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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

REPORT
ON

TRADE MISSION TO CZECH REPUBLIC, EGYPT, AND MOROCCO

JULY 27, 2000

Prepared for the use of Members of the Committee on Ways and Means by members of its staff. This document has not been officially approved by the Committee and may not reflect the views of its Members

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LETTER OF TRANSMITTAL

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC, July 27, 2000.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

Dear CHAIRMAN ARCHER: I am pleased to transmit to you the enclosed delegation report on the recent Committee mission to the Czech Republic, Egypt, and Morocco. This report contains an overview of the mission, summaries of meetings with foreign and U.S. officials, and copies of several documents pertinent to the mission.

The report describes the bilateral economic and trade issues which were investigated during the trip.

Sincerely,

ANGELA P. ELLARD
Staff Director and Counsel, Subcommittee on Trade

Enclosure.

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OVERVIEW OF THE MISSION

From April 14 through 21, 2000, a bipartisan delegation of the Committee on Ways and Means led by Chairman Bill Archer visited the Czech Republic, Egypt, and Morocco to conduct a fact-finding mission on trade and economic issues. The primary purpose of the trip was to meet with government and business officials in each of the three countries to discuss bilateral, regional, and multilateral trade issues and opportunities.

Specifically, the delegation discussed a number of issues surrounding the Association Agreements which each of the three countries have negotiated, and which the Czech Republic and Morocco have signed and implemented, with the European Union (EU). These agreements provide European firms with duty-free treatment for industrial goods, while maintaining tariffs against U.S. industrial goods, in markets covered by the agreements. Prior to departure, Chairman Archer, Congressman Rangel, Congresswoman Dunn, and Congressman McDermott wrote to U.S. Trade Representative Charlene Barshefsky and to Secretary of Commerce William Daley expressing concern about the immediate impact of this tariff differential in the civil aircraft sector (Attachments A and B). This particular issue was consistently raised by the delegation in meetings. All of the countries visited by the delegation are beneficiary countries under the U.S. Generalized System of Preferences (GSP), and the delegation noted that the tariff differentials created by Association Agreements with the European Union violate the GSP requirement that U.S. firms be afforded treatment by beneficiary countries no less favorable than what they give to other countries. The delegation also expressed concern that the EU Association Agreements violate the requirements of the World Trade Organization (WTO) that free trade agreements cover "substantially all trade" and be fully implemented within 10 years.

The delegation also discussed a number of issues related to economic reform in each of the three countries, including privatization, rule of law, transparency in government procurement, and intellectual property rights protection. In Egypt, the delegation explored the possibility of a bilateral free trade agreement, as well as regional economic integration as an essential component of the Middle East peace process. During its meetings in each country, the delegation discussed the possible launching of a comprehensive round of trade negotiations in the WTO and ways to build a consensus in this regard among both developed and developing countries. Finally, the delegation discussed a number of foreign policy issues, including EU enlargement, the Middle East peace process, and the situation in Iraq, Iran, and Sudan.

Prague, Czech Republic

The delegation first traveled to Prague, Czech Republic. On April 16, the delegation received a briefing from U.S. Ambassador John Shattuck and his staff focusing on political, economic, military, and trade issues. The delegation met on April 17 with the American Chamber of Commerce (AmCham) in Prague to discuss the perceptions of the U.S. business community on Czech economic reform and on the Czech Republic's accession to the European Union. AmCham members explained that their current goals are to promote legislative, judicial reform, industrial, and financial reform in the Czech Republic. Specifically, the AmCham is focused on encouraging privatization and regulatory reform in the banking, energy, and telecommunications sectors.

The delegation next met with Petr Kubernat, State Secretary for Foreign Affairs, regarding the Czech Republic's accession to the European Union. Mr. Kubernat provided the delegation with an overview of the EU accession process. The Czech Republic began negotiations on EU membership in 1998 and hopes to be ready for EU accession by 2003. The Czech government is currently harmonizing Czech laws and regulatory procedures to bring them into compliance with EU requirements. Mr. Kubernat asked the delegation to support the Czech Republic's decision to join the European Union, but offered assurance that his government also wants to be partners with the United States. In response to a question from Congressman English on the tariff differential issue involving civil aircraft, Mr. Kubernat stated that the Czech government has to consult with the European Union on any tariff changes and that the government may be interested in seeking a multilateral solution in the next Round of negotiations in the World Trade Organization.

The delegation also met with Oldrich Dedek, Vice Governor of the Czech National Bank on April 17 regarding monetary policy and bank privatization. In response to a question from Chairman Archer regarding the ability of the Czech National Bank to shield itself from political influence, Mr. Dedek responded that an independent central bank is a condition of EU membership and that the IMF has been supportive of the Bank's independence. On bank privatization, Mr. Dedek informed the delegation that there is a full political commitment within the Czech government to complete this process swiftly as a necessity to attract foreign investment capital.

The delegation's schedule on April 17 concluded with a meeting with the Prime Minister of the Czech Republic, Milos Zeman. Prime Minister Zeman noted that the Czech Republic has undertaken significant economic reforms and that a high priority of the current government is to attract long-term, stable foreign investment. Chairman Archer responded that the United States and the Czech Republic share a strong political and security bond that overshadows the small areas of friction in the bilateral relationship. In response to questions from Congresswoman Dunn, Congressmen Portman and McDermott, and Congresswoman Johnson on the tariff differential issue adversely affecting Boeing and other U.S. companies arising from the Czech Republic's accession to the European Union, Prime Minister Zeman stated his willingness to

discuss the issue but expressed frustration with Boeing's marketing of certain military jets with its partner Aero Vodochody. Congressman Portman and Congresswoman Johnson explained that under U.S. law the trade preferences extended to the Czech Republic under the Generalized System of Preferences require the Czech Republic to extend no less favorable treatment to U.S. products in the Czech market than is given to the products of other countries.

The delegation then traveled to Egypt.

Egypt

On April 18, the delegation received a briefing from U.S. Ambassador Daniel Kurtzer and U.S. Embassy staff on the political, trade, economic, strategic, and foreign assistance issues in the U.S.-Egyptian bilateral relationship.

The delegation then met with Egyptian President Hosni Mubarak. Chairman Archer commended President Mubarak for his role as a peacemaker in the region and noted the common goals of the United States and Egypt in launching a new round of trade negotiations in the World Trade Organization. President Mubarak expressed his appreciation for the close relations between the United States and Egypt and his interest in developing closer bilateral economic relations through the negotiation of a free trade agreement. The President explained that Egypt's top export to the United States is textiles, which is viewed by the United States as a threat in the U.S. market despite the small level of Egyptian exports. He stated that developed countries should not restrict the ability of the developing world to produce cheaper goods because increased trade enables developing countries to purchase more goods produced by the developed world. President Mubarak promised that the level of intellectual property rights protection in Egypt would improve. The delegation also discussed a number of foreign policy issues in the Middle East with the President, including the peace process, Iraq, and Iran. On the peace process, President Mubarak observed that the big problems remain, most significant of which is giving the Palestinians some satisfaction in the peace agreement to build long term stability.

Afterward, the delegation met with Dr. Ahmad Fathy Serour, Speaker of the People's Assembly, regarding the role of the People's Assembly in the Egyptian Government. Speaker Serour explained that President Mubarak's party, the National Democratic Party, enjoys a 90 percent majority in the People's Assembly and has succeeded because it is neither on the right or the left of the political spectrum. Legislative initiatives are generally submitted to the People's Assembly by the Executive Branch. At present, the People's Assembly is expecting legislation on intellectual property rights protection. In response to a question from Chairman Archer on the Middle East peace process, Speaker Serour noted the benefits of peace to the entire region, but observed that the issues involving Syria and the Golan Heights, the withdrawal of Israel from Lebanon, and the resettlement of Palestinian refugees now living in Lebanon will be difficult to resolve.

The delegation also met on April 18 with Egyptian Minister of Foreign Affairs Amre Mahmoud Moussa regarding a number of foreign policy matters. Chairman Archer asked Minister Moussa to

share his views with the delegation on the civil war in Sudan. Minister Moussa explained that the situation is very complicated due to the multiple factions involved in the civil war. The Egyptian government is urging the various leaders to meet and to chart a common future for Sudan. Congresswoman Johnson asked the Minister for his views on Iraq. In response, Minister Moussa indicated that the Arab world is satisfied with the United Nations resolutions which would lift sanctions under certain conditions, however, he emphasized that a solution to the problems in Iraq must be found so that the Iraqi people do not suffer indefinitely. Minister Moussa also said in response to a question from Congressman Houghton that Egypt views its relations with the United States as its top priority, noting the strength of the bilateral military and strategic relationship. Minister Moussa indicated that Egypt would like to pursue closer economic relations with the United States through the negotiation of a free trade agreement.

