicable diseases HIV/Aids, Malaria and Tuberculosis.
- **Promoting the Digital Economy and making its benefits available to all citizens.**

The Summit marked an important step in the implementation of the Commission communication on transatlantic relations, aiming to ensure a more focused and result-oriented dialogue between Europe and the United States. Despite the logically increased focus on terrorism after the 11th of September, progress is being sought on all the priority issues identified at Göteborg. Both sides are committed to take the work forward before the next EU / US Summit, which will take place under the Spanish Presidency.

Doha: EU-US cooperation, key to the successful launch of the new WTO round

The 4th Ministerial Conference of the World Trade Organisation was held from 9 to 14 November 2001 in Doha, Qatar. Trade Ministers agreed on a broad based new round of global trade talks. The EU and the US highly welcome the results of Doha.

After five days of intense negotiations, on 14 November 2001, trade ministers of the Members of the World Trade Organisation reached agreement in Doha, Qatar, on the launch of a new

round of global trade talks. Following the failure two years ago in Seattle to launch such a new round, the 4th WTO Ministerial Conference paved the way for substantive discussions, over the next

three years, with a view to further liberalise world trade and strengthen the rules-based trade system. These negotiations will restore business confidence in world trade and, most importantly, benefit developing countries by addressing their interests and concerns.

The success of Doha is also a result of increased co-operation between the EU and the US in the preparation of the Ministerial Conference. The bilateral commitment to the launch of a new round was lastly confirmed at the EU-US Summit in Göteborg on 14 June 2001 where leaders agreed on the priority of 'reaching agreement on the scope of the new round and working together to solicit support for the agreement in the run-up to the 4th WTO Ministerial in Doha'.

Although the two sides did not always agree on every detail, the co-operative spirit in which the EU and the US worked hard to prepare this Ministerial made it possible overcome the majority of the differences beforehand and to concentrate in

Doha on a few, but important, numbers of issues. The final texts of the Declaration and decisions adopted at Doha were welcomed by both sides.

In addition to further market liberalisation in the areas of goods and services, including trade facilitation, negotiations will also address new areas, such as trade and environment, trade and development, competition and investment issues, in parallel to strengthening and improving the existing rules. A separate declaration addresses the solution to the tension between public health objectives and interests of private companies, notably in the area of patent protection for pharmaceutical products.

The EU looks forward to a continuing co-operation with the US during the negotiations over the next three years.

The EU's detailed assessment of the results from the WTO 4th Ministerial Conference can be found at : http://trade-info.cec.eu.int/europa/2001newround/index_en.php

EU-US Trade Disputes, old and new

Following the breakthrough achieved on the dispute over banana imports into the EU, controversial US actions on EU steel exports to the US are high on the agenda. The Commission remains ready to actively engage in a dialogue with the US to solve the major outstanding disputes.

Dispute settlement activities with the US continue to represent the vast majority of the EC's overall WTO dispute settlement activities. The EC has presently 13 active WTO disputes underway with the US. In 10 of these cases it is the EC which is the complaining party, being the defendant only in 3 cases, all in the agricultural sector.

Regarding the substance of the EC's offensive cases with the US, a majority of them (6) concerns the misuse by the US of trade defence instruments (anti-dumping, countervailing duties and safeguards) as well as subsidy related issues. Another important category in these disputes relates to intellectual property rights (trademarks, copyrights and patents). Finally, the carousel case demonstrates the permanent risk of unilateral action from the part of the US. In terms of economic sectors covered, it should be noted that almost half of the EC's offensive cases (5) relate to the steel sector.

As far as procedural steps in the WTO are concerned, 3 out of the 10 cases are at the implementation stage: the dispute over the US Foreign Sales Corporations is in a compliance panel procedure; in the 1916 Anti-dumping Act and the Section 110 of the Copyright Act cases, reasonable periods of time for implementation by the US have been extended until the end of 2001. One case was appealed by the EC (Section 211 of the Omnibus Appropriations Act).

