U.S. DEPARTMENT of STATE

U.S. Interests in the new EU Member States and Impact of Enlargement on Transatlantic Relations

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President Babiuc, President Seuleanu, Mr. Bugajski, honored guests: I appreciate this opportunity to be here today with the Romanian Chamber of Commerce and Industry, the Foundation for Culture, Democracy, and Liberty (FDCL), and CSIS to review the positive impact EU enlargement has had on U.S.-EU transatlantic relations. The expanding union has delivered direct benefits to individual European countries, to U.S. business and industry, and to the broader global economy.

This year marked the fiftieth anniversary of the Treaty of Rome, the founding document of the European Union; it was a big party for Europe, and it should have been. But most people do not realize that we were celebrating just as much here in Washington.

In fact, the United States has been a proponent of European unity since the Marshall Plan; in fact, one of the conditions Secretary Marshall laid down in 1947 was that the European must figure out themselves together how to make use of the aid the U.S. was planning to provide. Then, in 1953, the United States sent an Ambassador and opened an office to the European Coal and Steel community. The U.S. has been a partner in this endeavor with the European Union from its inception because we recognized that we had a stake in its success, and that a strong, free, and prosperous Europe was in our best interests. We also believed from the beginning that our relationship was a partnership based on a common vision of political and economic freedom for our peoples and the rest of the world.

The U.S. continues to support the EU in general, and has supported the national aspirations of Central and Eastern European states to take their rightful place as full members of the Euro-Atlantic community of democracies. As President George W. Bush said, "All of Europe's democracies from the Baltic to the Black Sea -- and all that lies between -- should have the same chance for security and freedom and the same chance to join the institutions of Europe." The embrace of ten new members in 2004 and Romania and Bulgaria this January attests to the European Union's institutional strength and confidence in its own future. It also testifies to the essential role the Union plays as a force for democracy, prosperity, rule of law, and for stability throughout Europe and well beyond.

The United States and Europe share a deep set of common values, particularly when we look at our economic relationship. What I wanted to focus on this afternoon was our economic relationship -- specifically with regard to Romania and more broadly with the EU. It is a very positive story. Now, good news does not always make for good press. But on the eve of the inaugural U.S.-EU Transatlantic Economic Council (or TEC), I thought it was particularly important to highlight some of the significant progress that has been made in the U.S.-EU economic relationship.

The entrance of ten new members to the European Union in 2004, and Romania and Bulgaria this January, attests to the EU's strength and confidence in its own future. We also recognize that the promise of EU membership was an important factor in keeping Central European economies on the difficult path of reform.

And America has been a constant friend and supporter of Romania's transformation from the very beginning, since the fall of the Ceaucescu regime, in a time full of hope but also fear and uncertainty about the future. It was then that the U.S. Congress passed the Support for East European Democracy Act – better known as the SEED Act. It pledged assistance to those countries which would take "substantive steps toward institutionalizing political democracy and economic pluralism." This mandate laid the foundation for two decades of consistent and tangible U.S. support for the aspirations of the people of Central and Eastern Europe for peace, freedom, and prosperity.

Central and East European states have made some remarkable progress in transforming from socialist societies to thriving market-oriented economies. Already they are achieving comparatively rapid growth -- some 6.4% in 2006 -- compared to the EU-27 average of 3.4%. For Romania specifically, growth is expected to remain dynamic with a strong "leu" (lay-OO), strong wage growth and significant financial inflows from abroad. Growth is now increasingly driven by the rapid convergence of living standards and accelerated investment brought by EU accession.

It is truly amazing how far Romania has progressed in what is really a "blink of the eye" in historical terms. From 1989 and the uprising against an oppressive dictator, to the Romania of today: a democratic, economically vibrant country, firmly part of Europe, a member of NATO, and a key U.S. ally.

Seventeen years ago, there were no private businesses in Romania. Yet, together through associations, business has not only multiplied, but also served as an effective voice for reform – so much so that, according to the World Bank's latest Doing Business Report, Romania ranks 48th in terms of the overall ease of "doing business."

And the United States has helped play an important role in this dynamic transformation. For example, the Romanian-American Enterprise Fund, established with a grant from USAID, has helped attract over $200 million in foreign investment to Romania. The Fund has also promoted a sound legal and regulatory environment for home mortgages, leasing and microfinance. The Fund now plans to take the profits from its investments and use them to establish a new foundation that will finance innovative educational programs aimed at fostering further private sector development in Romania. The U.S. Ex-Im Bank has supported projects of all sizes in Romania, involving various sectors.

