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BRIEFER: U.S. TRADE REPRESENTATIVE BOB ZOELLICK

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MS. COUNTRYMAN: Hi. We're going to do an on-the-record briefing at this time by Ambassador Zoellick, USTR. And he's going to preview for you tomorrow's U.S.-EU Summit, and then take your questions. Thanks.

MR. ZOELLICK: Thank you, Mary Ellen. Well, as you all undoubtedly are aware, today's primary focus was on NATO and the exchange on transatlantic security issues. Tomorrow we turn to a different Euro-Atlantic relationship, that of the U.S. ties with an evolving European Union.

This is the 21st U.S.-EU Summit. This was a process that was launched in 1991, with something called the Transatlantic Declaration, which was an early post-Cold War effort to adjust institutional ties to a new Europe. And just so you have a sense of the logic of that declaration, at the time the European Union was then called European Community, the EC, as opposed to EU. And it was clear that it was developing particular institutions of a European-wide nature. And so the prior Bush administration thought it was useful to develop additional special ties with the institutions with that new Europe, at the same time that it would maintain its ties with the nation states -- or in this context, called the member states.

And let me give you a word of explanation about the European Union, because I understand people have different backgrounds -- some of you are from the states here. Most Americans struggle to understand exactly what the European Union is. That's okay, because most Europeans do, as well. I find that it's helpful to keep in mind the notion of a shared sovereignty, because what one has going on in Europe today is a question of a mixture of sovereignty at the nation state level and the European institution level. And it's an ongoing process.

It started with the whole notion of trying to promote the recovery of Europe through economic ties that would also have a political dimension. A key cornerstone of this is the Franco-German

reconciliation. And over the years there have been various treaties that have created a set of legal structures and European institutions. One of the most significant one being the Treaty of Rome, which is, in a sense, the basic Constitution. Another being the single market,

which created -- was launched in 1992.

Together this has created a mixed political structure. And the reason I'm explaining this is it's going to affect a little bit your understanding about what's going on tomorrow. The European Union includes something called the European Council, which is an intergovernmental body dealing with the member states. And that happens at the ministerial level across a series of topics. It also happens at the head of government level.

Then there's the European Commission, which is, obviously, headquartered in Brussels and which many Americans associate with the European Union. And that, in effect, is the executive branch that develops and executes the policies. Then there's the European Parliament, which meets both in Brussels and Strasbourg -- this week in Strasbourg. And over the course of the '90s, it has been developing a stronger role; under something called the Treaty of Amsterdam, it was given some co-decisional authority.

Then there's the European Central Bank, coming out of Maastricht. And again, to give you a sense of the period of time -- you're all familiar with the Euro, but starting next year, the Euro will be transformed to an actual currency, with about 14 billion notes and 50 billion coins. And then there's the European Court of Justice.

So the point of this is that you have a model of a political structure that's a continuing integration process, and in some ways this is a particularly interesting time in Europe because a couple of things are happening -- you have the 15 member states dealing with the question about 12 new possible members over the next couple years. And the institutions of this structure have to evolve because many of them were build originally for six members and then 12 members and then 15 members.

So, in effect, from a U.S. point of view, you've got a constitutional debate going on in Europe. And so, there have been speeches in recent months given by Chancellor Schroeder or Foreign Minister Fischer of Germany -- that are engaging in this debate about the future structure of Europe. And there are questions similar to what you would have in the United States about what level of government should various functions be performed; although in Europe, this is called a question of subsidiarity as opposed to one of federalism.

Another term that you may hear batted around tomorrow is the question of competency. And this is the issue of who, within this system, has authority for responsibility. Now, the lineage that has the longest authority here really dates back to the economic area, and particularly from that the trade area, which is the one I obviously deal with. And so, my counterpart in this system is Commissioner Pascale Lamy however, works with the Council of Trade Ministers for his mandate.

There are other key areas like the Common Agricultural Policy, which creates an integrated agriculture policy or competition policy. And then in 1993, there was the launch of something called the Common Foreign And Security Policy, which was an effort to coordinate foreign

policy. And then, later in the '90s, there was the European Security and Defense Identity, which intersects with the whole NATO discussion you went through.

