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**Security and Growth - The Global Agenda  
The American Club  
Hamburg  
March 18, 2003**

AS PREPARED FOR DELIVERY

Dr. Abel, Mr. Witkowski,

Members of the American Club,

Distinguished guests,

Thank you for the invitation to be with you here today.

Consul General Elbow, I greet you here today in your capacity as Honorary President of the American Club. That is I understand one of the traditions of this club -- one of the oldest German-American business clubs -- and also one of the traditions of the U.S. Consulate General here in Hamburg.

Both traditions are very symbolic of the depth and the breadth of the German-American relationship --

- a relationship based on political and strategic concerns,
- a relationship based on an economic and commercial partnership,
- and a relationship based on very many personal friendships on both sides of the Atlantic.

I am very thankful for the friends that I have made as I have traveled through Germany during the past 18 months.

I have seen many different examples of the extent of German-American cooperation.

Here in Hamburg -- as Germany's largest port city -- the business and trade relationship is particularly important.

#### German-American Economic Relationship

Our bilateral trade and investment relations are immensely important to each other and mutually beneficial.

As the world's first and third largest economies, the United States and Germany share important interests in restoring economic growth, promoting global prosperity and further liberalizing international trade.

Nothing in the recent bilateral tensions over foreign policy disagreements changes these basic facts, and we are working to minimize the spillover from those tensions onto bilateral economic relations.

#### German-American Relations and Iraq

Iraq is the topic that we are all focused on these days. Much has been said and written about the crisis in Iraq; and differences in viewpoints have divided us.

Germany feels strongly that military force should not be used in this situation under any circumstances. It is the strong position of Chancellor Schroeder and the German Government and we must accept that, even as we regret it.

This has been a difficult issue between the United States and Germany. As our Assistant Secretary of State just recently remarked in her testimony before the Congress, "The tensions with some of our traditional Allies are acute, but our longer-term common interests remain."

Iraq

(latest talking points to be faxed)

#### Economic Growth and Stability

There is a role for the business community here too. Perhaps the most positive contribution the business community can make is to focus attention on what we can achieve together -- specifically with respect to promoting global economic growth and sustainable development. The deep and mutually beneficial trade and investment relations between U.S. and German firms remain vital to both of us and thus, to global economic growth.

No matter what public policies we make, no matter what trade alliances we form, it's up to the private sector to make it all work.

In this respect, the single most important objective we can pursue jointly -- both of our governments and our business communities working together -- is to enhance economic growth through liberalizing world trade.

The more we expand trading networks with other nations, the more opportunities and better jobs we can create at home and abroad.

A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth supported by free trade and free markets creates new jobs and higher incomes. It allows people to lift their lives out of poverty, spurs economic and legal reform, and the fight against corruption, and it reinforces the habits of liberty.

#### Agenda 2010 -- German Economic Reform

In addition, both of our governments have the responsibility to focus on ways to stimulate our national economies.

We carefully noted the Chancellor's focused remarks last week on need for pro-growth reform.

The reform agenda laid out in chancellor's speech contains positive elements, at the very least a recognition that reforms are needed in a number of areas if Germany is to escape its current economic malaise and restore growth to its economy.

I will leave it to the economists to ascertain whether these steps are sufficient to address the current economic situation. And I'll leave it to the politicians to answer the question if even these initial proposals can be implemented.

## U.S. Economic Recovery

The United States is also facing challenges to its domestic economy.

Our recovery from the economic slowdown continues. The Iraq situation and efforts to strengthen homeland security and prosecute the war against terrorism have placed new demands on the economy.

A cornerstone of President Bush's program for economic recovery is the reliance on markets as a key to enhancing growth. Thanks to the flexibility of markets, consumers, businesses, workers, and investors can continuously adapt to changing economic circumstances. Public policies that preserve and build on this dynamism are essential.

And so, the agenda of American consumers, businesses, workers, and investors agenda is the government's agenda. It is a broad agenda that ranges from tax reform to tort reform, from trade policy to technology policy. And as a result:

- Tax burdens on U.S. manufacturing and the costs of research and development have been lowered to stimulate business investment.
- The President has asked Congress to reduce the taxation of dividends. By eliminating the double-taxation of corporate income, an estimated \$20 billion will be freed to make business investment a far more attractive proposition. The Business Roundtable estimates that the dividend proposal will create as many as 500,000 new jobs per year over the next 5 years.
- Small businesses form the backbone of the U.S. economy. That's why the President has asked Congress to increase the amount of money small business owners can deduct for investment in new equipment.
- President Bush has addressed rising health care costs by expanding access to affordable health care, reforming Medicare, and reforming medical malpractice law.
- On technology, the Administration has redoubled efforts to eliminate piracy of intellectual property abroad, and to improve the speed of patent and trademark processes at home. The President has also increased federal research and development funding by more than 25%, proposing \$123 billion for 2004.

## Trade

President Bush has consistently recognized the powerful linkage between economic growth, free trade, and the universal goals of peace and prosperity.

Europe and the United States share the responsibility for an open market. If our markets are not open to the products that are offered by developing countries, the growth impulse is lost, and promises go unfulfilled.

We hope that Germany continues to play its role as force for market liberalization -- within Europe, especially regarding agricultural products. Trade in agricultural products is a key element of current world trade discussions, and a key interest of many developing countries that have little else to bring to the marketplace.

Success of the Doha round depends on progress in this area, and Germany, perhaps more than any other country, stands to benefit from reductions in restriction and subsidies that are distorting the market for agricultural products in Europe.

So, it is in Germany's interest to have open markets and a dynamic economy, as it is in the world's interest.

For this reason we are at least encouraged that initial steps have been taken to implement the Agenda 2010 initiative launched by Chancellor Schroeder.

## Conclusion -- Military Conflict in Iraq

In conclusion, I would like to return to the issue of the day.

Everybody is worried about the prospect of conflict. It is a time of high anxiety. But if it has to come to this, I share the President's and Secretary of States Powell's confidence that our military commanders will do it well.

The United States is often accused, either outright or by implication, as being reckless of the risks of war. We don't understand, we are told, what the horrors of war really are, or how much misery war can bring.

Some of the people who tell us this cite their own experiences as children or young adults in the Germany of the 40's -- adding that those memories are indelible. I respect those memories, those wrenching experiences, but I reject absolutely the assertion that the current President of the United States, or any American President, or any world leader, would take lightly the idea of sending soldiers in harm's way, or that war is somehow antiseptic.

There are many examples of American engagement and commitment around the world, and the results speak for themselves. Most Americans believe that the United States represents a force for good in the world, that the ideas of democracy and freedom that we share with our European partners are great treasures that need defending. And the fact is that one doesn't have to look very closely at the history of the twentieth century to discover very strong evidence in support of this belief.

As I said at the beginning of my remarks, much has been said and written about the situation in Iraq. That should not undermine the common will that we have for solving this problem.

President Bush has listened carefully, as people and leaders around the world have made known their desire for peace. All of us want peace. But as the President has said, "The threat to peace does not come from those who seek to enforce the just demands of the civilized world; the threat to peace comes from those who flout those demands."