New panels have been established at the request of the EC for 4 cases: 2 cases involving 14 countervailing duty orders on privatised European firms, one on the application of the Byrd amendment and one on the safeguard measures taken by the US in the steel sector.

Current major cases launched by the Community

Cases on US trade defence instruments and subsidies

US 1916 Anti-Dumping Act: 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. A WTO Arbitrator ruled on 28 February 2001 that the reasonable period of time for the US to implement the WTO Appellate Body ruling ends on 26 July 2001. Nevertheless, mindful of the importance of avoiding an escalation of trade disputes, the EC agreed to an extension of the deadline until the end of the current session of the US Congress or 31 December 2001, at the latest. On 20 July 2001, the US Administration formally proposed a bill to revoke the 1916 Act. This proposal also provides for the termination of the cases pending before US courts. However, no action has yet been taken by the US Congress. The EC will closely monitor US implementation.

'Byrd amendment': The 'Byrd amendment' signed into law last October provides that the proceeds from anti-dumping and countervailing duty cases be paid to the US companies responsible for bringing the cases. This provision appears incompatible with several WTO provisions.

On 22 December 2000, the EC and eight other WTO Members requested WTO consultations with the US which were held on 6 February 2001, but which did not lead to any result. On 26 June 2001, the US has published the "proposed rules" for implementing the Byrd amendment. Upon request from eleven co-complainants, including the EC, a single Panel has been established on 23 August 2001.

US countervailing measures on privatised EU companies (follow-up to the 'British Steel' case):

In May 2000, the WTO Appellate Body condemned the countervailing duties imposed by the US on **British Steel's** exports of lead and bismuth steel from the UK. The US had wrongly presumed that British Steel plc. had benefited from subsidies granted to its predecessor, the state-owned British Steel Corporation, before its privatisation. The EC requested WTO consultations in 13 other cases where the US had applied the condemned methodology against EU companies. These were held in December 2000. Although the US is forced to review this methodology, it still refuses to take account of the WTO ruling.

Following the application by the US of a new methodology, which also appears to violate WTO provisions, the EC requested WTO consultations on this new methodology. These were held in April 2001. On 18 July 2001, the US confirmed that it refused to accept the compromise proposal made by the EC. At the request of the EC, a WTO Panel was established on 10 September 2001.

US application of de-minimis rules in anti-dumping and counter-veiling duty (AD/CVD) sunset reviews:

In two cases, the US recommended continuation of AD/CVD measures, in spite of the amounts of dumping and subsidy being below the current de-minimis levels. In December 2000 and March 2001, WTO consultations were held with the US on these cases without achieving any progress. At the request of the EC, a Panel was established on 10 September 2001.

US safeguard measures on imports of steel wire rod and welded line pipe:

In March 2000, the US introduced two safeguard measures on imports of steel wire rod and imports of welded line pipe in the form of a tariff increase above a tariff quota. The EC requested formal WTO consultations, which took place on 26 January 2001. At the request of the EC, a Panel was established on 10 September 2001. The Commission is currently exploring with the US Administration a possible compromise solution in the wire rod case.

Foreign Sales Corporations (FSC): This case is by far the largest in economic terms. In February 2000, the WTO Appellate Body condemned the income tax exemption afforded to US exporters by

means of FSCs as an export subsidy inconsistent with WTO provisions. On 15 November 2000, the US adopted a new system, which, in the EC's view, remains WTO incompatible. Both sides agreed in September 2000 that a new WTO 'compliance' Panel would review this new US system. This WTO Panel was requested on 17 November 2000. 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. After consultations held on 4 December 2000, the compliance panel was established on 20 December 2000. The suspension of concessions procedure was suspended the following day. The report of the compliance Panel, circulated on 20 August 2001, confirms that the FSC Replacement Act is in breach of the US obligations under the Subsidies and Agriculture Agreements and that therefore the US has not implemented the WTO recommendations and rulings as from 1 October 2001. The US appealed the report of the compliance Panel on 15 October 2001⁽¹⁾.