And I just thought it would be useful for you to be sensitive to some of the undercurrents of this process. One is, all of this is developing a sense of European identity at the same time people have a member state identity. And for many, this identity needs to be defined with respect to the United States. That's understandable, because the United States is obviously large, influential and important to Europe, and so in the debate you hear, sometimes it will be a tone of contrast of identity, and sometimes it's a sense of shared identity. There is no doubt there is a great number of shared interests and values, but there is also sensitivity to European distinctiveness.

Second, there is a particular sense of pride and importance where the European competency is the greatest. For example, in the area that I deal with, in trade, because it's been developed over time and Europe is, no doubt about it, a very serious player in terms of the overall trade scene. Where in some other areas it isn't as well developed.

A third element is figuring out the borders of Europe and this, I think, will also be part of the President's discussion, because everybody knew what Europe meant before the end of the Cold War, and now the question is, where do you enlarge, where do you stop, where do you have other relationships, what are your relationships with Russia, Ukraine and Turkey.

And then, fourth, again, is the security issue as highlighted by the Balkans, where there is a sharp reminder of the limitations in the '90s and the topic that was discussed today.

Now, I went through this because I wanted to give you some backdrop for the Swedish stop. An interesting bilateral piece of this is that President Bush will be the first American President in office to visit Sweden. But the reason that he's going to Sweden is that as part of this structure I mentioned, every six months there is a change in what they call the presidency country. And so the past six months before that it was France; this six months, it's Sweden; the following six months it will be Belgium.

And that country plays a coordinating role in this inter-governmental process. And I distinguish this presidency from the presidency of the Commission, which is obviously held by Mr. Prodi.

So starting in 1991, the United States agreed to have a presidential-level meeting with the presidency country and the president of the Commission, reflecting, in a sense, the changing European structure.

So, tomorrow the President's party will be meeting with the Swedish Prime Minister, the Foreign Minister, the Trade Minister, but also the presidency of the Commission, Mr. Prodi; the Trade Commissioner, my counterpart, Mr. Lamy. And the reason I mentioned on the foreign

policy is that you also have the Commissioner for External Affairs there, who is Chris Patten, who you may know from his time in Hong Kong, and another position which was created which is called the Secretary General of the Council and the High Representative of the Common Foreign Security Policy, and this is a man named Javier Solana, who, prior to this post, was the NATO Secretary General. So he had the post that Robertson had before.

So you have it set up for a combination of trade and economics and some foreign policy discussion. And then in the evening, the President will have a discussion with the heads of the European governments.

Now, some of the topics that I expect will be covered tomorrow will, first, on trade and investment you have a certain irony in that on the one hand, you have an extraordinarily deep economic relationship across the Atlantic. You have two-way investment of about \$1.1 trillion supporting about 3 million jobs on either side of the Atlantic.

The introduction of the Euro has actually enhanced this integration process because it's created a competition across European countries on top of the single market, in part because companies could no longer fudge on exchange rates. They were forced, as they did their benchmarking of costs or their consumer prices, to sort of face the competition. And you've seen over the past couple of years a very interesting development of European countries sort of restructuring along lines of business models -- you might have many in the United States -- and then part of their strategy was to acquire companies in the United States as part of their global position.

So you look at the business pages, obviously, this continues today with the boom of sort of mergers and acquisitions. So, at one level, you have an increasingly deep integration. And this will also be reflected tomorrow in a session of something called the transatlantic business dialogue, which parallels on this process.

In my area, I've been having a series of discussions, as recently as Monday and I'll have some again tonight with Commissioner Lamy about launching the new global trade round, which, as you may know, will -- at least the timing for this to occur is in November of this year in Doha. And this is what the United States and other countries were unable to do in 1999 in Seattle.

Commissioner Lamy who has been in office now since a little bit before Seattle, has been working on this issue pretty much since that time. I'm obviously newer to office, but a couple of weeks ago, I came to Europe for some meetings around the OECD to try to emphasize the President's commitment to trade and launching a new round. And together, Commissioner Lamy and I have been trying to push that process forward. Last week I was in Shanghai where I was dealing with the East Asian countries, again trying to get a sense of sort of momentum for this process.