The delegation next attended a luncheon hosted by the American Chamber of Commerce in Egypt in the delegation's honor. Chairman Archer addressed the attendees and explained the jurisdiction of the Ways and Means Committee and the trade legislation expected to be considered by the 106th Congress. The Chairman also took questions from the audience on economic issues, as well as U.S.-Egyptian bilateral and multilateral relations.

The delegation concluded business in Cairo in a meeting with Youssef Boutros Ghali, Minister of Economy and Foreign Trade, on bilateral and multilateral trade issues. In particular, the Minister emphasized Egypt's strong interest in negotiating a free trade agreement with the United States to provide the institutional framework for Egypt to implement necessary economic reforms. He noted that Egypt has negotiated an Association Agreement with the European Union, but has not signed it because the European model of free trade is different. The Minister warned, however, that American firms will lose out in the Egyptian market if the Association Agreement with the European Union is signed and implemented, but no free trade agreement is reached with the United States. The Minister indicated that a WTO consistent law on intellectual property protection will be submitted by the government to the People's Assembly in the near future and pointed out improvements consistent with WTO obligations and standards in Egyptian customs and customs valuation practices. In response to a question from Congressman McDermott on labor and the environment, the Minister emphasized that while these are important matters, they have no place in trade negotiations and noted the concern in the developing world that these issues are really a "back door" effort by developed countries to impose trade sanctions.

On April 19, 2000, the delegation then traveled to Luxor, Egypt and was briefed by Robert K. Vincent, Director of the American Research Center in Egypt, which has a federal grant from the U.S. Agency for International Development (USAID) to preserve and restore antiquities in Upper Egypt. The delegation visited sites to observe the type of work supported by the USAID grant.

The delegation then traveled to Morocco.

Rabat, Morocco

On April 21, 2000, the delegation was briefed in Rabat, Morocco by U.S. Ambassador Edward Gabriel and U.S. Embassy staff on a variety of issues in the U.S.-Morocco relationship, as well as the historical background of the bilateral relationship, political developments in Morocco since the death of King Hassan II, the pace and scope of Moroccan economic reform, Morocco's debt burden and debt relief initiatives, and the challenges facing Morocco in the area of social development.

The delegation next met with the Moroccan Minister of Industry, Commerce, and Handicrafts, Alami Tazi, regarding trade liberalization and economic reform in Morocco. Minister Tazi asked the delegation to convey the favorable investment climate in Morocco to U.S. investors. The Minister noted that Morocco has suffered a severe drought which has dramatically affected economic growth in the country. Chairman Archer, Congresswoman Johnson and Congressman McDermott expressed concern to the Minister about U.S. firms being disadvantaged in the Moroccan market as a result of Morocco's Association Agreement with the European Union. The Minister expressed his hope that closer bilateral economic relations could be developed between the United States and Morocco as a result of bilateral dialogue under the U.S.-Moroccan Trade and Investment Framework Agreement and his belief that two-way trade between the United States and Morocco should be three or four times its current annual level of $1 billion. On the question of the tender that Boeing has bid on with Royal Air Maroq, Minister Tazi stated that he was confident that the strongest supplier would win the contract and that he would support Boeing in its effort if the contract were a matter within his jurisdiction.

The American Chamber of Commerce in Morocco hosted a luncheon meeting for the delegation on April 21. Chairman Archer addressed the attendees, explaining the jurisdiction of the Ways and Means Committee in the U.S. Congress and trade legislation expected to be considered before the end of the year. The Chairman also expressed the concern that U.S. firms are being disadvantaged in the Moroccan market vis-à-vis their European competitors and the hope that Morocco would open itself to foreign investment to raise the standard of living for the Moroccan people. Chairman Archer took questions from the audience on the possibility of expanding the African Growth and Opportunity Act to include Morocco, on the possibility of expanding products eligible under the Generalized System of Preferences, and on the possibility of the United States entering into a debt-equity swap agreement with Morocco.

The delegation concluded business in Morocco on April 21 in a meeting with Prime Minister Abderrahmane Youssoufi. The Prime Minister shared his views with the delegation on a number of domestic and foreign policy issues, including the Middle East peace process, regional integration in North Africa, democratization, Morocco's debt burden and social development, and trade and economic issues. He also noted the challenges presented to the entire country by the drought affecting Morocco. The Prime Minister discussed Morocco's efforts to attract more foreign investment to serve as a catalyst for economic growth, including through the adoption

of a transparent government procurement process, and expressed his support for the negotiation of a free trade agreement between the United States and Morocco. In addition, the Prime Minister spoke about Morocco's Association Agreement with the European Union, which entered into force in March 2000. Chairman Archer and Congresswoman Johnson expressed concern that this agreement will disadvantage U.S. goods in the Moroccan market over time as U.S. products remain subject to tariffs while European goods will not. Congresswoman Dunn and Congressman McDermott discussed their strong interest on behalf of The Boeing Company in a transparent procurement process in the tender that has been issued by Royal Air Maroq. The Prime Minister also emphasized that Morocco is creating educational and economic opportunities for women.

CZECH REPUBLIC

Country Team Briefing by Ambassador John Shattuck and U.S. Embassy Staff

Prague, Czech Republic; Sunday, April 16, 2000

Participants: John Shattuck, U.S. Ambassador to the Czech Republic; Steven Coffey, Deputy Chief of Mission; Renee Earl, Public Affairs Counselor; Colonel Ray Canel, Director, Czech Military Contracting/NATO Accession; Colonel Scott Sawyers, Assistant Defense Attache; John Morris, Director Political and Economic Section; Judy Garber, Economic Section; Mike Murphy Commercial Counselor

A country team briefing was provided to the delegation at a dinner hosted by Ambassador John Shattuck at his residence in Prague. The Ambassador welcomed the delegation and introduced the members of the U.S. Embassy Staff who were present.

Ambassador Shattuck explained that the Czech Republic is a country of great importance to U.S. interests. Specifically, the Ambassador noted three areas of significance in the bilateral relationship: (1) security issues and NATO Accession; (2) economic prosperity, i.e. trade and investment; and (3) basic issues of democracy as the Czech Republic "works its way into the family of democratic nations."

The Ambassador noted that the Czech Republic has strong ties to the United States. Its nationhood is a product of the vision of President Wilson and its founder, Tomás Garrigue Mazaryk, who actually wrote the Constitution of Czechoslovakia on a dining table in Pittsburgh, Pennsylvania. In addition, today there are over 1 million Czech-Americans.

The bad news, Ambassador Shattuck added, is that the Czech people have been occupied and repressed by outsiders for most of their history as a nation. Except for 1918 to 1937 and since 1989, the Czech people have not been free, and even today they live under a legacy of fascism and communism. After the 1968 rebellion was crushed by the Soviet Union, he noted, Czechoslovakia entered a period known as "normalization" in which the country attempted to adjust to its role in the Soviet bloc. When the Velvet Revolution occurred in 1989, Ambassador Shattuck explained, Czechoslovakia was economically better off than most communist states, having

adapted to communism, and served as the economic engine of Eastern Europe.

Ambassador Shattuck went on to describe the Czech Republic's transition since 1989, and indicated that the country is still in transition today. The government did not undertake economic reforms quickly since the country was doing well in comparison to its neighbors in the former Soviet bloc. Instead, he explained, they underwent a form of pseudo-privatization, which included a system where vouchers representing ownership shares in state enterprises were distributed, but no fundamental management changes were implemented. The banking system remained tied to the government, and the legal system was not reformed. Only now, he indicated, is the country beginning to move out of recession and undertaking necessary economic reforms. Reform, however, has been frustrated by the current coalition government between Prime Minister Milos Zeman's Social Democratic Party (CSSD) and former Prime Minister Vaclav Klaus' Civic Democratic Party (ODS). Additionally, Ambassador Shattuck explained, President Vaclav Havel has a weak hand to play since he has very few executive powers. President Havel, however, remains an important source of stability and is the longest serving of current European leaders.

Ambassador Shattuck further explained that there are two major forces driving the Czech Republic toward the West and reform: (1) NATO accession; and (2) EU accession. In this regard, the Ambassador expressed the view that the United States should help the Czech Republic and should work toward a U.S.-Czech partnership for security, economic prosperity and democracy. He noted the Czech Republic, fundamentally, needs transparency, democracy and an improved legal system. Already, the United States is setting up a regional judicial training institute in Prague and is providing advice on banking privatization. The United States, he indicated, should be prepared to share expertise with Czech government officials "to keep them from shooting themselves in the foot" and creating economic disadvantages for themselves, as they are doing with the 4.8 percent tariff differential issue in the civil aircraft sector.