Cases on intellectual property rights

Section 110 of the US Copyright Act: 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 TV. On 15 January 2001, a WTO Arbitrator ruled that the reasonable time for the US to implement the ruling ends on 27 July 2001. In order to facilitate the solution of this dispute, the EC agreed to a procedural agreement with the US that (a) negotiations on the compensation to EU right holders be held and (b) a WTO arbitration procedure would determine the economic losses due to the WTO-incompatible US Copyright Act. The arbitrators rendered their award on 12 October 2001 and determined that the level of nullification or impairment was equal to 1.219.900 €/year.

Section 211 of the U.S. Omnibus

Appropriations Act: In June 2000, the EC requested the establishment of a WTO Panel concerning Section 211 which is designed to diminish the rights under the WTO TRIPs Agreement of owners of US trademarks which are identical or similar to trademarks which previously belonged to a Cuban national or company which was expropriated in the course of the Cuban revolution. Following the Panel hearings in January and March 2001, the Panel has circulated its report on 6 August 2001. As this decision raises some important systemic issues, the EC has decided to appeal this ruling on 4 October 2001. The hearing of the WTO Appellate Body took place from 7 to 9 November 2001 and a final ruling is expected in January 2002.

Section 337 of the 1930 Tariff Act: Under Section 337, 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

(1) Shortly after this article, the WTO ruled in favour of the EU (14 Jan. 2002).

favourable treatment than US respondents in comparable cases thus violating the national treatment principle of the GATT and certain procedural requirements contained in the TRIPs Agreement. In 1989, Section 337 was already condemned by a GATT Panel, but despite certain amendments by the US in 1994 the US appears not to have brought the statute into conformity with the GATT Panel's findings. The EC requested WTO consultations, which took place in February 2000. Since then, the ITC has started new investigations against a number of European companies. The Commission is concerned by these developments and it regularly raises the 'Section 337' issue in its bilateral contacts with the US Administration. The Commission does not discard possible further action at the WTO level.

Cases dealing with US unilateralism

'Carousel': The 'Carousel legislation 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 EC requested WTO consultations, which were held on 5 July 2000. Despite strong rumours that rotation could have taken place by 14 November or 18 November 2000, this did not happen. However, the EC will consider a request for the establishment of a WTO Panel should the legislation be applied and sanctions rotated.

Current major cases launched against the Community

'Bananas': In the past, two European Union banana regimes were challenged successfully in the WTO, prompting US retaliation against EU products. On 11 April 2001, the US Government and the European Commission reached an understanding to resolve this long-standing dispute. A new EU regime will provide a transition to a tariff-only system by 2006. During the transition, bananas will be imported into the EU through import licences distributed on the basis of past trade. The new system is scheduled to take effect on 1 July 2001 on which date the US will suspend the sanctions imposed against EU imports since 1999. After the transition, a tariff-only system is scheduled to take effect on 1 January 2006.

The understanding marks a significant breakthrough. It demonstrates the commitment of the Bush Administration and the European Commission to work together closely and effectively on trade issues. Most important, both parties agreed that the time had come to end a dispute which had led to prolonged conflict in the world trading system. Phase 1 of the understanding has been implemented by the EC on 1 July 2001 (Commission Regulation (EC) No 896/2001 of 7 May 2001). A working party for a GATT Article I waiver for the Cotonou Agreement has been

established on 11 October 2001. The EC has also urged the US to actively support the EC request for a GATT Article XIII waiver, which is a prerequisite for the implementation of Phase 2 of the Understanding and in particular the reservation of the reduced C quota for ACP bananas. The 'WTO waiver process' was successfully completed by the approval of both waivers during the 4th WTO Ministerial meeting in November 2001 in Doha, Qatar.

'Hormones': 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 EC 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 EC 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. However, the drop in the EU market following the BSE crisis and the long lead time needed by the US industry to gear up hormone free production recently diminished the prospects for an amicable solution. The resolution of the bananas dispute and the realisation that trade sanctions are not productive may increase the possibility of an agreement on temporary compensation on hormone-free beef. The latest rounds of discussions to this end have taken place on 26 July 2001 and on 27 September 2001.