These are just a few examples of U.S. assistance and economic engagement. More importantly, such engagement has helped spur investment from blue chip American firms. Microsoft, Oracle, Hewlett Packard, and others are making major investments in Romania. Ford of Europe is working to open its largest new plant since the 1972 Valencia opening; this will be the largest-ever U.S. industrial investment in Romania by far. In this way, U.S. companies are at the forefront of transforming Romania into a modern, knowledge-based economy.

Romania's progress has been remarkable; yet there are still challenges to come. All of us, most of all Romanians, will be better off when the government succeeds in rooting out corruption, and business people and consumers can focus on doing business without being asked for a bribe.

Now, I would like to turn to the picture of the broader U.S.-EU economic relationship.

The U.S. and EU have among the most integrated, interdependent economies on earth. According to a report by Johns Hopkins University, two-thirds of all foreign investment in the United States in 2005 came from Europe; American investment in Belgium alone (population 10.4 million) was more than four times that of U.S. investment in China. The United States and EU together account for 40 percent of world trade and the same proportion of world GDP -- we trade more than half a trillion dollars per year between us. Combined with foreign investment, this is a $3 trillion transatlantic commercial relationship. An estimated six to seven million Americans are employed by European affiliates operating in the U.S., and vice versa. Clearly our relationship is mature, deep and wide. The expanding Union allows more businesses and consumers to participate in the benefits of this trade.

The benefits of the U.S-EU relationship extend beyond the trade and investment relationship: our citizens continue to enjoy countless opportunities in our shared transatlantic space to fulfill their aspirations – to travel, pursue higher education, and engage in artistic collaboration or joint scientific education, research and achievement.

New members to the European Union benefit from this strong relationship as well as contributing new energy, ideas, and ingenuity to keep this critical relationship strong and vibrant.

Now, everyone knows that the United States and Europe have their differences - on issues such as aircraft and bananas. But, as I mentioned, I wanted to highlight four specific areas where the U.S.-EU relationship is getting stronger: aviation liberalization, energy security, climate change and regulatory issues.

Just last April, in time for the U.S.-EU Summit, we completed an extraordinary achievement: the signing of a comprehensive, first stage, U.S.-EU Air Transportation Agreement (or Open Skies). We embarked on this journey four years ago, when President Bush and European leaders at the 2003 U.S.-EU Summit launched negotiations that have now culminated in this pro-growth, pro-competitive, pro-consumer agreement.

When implemented, every U.S. carrier can fly to every city in the European Union and every EU carrier can fly to every city in the United States. This agreement ushers in an era of unprecedented liberalization for an area that encompasses 60 percent of global civil aviation traffic.

According to economic studies conducted by the EU, the sole action of opening up the point to point trans-Atlantic routes will lead to consumer benefits of up to twelve billion euros and would create roughly 80,000 jobs, equally distributed on both sides of the Atlantic.

Diversification -- routes, sources and types -- of energy is key to energy security. The U.S. abd EU have made significant strides in working together in these areas - particularly in the Caspian region and in biofuels.

For years the U.S. has supported and East-West corridor to transport natural gas from the Caspian Basin to Turkey and Europe. Over the last decade, U.S. diplomacy has played a decisive role in helping the producer and transit countries of the region enhance their energy security. For example, last summer saw the opening of the Baku-Tbilisi-Ceyhan pipeline, free from monopoly pressures and geographic chokepoints. We have intensified our diplomacy in the region. Our focus has been to help diversify routes and sources of supply in this energy rich and geostrategically important part of the world to enable increased volumes of gas and oil to flow west across the Caspian to Europe and global markets.

With BTC and the parallel South Caucasus gas pipeline coming on line, we believe the “next phase” of Caspian development has begun, which will bring increased volumes of oil and gas across the Caspian in the heart of Europe and onto global markets from Azerbaijan, Kazakhstan, Turkmenistan, and eventually Iraq. The South Caucasus pipeline already transports gas from Azerbaijan to Turkey; the Turkey to Greece portion of the Turkey-Greece-Italy connector will be inaugurated in ten days; and the Nabucco pipeline will be built to bring Caspian gas to Bulgaria, Romania, Hungary, and Austria -- these transit countries are key to improving the energy security of Europe as a whole.

We are also working to speed the process of making biofuels into commercial commodities. The United States, Brazil, and the European Commission are drafting a plan to make our biofuels standards and codes compatible by December 2007. We believe this is key to creating a global market.

We are also investing in second generation biofuels which will be able to take advantage of the markets we are creating today. The Department of Energy will invest up to $385 million for six biorefinery projects over the next four years and leverage industry funds of more than $1.2 billion.