And, as you probably saw, we also were fortunate, building on my predecessor's work, to move forward the process of China's accession to the WTO. That will be another sense of positive movement for the

other countries. And one part that was particularly interesting to see was, China was not only interested in getting into the WTO, but they want to help this launch of this round.

So what Commissioner Lamy and I are now doing is having a rather sort of in-depth dialogue about U.S. and European interests -- see how we can try to reconcile differences enough to move forward the process overall.

Now, the trade world we now live in is one where these things can no longer be done by the United States, Europe and Japan or the quad countries, adding Canada. It is a critical role for developing countries.

But the other key point that I think both Commissioner Lamy and I felt is that if the United States and EU are not trying to work together on this, the odds of a successful launch would be very small. If we are successful in doing it, it enhances the odds, doesn't make it certain, and so, frankly, after the effort we had in the Western Hemisphere with the FTAA, I've tried to focus much of my time on this effort working with him.

In addition, we obviously have a bilateral relationship, and we have a series of disputes, as you would expect in part because of the deepening of the economic relationship. And there is something that's interesting going on here that I saw, having come back after eight years, and that is because the economies are actually becoming more deeply integrated, issues that used to be considered more in the area of domestic regulation now are affected the international economic environment. So topics like health and safety or genetically-enhanced materials, or privacy, or tax issues. And so it changes the nature of the challenge of how we sort of manage these issues.

As probably all of you know, Commissioner Lamy and I were fortunate to try to resolve this bananas problem that had been kicking around for nine years. That set a useful tone, frankly. Right before I went to China, we were able to resolve another one dealing with sort of wheat and corn gluten.

And while each of these may seem sort of small in their sector, they end up affecting the overall tone. Another idea that you may hear about tomorrow is to explore whether we can draw on some experience of dispute resolution in other contexts, particularly a median process, still consistent with the WTO.

And, again, just to give you a sense of some of the technical work that goes on, we also hope to be able to move forward with a mutual recognition agreement in a particular sector -- in this case, it's marine safety equipment, where what will be interesting is the precedent of having the EU and the United States determine that if the other side meets its own safety standards, that will be acceptable in the other country -- or, in this case, the European Union. So while it's obviously just one sector, it's something that we hope we might be able to build on.

And then, fitting the larger sort of theme of this visit about the overall U.S. relationship with Europe, we also have trade issues

related to the central and eastern European enlargement. You'll probably hear a little bit more about that on the Poland stop.

Because the relationship is more than economic, and also foreign policy, there will be discussion about southeastern Europe. Obviously, some of that took place in the NATO context, but there is an economic and foreign policy component, there is something called the stability pact that has been developed by the Europeans and the United States to create an economic basis for support. And we've also worked on trying to open and improve the economic and trade and investment environment.

Another topic will be the enlargement of the EU, just as the President spoke about the enlargement of NATO. At the dinner, I expect that this will be more of a strategic conversation about the overall context of the change in Europe, including relations with Russia, Ukraine and the South Caucasus.

And then there is the non-European aspects of regional foreign policy. And this is something, again, that was sort of launched about 10 years ago, so there will be certainly some discussion of the Mideast and, obviously, it's good news, the cease-fire that the President talked about. There will be discussion about North Korea and interests there from dealing with inter-Korean cooperation, nonproliferation, human rights issues, the U.S. recent proposal for discussion on a broad agenda.

And then there will be the transnational agenda, and that will include, obviously, global climate change, also HIV/AIDS, which is an issue that involves everything from financial support to health prevention activities to, in my area, the whole question of intellectual property and how one deals with intellectual property in a pandemic -- something that Commissioner Lamy and I worked on.

So, in summary, backing from this, just as the U.S. relationship with NATO is an important institution relationship, so the U.S. relationship with an evolving EEU is important. And as you undoubtedly know, Sweden is not a member of NATO, but it is now the presidency of the EU. So while you have some overlap, it's not total.

There is no doubt that there are differences, as there have been, in this relationship in the past, but I think my sense is, is that one thing that will come out of this and was clear from the President's press conference, was an overall U.S. commitment to working with friends and allies in Europe.

