

Transatlantic Economic Forum
Merkel's Moment of Truth –
Restarting the German Economic Locomotive

October 27, 2006

Fran Burwell: We want to get this last panel underway. I think that we've been given an excellent introduction by the Ambassador. One thing that we're going to continue from his talk is that we've had a couple of these panelists ask for this to be not for attribution, so, we're going to stay on Chatham House rules, so to speak. If you refer to anything, you can just say, the speaker at the conference.

This issue of Germany and its role in Europe and the world I think is key to this whole discussion. I just wanted to say a word about how we at the Atlantic Council kind of got to this place. A couple of years ago we ran a working group that tried to look at the European and U.S. economies as they move towards the year 2020, and we looked at the European economy and tried to figure out if it would grow or not, we were looking at the, and I have to remind, especially Jerry, that this was during the last bit of the Schroeder years, so, Germany was filled with pessimism, I think, is a good way to describe it, and we kept looking for countervailing factors in Europe that would cause the European growth rate to go up, even if Germany did not.

First off, we were hit with a lot of pessimism about whether Germany would grow, but then we looked to the central and east European states and what we saw was their economies are so small compared to Germany's economy that really they had very little impact on the overall size of the European economy as the years went on. Then we looked at some things like experiments in the Nordic countries, and, again, the same thing, the economies are small. What we came to decide, or, to recognize, was that Germany was the biggest weight in the European economy, and if you want to talk about Europe as an economic actor in the world, you have to talk about Germany as an economic actor in the world, even if there are issues about how Germany can act directly, or how it cannot act directly because of its relationship with the EU.

It seems to me that we have two basic questions for this panel. The first one is, are there external factors that may push Germany in a particular direction? We heard earlier today about a whole menu of potential reforms that could be made, and, I guess the question is, what do German corporations face when they go overseas, for example, and how does it effect them? What lessons can be drawn from other countries in Europe and abroad? What is the role of

competition and competitiveness from abroad? What is the role of other external economic actors, such as the Commission, G8, who knows, others as well?

The second question is the reverse, what is Germany role in the world? Why does it matter that the German economy is healthy or not to those of us in the United States? One reason, or I should say a pair of reasons that we heard from the Ambassador, which I think is very true, is that Germany will hold a strong position as president of the European Union over the next six months, and president of the G8 over the next year.

The question was raised earlier today of whether Germany can exercise leadership in those positions if its economy is not one that represents a leadership country. So, I'm delighted today that we have three individuals to talk with us about this who all come from very different backgrounds and perspectives. Wolfgang Jakubek has been with *Deutsche Telekom's* Washington office since 2001, and *Deutsche Telekom* is a major foreign telecom investor in the U.S., we just heard about the high levels of German investment in the United States in European investment, but, Mr. Jakubek was also an early and active participant in *Deutsche Telekom's* other international activities in the Asia Pacific region, as well as elsewhere in North America. He holds a law degree from the University of Freiburg, and, in fact, practiced international law. He also is well-known around Washington in the various business organizations.

I thought I would go ahead and introduce everybody now so that we can keep the flow of conversation going. Our second speaker will be Guenter Burghardt, I think Guenter is known to everyone from his time as Ambassador of the European Commission, head of the European Commission delegation in the United States from 2000 to 2005. As we heard Ambassador Scharioth say, there are many issues that are no longer those of the member states, and Ambassador Burghardt was in the thick of those. He spent a 30-year career with the European Commission, and also served as the Director General, in essence, the highest career job in the Directorate General for External Relations, commonly known as DGRelex, under Commissioner Chris Patten and Commissioner **Hans van den Broek**. He also was a close aide, at one point, to Commission President Jacque Delors. He has degrees in law and economics and a Ph.D. from the University of Hamburg. Since leaving the Commission in 2005, he has been with the law firm of Mayer, Brown, Rowe & Maw, fewer names in that one.

Gunter Burghardt: Mayer, Brown, Rowe & Maw and Friedrich Mertz.

Fran Burwell: And Friedrich Mertz? [Laughter]. He teaches at the Faculty of Law at the University of Gant in Belgium, as well.

Finally, last but not least, Bruce Stokes is the International Economics Columnist for The National Journal, which is one of those, I kid Bruce, a very expensive Washington magazine that has the inside scoop on everything. He's also a Journalism Fellow at the German Marshall Fund. He was with us on our trip to Germany and has been a participant in several Atlantic Council events, Atlantic Council projects, I should say. He's also a Fellow at the Pugh Research Center, where he's done quite a bit of analysis on U.S. public opinion and public opinion about the United States around the world. He's a regular commentator on marketplace, on national public radio. So, if you're driving along at 6:00, there's a good chance you might hear Bruce. He was a Senior Fellow at the Council on Foreign Relations, and he's currently working on a study for the Center for European Reform in London on Transatlantic economic relations.

So, without further ado, I'd like to ask Wolfgang to take the podium and present his remarks.

Wolfgang Jakubek: I actually presented a little presentation, so, actually, you guys back there can see it, it's enough time maybe to reshuffle, otherwise you will miss a lot. So, everybody can kind of see it. Good afternoon, thank you for the invitation. I guess I'm kind of the only company representative on this panel here, so, I already think quite some of you fear that you're going to get the standard and famous Washington representative speech, means, 9 minute company presentation, 30 seconds on the topic.

I'm not going to do that today, as our host asked me, actually, to be very open and frank about the view that I have of the German businessman doing international M&A before, as Fran mentioned, being five years watching things in Europe from the other side of the Atlantic, and also because I kind of thought it would be a good idea to get us a little started from the lunch break, I actually will allow myself to be fairly open and even provocative. So, again, I would like to remind that this is on the Chatham House rules, especially, although I have the nice logo here of *Deutsche Telekom*, this is my personal view and I would not have it attributed at the company I normally represent outside this room.

So, here are a couple of questions that were put out to the panel, and I will maybe answer those quite different from what you have heard I guess this morning. Which key economic reforms has the Merkel government put in place? Well, in my industry, Chancellor Merkel and the German government are very diligently pushing a key economic reform, and that is in the field of information and telecommunication policy, which is a field of utmost importance to any national economy, so, that goes for Germany as well.

Does Brussels limit Germany's economic policymaking? Well, Brussels not only limits it, but actively opposes any assumed German economic policymaking in that field when it comes to the future, and I'm going to explain that in a minute.

What lessons can Germany learn from other reforming economies in Europe and the U.S.? Well, I changed that question quite a bit and I put it what Brussels can learn, and Brussels obviously think that there is not much to learn from any lessons outside Europe, specifically not from the U.S.