Customs duties for rice imported into Belgium:

The US requested WTO consultations with Belgium over the establishment of customs duties for the importation of rice under the cumulative recovery system. These consultations were held in November 2000 and the US subsequently requested the establishment of the WTO Panel. However, it appeared that the purpose of the US complaint was rather to strengthen the position of a US company currently involved in a court case before a Belgian Court. On 22 January 2001, the US requested the establishment of a Panel and the Panel was finally composed on 7 June 2001. At the request of the US, the Panel proceedings have been suspended until 30 September 2001 as parties attempt to reach a mutually agreed settlement. Further suspensions until 1 November 2001 have been granted by the Panel.

Marrakech: a milestone in the global fight against climate change

A final agreement on the operational rules for the Kyoto Protocol was reached at the seventh Conference of the Parties to the Convention on Climate Change, held in Marrakech in November last. This paved the way for action on the ground to limit and prevent further dramatic consequences of climate change, which are threatening the whole planet. The package agreed upon includes decisions on compliance rules, the so-called flexible mechanisms and monitoring and reporting obligations for Parties. These decisions are the final signal for Parties to start their ratification and implementation process. The agreement reached at Marrakech should allow for the ratification and entry into force of the Kyoto Protocol by the time of the World Summit on Sustainable Development in September 2002.

Marrakech Agreement

The meeting of the seventh Conference of the Parties to the UN Framework on Climate Change (COP7) took place in Marrakech from 29 October to 9 November, building on the important work done in Bonn in July on key elements for implementing the Kyoto Protocol and putting into place funding assistance to developing countries.

Welcoming the outcome of COP7, Olivier Deleuze speaking as head of the EU delegation for the Belgian Presidency, said: "The success of the Conference in Marrakech demonstrates that, despite the tragic events of 11 September, the international community is able to produce positive responses to global challenges. It provides evidence of the confidence of citizens and political leaders in the capacity of all countries to continue to work together to build a more sustainable future".

The most important elements agreed upon at COP7 were:

- Rules and modalities on the Kyoto mechanisms that would allow the start of the Clean Development Mechanism, and of Joint Implementation projects. Use of these mechanisms is supplementary to domestic action to reduce emissions. Domestic action is thus to constitute a "significant" element of the emissions reduction effort by industrialised countries.
- International emissions trading can start as of 2008m
- Monitoring and reporting procedures were agreed to provide transparency and certainty in the monitoring of emissions from sources and carbon sinks, as well as for the operation of the Kyoto mechanisms, in order to adequately assess compliance with Parties' emission targets
- A solid compliance system has been established that will be put in place after entry into force of the Protocol. The agreement establishes a compliance regime that has stricter and more elaborate rules than any existing multilateral environmental agreement.

- Rules were set for the transfer of credits from sinks activities (i.e. in forestry and agricultural land use)
- Additional support will be given to the Least Developed Countries. Parties agreed that predictable and adequate levels of funding should be made available to developing countries and recognised the need for funding that is new and additional to existing financial resources.

Margot Wallström, European Commissioner for the Environment, hailed the agreement as "a milestone in the global fight against climate change".

EU Action on Climate Change

The European Union was instrumental in securing the final agreement in Marrakech and remains at the forefront of international efforts to combat climate change, which is a top policy priority for the European Commission. In the run up to COP7, the European Commission adopted a major package of initiatives to combat climate change. This comprises: a proposal for EC ratification of the Kyoto Protocol; a Directive on greenhouse gas emissions trading within the EU; and a Communication on the European Climate Change Programme outlining a series of ten actions in the key areas of energy, transport and industry to further reduce greenhouse gas emissions in the EU over the next few years.

The Kyoto Protocol requires the EU to cut its emissions of a basket of six greenhouse gases to 8% below 1990 levels by the years 2008-2012. The latest EU emissions inventory compiled by the European Environment Agency shows that total emissions fell by 4% between 1990 and 1999, taking the EU half way towards its target.