At this point, Ambassador Shattuck turned the briefing over to Judy Garber from the Embassy's Economic Section, who stressed that the tariff differential issue is at the top of the U.S. agenda in the Czech Republic. In March 2000, she explained, a delegation led by Assistant USTR for Europe and the Mediterranean, Cathy Novelli, came to Prague and discussed this specific issue with Czech government officials. Ms. Garber noted that the Czech Cabinet did consider a tariff waiver proposal, but voted it down. She indicated that copies of the letters from Chairman Archer, Congressman Rangel, Congresswoman Dunn, and Congressman McDermott to the Administration, which were sent prior to the delegation's visit, were delivered to Czech officials in mid-April.

Ms. Garber added the Czech Republic has been put on the Special 301 "watch list" for deficiencies with respect to intellectual property rights (IPR) protection. Specifically, IPR enforcement through the legal system is lacking both in terms of slowness and the type of penalties allowed, and the Czech Republic has not met its TRIPs requirement in the WTO in terms of both 50 year retro-

active copyright protection (although President Havel may sign corrective legislation soon) and ex parte seizure. Piracy, she noted, is decreasing, and it is clear that there are new companies in the Czech Republic whose products can benefit from strong IPR protection. An example of such a company is Netbeams, which was recently bought by Sun Microsystems.

In general, Ms. Garber indicated, the Czech Republic does have a number of advantages. Foreign investment is at record levels, and its labor is of good quality and cheaper than many others in Europe. Ms. Garber pointed out that the Czech Republic is centrally located, and the government is granting new tax holidays for investors. Among foreign investors, Germany ranks number one, followed by the Netherlands and the United States. In the last 12–14 months, she specified, the Czech Republic has received more than $1 billion in foreign investment, including $500 million in the energy sector from such U.S. companies as El Paso Energy. Railroad privatization, she noted, will come later, as will the bulk of the energy sector. Ms. Garber explained that three U.S. companies are currently involved in efforts to buy the Czech national gas pipeline company, Transgas. Generally speaking, privatization has been complicated by Czech Republic nationalism, even though keeping companies in Czech hands has not produced successful results. Part of the fear associated with increased foreign ownership, she noted, is historical in nature and is directly related to anti-German sentiment. It is clear, however, that successful privatizations need both capital and strategic partners to succeed. In terms of U.S. companies, strategic partnerships have emerged involving Motorola, Ford Motor, and Hayes Limeritz (a Detroit wheelmaking company involved in a new aluminum wheel venture).

Chairman Archer expressed his appreciation to the Ambassador for the comprehensiveness of his briefing and indicated that members of the delegation had both general and individual interests in specific issues related to the Czech Republic. He asked to hear from the two military attaches present regarding defense and NATO security issues.

The Ambassador responded by reiterating that the Czech Republic had joined NATO one year ago and had participated in the Kosovo campaign despite its strong ethnic Slavic ties to Yugoslavia. He said that the new Czech forces are better trained and lean, having been scaled down in a major way from its prior Warsaw Pact levels. The United States has expressed a concern about the cost of some of procurement decisions, such as a large order of Czech manufactured L–159 planes and its potential to drain monies needed for personnel.

Colonel Ray Canel noted that nuclear proliferation is an issue of joint interest to the United States and the Czech Republic. The United States expressed concern about a recent $40 million deal involving a Czech company selling equipment for a nuclear reactor in Iran, and as a result the Czech government intervened to stop the deal. With regard to counterterrorism, Colonel Canel expressed the view that the Czech Republic is not well-equipped to deal with modern terrorist threats and that U.S. assistance to Czech law enforcement agencies is both ongoing and valuable.

Colonel Scott Sawyers commented that NATO accession has gone well and that the Czech Republic has both met basic NATO goals and developed a good five-year plan. Overall, he noted, it is widely believed that the Czech are "pulling their own weight" within NATO. Fifty percent of the Czech general officers and top commanders have had training in western schools, including large numbers of them in the United States. As a group, Colonel Sawyers explained, the Czech military looks to the United States for leadership given their historical experience in which Europeans have let them down and the fact that they cannot afford a military of the size they maintained under the Warsaw Pact. NATO accession has served to give the Czech military direction for the future.

Colonel Sawyers went on to describe the problems still facing the Czech military. Among them are: (1) the continuing impact of the downsizing of forces from 200,000 men ten years ago to 50,000–60,000 today; (2) the division of resources related to the split with Slovakia (the Czech Republic received two-thirds of all military resources); (3) the fact that the Czech Republic has had eight Ministers of Defense in the last nine years; (4) the need to modernize despite having met the NATO goal of allocating 2% of budget to defense; and (5) the fact that the MIG–21 aircraft in the Czech air force will reach the end of their planned lifespan in 2003.

Colonel Canel added that the upcoming decision by the Czech Republic on procurement of fighter aircraft has come down to a choice between the Grippen offered by BAC on behalf of a British/Swedish group versus F–16s from the United States. In response to a question from Chairman Archer as to what military equipment was produced domestically, it was noted that current main products include a T–72 tank upgrade package, TATRA trucks, and small arms.

Congresswoman Johnson inquired about the degree to which smaller U.S. companies are active in the Czech Republic. Steven Coffey, Deputy Chief of Mission, stated that 317 U.S. companies are presently active in the Czech Republic and that U.S. investors are more diverse than those from any other country.

Congressman Houghton inquired about the delegation's breakfast meeting with the American Chamber of Commerce on the next day, asking whether Czech businesses would be represented. The Ambassador replied that Czech businesses would be present, including representatives from the banking sector and the Czech national airline, CSA.

In response to numerous questions from delegation members, the Ambassador briefed the delegation on the topics that might come up at all of the scheduled meetings in Prague. Among the issues discussed were: (1) monetary policy including the independence of the central bank; (2) tariff differentials that discriminate against U.S. businesses; and (3) when the Czech Republic might join the European Union and the concern that the country might fall out of the first tier of countries granted EU membership.

The delegation then discussed the letters on the civil aircraft tariff differential sent by Chairman Archer, Congressman Rangel, Congresswoman Dunn, and Congressman McDermott, which were presented to the Czech Government in mid-April. In particular, the delegation raised the point that under the Generalized System of

Preferences (GSP), the Czech Republic is required to provide tariff treatment to U.S. firms no less favorable than the Czech Republic extends to its other trading partners. Ultimately, the tariff differential issue could result in the suspension of the Czech Republic's GSP benefits. Ambassador Shattuck also informed the delegation of the Czech Deputy Trade Minister's planned visit to Washington, D.C. in May.

In conclusion, the Chairman again thanked the Ambassador and his staff for the briefing and for hosting the dinner.

Breakfast Meeting with the American Chamber of Commerce in Prague and Various Czech Government Officials

Prague, Czech Republic; Monday, April 17, 2000

Participants: Charles Randolph, Chairman of AmCham; Stacey Weston, Executive Director of AmCham; Vladimir Dlouhy, Goldman Sachs and former Minister of Trade and Industry; Jim Kunert, President of Zivnostenskq Bank; Vlastimil Lorenz, Director General of the Ministry of Trade; Jan Hanousek, Center for Economic Research at Charles University; Paul Dvorak, Deputy Minister of Finance; and other AmCham members

Following an introduction by Ambassador Shattuck, Charles Randolph, Chairman of the American Chamber of Commerce (AmCham) in Prague (Managing Partner, KPMG Peat Marwick) described the AmCham's priorities for the coming year. In particular, he noted that AmCham priorities are framed by three basic principles: (1) to make the Czech Republic globally competitive for American exports, investment, and operations; (2) to level the playing field among businesses; and (3) to promote greater transparency, both in terms of private sector disclosure and reporting requirements and in terms of the public sector legislative and regulatory processes.

Mr. Randolf noted that the Czech Republic is coming out of two years of recession, but reported modest growth in the last three quarters. Foreign investment in 1999 is at a record $5 billion, twice the level of previous years. Inflation is under control and the Czech economy can count among its advantages an educated work force and a good geographic location. The main national task ahead, he said, is to privatize the banking system, especially the nation's largest bank, Komercni Bank.

In light of the above principles, Mr. Randolph reported that the spring agenda for the AmCham is threefold: (1) to promote legislative and judicial reform; (2) to promote industrial reform; and (3) to promote financial reform. With respect to the legislative and judicial reform, he stated that the goal was "speed and accuracy." Illustrations of achieving this goal include the establishment of a bankruptcy court, training specialized judges and creating a specialized commercial court, and strengthening the legislative process by strengthening the legislative drafting process.