Now, to bring that point across, we'll have to go a little bit in my industry and have just a brief look of what happened here in the telecoms industry in the U.S. I'm not going to bother you with any details, but just look at the chart. The green one, basically, well, it's not so green here in that picture, but the one that goes up, basically represents the regulatory policy, the heavy regulatory policy that the U.S. had under the '96, or after the '96 telecoms act, an act that basically was a role model for the rest of the world, they started heavily regulating and bundling access regulation, quite a success if you look at that line. But then what happens to the industry, the ARBAX representing kind of the bulk of the telephone industry, well, their curve of cross-investment as an indicator of what happens in this tree, goes down south.

The same, actually, on that chart, and, again, look just on the upper line that goes south, that's the company's value, the stock value, and, again, in those years after '96, from very valuable companies, the ARBAX just go down to average, while other companies and industry, namely the wireless companies, are doing very well.

Well, tough luck you may say for the telecoms guys, but, it has implications for the national economy as well. Look at this. This is a chart that shows the ranking of countries in the global broadband competition; actually it's a broadband penetration per 100 inhabitants. What you see here, and, actually, I'm just realizing I'm stealing a little bit of my thunder myself, because that's actually a chart from June, 2006, but you still see what I'm trying to say here, that is that the United States, and even Germany, you'll find in a fairly mediocre position. The United States, on that chart, current chart, should be around 11, 12. It used to be ranked 15 or 16 and Germany being like 21 to 25. So, please keep that chart in mind, we'll come to that a little later.

Is that something what the U.S. thought is a good situation, a good position? Certainly not. And, they came up with a strategy, I'll just give you a quote from the top guy, the President in a White House high-tech forum in June, 2002, here's what he said, I'm confident that the FCC Chairman and Congress are focusing on policies that will bring high-speed Internet service, will create competition, will keep the consumer in mind, but also understand

the kind of economic vitality that will occur when broadband is more fully accessible in the U.S.

I'm kind of emphasizing the second part of that sentence because that's basically what he told these guys. He said, do something, this is the future, or part of the future of the United States, and, we've got to do something that goes beyond just regulating or having bureaucratic solutions to these kinds of things. So, the U.S. came up, for regulatory terms, in no time with a solution that brought them significant investments very fast, a solution that is much more market, much less regulation, inter-modal competitions and stressing competitive market forces, it's infrastructure based competition, and it heavily relies on the heavy hitters, or, what in Europe we would call kind of the national champions. And, by the way, small and international competitors like us, like our *Deutsche Telekom* subsidiaries, will just have to adapt to the new rules. This is a national policy and you either like it or not, but you've got to play with the new market rules, kind of full stop from U.S. perspective.

Did that work? Did that hold any benefit? Well, look at this, these are the numbers that the ARBAX, the wire line incumbents, announced for investment in fiber optics in the near future. Verizon, \$20 billion, SBC \$6 billion, Bell South \$4 billion, and, by the way, they're doing this while Wall Street calls them crazy. Wall Street does not like the idea of these guys laying out fiber optics for \$20 billion because they see it as a huge risk to build out a completely new infrastructure for the future, but, these guys gave the promise to the lawmakers, and that's what they do, they're building out like crazy.

So, I'm telling you this because now we're talking about Europe. Europe has, actually, striking similarities. They have basically the same situation. They have the same plan, by 2010 they're planning to have a knowledge-based economy that requires investment in modern communication infrastructure. But what you see here is that maybe the numbers speak louder than strategies because what you see here is the EU when it comes to investment in telecommunications infrastructure. And it's not only a mediocre position, it's basically close to the flat line, even the U.S., which I proved before, has not been so heavily investing over the last years, is, like, what, three times as much as the EU average, and Germany do here? So, they better come up with something, and Germany did, coming back to my first statement about Chancellor Merkel and the German government doing quite well.

They came up with a plan, they basically looked to the U.S., thought, what happened here would at least be something to consider, and came up with a national broadband strategy that centers around something you may have heard before, that is kind of a rewrite of the German telecoms law, and here is this paragraph 9(a), which basically says that new markets should only be regulated if there is a problem for sustainable competition in the long-term. It

also contains that the regulator needs to be aware to give enough incentives for innovation and investment, and I would think that maybe most of us, or all of us, would think that's kind of a decent legislative idea.

It's even, and I have to stress that, because, to see what happens in Brussels, it's actually in line with the EU, it's regarding what they call the emerging markets. However, we've come to a point where the Commission basically says, well, those new market, those emerging markets are only products and services that do not merely substitute already existing ones. Now, if you may ask me what that means, I don't know. If I talk to my technicians and our strategy guides, business planners, they don't know. Actually, if you even talk to some of the EU representatives themselves, they say, well, this is something that is not yet here, which kind of brings me to a joke I never can really laugh about, because some say the EU is now going from telegraphy over telephony to telepathy, well, because that might be the innovation leap you really need to have this emerging market or this new service.

Well, all the guys said, we'll discuss this issues with me for hours, kind of laughed as I see, and, actually we could argue for hours whether I get the facts right, situations in Germany and the EU are really comparable, whether this is a good idea, what the U.S. did anyways, but, here is actually the point of my presentation today, and somebody with much more experience said it much better than I ever could. And this is the former Chairman of the FCC, the U.S. regulator, Mike Powell, and he basically said, "No regulator, no matter how smart or well-equipped he might be, is in a position to follow, and, even less, anticipate, the dramatic technological and market changes that we have seen in the telecommunications industry during the past few years."

This technological race is ongoing, maybe at an even faster pace, and any wise regulator should leave the future to competition and that market as much as he can. In other words, the lessons learned, and there was a lot of controversy about House of Legislation in the U.S. has it been right, has it been wrong, should we really deregulate and let the big guys have the say again, but there was one underlying thing actually, basically everybody subscribed, and this is, the markets are moving so fast there's just no way that anybody can really perceive and regulate in the future what has to happen and doing that better as the market.

It's just so much competition, so much change, if somebody sits down there and says, well, this is what I think the next ten years is going to be, he'll be just flat out wrong. In my company we experience that every time I could give you example after example, not talking about UMTS and stuff, people thought, this is the next thing, and it was just, never came up, and other things took over.

Now, very briefly, some quotes from the European side to what, whether the Germans should do something like this or not, and here's what the Commissioner in charge, Viviane Reding, had to say, just recently, she says, the German approach sets a very dangerous precedent. If other governments choose to follow the Germans *Sonderweg* for telecoms, and I am pessimistic about the chances of more liberalization in those important markets, until recently my understand had been that not the word *Regulierungsferien*, which is actually regulatory forbearance, but the word *Ordnungspolitik*, which is government intervention, was the German invention. When she was here last year doing kind of discussions in the U.S., at the end of her visit to Washington she kind of said, well, a few U.S. development ideas might be transferable to Europe, but I rather feel that the U.S. can learn from us.