I think, having been through these meetings at other times, another important element would simply be a chance for these individuals to get to know each other at a personal level. And so, I think basically, there will be a lot of focusing on the one hand, the U.S. doing some listening, explaining U.S. views, having a discussion, and laying the groundwork for four, and I hope eight years of relationship with Europe. And, as you probably know, the President will be back in Italy, in Genoa in July for the G-7/G-8 Summit. So that's the context, and I would be happy to try to take your

questions.

Q What we saw in Quebec appeared to indicate that the forces that turned out in Seattle opposed to this WTO round have not dissipated, but remain galvanized somewhat. Can you tell us from your standpoint what has changed in how you're planning to accommodate or confront those views, such that you might be able to get started now what the previous administration wasn't able to get started in Seattle?

MR. ZOELLICK: Yes. Well, first off, in a way, I think Quebec City showed that demonstrators are, and have been for many decades, a fact of life. That doesn't necessarily mean that they need to disrupt the discussions, or necessarily prevent the process from moving forward.

Obviously, we were very pleased in Quebec City to launch the FTAA process and have a schedule and deadlines. And I, personally, believe that the problem in Seattle was less the demonstrators and more some of the challenges that the key countries had in terms of trying to come together on a launch.

It's one of the reasons why Commissioner Lamy and I are trying to work closely on this, one of the reasons that I was in Asia, one of the reasons why the Chinese role, I think, can be important, and the reason that Commissioner Lamy and I are keenly interested in trying to reach out to key countries in the developing world, like South Africa and others, that can play a role in this process. Mexico is another one.

So the -- at one level, you have to separate the hard work of sort of putting the agenda together, recognizing that the objective is to launch the negotiation, not to complete the negotiation. This was obviously last done at Punta del Este in 1986 for the Uruguay Round, which took a number of years to complete. And then, when it comes time to the demonstrators more generally, I think they at least have become a symbol of a series of concerns.

Now, one of the challenges is obviously -- is that moving for the trade system at a time of economic slowdown. The point the President has made and that I have resonated is, in many ways, there is no more important time to be able to keep the liberalization process going forward.

And then there are things that I think are important in terms of trying to deal with specific concerns. For example, the transparency and openness of the process. The Canadians, for example, in Quebec created a special discussion, bringing in a number of NGO groups.

In the case of the United States, we've tried to open up some of our process by instituting a series of environmental reviews, not only for the FTAA but for starting for the round process. So there's clearly a lesson about different constituencies about bringing them into the process and having a dialogue. And then, frankly, I think it's going to be a responsibility for all of us to try to make the case on the benefits of openness and trade.

And again, just to give you sort of one summary is, is that if you take the economic benefits for a family of four from the Uruguay Round and NAFTA together, and this is the combination of the growth, but also the lower tariffs, it amounts to about \$1,300 to \$2,000 a year for a family of four in the United States, and that's a conservative estimate. That is very, very significant, but most people don't have a sense of it, so we have to do a better job of explaining it.

On the other hand, there has also been some research by the World Bank that pointed out that over the course of the past 20 years, developing countries that have had open systems have grown on average by about five percent; those that weren't open fell by about one percent, and interestingly enough, for the growing countries, you saw the income gains all across the income distribution and a decrease in the absolute poverty levels.

And so, frankly, if one is concerned about developing countries, both history and recent studies would suggest an open system is going to be the formula for them. So I think you have to work on this on different levels, at the level of sort of the technical trade diplomacy, but also the communications process, and it's one reason why, as you can tell, President Bush has emphasized the importance of trade as part of his growth agenda along with taxes and energy and education.

Q Ambassador Zoellick, to what extent do you expect the issue of global warming to feature in the discussions tomorrow during the

day or during the dinner? And do you expect the President to take a lot of criticism from his counterparts --

Q Question?

MR. ZOELLICK: The question was, to what extent do I believe that global climate change will be part of the discussion, and to what degree would the President expect to be criticized. Is that -- we'll find out tomorrow, and I think I'm supposed to give you a background at the end of that process.

But having done this for a number of years, I would be -- I think that the likelihood of criticism is, frankly, not high. I think the likelihood of discussion, you know, is very high, because that's one of the reasons that the President is here to talk about these topics.

And let me just step back on that a little bit, because I had a little bit of experience in this in that I ran the process for the United States in the Rio summit in '92.