Weston Stacey, Executive Director of the AmCham, explained that the key item in the area of industrial reform involved reform of Konsolidacni Bank. In particular, the key challenge is to pri-

vatize the bank and enable it to continue to provide credit to companies in the so-called "new economy" (companies with strong growth rates and good survival prospects), while writing off bad debts owed by companies in the "old economy" (companies that are not making a successful adjustment from the state-dominated economy). Mr. Stacey noted that Konsolidacni Bank has more than 9,000 companies in its portfolio.

Two other areas of focus for the AmCham in relation to industrial reform are energy and telecommunications policy reform. On energy policy reform, the AmCham is seeking privatization and greater liberalization. On telecommunications policy reform, the AmCham is seeking greater openness to competition. The AmCham sees the successful development of the telecommunications sector in particular as key to the development of the new economy.

Turning to the area of financial reform, Mr. Stacey said the key is to institute some form of creditor protection. For example, secured loans are often "secured" by property that has been used to secure more than one loan, greatly reducing the level of security provided to creditors. Similarly, the bankruptcy law has not been adequately used because creditors are not confident they can get enough of their money out if they put companies into bankruptcy. In this area, steps such as registration of securities are needed.

Vladimir Dlouhy, a former Minister of Trade and Industry, currently with Goldman Sachs, made two observations. First, the Czech Republic is making a successful transition from a centrally planned to a market economy. The transition has been harder because the Soviet Union concentrated heavy industry in Czechoslovakia. However, this disadvantage has turned into an advantage in the long run, because it meant that these industries would make important contributions to the Czech economy once privatized and reformed. Second, he stated that the government's biggest mistake was not to privatize banks in 1993, after the first two waves of industry privatization. In short, he commented that "excesses" were inevitable in the transition process, and that the key is to maintain the right balance in macroeconomic policy and privatize the banking sector. He stated that, in his view, the transition process from communism to a market economy will take approximately two decades. He stated that he is confident that the Komercni bank will be privatized by the end of 2000 or the first quarter of 2001.

Jim Kunert, President of Zivnostenskq bank, stated that the key lesson Czechs have learned since 1989 is that money plays a key role in an economic transition. Further, it is not what entity owns the banks (including whether it is a domestic or foreign entity), but what the banks offer in the way of goods and services, that is key.

Chairman Archer thanked the presenters for their comments and introduced the Members of the delegation and explained the role of the Ways and Means Committee. In particular, he mentioned that under the U.S. Constitution, Congress, not the President, is given primary authority over trade with foreign countries.

Congresswoman Johnson expressed concern over actions by the Czech government that discriminate against imports of U.S. aircraft, aircraft engines, automobiles and other products. She expressed the view that the Czech government should not sacrifice its

trade relationship with the United States to accord these kinds of special benefits to the European Union.

Vlastimil Lorenz, Director General of the Ministry of Trade, responded that the aircraft tariff issue is under study and that the government is also working on the intellectual property protection issues that U.S. negotiators have raised. He mentioned that the Czech government has raised with the United States the issue of increasing and restructuring the U.S. quota on imports of cheese and that the Czech Republic also hopes to renegotiate the textile quota.

Congressman Tanner asked how far along the government is in creating an independent judiciary and an independent financial regulatory authority to serve as an honest broker for regulatory matters, an issue which foreign investors, including U.S. investors, see as critical to the safety and soundness of investments.

AmCham Chairman Randolph commented that reform is proceeding unevenly. For example, 90 percent of credit unions are considered fraudulent, so there is a long way yet to go.

Ambassador Shattuck commented that a judicial reform package is pending before the Parliament, and the American Bar Association's Central and Eastern Europe project is scheduled to open a regional training institute in Prague in May, with the support of the European Union and full support of the Czech Ministry of Justice.

Jan Hanousek of the Center for Economic Research at Charles University commented that often Czech government officials use the EU convergence process as a smokescreen or excuse for not taking steps the United States or other countries request.

Congressman Portman asked the former officials to comment on health and pension reform. The Deputy Minister of Finance, Paul Dvorak, stated that those areas are not in his jurisdiction, which is limited to taxes and customs duties. On the subject of the aircraft tariff, he expressed the view that there might be problems under the Czech Republic's obligations to the World Trade Organization with providing a tariff waiver to the United States on large civil aircraft.

Former Minister of Trade and Industry Vladimir Dlouhy stated that the United States has been a good trade partner to the Czech Republic, starting in 1989, even before the European Union, by extending most favored nation (MFN) benefits.

Congresswoman Dunn stated that there were no WTO problems of which she is aware with granting the waiver -in fact, the problem is in granting the EU preferential access *without* providing that benefit on an normal trade relations (NTR) basis. Congresswoman Dunn noted that the United States is very serious about receiving the waiver and must receive it swiftly. Mr. Lorenz responded that the issue was under "deep analysis."

Chairman Archer then drew the meeting to a close by emphasizing the importance of the bilateral trade relationship. He commented that the House would have to vote this year on whether to remain in the WTO and the outcome, while highly likely, should not be taken as a foregone conclusion. There were some, he commented, in both political parties who oppose expanding trade, and supporters of this policy have to work hard to make their case. He

noted that, in this context, issues like the aircraft tariff issue are important to enable trade supporters to demonstrate that "trade works" for the United States and U.S. workers, farmers, and businesses.

Meeting with Petr Kubernat, State Secretary for the Ministry of Foreign Affairs

Prague, Czech Republic; April 17, 2000

Mr. Kubernat opened the meeting by explaining that he is responsible for the negotiation of the Czech Republic's accession to the European Union. Within the Ministry of Foreign Affairs, he stated, there are two departments that deal with EU accession. The first is responsible for internal coordination within the Czech Republic. The second is responsible for external negotiation.

At present, Mr. Kubernat noted, there are six countries seeking EU accession, one of which is the Czech Republic. He explained that the Czech Republic began its EU accession negotiations in March 1998. These negotiations are conducted bilaterally with the EU Commission. All six candidate countries negotiate separately, not as a block.

The first stage in the accession process, Mr. Kubernat informed the delegation, is to identify legislation that needs to be modified in the Czech Republic in preparation for EU accession. The Czech Republic completed this stage of this process in 1999. The second stage involves negotiation with the EU Commission. The Czech Republic has begun this process. The negotiations, he stated, are being conducted in such a way that nothing is agreed to until there is agreement on both sides on the entire package. Both sides can go back in the negotiations and reopen issues if either side wants.

Mr. Kubernat explained that France will assume the EU Presidency during the second half of 2000. The Czech Republic expects the negotiations on its accession to become clearer at that time. The Czech government expects that some additional demands will be made, but that it will begin to get a sense of timing for the completion of the negotiations. Mr. Kubernat added that the Czech Republic hopes to conclude the negotiations this year or next and to be ready for accession by January 2003. Once negotiations are concluded, he said, the ratification process will begin, which is expected to take one year. The final package must also be ratified by the European Parliament.

In the accession process, Mr. Kubernat said the Czech Republic must harmonize its legislation to be as close as possible to the European Union. Passing legislation is not the final step, though. The government is working to ensure that the legislation is implemented properly and that the necessary institutions exist for enforcement. He observed that the second regulatory review conducted by the European Union on the Czech Republic's progress in this area did not give the government a good report. The government has taken this criticism constructively, he said, and is looking for ways to speed up pending legislation and to simplify procedures. The whole process is very difficult because the government not only has to pass legislation but also has to reform institutions that have entrenched interests. Mr. Kubernat noted that this situa-

tion is "even more difficult to overcome than passing something entirely new."

Congressman Houghton asked Mr. Kubernat what message he would like the delegation to take back to Congress. Mr. Kubernat replied by saying that Czech officials had meetings the previous week with Assistant Secretary of Commerce Patrick Mulloy. President Havel, he said, has supported the U.S. position on civil aircraft tariffs and has encouraged the government to find a solution. He noted that the Ministry of Trade and Industry is the lead department in the Czech cabinet on this matter and that Ministry officials had told Assistant Secretary Mulloy that they would review the issue and come up with a recommended course of action.

Congressman Houghton followed up by asking what Mr. Kubernat personally believed is important for the delegation to do when it returned to Washington. Mr. Kubernat asked the delegation to support the Czech Republic's accession to the European Union. At the same time, he assured the delegation that the Czech Republic also wants to be partners with the United States in trade and economic matters. He explained that they are reforming, not only to join the European Union, but also "to put their own house in order" by developing strong institutions. These institutions are necessary to attract investment.

Congressman McDermott asked how the government is able to pass legislation with a minority in the Parliament and whether there is a consensus that transcends parties on EU accession. Mr. Kubernat explained that there is a broad consensus among parties to join the European Union, but it cannot be assumed that the opposition will simple agree to the legislative changes required. All matters related to EU accession are discussed with the opposition prior to legislation being considered at the Ministerial level.