EU determined to further progress, keeps door open for the US

The agreement reached by the international community at Marrakech highlights the importance of

multilateral co-operation under the auspices of the United Nations, to develop a strong and binding response on an issue, which is impossible for countries to solve individually. The EU hopes that the agreement reached will encourage the United States Administration to reconsider its decision not to ratify the Protocol.

The EU and US agreed at their summit meeting in Gothenburg in June 2001 that climate change is "a pressing issue that requires a global solution" and that "prompt, effective and sustainable action is needed" to address it. Protecting the environment was designated as one of the five specific strategic themes for EU-US co-operation over the coming years. Promoting effective ways to address climate change was highlighted in the summit statement as an immediate priority, and Presidents Prodi and Bush asked for specific high level contacts on this issue to be established.

The EU has left the door open to the US Administration to discuss particular concerns and

suggestions in this area. Elements of practical co-operation are in place already, such as enhanced environmental research collaboration with the US, including on climate change. But such co-operation does not replace the need for both concrete domestic action to reduce greenhouse gas emissions and a clear US engagement in the established international process on climate change.

Further general information on the EU position on climate change and on the Commission's proposals in this area, is available at:

http://europa.eu.int/comm/environment/climat/home_en.htm

For a specific response to some of the issues raised in relation to the Kyoto Protocol see:

<http://www.eurunion.org/legislat/climatechange.htm>

For more detail on COP7 and the UN Framework Convention on Climate change: <http://www.unfccc.de/>

EU Centres in the US consolidate and expand

The European Commission has completed the selection of the Institutions which will host the new network of EU Centres in the US. The 15 EU Centres will offer information and academic expertise on EU matters and Transatlantic Relations, reaching out to local communities, business people, legislators, media, and the general public. To this end, the Centres will implement a very diverse array of actions based on their own individual capacities and expertise. The ultimate objective of this ambitious programme, which accounts for an overall volume of around 5 million euro per year, is to promote people-to-people links between the European Union and the United States through improved Transatlantic knowledge and understanding.

New times for the network of EU Centres in the US

A call for proposals for the 2001-2004 period was published on 2

February 2001. 29 top level US Universities participated in this highly demanding and competitive process, which included a large number of the US leading educational institutions. The general high quality and merit of the offers was reflected in the fact that most of them were pre-selected for interviews with the competition jury. After careful examination of the proposals and of the clarifications provided during the interviews, the jury



Centers' Directors and staff meet periodically to coordinate their activities. Participants at the meeting of the EU Centres in the US, 3 February 2001

selected the 15 Centres which will form the new network during the 2001-2004 period - subject to yearly evaluations of activities, the availability of funding and the assessment of the annual propos-

al that all Centres must introduce before each academic year. On October 4, the Commission announced publicly the final results, which had been previously communicated to the successful Centres.

Heading for top gear

Most EU Centres are now heading for top gear in the implementation of their proposals. As a consequence, a significantly enlarged network

of EU Centres is now operating throughout the United States. US students will have now more opportunities to learn about Europe and Transatlantic relations. The local communities where Centres are situated will enjoy an increased exposure to EU-related issues; the media will play an increasingly important role in cooperating with the Centres to take their messages even further. Another essential mission of the Centres is helping to avoid misconceptions on EU issues, by promoting accurate and comprehensive knowledge of Europe and of the Transatlantic relationship.

Opportunities and challenges

On the launching of the enlarged network, Ambassador Burghardt declared that *"the EU Centres open new opportunities for more and more Americans to learn about the new Europe and its importance as America's partner for peace and prosperity around the globe. Today's college students are the lawyers, legislators, commentators and policymakers of the future, who will help*

shape the American view of the European Union for decades to come".

In this time of global challenges and threats, being able to show clearly how important and mutually beneficial EU-US relations are is of paramount importance. The EU and the US are the best partners and allies. They share the same human, political and social values. They have an enormous array of possibilities to jointly increase their wealth, security and growth, and to promote global progress. The EU Centres have a similarly wide scope for action. They will contribute decisively to a better and wider knowledge of the impressive results of EU-US cooperation. Even more importantly, they will serve to highlight the even greater potential for future cooperation and the mutual benefits involved.

