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**ES GILT DAS GESPROCHENE WORT**

**Looking at Europe: New Challenges in the European-American Alliance  
AGA Unternehmensverband Großhandel, Außenhandel, Dienstleistung e.V.  
Hamburg, November 1, 2006  
Ambassador William R. Timken, Jr.**

Good evening and thank you for the kind introduction and invitation to speak with you this evening. It is a pleasure to return to Hamburg. This city has a proud history. Long ago, Hamburg's citizens recognized that the best way to prosperity and innovation was the free flow of goods and ideas. That is probably why it was here in Hamburg that President George Washington established one of the first Consulates General. That was back in 1793.

It is clear that trading is in the lifeblood of this city - and the lifeblood of organizations such as yours. It has also been a vital part of the German-American relationship. Germany and the United States have been partners in trade for over two centuries. Our first bilateral Agreement of Friendship and Commerce dates to 1782.

Millions of people have passed through Hamburg to start a new life in America. In honor of those immigrants, Hamburg's mayor, Ole von Beust [O-LUH FON BOIST] was Mayor Bloomberg's special guest at this year's Steuben Parade in New York City in September. While in New York, First Mayor von Beust [FON BOIST] visited the Ellis Island memorial and the Lower East Side Tenement Museum. A parallel project is underway here in Hamburg. The Ballinstadt Emigration Museum will build on the documentation about a phase of world history that had an enormous influence on my country's history. The museum is scheduled to open next summer -- I believe on the 4th of July, America's national holiday.

Hamburg's relationship to America has strong roots to the past but equally strong connections to the future. The City of Hamburg has been extremely supportive of the Hamburg-America-Center in the Hafen City. The Center will serve as a forum for the development of both commercial and cultural ties. We appreciate this very visible commitment to the United States.

Hamburg is Germany's largest port and the gateway to commerce. U.S. companies continue to take advantage of this pro-commerce city and the economic relationship continues to grow.

Hamburg, as a large port city, also recognizes its role in confronting and meeting the serious challenges of the 21st century, including the war on terrorism. International partnership is essential to countering global terrorism. The port of Hamburg supports the

Container Security Initiative, which sets in place international security standards for sea containers and a defense against terrorist smuggling. It has been a leader in implementing the measures necessary to make Hamburg and the world more secure.

Across the board, our cooperation with German authorities – local and national – has been excellent. As most are acutely aware, this beautiful city, so open to the world for centuries, was where Mohammed Atta and others planned the September 11 attacks. How do we deal with the possibility that a threat could exist in our communities? The answer is more sharing of information, more committed and cooperative action, both within and between nations. We have success stories to report here as well. As a result of our improved cooperation, we are more effective today in facing terrorist threats than we were 5 years ago. Together we have thwarted attacks and plots. We found out about plans to blow up planes en route to the U.S. from London before anything happened. When terrorists planted bombs in German trains this summer, international cooperation brought swift arrests. Germany ensured the safety of millions of people at World Cup events. That was no coincidence. It was the result of excellent planning -- and extensive cooperation with participating, neighboring and transit countries.

### **German-American Relations**

In short, here in Hamburg and elsewhere as I travel around Germany, I am constantly reminded of the strength of the transatlantic relationship. It is the past and the future that makes the partnership so strong. Let's put it this way. History made us friends. Commerce makes us partners. Confronting common threats makes us allies.

Chancellor Merkel has been very effective in focusing attention on common strategies and policies. We especially appreciate the steps she has taken to reinforce the spirit of German-American – and transatlantic -- cooperation. This progress can however be dated back to February 2005, when President Bush came to Mainz at the invitation of Chancellor Schroeder. It was the success of that meeting that shaped the initial discussions I had with President Bush about the German-American partnership when he talked to me about becoming Ambassador. The President told Sue and me he wanted us to build on the momentum of that spirit of Mainz and improve the bilateral relationship between our two nations.

Today I can report that the working relationship between the German and American governments is positive. In Washington, there is a strong feeling that transatlantic cooperation has never been so effective. Yet I still observe that the absolutely positive, intense working relationship actually taking place today is not widely appreciated by many in Germany. This is a success story -- and something we can be proud of because our partnership is providing results on many serious world issues.

## **Germany and the EU Presidency**

In the upcoming year, as Germany assumes the EU presidency and prepares to host the annual G-8 conference, we believe that we can make important progress on a number of crucial challenges.