So, again, I'm not going to discuss that today, although I'd be willing in the Q&A, whether this approach is right or wrong, but, I would think it would suit Europe well if they would allow thinking outside the box. This is exactly what the German government currently does in that field. You may call it a *Sonderweg*, or whatever, the question to me would be, why not? We certainly hope that the German government will continue with its smart policy in that field. The results will be quite the same as in the U.S., which is a huge success month after month, and I'll leave it here. Thank you very much for your attention.

[APPLAUSE]

Fran Burwell: Thank you very much, Wolfgang, I think that, first off, it's been refreshing to hear the German government described as the midwife of innovation here, that's not quite the right phrase.

Guenter Burghardt: It's all relative.

Fran Burwell: It's all relative. And, also raising the very important question of, are there best practices in the regulatory field from each other that we can share and learn from. But, now I'm going to turn it over to Guenter Burghardt.

Gunter Burghardt: Thank you very much, and thank you for having invited me to this panel. Washington has become, in a way, my second home, Brussels being my first home, after Washington have been my first home for five years. So, I have found a new Transatlantic balance for my own activities and listening to Klaus Scharioth I am one of those examples which will contribute to better statistics in the future because I decided not to stop working at the age of 65, and I learned this from many examples I found here in this city. So, let me

contribute to our discussion here, which becomes more seminars like after lunch, apparently, a few basic points.

First of all, I would suggest *Deutsche Telekom* should send Wolfgang over to Brussels because he's such a good advocate of that issue, which, in fact, is an issue where the discussion is about the right balance between how much regulation, how much deregulation, how much application of competition policy rules, how much national leverage, national champions, how much internal market from the start. And it's a good example of an issue where the national framework is not anymore the one which can decide everything, and with an interaction between the European Union and the national framework, and, perhaps, even a case for a good Transatlantic debate about best practices.

Now, my first point would be to say what Scharioth has, in fact, he set the tone with his luncheon speech, you can't discuss fully Germany and the German economy without taking into account its European Union dimension, I mean, Germans membership in the European Union, and you cannot discuss the European Union without the very important role Germany plays inside the European Union as a member. I found a little bit that this discussion was absent in the morning sessions, and it should, perhaps, have been more fully and more quickly introduced into the debate. What would North Rhine Westfalia be without the German home market, what would the German market be without the European Union home market, what would the Californian economy be without the United States home market? And took it once step further, what would the European Union be? Or what would the United States be without, on our side, what we call now the European neighborhood policy, which is to create a European economic space incorporating not only EU members, but also non-members in Europe, and going as far as the southern and eastern Mediterranean, one billion people, and what would the U.S. be without NAFTA?

Now, on the EU side, of course, Germany is not yet California, and California despite the nationality of its governor, is not entirely an independent country, but, the fact is, and we're talking here about globalization, that imagine a while the European Union would not exist, what would the European political and economic landscape look like? There was a question to Klaus Scharioth's speech about Italy and its budget deficits, who could impose any discipline on Italy without the existence of the Euro and Italy's being a member of the Euro? The kind of situation in Italy, if it goes out of control, would have let only 10 years ago, or, 20 years ago, to devaluation of the Italian lira, and George Soros would have made a lot of money.

The kind of stability, the degree of stability we have reached in the European Union and through the European Union ramification on the whole of the continent is unthinkable without the kind of discipline a rules-based system has introduced with an internal market, the four

freedoms, with common policies like competition policy, with the common trade policy towards the rest of the world, with the single currency, and, again, with the regulatory framework, which means discipline for everybody, and, therefore, the term does the EU limit in a way what Germany can do, yes, it does. But, any discipline limits and we should not look at this issue in a kind of defensive way, we should look at the opportunities which are opened to a country like Germany through its membership and through its possible leadership role in the European Union.

Of course, there are different perceptions which our member states have joined the European Union. Take France, there is still a widespread belief in France that the European Union should be like a big France, and that was probably the reason why the referendum went the way it went, because people did not disagree it was the innovations in the constitution treaty, but was about already existed, and they want to have a more social Europe, a Europe which looks more like responding to the citizens perceptions like the French government is expected to respond to that.

But, that's not the case, and, so, we have here a massive transformation of a political and of an economic landscape, which is one of the layers of what we now call globalization. I mean, somebody has compared globalization, or the globe, to an onion, and the explanation about the various layers of globalization, like peeling the onion. There is the global world, but once you peel away that layer of globalization, you find the transatlantic dimension, and you find the European Union dimension, and you find national dimensions.

Our issue here, the main, the most important issue, is to relate the European Union transformation to what it offers in terms of opportunities to shape a transatlantic dimension. Now, over the past six years, we got a lot of calls from the pilot in the plane saying, fasten your seatbelts when it came to policy issues, and we never went through such a turbulent time in terms of policy disagreements, but, and it was already said once this morning, the biggest achievement of the last six years was that we succeeded in the economic cooperation which exists, the very high level of economic interaction, not to be negatively effected by the policy disturbances. And we have to further develop that *aqui* [sounds like], as we would say in Brussels, and to make it the basis for a truly Transatlantic economic area.

By the way, there's a date for next year, and I will mention it to Klaus Scharioth on Monday, I have not yet seen it in any reflections about the German presidency of next year, and that's June 5, 1947, which is the 60 years anniversary of the Marshall speech. If it is true, and I'm a true believer of that, that the European Union process has gone from its beginning, hand-in-hand with the Transatlantic process, as John F. Kennedy in 1962 articulated was division of Transatlantic partnership of equals should the European Union be successful with its own

agenda, well, the first step was taken by George Marshall in June, 1947. And I think it would be good next year to remember that date, and, perhaps, to use it as one of the stimulants in order to review part of our agenda.

The big numbers have already been mentioned by Klaus Scharioth, let me even simplify them more than he already did. Twenty percent of our external trade, EU and the U.S. external trade, is being done with each other, 40 percent of the economic activity of the EU and the U.S., they both together represent 40 percent of world trade, 20 percent towards each other, 40 percent together, vis a vis the rest of the world, 60 percent of the GDP, and 80 percent of all capital flows around the globe. So we still have this 20, 40, 60, 80, impressive figures. They will not last forever. Maybe they will last for another 10 or 20 years, other actors will come into the process and to the fold, and this is an even stronger incentive, or should be used by us as an even stronger incentive, in order to get the transatlantic act together in good time.