More information about the EU Centres can be found at : <http://www.eucenters.org> , and at the webpages of the Commission's US Unit at : http://europa.eu.int/comm/external_relations/us/action_plan/4_building_bridges_release.btm

Transatlantic relations and the new US restrictions for NGO public funding

On 22 January 2001, as one of its first actions, the George W. Bush Administration reinstated the policy, known as the 'Mexico city policy' requiring non-governmental organizations receiving US government funding to agree not to promote or actively support abortion as part of family planning assistance to other countries.

This policy was announced in 1984 by the Reagan Administration and had been subsequently cancelled by the Clinton government. It stems back to 1973 when US legislation was put in place prohibiting any government funding of abortions or involuntary sterilisation.

The requirements dictate that foreign, non-governmental organizations receiving U.S. international family planning funds may not use their own funds to:

- Offer a pregnant woman information about abortion, in countries where legal, unless directly asked;
- Perform abortions for the physical or mental health of the woman, other than in cases of rape, incest or to save the life of the woman;
- Lobby their own government to maintain the legal status of abortion, to legalize abortion, or even to decriminalize abortion;
- Provide information to the public about the availability of abortion.

The policy in effect applies only to foreign NGO's. The Mexico city policy does not apply to aid given through foreign governments. Nor does the policy apply –according to our information– to US based NGO's as these cannot be denied funding based on this policy for constitutional reasons related to the freedom of speech.

The European Commission is very concerned about this new US policy and has on several occasions expressed its views to the US Government. The EU's concerns are based on the following reasons.

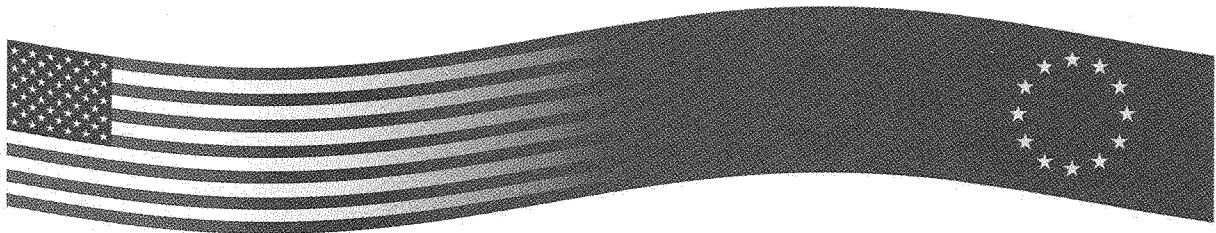
- the possible discriminatory effects of the policy. The EU does not see the logic to exclude US based NGO's for Constitutional reasons and to exclude foreign governments for diplomatic reasons which in effect means that the policy is directed towards foreign, including European NGO's.
- The EU regrets that the US is opting out of an international agreed population policy (see Programme of Action of the UN International Conference on Population and Development, Cairo 1994)

- The European Union supports the rights of men and women to have access to good quality family planning and health services. It aims, through its support for reproductive health programmes, to prevent the need for abortion. Yet, it must be recognized that abortion is a reality and causes the unnecessary death of many women each year. Wherever abortion is not against the law, it should be made safe and women should have access to quality services.
- US policy will force organizations to choose between US funds for reproductive health programmes, or else surrender their ability to provide medical information and their right to free speech.

- US policy may contribute to an increase in abortions by reducing access to contraception.
- It also adversely affects the fight against HIV/AIDS and other communicable diseases on which both sides are putting in huge efforts and on which we are co-operating in Africa. It is the poor who are most adversely affected by this policy.
- The US policy means that other donors, such as the EU will be involuntary faced with demands to finance the "decency gap".

The European Commission will continue its dialogue with the US Government and Congress on this important issue.