The United States and the EU are working more closely than ever to address the challenge of climate change. We are doing this in many fora, including the G-8 and the U.S.-EU High Level Dialogue on Climate Change, Clean Energy, and Sustainable Development. We welcomed EU participation in the Major Economies Meeting on Energy Security and Climate Change, hosted by Secretary Rice in September.

The U.S. hosted representatives of 17 world leaders -- Australia, Brazil, Canada, China, the European Union (Portugal as current EU President plus the European Commission), France, Germany, Indonesia, India, Italy, Japan, Mexico, Russia, South Africa, South Korea, and the United Kingdom **--** plus the United Nations of the first Major Economies and IEAIWB Meeting on Energy Security and Climate Change, September 27-28. This meeting is part of the new initiative President Bush announced at the G-8 Leaders Conference in May 2007 to further the shared objectives of reducing greenhouse gas emissions, increasing energy security and efficiency, and promoting strong economic growth.

Through the initiative, there will be a series of meetings that bring the world's major economies together to develop a detailed contribution to address energy security and climate change when the Kyoto Protocol targets expire in 2012. These meetings are intended to reinforce and accelerate discussions under the UN Framework Convention on Climate Change (UNFCCC) and contribute to a global agreement under the Convention by 2009.

We believe our discussions could usefully address the following elements, which were raised at the September meeting:

1. A long-term global goal for greenhouse gas reduction, consistent with economic development objectives;
2. National plans that set mid-term goals to advance the global goal and use a variety of binding, market-based, and voluntary measures that are environmentally effective and measurable;
3. Collaborative technology development and deployment strategies for key sectors, including lower carbon fossil power generation, transportation, land use, and near zero carbon energy (e.g., efficiency, nuclear, wind, and solar) -- with international working groups on key sectors informing the development of national plans under the previous element;
4. Support for the adoption of existing clean technologies and the development and adoption of new clean technologies by means of financing tools as well as by the elimination of tariffs and non-tariff barriers for clean energy goods and services;
5. Improved measurement and accounting systems that can more effectively track progress; and
6. Robust programs to address adaptation, forestry, and technology access for all UN member states.

We saw this meeting as a success because for the first time key emitters both developed and developing countries sat down to try to map out solutions to climate and energy securities challenges. There is no doubt this will be challenging -- but it is an important start.

From a broader view this was a success because over the past year there has been significant convergence on key issues involving climate and energy security. The press likes to write about disagreements among the international community, so that’s often the narrative that prevails. But over the past year a subtle shift has begun towards a common view in four key areas:

1. All major emitters -- developed and developing -- are at the table and are making commitments to address climate change and energy security, and to setting up a post Kyoto framework;
2. We are engaging in an integrated approach to the challenges of climate, energy security, and economic development;
3. We have acknowledged that addressing energy issues and climate change cannot be at expense of economic growth, and that economic growth is essential to effectively addressing climate change; and
4. Clean technology development is critical to cut what Secretary Rice last week called the Gordian Knot of fossil fuels, carbon emissions, and economic growth.

This is why the U.S. government has poured over $18 billion into clean energy technology R&D since President Bush took office, and another untold story is how much the U.S. private sector is pumping into this part of our economy.

I'd like to say a few words now about an important new element of our broad engagement with the European Union.

At our April U.S.-EU Summit, the U.S. and EU agreed to create an important new mechanism to address these issues. The Transatlantic Economic Council (or TEC), of Cabinet- and Commission-level officials will provide oversight of our agencies' ongoing efforts to reduce and harmonize regulations. This Council will hold its first meeting tomorrow (November 9) here in Washington.

We are hoping to see significant progress coming out of this meeting, including in accounting principles, regulatory cooperation, secure trade, financial markets, and investment. I know that regulatory cooperation and accounting principles are hard for most people to get excited about. But the fact is that tariffs and quotas are no longer important factors in US-EU non-agricultural trade. Standards and regulations are the next frontier in trade liberalization.

More broadly, U.S. and EU strategic interests continue to come closer together as we compete with the rest of the world and consolidating much of the work we have done so far is critical. Immediately after the Second World War and throughout the Cold War, we were united in purpose. As we have jointly achieved increasing economic prosperity and stronger security we must continue to hone our "bilateral" relationship so we can partner effectively to address the larger challenges of globalization, climate change, energy security, and whatever else the future may hold.

For the newest EU members -- Romania and Bulgaria -- joining the EU means helping ensure our deep and abiding friendship always keeps us on the path of our common purpose and the fundamental values we share: a commitment to economic freedom as the best means to achieve further prosperity.

Thank you.

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