Congressman McDermott then asked if changes are required in the Czech pension system and whether the opposition is inclined to go along with them given that they would help the current government. Mr. Kubernat replied by saying that the legislative changes they are considering contain nothing more than what is required for EU accession. The government tries to find a compromise position with the opposition on controversial issues that enables the process to move forward.

Congressman English thanked Mr. Kubernat for his explanation of the EU accession process and status of the Czech Republic's negotiations. He said that the Czech Republic should not shut the door to other bilateral relations during the accession process. Congressman English said that the tariffs maintained by the Czech Republic on locomotives may adversely affect his constituents over time. He asked whether the government is willing to work with the United States to find ways to address tariff differentials. In addition, Congressman English commended the Czech government for having joined NATO and for helping to address the crisis in Kosovo.

Mr. Kubernat replied by saying that the Czech Republic wants to preserve and increase traditional trade flows with its trading partners. The government will review the proposals on how to address the tariff differential issue and may seek a multilateral solution in the next round of WTO negotiations.

Congressman English followed up by saying that EU accession does not require the tariff differential problem that now exists and expressing his hope that the Czech Republic would avail itself of the option it has to waive the tariffs. Mr. Kubernat pointed out that the Czech Republic has to consult with the European Union on any tariff changes that it is considering.

Chairman Archer closed the meeting by thanking Mr. Kubernat for meeting with the delegation. Mr. Kubernat suggested that the delegation raise the concern about the tariff differential problem with Prime Minister Zeman later in the day.

Meeting with Oldrich Dedek, Vice Governor of the Czech National Bank, and Various Bank Officials

Prague, Czech Republic; April 17, 2000

Participants: Oldrich Dedek, Vice Governor of the Czech National Bank; Ales Capek, Executive Director of the Monetary Department of the Czech National Bank; Pavel Vacek, Director of the General Policy and Regulations Division of the Czech National Bank; and other bank officials

Chairman Archer introduced the Members of the delegation and expressed appreciation for the progress the Czech Republic has made over the last 10 years. He asked whether the bank is confident that it can maintain its independence, noting that in the United States there are always some in Congress who advocate limitations on the independence of the U.S. Federal Reserve Bank.

Oldrich Dedek, Vice Governor of the Czech Central Bank, responded that the Czech government has had something of a track record in this area, having successfully survived the currency turbulence of 1997, by introducing stability packages for the economy. He noted further that one of the conditions of EU membership is an independent Central Bank. Further, the International Monetary Fund is also supportive of the Czech government's efforts to maintain the bank's independence.

Congresswoman Johnson mentioned U.S. concern over discriminatory treatment of U.S. exports in the Czech Republic as the country transitions to full EU Membership. Mr. Dedek stated that, in general, the Czech Republic has maintained a liberal and open trading regime.

Congressman Portman stated that he hopes the Czech government will complete privatization of the banking system swiftly and that the Czech government's open and liberal approach to trade will have an impact on the European Union, particularly the EU's Common Agricultural Policy. Ales Capek, Executive Director of the Monetary Department of the bank, stated that he expects privatization of the banking sector to be completed within one year. Mr. Dedek added that there is now a full political commitment by the government to that objective, which was not true at the outset. Now, he stated, the government realizes that it needs to attract foreign capital and banking skills to become fully competitive.

Congressman Tanner asked whether the bank participates in regulatory supervision, such as audits, of the commercial banks. Pavel Vacek, Director of the General Policy and Regulations Divi-

sion, stated that from its creation in 1992, the bank has established standards for Czech banks to be internationally competitive and consistent with international standards and norms, including EU and Basel (Bank for International Settlements) requirements. He stated that the banks are now fully consistent with those standards. Congressman Tanner asked if the bank has broad legal authority to enforce its standards. Mr. Vacek said that it does.

Congressman Houghton recalled that officials had earlier stated that as much as 70 percent of existing Czech companies are in loss positions and may not recover. He asked if the bank is prepared to take the approach, particularly with state-owned or state-invested enterprises, to allow them to go under when necessary so that resources could be transferred to healthy and growing firms. Mr. Dedek stated that the bank views the economy as a "two speed economy." Mr. Vacek said that the government is prepared to allow failing firms to go out of business.

Meeting with Prime Minister Milos Zeman

Prague, Czech Republic; April 17, 2000

The delegation met with Prime Minister Milos Zeman. The Prime Minister opened the meeting by welcoming the delegation. He noted that the Czech Republic has made considerable economic progress, with inflation currently at only 2 percent. The minority government now in power, he said, is more stable than the "majority of majority governments." He added that capitalism does not instantaneously correct economic problems, and he emphasized that his government is trying to attract foreign investment, which has more than doubled recently, with Germany and The Netherlands as the biggest investors. The basic strategy is to attract long-term, stable investors, not just short term investment. The government has also eliminated tariffs in order to attract hi-tech investment.

Chairman Archer responded by stating that although there are areas of friction between the United States and the Czech Republic, these areas are small compared to the overall relationship. He noted that the delegation shares the pride and exhilaration of the Czech people since the reforms beginning in 1989. He mentioned that he has Czech roots, as his great-great grandfather was born in Prague. The two countries, he said, have a political and security bond as well as the same desire for open markets, and he wants to remove any friction between the two countries. The delegation, the Chairman noted, is committed to free and open trade, although not all in Congress share that commitment. He pointed to the critical votes in Congress this year concerning permanent normal trade relations for China and whether Congress should withdraw its approval for continued participation in the World Trade Organization. The U.S. business community, he said, should be excited about investment in the Czech Republic because of the increase in transparency and judicial enforcement. An open and transparent Czech Republic, he concluded, is to the advantage of the United States.

Congresswoman Dunn stated that as the Czech Republic moves toward accession with the European Union, a tariff imbalance is created because EU products enter duty free while U.S. products

must pay duty. She pointed to the 4.5 percent duty faced by Boeing but not Airbus as an example. She noted that the Czech cabinet has considered and rejected a waiver of the duty, and she urged the Prime Minister to reconsider the decision because forcing Boeing to pay a duty would deny it the opportunity to win a bid in a competition in which margins are so thin, but the end result would just benefit Airbus without benefitting Czech Air.

The Prime Minister responded by saying that he is open to discussing the issue with the Trade Minister. He added that he is disappointed that Boeing does not participate in networking and marketing to sell certain military jets with its partner Aero Vodochody. The Czech Republic needs this support, he emphasized, and Boeing will not cooperate. The Prime Minister then noted that the government has improved judicial reform. It is a mistake to avoid lawyers in favor of economists, he added, and a government must have a strong enforcement and judicial system. Tax evasion, he said, is the second biggest crime in the Czech Republic.

Congressman Portman noted that GE aircraft engines used in Boeing aircraft are made in his district in Cincinnati, Ohio. He is supportive of the entry of the Czech Republic into the European Union because it could bring more openness to the European Union, especially in the area of agriculture. He noted his appreciation of the courageous Czech efforts in Kosovo. He concluded by saying that he supports benefits for the Czech Republic under the U.S. Generalized System of Preferences (GSP), but he emphasized that the GSP law requires beneficiaries to provide benefits to the United States that are no less favorable than to other countries.

The Prime Minister responded by saying that his government does not require visas for Americans traveling to the Czech Republic, but the United States does not extend reciprocal benefits. This is discriminatory and should be balanced, he emphasized.

U.S. Ambassador Shattuck responded by saying that the United States would like to eliminate the visa requirement but cannot do so now because of exploitation by Czechs who travel to the United States as tourists and then overstay their limit, making it impossible to move in this direction now. He then responded to the Boeing issue by saying that the government must take delivery of the military jets in question before Boeing, a small minority investor (only 35 percent) which does not control decisions, can market them. Once delivery is accepted by the Czech Republic, he promised, Boeing will be active.

The Prime Minister said that his government is willing to support Boeing as well as Procter and Gamble, but Boeing's business interest in particular must intensify. "We hear Boeing is doing nothing," he noted. The Ambassador repeated that there is a two-step process involved, and the government must take delivery first.

The Prime Minister noted that the average Czech salary is one-tenth as in the United States. It is good for both countries to support foreign investment, and the Czech Republic needs an exchange of capital, not just goods, even aircraft. Chairman Archer responded by saying that trade involves goods, services, and intellectual property. He further noted that lawyers are not an answer to legal problems, and a government must instead depend on impartial judges and the rule of law. One disadvantage in the United

States is the number of lawyers; with only 4 percent of the world's population, the United States has 70 percent of the lawyers.