Chancellor Merkel has outlined the main goals she plans to focus on during the coming year. She intends to develop a roadmap for the ratification of the constitution before the next EU elections in 2009. One of the first steps in that direction will be a political declaration on European values, to be signed by all EU member states at a summit to be held in Berlin in March 2007 to mark the 50th anniversary of the Treaties of Rome.

The U.S. has been a strong supporter of European unity for the last 6 decades. The so-called "Speech of Hope," given 60 years ago in Stuttgart and celebrated in the same city just a few weeks ago, set the course for postwar U.S. relations with Europe. It established the basis for the Marshall Plan a year later. In return for financial investments, the Marshall Plan required close economic cooperation between European nations. That laid the groundwork for the European Union. The United States recognized then that a strong, free, and prosperous Europe was not only in America's best interests but also in Europe's.

During the German EU presidency, Chancellor Merkel also plans to encourage states in eastern Europe and the Caucasus, especially Ukraine and Georgia, to pursue the reforms that are a prerequisite for eventual membership. These initiatives are, too, in line with our thinking. Since the end of the Cold War, successive U.S. Administrations have supported the EU enlargement process because it helps create a Europe whole, free, and at peace. A new, enlarged European Union is a more effective force for democracy, prosperity, and stability.

I am convinced the union that is emerging on this continent, bound as it is to America by history, commerce, friendship, and mutual interest will be stronger than ever before. We welcome this transformation, and look forward to working with Europe as we face the future together.

## **Transatlantic Economic Issues**

By historical standards, the period since World War II has witnessed unmatched economic and social progress. The world has been brought closer together through the spread of more open and highly integrated markets. Nowhere else in the world did this integration happen more intensely than between Europe and the United States.

The economic relationship - the one that brings the world's two largest, most affluent economies together - has become both the driver and anchor of the new transatlantic relationship. By the driver, I mean the continued and ever-increasing level of investment and trade between the EU and United States. Forty percent of world GDP and over one-

third of global trade take place between the EU and the U.S. The result is increased prosperity on both sides of the Atlantic.

Transatlantic economic ties have also anchored our relationship. They have helped us move ahead and maintain our purpose when disagreements over such issues as the Iraq War made other parts of the relationship difficult. That period not only underscored the strength of the transatlantic relationship, but also made apparent where a key source of strength lies - in the integrated, mutually reinforcing economic relationship. As an excellent DaimlerChrysler-supported study on the transatlantic economy noted, even though U.S.-German political relations suffered during the Iraq War, U.S. companies still poured \$7 billion in investments into Germany in 2003. It was also a record year for transatlantic trade flows, growing by 7% a year.

As I have criss-crossed this nation and seen for myself how American capital is being invested here, I have found that the economic relationship between our two countries is far greater than I ever imagined, and continues to grow. There are over 3,250 German companies in the U.S. with an annual turnover of \$429 billion and over 1,250 U.S. companies in Germany with a turnover of \$214 billion. These firms provided over 1.25 million jobs in our two countries – over half of those jobs are in Germany. These companies harness the benefits of markets opened by global economic integration. In doing so, they increase the prosperity of our respective countries and further deepen the most important trade relationship in the world, a relationship that fuels the engines of the world's economy.

You may know that until one year ago, I would have been on the other side of this podium – with you. The private sector was my life for 43 years until President Bush asked me to do this job. I have a bit of experience with running a company that benefited greatly from the transatlantic relationship. At the Timken Company, we realized that if markets opened and the global economy was changing, we needed to change right along with it. This required thinking about how to run a company more efficiently. We couldn't allow ourselves to be the greatest hindrance to competing in new markets.

This transition from private to government gives me some unique perspectives but I remain convinced that the private sector is where wealth is created – where ideas are transformed into innovations that increase productivity and support the wonderful standard of living we enjoy in America and most parts of Europe. Economic growth and the prosperity it produces can solve many of our world's problems. In the future, growth of the world economy will be even greater than we expect. Demand for goods will increase. People want to be more prosperous and to enjoy a higher standard of living. Increasing the size of the pie, not cutting the pie into smaller pieces, is the only way to satisfy mankind's desire for a better life.

For that reason, I am pleased that Chancellor Merkel also plans to promote innovation and emphasize economic competitiveness during Germany's presidency year.