Now what will be a good time? I would like to suggest here something which is very much present in the inter-European debate for other reasons. I would point to the year 2009, it's not that far away from today. 2009, why? Because like in 2004, we will have again in 2009 an opportunity of a complete, almost complete transatlantic changeover on both sides of the Atlantic. There will be a new administration here, and a new administration reassesses, or assesses, its policies, and, therefore, can start, in a way, from scratch in terms of conceptual thinking.

On the EU side, there will be a new commission, there will be a new European parliament direct elected in 2009, there will be kind of end of a process, which started with Angela Merkel in Germany of changes of national leaderships. There will be 15 member states by that time, which, if their election dates are followed in the order which they are foreseen, would change governments, or, renew governments. So, there will be an opportunity on both sides to look into what have we achieved, and how can we put, maybe, a new label on what we want to do.

And, in the meantime, I would agree with Klaus that the issue is not a new label, the issue is not about reinventing or achieving massive things within six months, and by one member state, which, according to the alphabet, happens to have the council presidency. But the issue is how to continue from a very high level of economic interaction, which we have already achieved, and how to make out of that a truly transformed Transatlantic economic space, however we call it, where the issue is not the classical trade policy issues, like tariffs and quotas, where the issue is regulatory convergence so that what we do in the European Union. Whether it's right or wrong, or here or there the right answer, to establish a framework which gives reliability, calculability to the economic actors, and to have that framework not only at an

EU level, not only on a U.S. level, but to have those two European and American frameworks be constructed in an as compatible in an as convergent way as possible.

But, saying so, especially people who know the decision-making process on this side of the Atlantic, know that that is not an easy proposition because it needs a combination of top-down and bottom-up approach. Bottom-up because there are so many actors who are, having, including constitutional rights to intervene in the regulatory activity, and which are outside the control of any government in the White House. And, top-down there is a responsibility for the political leadership to set an ambitious goal and to put pressure onto the system to achieve it.

And there, I'm sure that Bruce will expand on this, we have started since long ago, take, for instance, the fact that any major dismantling of tariffs by the six original members of the European communities with every enlargement has led to a multilateral trade round. There would not have been eight multilateral trade rounds without the push given through the European Union liberalization of national trade obstacles. So, the Union contributed to this kind of global activity.

And we have started ten years ago, more than ten years ago, 1995 was the new Transatlantic agenda, to set agendas for regulatory cooperation, to involve business through TABDs, through TPN, to involve legislators through members of Congress and members of the European parliament, and each year, with each EU/U.S. summit meeting, those people who would take the trouble to read the many papers which come out of those meetings, will discover that almost all areas of economic activity, one way or the other, are on a kind of regulatory cooperation agenda. And, all those subjects which have been mentioned today, energy, innovation, competitiveness, healthcare, others, have been added at Vienna, we will have an economic ministerial meeting for the second time in two weeks time here in Washington, which is now a policy event, which interacts with the yearly summit meetings, and where the Secretary of Commerce, the industry commissioner on our side, accompanied by other commissioners, will give top-down impetus to the work.

We have discovered that it was not enough to have one summit meeting a year, with long conclusions, if, in between, there was no checking of the agenda at the political level. So, we have started a long time ago, but we haven't achieved, let's say, anything more than 40 or 50 percent of our own work, and there needs much more to be done. And I'm confident that this will go on, and that at some stage we will put a label to it again, which could be agreed by the political level.

So, with this I think it's time to pass on to Bruce, because he has some interesting news, perhaps, to tell us about how he thinks this can be done. Thank you.

[APPLAUSE]

Fran Burwell: Thank you very much. Bruce.

Bruce Stokes: Thanks, Fran, and I have appreciated both the presentations, I've learned a lot, so, I'll try to, given the time constraints, limit my remarks to the role Germany can play, both multilaterally and bilaterally in trade liberalization in the short-term. A cautionary note, it seems to me, to begin with, in the WTO, I think we need to avoid wishful thinking. For those of you who are old enough to remember the Uruguay round, and, the Brussels trade ministerial of 1990, there was great expectation in the run-up to that Brussels ministerial when the Uruguay round was stuck, that Chancellor Schroeder would somehow prevail on President Mitterrand to break the stalemate.

The Germans were unwilling and unable to do that in 1990, I think that we have to presume that Chancellor Merkel will not prevail upon the Commission or upon President Chirac to somehow break the stalemate in the Doha round over the next few months. I think that it would be dangerously wishful thinking to assume that somehow Germany will be able to get us out of the mess we're in in the Doha round.

I think the presumption has to be that Doha will go into a prolonged hibernation, and, by prolonged, I mean, we have to realize this is not going to get restarted until about 2010, or certainly the last couple of months of 2009, and that presumes it will ever get restarted. But it is, I think, a sobering prospect that we have to, this is not a short delay. And, so, the question is, what can Germany do in that interim, in that looming three year hiatus, to help address, help the international system address the problems that now beset the multilateral system?

First, I think that the Merkel government could support EU farm minister Mariann Fischer Boel, in her desire to begin to look at the common agricultural policy in 2008. As you know, the financial decisions will not be made until 2013, but, Fischer Boel would like to begin to look at some reforms as early as 2008, a test of Germany's commitment to making the multilateral system eventually work is whether Germany is willing to spend some political capital on reforming the cap. That's obviously politically difficult for Chancellor Merkel, given her dependency on the CSU and variant farmers, but I think it is a test that we should try to hold her to.

Second, this is a bit getting down to the weeds, but it's a terribly important issue, the Doha round was launched with the hope of achieving very ambitious results, more ambitious than the Uruguay round. To do that, the structure of the talks was historically different. We were to arrive at a framework for reducing tariffs, and then plug everything into that formula, basically. It was the right way to go to achieve an ambitious outcome.

The problem is, we've spent five years trying to agree on the formula because it means all the political decisions have to be made upfront. We need to address the structure of the Doha round, and, it does seem to me that someone has to take the lead on that, and, again, we will need the support of the German government because the Commission and USTR are committed, and the WTO, are committed to the old way of doing business. They have staked their reputation on this new approach. The problem is, no one is willing to say that the emperor has no clothes.

Third, it seems to me that if, again, as a test of Germany's commitment to trade liberalization and multilateralism, we should expect the Merkel government to demand of the Commission that as they pursue these bilateral and regional deals, which is the new phase of EU trade policy, that the Commission aim for comprehensive and fairly ambitious bilateral agreements, because every indication coming out of Brussels is that the Commission will pursue unambitious bilateral agreements, ones that exclude agriculture, ones that aim low to achieve results as opposed to aim high to achieve trade liberalization. I predict to you that if the Commission continues to pursue that policy, and the U.S. continues to pursue its policy, which is high standards in its bilateral agreements, there is great potential here for Transatlantic friction because the Commission will be able to do deals that Washington can't do, and while that is, in every way, the Commission's goal, which is to one-up Washington, it is not a prescription for trade peace, it's a prescription for friction.