Shorts



GE / Honeywell: enforcement of EC competition law

On 3 July 2001, the European Commission announced that the merger between General Electric and Honeywell would not be compatible with EC competition law. The conclusion was reached after an exhaustive 5-month investigation, during which the parties exercised their access to the file and hearing rights. The process involved numerous meetings and consultations between the Commission's services and the enterprises concerned.

Indeed, the Commission showed a highly remarkable disposition to discuss possible engagements to be entered into by the parties, in order to solve the competition problems identified, and enable the Commission to give its green light the merger. Unfortunately, the parties' offer for commitments was well below the minimum necessary to authorise the merger under EC competition law.

The Merger Task Force of the European Commission is responsible for clearing all mergers of Community dimension. It has in the past pro-

hibited a number of them on the basis of anticompetitive concerns. Similar to US antitrust law, the EU activities of foreign enterprises are subject to the EC competition legislation, which is equal for nationals or foreigners on EU territory. The US authorities have, indeed, analysed EU mergers in the past, imposing commitments on the parties whenever they considered that appropriate. For example, in the 1995 Glaxo-Wellcome case, the US refused approval unless the parties entered into a number of serious commitments.

Unfortunately, in the GE/Honeywell case, the parties did not offer such guarantees, and the Commission was forced to prohibit the merger.

This interdiction only applies on EU territory, and is subject of course to review and eventual ruling of the European Court of Justice. The parties have indeed exercised that right. A ruling by the ECJ, whatever its contents, obliges all the players concerned; it has definitive value and cannot be subject to any further appeal. Impartial assessment and protection of the parties' rights are thus perfectly guaranteed.

EU Enlargement to strengthen transatlantic partnership

The United States believes that EU enlargement will only strengthen the transatlantic partnership, the State Department's assistant secretary of state for economic and business affairs, E. Anthony Wayne, said on the occasion of an enlargement seminar in Washington D.C. on October 22.

He outlined a few of the reasons for which the United States sees enlargement in a positive light: increased prosperity for new members and their fuller inclusion in *"the mainstream of transatlantic commerce"*, greater diversification of EU economies, *"which may provide the catalyst for revision of the EU's Common Agricultural Policy"*, and increased investment and market potential for American companies.

However, the United States is concerned that the enlargement process might *"distract the EU from*

its obligation to remain fully engaged with the global economy". It might also make compromise and consensus more difficult to achieve within the EU, Wayne said.

From the EU side, Roderick Abbott, Deputy Director General of the European Commission's Trade Directorate General, acknowledged US concerns, but put them into perspective by explaining that the EU confronts similar issues as a result of NAFTA. Abbott stressed that despite these concerns, the overall impact on US business of enlargement was very positive, and expressed the Commission's confidence in WTO procedures to compensate the US for any loss following enlargement, *"although there would not be many instances where this would be required"*.

The Economic and Social Committee debates on Transatlantic Relations

The European Economic and Social Committee (ECS), as an important player in the EU institutional framework, is interested in all the socio-economic aspects of EU activities, including its international relations. Set up over forty years ago by the Treaty of Rome, the Committee issues its collective view in the form of an "Opinion". At its 382nd plenary session on 30 May 2001, the Committee adopted an "Opinion" on the latest developments in Transatlantic Relations, including the follow-up of the Commission's 20 March 2001 Communication (see the previous issue of this Newsletter).

The ECS stressed its continued support for reinvigorated and broadened transatlantic cooperation, emphasising that the partnership must be based on mutual understanding and respect for each other's visions, values, interests and social models. It highlighted four possible priority areas for EU-US cooperation: Globalisation and the multi-lateral trading system, Environment and climate change, Food safety and consumer protection

issues, and the Social cohesion and sustainable social systems in a demographic perspective.

The Committee renewed its calls for increased involvement of organised civil society, which can give important inputs to both preparation and follow-up of events in the transatlantic cooperation. A people-to-people dimension is particularly important to put possible disputes into the wider picture. The Committee stated its strong support for the continuation and strengthening of the existing Transatlantic Dialogues, and made a number of practical suggestions to increase the participation of organised civil society. Among them, the possible launching of a Forum to discuss topical issues of mutual interest. The first such discussion would take place in the Spring of 2002.