Congressman McDermott then observed that the Czech Republic wants more capital but still has not privatized its banking system. He than asked how the Czech opposition agreement works. The Prime Minister responded to the first observation by noting that the banking sector is in fact totally privatized, with the last bank to be privatized by the end of the year. He noted that he has reversed the declines in GDP and real wages, and inflation is now at only 2 percent, while unemployment is below 10 percent. With regard to the opposition agreement, he stated that it functions well because it works to the advantage of the two parties in power. The agreement is a result of a cold calculation by those parties to avoid being blackmailed by the smaller parties, who want to be a part of the governing coalition.

Congresswoman Johnson joined in congratulating the Prime Minister for the economic progress achieved by the Czech Republic. She also raised the Boeing issue, noting that if no waiver is granted, it would amount to a violation of the non-discrimination clause of the GSP. If GSP benefits were to be withdrawn, many companies would be affected. Therefore, she stated, she hopes for both short-term and long-term solutions to the GSP problem. The Prime Minister again said that the problem is not just with regard to civil aircraft but military aircraft as well. The government needs offsets to revitalize domestic industries, he said, and he supports privatization in areas that may not be as attractive to investors. Congresswoman Johnson responded by saying that the GSP sets the base where offsets can occur. She reiterated her concern as to the many products that would be affected if the Czech Republic were to lose its GSP benefits.

The Ambassador noted that the United States is the leading investor in the poorest region of the Czech Republic. Increased investment depends on the investment climate, and the Boeing situation could unfortunately slow investment. The Prime Minister concluded the meeting by saying that the Czech Republic is working hard to improve the business climate.

EGYPT

Country Team Briefing by Ambassador Daniel Kurtzer and Embassy Staff

Cairo, Egypt; April 18, 2000

Participants: Ambassador Daniel Kurtzer; Reno Harnish, Deputy Chief of Mission; Richard Brown, USAID Mission Director; Richard LeBaron, Economic and Political Minister Counselor; Bobette Orr, Commercial Counselor; Thomas Pomeroy, Agricultural Counselor; Marcelle Wahba, Public Affairs Counselor; Al Bigler, Regional Security Officer; Roger Freeman, Trade Officer

Ambassador Dan Kurtzer hosted the delegation briefing. He began by explaining that he is currently on his second tour of duty in Egypt. He first served there in 1979. He pointed out that the U.S. Embassy in Cairo is the largest U.S. Embassy in the world.

He observed that it is currently a good time in U.S.-Egyptian relations, after a rocky period over issues related to Iraq, Libya, Sudan, economic reform, and the decline in tourism after the Luxor terrorist incident. Ambassador Kurtzer predicted that it was a good time for the delegation to visit with President Mubarak, whom he described as a tough interlocutor who would strongly assert Egyptian independence. Additionally, he commented that the nature of U.S. economic and military programs in Egypt gives the United States a "deep reach" into many aspects of Egyptian society.

Overall, Ambassador Kurtzer noted three key areas in U.S.-Egyptian relations: (1) the peace process; (2) economic/trade relations; and (3) military relations.

On the peace process, he expressed the view that Syria is frustrating the effort, although it could have been anticipated that the Syrians would reject any agreement that did not return "every inch" of the Golan Heights. He explained that efforts are now shifting towards the Palestinian track. In this regard, he noted that Egypt's contacts with both the Palestinians and the Israelis should be helpful. While Israel complains about the quality of its relations with Egypt, the recent agreement on a gas pipeline between Israel and Egypt shows that progress can be made. Ambassador Kurtzer noted that Egypt is concerned about what will happen as Israel withdraws from Lebanon but is especially concerned about what might happen if its withdrawal is not complete.

Ambassador Kurtzer then commented on the status of military relations and left economic and trade issues to be discussed by his staff. The Ambassador observed that the bilateral military relationship is both growing and deepening. The recent visit of the Chairman of the Joint Chiefs of Staff, General Henry Shelton, and Secretary of Defense William Cohen was positive. The Ambassador estimated that the modernization of the Egyptian military is now 50 to 60 percent complete. In particular, he noted that the Egyptians have been very cooperative in the areas of Suez transit and overflights of U.S. aircraft, both during the Gulf War and since. From his perspective, the Ambassador explained that he sees counterterrorism cooperation as a shining example of our bilateral cooperation, although he believes that the current high level of security within Egypt will be difficult to maintain over the long term.

Richard Brown of the U.S. Agency for International Development commented on U.S. foreign aid programs and expressed the belief that they are having a significant impact on Egypt and its economic reform program. He explained the aim of U.S. foreign assistance is to help position Egypt in the global economy by increasing trade and investment. He pointed out that over 700,000 new jobs were created in Egypt last year. Substantial work is being accomplished, he explained, in the areas of power, telecommunications, and waste water treatment, with the ultimate goal of relying on sustainable human resources and a stable civil society. Mr. Brown said that U.S. foreign aid to Egypt will be reduced by half over the next ten years.

Richard LeBaron, Minister/Counselor of Economic and Political Affairs, commented that the main ideology of Egypt today is maintaining stability over the long term, despite its essential conflict with rapid economic growth. In the current environment, Mr.

LaBaron noted, labor unions have almost no influence, and political parties have no significant role. The main party controls 95 percent of the People's Assembly, and non-governmental organizations (NGOs) are in the formative stage. The huge Egyptian bureaucracy, he explained, is a legacy of the old socialist economy and continues to be a drag on economic improvement. In general, he observed, there is a sense that the benefits of global growth will eventually reach the poorer masses. In additionally, he commented that the U.S. Embassy is active on religious freedom issues and maintains a dialogue with church leaders, Islamic clerics, and non-governmental organizations.

Bobette Orr, representing the U.S. Foreign & Commercial Service in the U.S. Embassy, added that Egypt is the second largest market in the Middle East for U.S. products, after Saudi Arabia. U.S. exports currently total in the $3 billion range, with imports from Egypt equaling around $650 million. In 1998, 12 percent of U.S. investment in the Middle East was in Egypt, with the oil sector accounting for $576 million and about $543 million for everything else. Ms. Orr noted that the challenges faced by U.S. firms in the Egyptian market include complicated import procedures and precipitously announced decrees. She indicated that her role is one both of advocacy for U.S. companies with the government and helping them to enter the local market. Ambassador Kurtzer interjected that it was a constant challenge to maintain a level playing field for U.S. companies in Egypt and that he sought to assist through his access to ministerial level officials.

Thomas Pomeroy, representing the U.S. Department of Agriculture, stated that agricultural exports to Egypt were $1 billion per year and that Egypt is the largest export market for U.S. wheat in the world. He noted that the United States has experienced 48 percent growth in the export of processed consumer foods. Mr. Pomeroy explained that he helps to train local officials to handle agricultural issues and believes the processed food sector holds great potential for U.S. exporters.

Marcelle Wahba, Public Affairs Officer, indicated that he is also on his second tour in Egypt, having first served in Egypt eleven years ago. He noted that there has been significant change in the economic and political climate in Egypt, which can be seen in the belief held by many Egyptians that they have turned the corner economically but are still being constrained by the overriding concern on security. Mr. Wahba expressed the belief that the government does give a lot of attention to public opinion, despite the shortcomings of the Egyptian political system. He listed a number of Embassy programs that are helping in this regard: (1) providing assistance to NGOs; (2) English language programs; (3) international visitor programs; and (4) grants for "people-to-people" programs.

Al Bigler, Regional Security Officer from the Diplomatic Security Service, commented that he represents the largest single office in the largest U.S. Embassy. The main goal of the office is shutting down Egypt as a transit point for terrorism. He indicated that the terrorist threat is high both from internal elements in Upper Egypt and from external elements of Islamic Jihad origin. Mr. Bigler said that he has seen "a 100 percent improvement" in counterterrorism

cooperation in the last three years. Three years ago there were weekly attacks on police in Upper Egypt. Today, there are none. Ambassador Kurtzer interjected that the threat of internal violence used to be nationwide, but is now mainly confined to four provinces in one region, having been successfully pushed out of the major cities and population centers. The Ambassador noted that the United States has given over $3 million for police training, emphasizing a shift in focus to community policing. He indicated that a number of Egyptian police officials have received training in the United States.

Roger Freeman, Trade Officer from the U.S. Embassy and Control Officer for the delegation's visit, commented on his personal focus on trade. He indicated that Egypt currently faces an overall $11 billion trade deficit, with $5 billion in exports and $16 billion in imports, that causes significant foreign exchange problems. Average Egyptian tariffs on imports are 20 percent, he pointed out, and the United States faces problems in the areas of customs valuations, import bans, and product standards. With regard to intellectual property rights protection, progress is being made, but a new Egyptian law is needed in this area. Commerce Secretary Daley signed a Trade and Investment Framework Agreement in June 1999. With regard to a possible free trade agreement (FTA) between the United States and Egypt, he indicated that a large number of practical steps by Egypt was needed prior to the negotiation of an FTA, particularly in the area of customs valuation and tariff structure.