It's also a prescription for limited trade liberalization. Now, if the U.S. changes its policy and pursues the same goals of the Commission, which is also a possibility, there won't be friction, there just won't be much trade liberalization either, but, we do need to coordinate how we pursue trade liberalization in a bilateral fashion to avoid the kinds of friction that is inevitable. The Commission has already stated they will be happy to do a deal with Korea if we can't, because they don't have an agricultural problem, and we do. They'll be happy to do a deal with India, because they don't have an agricultural problem with India, and we do.

Envision the world we're in a year from now, or 18 months from now, if the Commission has a deal with Seoul and Delhi and we don't, because they set the ceiling, which we can never, then, meet. I think it's something that we need the Merkel government to be engaged with.

Now, speaking of bilateralism, this leads me to the topic of our earlier conversation, and that is, what do we do bilaterally across the Atlantic? Chancellor Merkel has expressed her interest in a free trade agreement, we heard that somewhat mollified or kind of constrained description of what that actually meant. I do think, with all do respect, the Ambassador's caution is not reflected in the Transatlantic business community, especially in Germany, in the

BDI, but also among the European members of the Transatlantic Business Dialogue, and among at least some members of the American business community, I have never heard or seen such support for TAFTA as there is now. It is a result of three factors, I think.

One is the understanding that the Doha round is dead, and people are not prepared to wait three to five more years to get liberalization out of the multilateral system. Second, people are sick and tired of the bottom-up approach of trade liberalization across the Atlantic. The perception is it's not working; it's not delivering, so you need a top-down big picture approach, at least that's what people think. And, third, the growing fear of China.

Now, we can pick apart each of those three reasons as to why people should or should not support a TAFTA, that's a different debate, but, I tell you, based on my reporting, they do, and, the question is, will governments respond to that, or, will they, for their own reasons, good and bad, not respond to it. But, I think that it is fair to say that there's never been such support for this, and the question is, does the political leadership decide to pursue that as a goal?

One way in which it seems the Chancellor could do this, politically, almost as a cost [...] Economic relationship as healthy as it is, as successful it is, needs some reviving, and, people need to believe that it is a dynamic and growing enterprise. One would be in the wake of the collapse of the Doha round to announce that in major sectors of the economy, chemicals, auto parts, construction equipment that the U.S. and the EU will pursue a zero for zero tariff deal, not unlike the Information Technology Agreement that was done after the Uruguay round. This would have to be open, under WTO rules, it would have to be open to the rest of the world, but it would be a way to demonstrate leadership, it seems to me, and to free up some trade across the Atlantic, and has wide support in certain sectors of the U.S. and European business communities, the chemical industry, in particular. So, it would be very popular.

Finally, it seems to me that Chancellor Merkel could, should attempt to press President Bush to solve one major outstanding transatlantic problem. Pick any, it doesn't really matter what it is, it seems to me it's the symbolism of getting something done. It doesn't have to be Airbus or Boeing, I think that's a bridge too far, but it does seem to me that the Merkel administration could try to press the Americans to finally resolve the Open Skies Agreement, or possibly to finally resolve the Visa problems that Eastern Europe has with the United States, or possibly to finally resolve the accounting problems we have.

None of these are easy. If they were easy, they would have been done already. But, the point is, what we have is a whole litany of problems that never seem to get solved, and it leads to a lack of faith in the relationship, even though the underlying numbers are so good. It seems to me that if we could make progress in at least one of those issues, progress, we have to

resolve it, progress is not sufficient, bureaucrats make progress every day, it's just nothing ever gets resolved.

We need to resolve one of these problems. It would do a great deal to breathe new life into people's faith in the future of this relationship. Thanks.

[APPLAUSE]

Fran Burwell: Thanks very much, Bruce. I wanted to just raise one issue with the panelists before we open the floor. We've heard various things today, including this morning one statement about the European Commission being a force for liberalization within Europe, and an advocacy that Germany should adopt the services and take over directives. Yet, today, we've also heard quite the opposite, at least in the telecoms industry.

My question is to ask you for your perceptions on the Commission as a force for liberalization, but, also, to look a little bit beyond that and say, if it, how close, all the Transatlantic economic debates nowadays seem to come down to regulatory policy, not tariffs, not quotas, that's been pointed out everyone here. But are we close enough together to be within striking distance on a regulatory basis to have some kind of Transatlantic agreement, or, are the regulatory philosophies, the way, the directions in which we are heading, still quite far apart?

I mean, if it's the Commission that takes the lead in negotiations with the United States, and maybe it isn't in all different sectors, I'm not sure, maybe Guenter can provide some insights on that, if it were telecoms, from what we've heard, I'd be quite pessimistic that there's a way forward, but, on the other hand, maybe there are in other areas.

So, is it sector-by-sector, is there a way forward here? Are we within striking distance, given the very different regulatory cultures, and, perhaps different directions in which regulation is moving? So, if any of you want to take a crack at that before we open the floor. Bruce?

Bruce Stokes: Well, clearly, the public opinion data suggests our people believe in a different role for government in the society, even though, if you compare the data from the early '90s to today, the Europeans look more like us than they used to, but, so, I think at that fundamental level we've got a long way to go.

I think that we have just been through six years, or, you could say, 26 years, of deregulatory fervor in the United States, but, one could draw at least, well, I'm fishing here. It seems to me that in the Clinton administration there was sentiment expressed in the telecoms

deal and in the financial services deal after the Uruguay round, in what the Clinton people called a pro, the term was, pro-competitive deregulation, or, no, that's not the right term.

But, the point was, you sometimes have to regulate to get deregulation, that there's a role for government to play even though you are pursuing deregulation. And, it does seem to me that you're not going to get it in this administration, but, depending on who wins the next election, and we're reaching here, because this is so far away from what Democrats are talking about right now, or candidates are going to talk about, but it does seem to me that you may have a slightly different approach to regulation if there's a Democratic president in 2009. And maybe even if there's a Republican president, but, I mean, I think the next two years are hopeless.

Fran Burwell: No matter who holds the balance in Congress?

Bruce Stokes: Congress really doesn't have a role to play in this; it's got to come from the White House.

Wolfgang Jakubek: If I may, I would like to tie two issues or questions that came up, actually, in one. The one is Bruce mentioning that his impression or perception of the industry's position to a potential TAFTA was so positive, I can 100 percent support his perception. And the reason, or, one reason why that's so has to deal with your question, Fran, what are the Transatlantic issues, and, are we within striking distance.