The Commission is now ensuring the appropriate follow-up of this important contribution from the Economic and Social Committee for the Transatlantic Agenda.

The ECS has its website on the internet at: <http://www.esc.eu.int/>

The EU maintains its firm commitment to the Balkans

On 10 July 2001, in a speech delivered in Brussels at the International Crisis Group, Commissioner Chris Patten set out a comprehensive review of the EU's strategy in the Western Balkans and made a vigorous appeal in favour of continuing the current approach of stabilisation and association with the potential of future membership. Despite temporary setbacks, he argued, progress

requires steadiness and political will to stick to our approach.

Commissioner Patten commended the Croatian and Serbian Governments on their resolve to cooperate with the International Criminal Tribunal for Yugoslavia in The Hague, and re-affirmed that full co-operation with the Tribunal is one indica-

tion of commitment to those values which lie at the heart of the Stabilisation and Association Process. The Commissioner pointed at organised crime as being the biggest threat to the EU's ambitions for the region and puts forward a series of steps to tackle this problem.

Chris Patten expressed his disagreement with those who argue in favour of dis-engagement from the region as well as with those who believe that the drawing of new borders at a grand conference would be the answer to the

region's difficulties. He concluded by saying that "this is not yet Mission Accomplished; far from it. But nor, as the more encouraging events of the last year have shown, is it Mission Impossible."

The full text of the above speech can be found at: http://europa.eu.int/comm/external_relations/newspatten/sp_balkans.htm

More about this subject can be found at: http://europa.eu.int/comm/external_relations/see/index.htm

A little knowledge is a dangerous thing

The last word

In the present issue of the EU-US News we reported on the expanded network of EU Centres in the US. The EU Centres are now facing a bright future – partly due to the fact that, unfortunately, there is still wide scope for improving the mutual Transatlantic knowledge.

One more-than-well-known example of this lack of knowledge is the supposedly widespread inability of US citizens to tell one EU state from the other. A great number of Americans, the stereotype goes, would not be able to locate some EU States in the map. (But, if true, is the situation any better in Europe? How many Europeans can locate, say South Dakota in the US map?)

Worse than the absence of knowledge are the misconceptions both sides of the Atlantic. Countless Europeans seem to believe that the US is a Country which has an East Coast, a West Coast and a big vacuum in between. Many Americans seem to think that French is *the* language of Europeans. And the list goes on...

Intrigued by this thoughts, the EU-US News team decided to launch our own little inquire. Sadly, it could only include -due to limited budget- a reduced sample of one European and one American. We asked them what the other side was.

- Mr X, from Brussels, said: *"The United States is a very, very large Country most of which is occupied by the cities of New York, San Francisco and Los Angeles; the rest of the Country is mostly highways, graceland and pastures. The availability of guns and automatic*

weapons, which are sold on rebate and over the counter, makes the place lively but dangerous. Most US citizens can only speak English (with the exception of a minority to the South who can only Spanish). They used to have a railway system which was entirely dismantled after the invention of cars. It is important to remember", Mr X added, "that the fact that we Europeans have lifestyles clearly inspired by the US is merely accidental."

- Mr Y, in Washington, said the European Union was *"A very loose club of European Kingdoms, who organise periodical meetings in fancy places to discuss the state of European agricultural policy. During the course of meetings they eat enormous quantities of oysters and snails in olive oil, and drink countless cases of champagne. Europe's citizen daily life is regulated to the smallest detail by the State and by the European Commission. The latter should not be mistaken with the informal gatherings of European Governments", Mr Y clarified, "which is where all significant decisions are made"*.

Well, no. *None* of the above is true. But to a lesser degree, this kind of misconceptions exist. They probably stem from a very partial knowledge of reality. A little knowledge, they say, it's a dangerous thing. To appreciate the full meaning of details, one must make an effort to get the overall picture right, on both sides of the Atlantic. And that is not only the task of the EU Centres, but each one's.

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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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