Following this presentation by Ambassador Kurtzer and U.S. Embassy staff, the delegation raised a number of specific issues. Congressman McDermott asked about relations between the Islamic world and the Chinese. The Ambassador said that part of the attraction of China is its large market and that China has been a traditional supporter of Arab causes. As such, Chinese leaders have always been welcome in Egypt. Overall, however, the Ambassador indicated that he does not believe that the Chinese have a special relationship in Egypt and hold minimal influence.

Congressman Portman asked about the status of the Middle East peace process. The Ambassador commented that two factors have dominated Egypt for the last fifteen years: (1) the continuing aftermath of its revolution; and (2) its relations with Israel. He indicated that there is a pervasive belief that real growth and the ability of Egypt to reach its full potential can come only with full regional peace. He noted that intraregional trade is extremely low.

Congresswoman Dunn asked about the role of high tech companies in Egypt. The Ambassador said that the new Minister of Communications and Information Technology is working hard to get President Mubarak to focus on high tech issues. He noted that all of the major U.S. high tech companies have a presence in Egypt, and many contracts were signed during Mubarak's recent U.S. visit, including one with IBM to train 15,000 workers over the next five years. Richard Brown added that the Embassy has targeted three specific areas for export growth: (1) agribusiness, (2) tourism, and (3) information technology.

At this point, the Ambassador left for an appointment and turned over the discussion to his staff. Congressman Tanner com-

mented on the issue of internal politics in Egypt and specifically on the positive role that President Mubarak played in the Gulf War. He asked what direction Egypt would head toward after President Mubarak left office. Richard LeBaron commented that it was most likely that he would be replaced by someone like him from the senior levels of the government and that the issue of succession was complicated by all of Egypt's problems. Mr. LeBaron expressed the belief that Egypt is moving toward a time where a civilian successor may be possible.

Congressman English raised the issue of Egypt's agenda in the World Trade Organization (WTO). The Embassy Staff replied that Egypt shares a common agenda with the United States in the WTO on market access and is very interested in the WTO's agenda on agriculture and basic services, seeing the possibility for opening a $1 billion market in the European Union for its agricultural products.

Congresswoman Johnson raised questions about Egypt's readiness for an FTA and also asked about women's rights in Egypt. Roger Freeman said that Egypt faces real tensions between its aspirations for an FTA and its own economic and political realities. Egypt, he noted, has been negotiating an Association Agreement with the European Union for ten years, and, while Europe is ready to make progress, Egypt is not ready to open up its markets. With regard to women's issues, the Embassy Staff pointed to a new divorce law, which will benefit those women who can afford to take advantage of it, and the remarkable progress in the education of women with 80 percent of Egyptian women now attending school.

Congressman Houghton asked for the advice of the Embassy staff on the delegation's agenda for the day. The Embassy staff jointly offered a number of points. Richard Brown commented that the focus should be on how to bring Egypt into the world economy with the major subgoals of creating jobs while sustaining and preserving national resources. More specifically, it is important to liberalize the Egyptian trade regime so that Egyptian companies, which have been protected by the tariff regime for many years, can become globally competitive and the Egyptian bureaucracy can be made less onerous. Mr. Brown cited the fact that Egypt and the Port of Baltimore handle roughly the same amount of trade volume. Baltimore handles this trade flow with 200 customs agents while Egypt has 7,000. A bright spot for Egypt, he indicated, is that it does have a favorable balance of trade in services.

Roger Freeman suggested there are important issues to be raised in each of the day's appointments. He suggested the overall theme of the delegation should be the possibility of an FTA and the steps Egypt could take to move in that direction. More specifically, Mr. Freeman said the delegation should press for a new Egyptian IPR law, continued Egyptian participation in pushing the peace process forward, cooperation on issues in the WTO, resolution of bilateral issues, and the streamlining and development of a coherent pro-trade structure within Egypt.

Congressman McDermott questioned Egypt's interest in the WTO and Egypt's main interests in any new trade round. The Embassy staff commented that there had been a change of Trade Ministers in October and that the former Minister was not active in this

area. Currently, Egypt's main interest is in implementing already existing agreements, but there is also a big interest in agriculture and in select areas of the service sector.

Congressman Tanner ended the discussion by raising the problems faced in Egypt by both Coca Cola and U.S. pharmaceutical firms. The Embassy staff commented that negotiations to date on the discriminatory tax issue faced by Coca Cola have been unsatisfactory. With regard to pharmaceuticals, the Embassy staff expressed the view that Egypt has an entrenched state industry that will frustrate progress toward stronger IPR protection in that industry.

Meeting with President Hosni Mubarak

Cairo, Egypt; April 18, 2000

The delegation met with President Mubarak. Chairman Archer complimented the President for his longstanding role as peacemaker in the region. After describing the role of the Ways and Means Committee in the U.S. Congress, he noted the common desire of the United States and Egypt to see a new WTO round, in which the developing nations would play a significant role. He also recognized the common goals of Egypt and the United States for the round. "We have common understandings," he said, "not frictions."

Congressman Houghton asked the President how the United States can help increase Egyptian exports. The President responded by saying that he is appreciative of the good relations between the United States and Egypt, noting that he has raised the possibility of negotiating a free trade area (FTA) with the United States, even with President Clinton. Such an agreement, he said, would give Egypt more room to export U.S. goods. He stated that the main Egyptian export to the United States is textiles, which, he said, are somehow viewed as a threat by the United States, and he wondered how that could be given the small volume of Egyptian textile exports. Congressman Portman responded by saying that the Trade Investment Framework Agreement (TIFA) is a good first step towards negotiating an FTA. He noted that the textile interests in the United States are very strong not because of economic impact but because of politics. The President responded that the best solution would be for the textile interests to get together and negotiate because Egyptian textile exports are such a small percentage of U.S. trade.

Congresswoman Johnson congratulated the President on his leadership in women's education efforts. The President noted that women have had equal rights since 1919, and there are no restrictions on education for women. Congresswoman Johnson noted that the new divorce law is a step in the right direction. She also said that she is interested in the possibility of an FTA, and she mentioned the need for intellectual property protection to attract hi-tech investment. The President promised that intellectual property rights will improve.

Congressman McDermott spoke next, noting that peace was needed to have trade. Recognizing the President's role as brokering peace in the region, he asked what the United States should do to

stabilize the region. The President answered that he is working hard to achieve stability, but big problems remain. The foremost need is to contain Palestine and to give the Palestinians some satisfaction in order to "remove the hate." This issue, he said, could explode at any time. Chairman Archer asked if the Palestinian issue can be resolved without resolving the Jerusalem question. The President responded that the Jerusalem question is "smoldering." Showing the delegation a map of the region, he said that his solution is to provide access to the holy places, marking them with an international flag, but the Israeli government has rejected that solution.

Congresswoman Dunn then invited the President to visit Seattle, which has a large hi-tech industry. She asked the President about his recent visit to Washington, D.C. The President responded that he had a good visit, in which he met with President Clinton, Vice President Gore, Secretary of State Albright, Secretary of Defense Cohen, Congressional leaders, and business representatives.

Congressman English then complimented the President on his trade leadership, especially in restarting the WTO, noting that the WTO must offer something to the developing world. The President agreed, emphasizing that if trade is free, goods are cheaper, which in turn creates more trade. Otherwise factories close, creating unemployment and reducing the opportunity for the developing world to import from the United States. He told the delegation that the developed world should not prevent developing countries from producing certain goods more cheaply because free trade provides them the chance to then purchase U.S. goods.

Congressman Tanner then asked the President for his views on Iraq.

Chairman Archer asked the President for his view on Iran. Iran is becoming more moderate, the President said. He emphasized strongly that he would "open" with Iran, but only on the condition that former President Sadat's murderer is punished. Relations are improving, and he urged the United States to make contact with Iran, as Egypt does. Chairman Archer responded that the United States has taken a modest step in removing the embargo on pistachios and other products from Iran. The President offered that the United States should not be upset by Hussein's "tough statements" and should instead ignore them.

Congresswoman Johnson asked about the Israel/Syria peace process. The President responded that the problem is in dividing the land, noting that Syria will never concede the land to Israel to control the border. He stated, however, that the land issue should not be of such great importance. Using a map as a guide, he pointed to the difference of only ten meters between the 1967 border and the current border, but Israel wants 500 meters. Because Syria must "save face," the 1967 border should be used, and the rest of the area should be free. The real problem, he noted, is that Syria wants a better agreement than the Israel/Egypt agreement.

Chairman Archer concluded the meeting by telling the President that with his leadership, he is confident that all of these issues will be resolved.