Actually, I think, very much so. If you see the development over the years, and the issues that are currently out there, I would dare saying that in most of the big issues, we're coming closer together. These are things like [indiscernible], corporate governance, tax issues, and, although there are differences, I would think, or, I would dare say we're pretty close and still moving further and further together.

What gets in between is always kind of, at least that's the feeling in the industry, that we're being held hostage to, well, it comes down to agriculture, pretty much, and that, we're hearing all these nice numbers about economic relations being the backbone of the Transatlantic relations and how well we are doing, which is perfectly true, and, yet, always getting stuck with these things that basically dwarf by the revenues of every single industry we're talking about, agriculture, steel, and stuff like that.

So, maybe the idea in the industry is that we can get to a fairly more pragmatic approach if we are doing it on a more of a bilateral basis, but, that is just my recommendation, my perception here.

Guenter Burghardt: Well, your first question, is the European Commission on the side of those who want to further liberalize, I think there is no doubt because this is, it's mandated, but, what is the challenge? The challenge is that we have achieved an internal market, up to a certain level, but there are still obstacles, which need to be brought down. Some of the more modern obstacles, which the Commission has to do now, have to do with national governments being part the owners of their parts of the industry, and wanting to pursue, as they call it, the national champions. And, so, what can the Commission do?

The Commission can use post-competition policy instruments and internal market instruments, when it comes, for instance, to merge across board, cross border mergers of the banking sector, the principal of the free movement of capital, to hold member states to account. So, the big battle we have now is not anymore to bring down the tariffs, this has been done since 1968, and then in the subsequent enlargement processes, the problem now is to allow a utility company in Germany to merge with a utility company in Spain, or a utility company in Italy to merge with one in France, or a bank to merge with a bank of another country.

So, the problem is, what does there remain in terms of national barriers? Those are the barriers, the reluctance of governments to relinquish the remaining influence they still have as a private, or, in this case, public stakeholder. And, therefore, you see, every day you see announcements that Neli Cruz has to take this or that to member state to charge, or that McCreevy, he's the Internal Market Commissioner, has to write letters to France when France, for instance, transposes an IPR, European Union IPR directive into national law, and introduces notions, which have nothing to do with the IPR directive. So, this is the, and this is why the Commission has put innovation and conductivity up front, and the way to pursue this is to, again, relinquish remaining barriers. That's the Commission's job.

Of course in the area of agriculture the Commission very much has to defend a European Union-wide sister, which has been agreed by the European Union, and which stands in the way of international progress as U.S. agricultural policy stands in the way of international progress. One of the things I've learned here, Wolfgang, on your example on agriculture, why is it so, that, well, here it's very simple, the elections in almost 35 states in the United States are won because of the support the candidates need from the farming communities. That's that.

Why would farmers in Mississippi or elsewhere get subsidies for cotton protection, why cotton can be produced much cheaper anywhere else in the world? Well, it's because of that. And, there we are, and I'm using this U.S. example, I'm not saying that there are no examples

in Europe, I'm using that because I want to make a point on your second question, how far can we go in terms of regulatory convergence?

Well, I agree with the top-down, need a top-down approach, but, what can the White House do when Congressman X,Y,Z, from state so and so, puts an amendment on a law, which has nothing to do with this amendment. And there are 10 or 12 other congressmen who serve themselves with some specific interest, and they will create new regulatory barriers, whether it's by American, or whether it's anything else, how can you get that under control? So, how can we come up with a truly transatlantic free-trade area without our political systems behaving other than by inbuilt obstacles to themselves?

Last point, the U.S. is the best example, probably, for the thesis that deregulation very often happens through regulation, because, if you want to do away with 27 different laws, 27 next year because of Bulgaria and Romania joining, 27 different laws, or, less than that because not every member state has a law on every thing, to do away with a law you need a law. So, an EU directive on EU regulation even better, replacing up to 25, 27 national laws, is a deregulatory exercise because it gives the industry one standard, instead of 25 of 27 standards, which doesn't mean that on each and every issue you have to have an EU regulation.

If member states would behave, I mean, better regulation can only happen, as it was said by Scharioth, by the way, in an interaction between the EU on the national level. If the EU decides today to do away with an EU regulation, with the effect only that the member states laws reemerge, well, you haven't won anything; you are back to the drawing board.

But, again, you can't do that everywhere. There may be situations, I have a lot of sympathy with Wolfgang's example, but, isn't it so that it's the fact that the German government still sees itself as the major stakeholder of *Deutsche Telekom* that is part of the problem? And, therefore, somebody like [indiscernible] doesn't want to give *Deutsche Telekom*, whether she's right or wrong, she doesn't want to give it an exemption from regulatory rules, competition of others, for X years in order to make *Deutsche Telekom* invest in the broadband system.

I mean, that's as simple as that. So we do not yet have a real internal market where the telecom companies, like in the United States, would decide for themselves its good for them to invest in broadband, even with no protection from the governments, because the market requires this, and will honor this. I'm not saying that Neli Cruz is right, or that the German government is right, but, this is the issue, and you have to find the balance between the different ways of looking at it.

Fran Burwell: Wolfgang, do you want to take a point because you deserve a right of reply here.

Wolfgang Jakubek: Well, first of all, I mean, this is not, as a lot of people would like to put it out, this is not a lax telecom, this is, and you've seen the tax, this is about future innovation [cross-talking], no, it's not true, every German competitor of ours that has its own infrastructure basically supports the paragraph 9a. It is about investing in an own infrastructure and reaping the benefits from it.

So, although I, obviously *Deutsche Telekom* is the biggest player, that is not all about *Deutsche Telekom*. And, with all due respect, I completely disagree, and, when you said that you need to regulate before you can really deregulate, and that is what I meant with my last slogan, to think outside the box. I just think the Commission in Brussels is increasingly obsessed with the idea of the level playing field within the internal market, and that was why I put the quotes from Commissioner Redding out there.

Why not allow, in a body like the European Union, different approaches, because we agree, nobody knows what the right way is, and they have the U.K. going in different path, where they kind of had a structural separation, so, why shouldn't Germany try what obviously works in the United States of America?

The only reason is that Brussels says, well, how come, how dare one member state, trying to do something different, we want all these nice rules within the EU, we want a level playing field, and that's completely ignoring what is happening around the world. And this is, in my example, a global competition on broadband, and the EU is just losing time when they are realize that the way they went with, you know, going on to regulate, is just not going to work.

Again, they have this nice agenda of; by 2010 they want to be the leader of global telecommunication and infrastructure. Now, with all due respect, we have, what, October 26, 2006, they don't have time, and, to me, as, again, and I'm not necessarily speaking on behalf of *Deutsche Telekom*, because it might actually even hurt my company, but, why is the idea of having kind of several test cases within the European Union, why is that so out of the world? I just don't understand that.