Though wealthy, Europe faces some long-term risks to its prosperity. Growth in Europe's large economies is tepid at best, although countries such as Ireland and the new Central European EU states are more vigorous. Unemployment remains high. Labor market flexibility is low. And a rapidly aging population means fewer workers and higher social benefits.

In response to these challenges, the EU committed to a ten-year reform plan in 2000. The Lisbon Agenda aimed at transforming the EU into a faster-growing, competitive, knowledge-based economy. Failure to make significant progress toward reform goals has left Europe's large economies with lagging competitiveness, stagnant productivity and anemic growth. Some are struggling to respond to the rise of China and India as economic successes and to meet other challenges of globalization. If EU states do not reform, innovate and raise productivity, living standards will eventually fall. Successful reform is vital for the EU and global prosperity, since the EU is and will remain a key engine of world economic growth. Weak economic growth in the EU means lost opportunities for transatlantic trade. As Daimler-Chrysler's study on the transatlantic economy highlights, annual growth of just 3% in Europe would create a new market the size of Argentina.

Governments around the world must also continue to open their markets and support education systems that will allow their citizens to be part of this dynamic global economy. Governments also need to unleash the potential of businesses -- through tax cuts and less restrictive labor regulations. There would be no better place to start than here in Europe. Government can play a role by focusing on these issues but much remains the responsibility of the private sector.

Weak economic growth in the EU means lost opportunities for transatlantic trade. By taking advantage of the benefits globalization has to offer -- in terms of market access, increased investment and information flows, and innovation -- companies and their employees have a vested interest in ensuring the continued success of the transatlantic relationship. Companies must empower their employees so they can exploit the advantages of globalization. As the world becomes more integrated, the importance of having employees who can adapt to this new world -- who have the necessary skill sets to compete -- is essential. This challenge lies at an important intersection for government and business interests.

According to a recent survey, 60 percent of the German population under 29 expressed worry about ending up in poverty. Only 33 percent of those over 50 had such concerns. This reflects extraordinary pessimism on the part of young people about their economic future and underscores the need for the government to undertake the necessary reforms that will unleash the power of the private sector to create more good jobs for the future.

The Europe and the U.S. still have the wherewithal to compete globally. In fact, Europe and the U.S. continue to be destinations of choice for multinational corporate expansion. There is increased emphasis on high-value areas like research and development. Companies are moving closer to their markets, suppliers and decision-makers, rather than

focusing solely on low-cost production. That shows that the U.S. and the Europeans are still well-placed not only to compete, but to succeed in today's global economy. Our large and open markets offer opportunities to sell our goods, but it is our people's ability to remain competitive in these open markets that is our biggest advantage.

As I have mentioned, the transatlantic economic relationship has allowed Germans and Americans to prosper. At the heart of this prosperity is the relative openness of our markets. We have seen the benefits of allowing tariffs and custom duties to fall and market access to increase. Frankly, the United States has been disappointed in the failure of the world to realize the promise of trade liberalization, which could be realized through a successful Doha round of trade negotiations. Since the Second World War, opening up the world markets for trade has been the engine of economic growth. Germany has been the biggest beneficiary. Germany is the world's largest exporter and, as a result, the world's third largest economy. Nevertheless, German companies are exerting minimal pressure on your government to conclude Doha successfully. To me, this is incomprehensible. For 40 years I criticized American government and worked to get it to do more things that helped the private sector and fewer things to hurt it. Today I am part of government and I can tell you the need to push governments to act in support of business is greater than ever. There are still some in the U.S. Government that don't get it. I will let you judge Germany.

In the upcoming year, Germany will have a golden opportunity to make a difference. Think about what you and your company can do to make the government aware of business needs. Think about how you and your employees can make the public aware of and supportive of the advantages of international trade, globalization -- and the competition that goes along with it.

Let that golden opportunity be a golden bridge. That's how Baden-Württemberg's Minister-President, Günther Oettinger, described the spirit of vision, optimism and promise that helped Germany transcend the challenges faced by a Europe laid in ashes by World War II. At the 60th anniversary of the "Speech of Hope" a few weeks ago, Minister-President Oettinger paid tribute to the contributions America made to German and European reconstruction. The resulting partnership is one of the success stories of all time. At the start of this new century, let America and Europe -- working together -- build a golden bridge for peace and prosperity around the world.

Thank you.