You know, part of what the United States has been trying, I think, to communicate is that, on the one hand, there is a serious recognition about the importance of this problem. On the other hand, Kyoto was not going to be a successful way of dealing with this. And having been dealt with this issue in the past, I frankly have maintained a lot of ties with the environmental community, and even

during the course of the campaign, many people came to me and said they were actually worried that Kyoto was going to stymie some developments that might actually occur.

Now, why is that so? I think part of the challenge is to recognize that how does one link some of the research and science and analysis and changes in technology with a policy regime? And, frankly, what was lacking in the Kyoto process was a link between the time frame and the specific, the timetables and the targets, and a connection with recognizing uncertainty and the nature of an insurance policy, what was supposed to be achieved.

Now, you know, as others have said, you have a fundamental problem as well if you don't have key greenhouse gas producers as part of the process. That wasn't going to work. We also had had a problem in that a 95-0 vote in the Senate is also an indicator that there is rather broad based concern about this.

And you can look at different studies -- traveling a lot around the world, I have to tell you, the place that I think we get a most intense sense of this is in Europe -- I don't hear about it elsewhere. And in Europe you get different views about their ability to be able to meet those targets and timetables. There was an official study done in the year 2000 that raised serious questions. There is a more recent, separate consultants study in 2001 that suggests that they might.

But the reality is for the nature of these problems, no one country or group of countries is going to be able to handle it. And I just think, as a practical matter, the Kyoto regime was not going to be successful. And what the United States and the President is doing on this trip is communicating his interest, his knowledge, the commitment of his administration, offering a hand to say, here are ways we can engage on the topic. And, frankly, it will depend somewhat on Europeans' own sense of their policy preferences, their political constraints.

And I believe that for all the to-ing and fro-ing, this is a critical aspect of re-starting the dialogue, because Kyoto wasn't going to go anywhere in the United States or many other countries.

So I'm actually somewhat optimistic about this, knowing how diplomatic processes work. It will go through a phase, and the United States needs to be sensitive about some of the aspects of this in the European political scene. But, really, there is no alternative than countries trying to work together on this, because no one country can do it by itself.

Q I'm from Cleveland, so you can probably anticipate what I'm going to ask you about, and that is the situation with LTV Steel Corporation on the ropes, a lot of jobs at stake, not only in Cleveland, other communities -- 100,000 retirees and their benefits. In talking to some of the representatives of the European steel community, they say it's not imports, it's the over capacity situation in the U.S., it requires a major investment from the government or a

painful restructuring process, which they don't believe this Section 201 investigation will lead to, or some of the other initiatives you've started.

So my questions are, can LTV be saved? What will take? Is the government willing to put some substantial money into saving it and some substantial money into saving it and some of the other steel companies that are in bankruptcy? Is the European Commission threatening some trade retaliation for the Section 201, such as, say, nuisance complaints at WTO or some other -- well, they wouldn't call it that -- but some other -- you know, not dealing with things in the way that you've been dealing with them in the past?

MR. ZOELLICK: I'm a little jet lagged here, so if I miss pieces, let me know and I'll come back. On the individual companies, I'm not really in a position to say. But let me explain then the policy context. First off -- and this has been a little bit, I think, misunderstood -- just to make sure everybody understands what a Section 201 investigation amounts to, this is a provision of U.S. law that is within the WTO rules, so this is acceptable under the international trading system. It doesn't require findings of unfair actions, as antidumping and countervailing duty cases does. Instead, it requires -- it has standards that the International Trade Commission will examine in terms of whether imports are a substantial cause or cause of a substantial injury, recognizing there could be other factors. And that is the process that the ITC will review, in accordance with U.S. statute that is in accordance with the WTO rules.

Now, simultaneously, we have talked with countries around the world about having negotiations to deal with what we think is the underlying problem, which is one of overcapacity in a decentralized industry. And when I was in Asia, I talked about this with the Japanese, the Koreans. I've talked about it with Commissioner Lamy, and this in part reflects, frankly, a rather special history of the steel industry.

If you look at European reconstruction, there was the concept of commanding heights industries that many socialist governments thought were part of their strategy. And so the steel industry in this country -- or in Europe in general, as well as in, frankly, many Asian countries, were part of a larger development strategy. So the market itself has been skewed for decades and that's reflected in different ways.