Fran Burwell: Michael, do you have a, yes.

Michael Backfisch: Yes, Michael Backfisch, Germany's [Business Daily Handelsblatt](#). I want to get back to this last question, Mr. Burghardt, isn't he right saying that, or, we said this

morning that there is a lack of innovation within the EU, and, the German government says they want to have deregulation of the telecoms as long as sustainable competition is guaranteed, whereas the EU says, okay, we allow emerging markets as long as existing markets are not hindered. I mean, isn't that an old-fashioned outmoded position, and, if we're talking about innovation, isn't he right?

And, the second question would go to Bruce Stokes, you said there was great sympathy within the transatlantic business community for TAFTA, how should the cornerstones of TAFTA look like in your opinion, and, what might be feasible?

Guenter Burghardt: Well, if I may, very briefly, he may be right, I mean, I don't know enough about that sector of the economy to have an own final judgment on it. He may be right. But, is the problem not that this issue, although, I mean, however convincingly it sounds for your example, is in a way polluted by a wider discussion about, for instance, the separation of networks of utility companies and the provision of energy. Or, when you talk about railways, should the whole thing be together, the network and the service?

That is the real discussion, I mean, what is better for innovation? Is it better to separate it and to have more competition, or, is it better to allow people to have some kind of, let's call it, monopoly, for some time on the services? On this one, the question is, once that broadband network is there, it would have the effect, the kind of what you call deregulation of this case, the effect that other providers of services would have not access to it, like utility companies have no access to the network of RWE or EON or whatever.

That's the underlying issue, and, sometimes it may be right to do it one way, sometimes it may be right the other way, and that's a policy decision in the end. But, I'm not sufficiently equipped to say that in this case it should be done the way, how it is suggested, and it may have to do with the fact that in the telecom industry we do not yet have the kind of level playing field overall, including, in terms of consolidation of companies and the rest. So, it's in a somewhat polluted debate, and, therefore, it makes it more difficult to find the right solution.

Bruce Stokes: Michael, ever the perceptive question, because this is where the rubber hits the road, I mean, how would you actually do it, is, in essence, your question, that seems to me. And I think any sane person looking at it says you don't try because it's too hard. So, that's why you need an irrational political commitment, it has to be for non-economic reasons, it has to be because the President of the United States decides this is one of the three things he wants to accomplish in his tenure, because, at every juncture there are political problems.

And that said and done, say you could get that political commitment, and then the question would be, how do you, what are the foundation stones? One, it seems to me, would be to eliminate as many tariffs on manufactured goods as humanly possible because you need to demonstrate winners, and those are very obvious winners, both economically, but also to the broader public. The broader public would understand to the benefit of that, even though the economic benefits are, for the public, are actually fairly limited, they still can be substantial for the company, and it's one of the reasons companies support it, because it's a tax cut, basically.

One of the rubber hits the road problems is, technically speaking, you have to offer it to everybody in the world, or it's a violation of the WTO, I don't mean technically speaking, legally speaking. And, what do you do if the rest of the world doesn't want to play? All I can say, is, you face that problem when it comes to it, but it's one of the looming problems down the road in that sector.

On regulation, it seems to me that the Commission is already interested in the idea of doing regulatory impact studies, like the OMB does. So the Commission needs to go ahead and do that, that'd be one of the first easy harvest things to do, so that at least you begin to build up common practices in both sides of the Atlantic.

There's a real difference in the sense that the Americans think there should be juridical review of regulatory process, and, the Europeans think there should be a political review of regulatory process. It's a fundamental difference. I'm not sure how you breach that difference, but, maybe that's what lawyers are for, maybe you can come up with some kind of amalgam.

On agriculture, clearly you can't reduce agricultural subsidies bilaterally. There's just no way to do that. But, it does seem to me that you can, on the regulatory side, begin to mutually recognize, or harmonize, some of our regulations. Yes, there are fundamental differences over fears of GMOs and things of that nature, but at least you can have processes in place.

And, there are, it seems to me you could make progress by tackling mutually some of the looming agricultural issues. For example, we are both enamored with energy crops. I say enamored because I'm not at all sure it's a good idea. But, I think we're both hell bent on trying to move subsidies into energy crops.

So, at the very least, we should do that, it's a wholly new area, why doesn't your Congress in the European Parliament develop a joint working group, get somebody from the Commission and somebody from the Administration involved in that, and try to come up with some rules about how we subsidize energy crops and what would be consistent and what would be inconsistent. That might be a way to do things.

Another pillar should be how we deal with the rest of the world. We've made a commitment, for example, to eliminate all export subsidies and agriculture by 2013, that's contingent on the finishing of the Doha round. We could decide to do that without it being contingent on the finishing of the Doha round as our kind of joint contribution to the rest of the world. The U.S. has conditionally agreed to remove tariffs on almost all products coming from the least developed countries, tariffs on 97 percent of the products coming from least developing countries, kind of a match to the everything but arms deal that the Europeans have. We can go ahead and do that, again, to signal that this is not meant to hurt third parties.

So I think there are a number of things we could do, it doesn't really address your problem, which is the really fundamental nitty-gritty, day-to-day stuff, and I think that takes a political commitment that's certainly not there yet in either Brussels or Washington.

Fran Burwell: Stanley Coburn [ph.].

Stanley Coburn: There was a report I saw this morning in the Turkish Daily News, about a study on innovation in Europe, they didn't do this study, they were reporting, but it's the only place I saw the report, and it was a comparison of a dozen countries in Europe on innovation. Germany, they said, to their surprise, was ranked at the bottom, along with Spain and Portugal. The top country was Sweden. It's a big problem. One of the things they cited, as I recall, was the German university students are graduating at a very late age, and, it's, spending too much time in school, not enough time in the labor force.

And, in addition, if you look at the rankings of German universities in science and technology, I don't think you see one until, like, number 45, its one like Humboldt University. They've got one university in the top 50. That's a big change from, say, a century ago, where I think German universities would have dominated. So, if we're talking about competitiveness, how does Germany recover from that?

Fran Burwell: Do you want to take a crack at that? [Cross-talking]. I would say that when we were in Germany last year, or, in June, on the trip that we took, this refrain came up over and over again, and you heard stories of students staying in school an additional semester or year because the course they needed to take was booked because there were far too many students and not enough faculty, and all sorts of horror tales like that.

You also heard of mismatches, a need for 200 engineers at one place, but the schools were graduating too many arts majors, essentially, the German equivalent of arts majors. Now that can go cyclically. You have a demand that's not filled for a while, and the universities will

start turning out more engineers. But, I think that it has been pointed out this morning that this is a very serious issue as far as Germany is concerned.