Just to distinguish something, there is -- Commissioner Lamy, to the best of my knowledge -- which I think is pretty good on this -- has complained about the action. He has not -- he recognizes that a 201 is within WTO rules and I do not believe that he has said that they are going to take any WTO action as long as we obey the rules. He's not happy with it, but that's an important distinction.

There's a separate effort that deals with some past antidumping cases that deal with privatization of European companies, where the United States had antidumping findings. And he has talked with Secretary Evans in the Commerce Department about the need to resolve

those and, if not resolving them, then going to the WTO. But just -- you know, I apologize -- it's a technical area and it's important to distinguish those two different things.

Now, as for a couple of the facts that you talked about, you know, obviously, in terms of the 201, this is for the ITC to determine. It did turn out that in the year 2000, U.S. imports were the second highest in U.S. history, both as a percentage of consumption and also in absolute terms. As a percentage of consumption, about 27 percent. In absolute terms, about 34.4 million metric tons.

The OECD and other groups have done studies that underscore this basic point I made about the widening gap between productive capacity and demand and what has gone on in the United States has been a combination of things you talked about. On the one hand, U.S. capacity has fallen about 17.5 percent since 1980, and the United States steel industry has lost about 300,000 jobs. On the other hand, there have been investments in more productive capacity using new technologies. And in terms of technological productive methods, many of the U.S. companies are the top-of-the-line globally. And over this 20-year period, U.S. productivity has been raised over 300 percent.

Now, one of the reasons the Europeans are anxious about this is that they know the same thing that I've just described about the rest of the world. In other words, if there is a safeguard action, the finding is made, the United States does determine that it needs to take some breathing space action in terms of safeguards, then, frankly, the Europeans, who don't at this point import as much steel as the United States does, is worried that some of these other countries that produce the steel under the same provisions I've outlined will come to Europe. And, frankly, that's one of the reasons why we've urged many parties to try to come together, because we have said that if the 201 findings are made, we believe an important part of this has to be an ongoing restructuring of the U.S. industry. And there's a recognition of this by U.S. steel companies, because, frankly, the more efficient ones also suffer from the fact that if capacity continues to be producing and putting them in a difficult position.

The last piece of this puzzle -- and this is, again, one of the effects of the end of the Cold War -- is you have countries like Russia and Ukraine who also have steel productive capacity that's obviously built under a whole totally different system of command economy, and so how does that factor into the process.

So I apologize for the length of it, but you asked a number of questions there, and I think -- I've had a number of conversations with Commissioner Lamy about this; it's a sensitive issue in Europe, no doubt about it. But I think the U.S. process here, using 201 is WTO consistent. We believe it's important for the industry for its long-term, and frankly, we think it would be appropriate to try to have international discussions on capacity and some of these longer-term problems, and we'll just see how that goes.

Q Can you say, though, whether the United States government would be willing to put some money into the restructure process?

MR. ZOELLICK: Well, on that, it's really premature in terms of you have to go through a 201 and, as you may know, what happens with a 201 is you have these findings, and then there's a recommendation by the ITC about what set of actions may be taken. And then the President has the right or has the option to determine sort of what action is taken.

I will say this, is that it's the proclivity of this government not to be investing in U.S. industries but, instead, to create the environment in which they can restructure themselves and return to competitiveness as we just did, for example, with another industry dealing with wheat gluten.

Q On the same subject, I mean, the subject is sensitive in Europe because there is the perception that there is a double standard. On the one hand, the free market, on the other hand, Section 201 is really a protectionist measure. And there are some other issues that are coming up. On pasta, for example, they're -- at about 75 percent. And I think in about 20 days your administration will have to decide whether to renew some other decision that had been made a few years ago about imports of pasta. Then we have the Helms-Burton Act that will expire soon, which applies extra territoriality, which has been the subject of dispute with Europe.

So you're coming with some luggage here which doesn't send quite the right message in Europe, and that's why there is -- you know, some people are sensitive. What can you tell us about this?

MR. ZOELLICK: I can say that it will be an inevitable fact of life that we will have these trade conflicts. We have one dealing, for example, with beef hormones, where the WTO decided in the United States favor again and again and again and Europe has not come into compliance with the WTO.

We face a very frustrating problem with the European Commission's inability to have biotechnology approvals. That has stopped a great deal of our industry sales. And so that is why we have a WTO system.

And that things that I mentioned, for example, in steel are WTO-consistent. And I think, to the degree that we can, Commissioner Lamy and I are trying to work things within that system of rules. It has its flaws, but it also has its benefits, in terms of trying to manage potential trade conflicts.

And, frankly, we're trying to keep our eye on the larger issues, as well, which is why we need to manage these and try to resolve these. And each of us have political environments in which we must operate. If you look at the overall economic gains to our countries, as well as the system of the Uruguay Round, they're enormous. And it is also important to keep the liberalization process moving forward. And that's one reason why, when we get on the phone -- which we regularly do -- we talk about the common things we're working together, we talk about ones we're trying to resolve, and we make good faith efforts to do so.

And at least in a relatively short time, I mean, it wasn't a

small thing to resolve a nine-year-old problem with bananas that people thought we couldn't get done. So we'll work on it -- we'll be successful with some, not with others. And all I can tell you is, when I talk to U.S. audiences, they think there is a fair amount of protection in Europe. I also understand the complaints about Europe with the United States. And that's one of the reasons they appointed me for this job, I guess.

Q Are you going to review the Helms-Burton and the tariffs on pasta in the next 20 days?

MR. ZOELLICK: The Helms-Burton is a congressional decision. And that's something that is going forward with the administration, as part of that process. I can't preview exactly what's going to happen on that. And on the pasta one, frankly, I apologize, I'm not a hundred percent familiar. I apologize.

Q I want to ask you about the disputes procedure that you mentioned. How soon do you think such a disputes procedure could be put in place, and do you have any disputes, particularly, that you could put in there?

MR. ZOELLICK: It's really just an effort on the part of the United States and EU, in a sense -- picking up on your question, sir

-- is that to recognize that maybe there are ways that we can draw from experiences in other contexts. For example, now in U.S. court system we are normally required to go through a mediation process before you move to litigation. And to see whether that might work in some cases.

So it's really early in our discussion. We're trying to see how one would try to structure it. It's probably more likely to work in an environment where it's a fundamental commercial problem, as opposed to a legislative problem. Sometimes, mediation processes in the private sector can identify solutions that it's hard for the parties to identify.

On the other hand, obviously, I think people like myself believe we're trying in our good faith to identify those on our own, but I've certainly got no objection to try to get some suggestions and help on these. And some of these are small in terms of economic effect, but they add to the political dimension. And I think the key point for me, having done this for 20 years in both the public and private sector is, you have on the one hand, an incredibly integrated economic market, Trans-Atlantic, that I've just seen, frankly, explode in terms of its possibilities.

And so, one shouldn't lose sight of that, which I saw in the private business sector, but you need ways to manage disputes, just as you have internal to the EU. And so that's what we're trying to explore and we'll take it step by step.

Q Is the President or any other administration official pushing in their meeting for approval of the GE-Honeywell merger, and if the EU doesn't approve this deal, will it be detrimental to U.S.-EU

relations and cooperation?

MR. ZOELLICK: Well, as you know, that discussion is at a sensitive point now, and GE is in the process of discussing this with Commissioner Monte. Obviously, it's an important deal. I think that I've been sort of briefed on the case, I've discussed it with my European colleagues. I know that there is an effort on their part to try to work closely through their antitrust and competition law process, and I think that's the best channel for all parties to be working. But obviously, the United States has a strong interest in fair treatment.

But I will also say this on this, is that the U.S. and European antitrust authorities have worked very well on a lot of different items. And it's an example, frankly, of a partnership that's been pretty effective. There, no doubt, will be differences, just as there's differences in various theories within the United States, but I hope that they can be worked out effectively together.

Q Can I just follow on that?

MR. ZOELLICK: You can try. (Laughter.)

Q When you said you've discussed this with your European colleagues, what position have you taken?

MR. ZOELLICK: Oh, I think that's a private discussion that I'd like to keep as it is.

Thank you.

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END