I have to say, as someone who is kind of an amateur looking at this issue, that what I don't hear, is, I don't hear many responses, policy responses, in terms of how do you create innovation, how do you create engineers, if that's what's needed, to help move the German economy forward, how do you match the type of education that people are getting with the type of workforce that will be required over the rest of the century? Do you want to say something about [cross-talking]?

Wolfgang Jakubek: Yes, maybe I can say something, because, as was rightly mentioned, education, I think, is the issue here, and, something has been done, very moderately, in Germany just recently, and that was the introduction of fees to go to the university. Now, being here for five years, well, in most states, being here for five years and paying for my elementary school kid more than any of these students will ever pay in his life, will have to pay in his life, but seeing the outrage and the attitude over there, you know, talking about the humanistic German ideal. And, you know, that we're going to stay the course, we're going to be right, Latin is on the rise, I mean, I find that amazing having suffered five years of my life with the Latin.

So, I think there is not yet a full understanding that there's nothing like a free lunch, but, things are changing regularly, and I guess we're somewhat on an improving track, but, it will continue to be a big issue, even, you know, we've got a huge unemployment problem too, so, some kids even stay at university just to be out in the market not getting a job, so, it ties you to a job.

Fran Burwell: Jerry Livingston [ph.], last question.

Jerry Livingston: Yes, [inaudible] I think that some of the smartest German government has gone over to concept of creating elite universities, and they've already designated the first three, two of which are at Munich, the one, I guess, in Karlsruhe, and they are planning on doing more. I would assume that the more SPD run *Laender* who are going to get this the next time around.

Okay, Fran, I have one question, [cross-talking] and moving [inaudible] from the role of the EU in liberalizing praying to the role of liberalizing politics. My question is to Bruce is that I understand you corrected and said you did not think that if the democrats take control of the House, if the democrats select a president in 2008, this will have no effect on trade

liberalization or on regulation matters. That's my question to you, and, the assumption is that it will have some effect.

Dr. Burghardt, I wanted to say it does seem to me the European Union has missed a good public relations gimmick, not gimmick, campaign, in this country, it seems to me that the EU has been more successful than the United States in advancing democracy, human rights, and the rule of law, than the United States has with all this rhetoric from the White House. I mean, this *aqui* that you would impose on new members, in a whole range of fields, including the fields that I've just mentioned, does seem to me [indiscernible] effect, it's effected Bulgaria, Romania, and, one day, it's going to effect Croatia, Macedonia and Turkey, countries that haven't been known in the past of being exactly democratic.

It seems to me that this is a more successful kind of a middle way between the two prongs of the United States policy, the one prong being closed democracy by military force, and the other prong being so-called public diplomacy, which is basically propaganda.

Guenter Burghardt: Well, on that later point, maybe June 5, 2007 would be a good date in order to give a boost to EU propaganda in that direction, because it was George Marshall who said that you can't establish peace with military means, that our enemies are not anymore countries, but, hunger, desperation, and so on, and then he said, number three, you cannot impose democracy on people if they have an empty stomach.

So maybe some George Marshall wisdoms could be reminded of to some of the political figures in this country in order to come to that conclusion because when you do it from the outside, I think people have more difficulty to believe it.

But, without joking about it, I think we have had the most creative and the most successful face of transatlantic relations, in fact, under President Bush, but, guess who? President Bush 41, and 1989 was the culminating point of that. Europol [indiscernible], Bush came to see Jacques Delors three times in his headquarters in 1989 because he wanted the four principles of Europol [indiscernible], recognition of frontiers, Helsinki, self-determination, Helsinki, not always to be brought into a kind of [indiscernible], but, number three, German unification was in the western structures, European communities and NATO, and, number four, a massive support, economic support to the new democracy.

He enlisted the support of the European Commission on these four, two last principles, the two first ones the Commission couldn't do very much about it. And, this was a moment where we, in fact, saw much more eye-to-eye on issues than we saw during the last six years. I think we should find a way to enter into that golden era again, and this is why I put my hopes on 2009.

Male: It's the EU membership, not NATO membership that's brought these advantages to the eastern central European countries.

Guenter Burghardt: Well, I mean, the issue was how to enlarge the post-western structures, and I think that was a kind of complimentary between U.S. interests and EU interests.

Bruce Stokes: Just briefly, Jerry, I mean, who knows, but, my sense is if the Democrats regain control of the House of Representatives it will have virtually no impact on regulatory policy of the U.S. government, because the republicans will still control the Senate, they'll control the White House and they'll control the regulatory agencies. If the Democrats should win the White House in 2008, I think it depends on who wins. If it's John Edwards, it'll be a different kind of regulatory approach even than Hillary Clinton, I think. Would that be different from Bush? Yes, I think it would be more pro-competitive deregulation.

But, the broader philosophical commitment to deregulation, I think that battle is either won or lost in the U.S., depending on how you look at the regulation, but, I think that we've all drunk the Kool-Aid on deregulation, it's just a question of degree.

Fran Burwell: I would like to ask, before we close, Wolfgang, if you have any other points to add, and if either of the other two panelists have anything general to add. No. Let me just thank you all for coming.

Let me close by saying that I think in broadening this last panel to look at the wider Transatlantic economy and the impact of the German economy on that, or, lack of impact, one of the things that strikes me is going back to this onion analogy of globalization, if you could peel back the layers, Bruce, I find myself increasingly convinced that a TAFTA, or, whatever we really want to call it, I don't think that's the right name because it's not just trade, is a good way to go, a very interesting way to go, having done a skeptic of it initially.

But, I find myself asking, in hearing about the other regulatory issues, how we're going to get there still. And, when I relate that, peel back another layer, and go to Germany, I ask myself whether the coalition government, and the second panel left me feeling like we will have coalitions for some time to come of varying hues, can a coalition government take the kind of steps that one needs to liberalize and to set up a regulatory regime and to push, to push Europe as a whole, to agree to something like that in the Transatlantic arena, or, even the international arena.

So, in a sense, the economy and the debates that Germany has about its own economy have a very real impact on the future of the transatlantic economic relationship because there's no way to really move those things forward without the support of the German government. So, as Germany goes, so goes the transatlantic economic relationship. I'll just end with that.

Let me though, finally, end in thanking all of you for sticking it out, showing your true colors, and I just wanted to add our final note of thanks to the ERP Transatlantic Program of the German Ministry of Economics and Technology, the German Marshall Fund of the United States, and the German American Business Council. This has been the first time that we've collaborated with some of the German business organizations in town, and it's certainly not going to be the last, and we look forward to having further discussions with all of you about this topic and related topics in the future.

So, thank you.

[APPLAUSE]