Meeting with Dr. Ahmad Fathy Serour, Speaker of the People's Assembly

Cairo, Egypt; April 18, 2000

Ambassador Kurtzer opened the meeting by introducing the Members of the delegation and explaining the jurisdiction and role of the Ways and Means Committee in the U.S. Congress.

Speaker Serour stated that he had visited the U.S. Congress twice and explained that the Egyptian system is different. In the United States, he noted, there is a separation of powers between the legislative and executive branches of government. In Egypt, the People's Assembly is semi-parliamentary and semi-Presidential. The ruling party, the National Democratic Party, to which President Mubarak belongs, enjoys a 90 percent majority in the People's Assembly.

Speaker Serour informed the delegation that the People's Assembly is now in the process of studying the government's budget. In general, the members of the People's Assembly are more open to supporting the requests of the current cabinet than the one in place last year. The Speaker indicated that he expects the People's Assembly to consider some economic bills as well before adjourning for parliamentary elections later this year. He pointed out that the United States and Egypt are following up on bilateral trade issues in the Trade Council under the Trade and Investment Framework Agreement and the importance of this dialogue.

Speaker Serour asked Chairman Archer about his thoughts on the correction underway in the U.S. stock market. Chairman Archer responded by noting that the correction is long overdue. Alan Greenspan, Chairman of the Federal Reserve, has warned that the market is too high. Chairman Archer observed that the market rebounded the previous day and that the fundamental indicators in the U.S. market remain sound. There are normal "ups and downs" in a free market economy.

Congressman Houghton commented that all of the economic forecasts have "materialized." The United States is going through a transition to a high-tech service economy. No one knows how to value the stocks in this sector.

Chairman Archer asked the Speaker about his views on the Middle East peace process. He replied by saying that he supports this process, which will have advantages for the entire region. Speaker Serour noted that there are two steps involved in the peace process. First, the withdrawal of Israel from Lebanon and second, the issue involving Syria and the Golan Heights. Speaker Serour observed that the issue with Syria will be more difficult to resolve. He noted that a Palestinian state was called for in 1947, and if one is declared it will affect demographics in the region by the resettlement of Palestinian refugees now living in Lebanon. Overall, peace will be good for the region. The King of Jordan supports the process. The Israeli people must also be convinced of the benefits of the peace process.

Congressman McDermott asked the Speaker to explain how differences of opinion are managed within the Egyptian political system. Speaker Serour replied that before 1952 Egypt was ruled by the party supported by wealthy Egyptians. After 1952, President

Nassar coordinated a grassroots effort among the people to build a common consensus about the future. At that time, he said, the United States did not support President Nassar, which led him to develop close relations with the Soviet Union, contrary to the inclination of the Egyptian people. In 1980, he added, Egypt legalized opposition parties, but they remain weak and do not hold key positions in the government. Islamic extremists have aligned themselves with the Labor Party on the left while a nationalist party exists on the right. The Speaker noted that these parties try to build support from a philosophy based simply on destroying the government rather than promoting good ideas.

Congressman McDermott followed up by asking how the government prevents a revolution by Islamic fundamentalists. Speaker Serour replied by saying that the government has arrested people who advocate the violent overthrow of the government and has tried to help people differentiate between extremist groups like Muslim Brothers and the real meaning of Islam. Speaker Serour went on to say that he tries to give opposition parties an opportunity to voice their views and noted that the National Democratic Party succeeds because it is neither on the right or the left of the political spectrum.

Chairman Archer stated that the delegation learned a lot about Egypt in a short time, particularly Egypt's interest in attracting more foreign investment. He went on to say that there are many Americans who would like to invest in Egypt but cannot because barriers still exist in the areas of customs valuation, intellectual property rights protection, and market security. Chairman Archer asked Speaker Serour about the role that the People's Assembly plays in trying to address these issues.

The Speaker noted that the People's Assembly is awaiting the transmission of a new intellectual property law and that Egypt will comply with its obligations under the WTO customs valuation agreement on the schedule that has been established for developing countries. The government is also preparing a law that will address the market security concerns of investors.

Congresswoman Dunn explained the high-tech specialization of her constituents and asked the Speaker about the process under which the new intellectual property rights law will be considered. Speaker Serour noted the legislative differences between the United States and Egyptian processes and observed that the executive is not separate from the legislature as it is in the United States. Once a bill is proposed by the executive, it is usually enacted by the People's Assembly.

Congressman Portman asked Speaker Serour about his views on the possible free trade agreement (FTA) between the United States and Egypt. The Speaker replied that an FTA with the United States enjoys broad support in Egypt. He noted that the United States is considering negotiations with other trading partners and that the Egyptians hope that the United States will consider one with Egypt as well.

Chairman Archer thanked the Speaker for his time and for his willingness to exchange views with the delegation.

Meeting with Minister of Foreign Affairs Amre Mahmoud Moussa

Cairo, Egypt; April 18, 2000

Foreign Minister Moussa welcomed the delegation and the opportunity to discuss a variety of issues of concern to the United States and Egypt, including the Middle East peace process.

Chairman Archer explained that the delegation had met with President Mubarak earlier but did not have an opportunity to discuss the problems in Sudan. He asked the Foreign Minister to share his views with the delegation.

Foreign Minister Moussa replied that the problems in Sudan are of great concern to Egypt, but they are extremely complicated with many different dimensions that affect the future of the region. Sudan, he explained, is an African-Arab country with both Moslems and Christians. Sudan has suffered continuous conflict between the north and the south, but the Sudanese also have conflicts within each region. No one person in Sudan, he noted, can say that he speaks for the north and no one person can speak for the south. Minister Moussa informed the delegation that Egypt began discussions with the Sudanese on all sides a few years ago on the premise that the war must stop and that a dialogue must begin in order to guarantee a future for the Sudanese people. He emphasized that the Egyptian government has urged all of the various leaders to meet and to chart a common future for Sudan and has offered to help in this process.

The Foreign Minister explained that he spoke to Ambassador Thomas R. Pickering, Under Secretary of State for Political Affairs, last summer and to Assistant Secretary of State for Africa Susan Rice in October about the problems in Sudan. Also in October, he raised the issue with Secretary Albright, and they made progress in developing a common policy toward Sudan. The Foreign Minister noted that if the goal is a unified Sudan, the government in Khartoum must offer something to all of the Sudanese people, including basic human rights.

In December 1999, Minister Moussa said the leader of the extremists in Sudan was marginalized in favor of the establishment. He explained that the Sudanese government has said that it will move away from extremism. Time will show what course is followed. He noted that the opposition has demanded a new constitution based on respect for all of Sudan's minorities. The Egyptian government, he stated, has renewed the call for a meeting to negotiate a solution and is seeking to form a coalition within Sudan interested in building a new future in peace. In this process, the Foreign Minister noted that the Egyptian government remains in constant communication with the United States and the French government. He expressed hope that a meeting of the various faction leaders will occur in the next few months. In order to succeed, however, it will be critical for everyone to put the past aside and to focus on the future.

Congresswoman Johnson inquired about the Foreign Minister's views on Saddam Hussein and the effort to keep him from developing weapons of mass destruction. Minister Moussa noted that policy toward Iraq is also a matter of concern to Egypt. The ques-

tion is what happens after the Middle East peace process is complete. Once there is peace between the Arabs and Israel, he stated, people will focus more on other problems in the region.

Minister Moussa pointed out that there has been a shift in views in the Arab world toward the sanctions against Iraq, which have been in place for nearly 10 years. The weapons inspections were successful up to a certain point, he noted, but now only the people of Iraq are suffering. The Foreign Minister explained that the mood in the Arab world is that Saddam Hussein's rearmament must be prevented, but there is an awareness that he does not currently pose a threat to his neighbors. He indicated that the Arab world is satisfied with the shift in UN Security Council positions which will lead to a lifting of the sanctions under certain conditions, but he noted that it is clear that Saddam Hussein's regime is immune from the pain of sanctions. The Foreign Minister stressed the need for a solution which will not subject the Iraqi people to suffering permanently. This, he believes, will only frustrate and alienate an entire generation.

Congressman McDermott noted that the Foreign Minister had previously served as Ambassador to India and asked him to share his views on the conflict between India and Pakistan. Minister Moussa responded by saying that the Chief Executive of Pakistan had just concluded an official visit to Egypt. The relationship between India and Pakistan, he observed, is not solely a bilateral problem but has a large Chinese influence. In his view, India sees China as its major challenge to being a superpower in the world. Pakistan, he noted, becomes increasingly more concerned that India is trying to impose hegemony in the region and has developed nuclear weapons to give it a sense of security. The Foreign Minister believes that there is a complete lack of confidence between the Indians and Pakistanis "that makes the Arab-Israeli conflict pale in comparison." Each side is diametrically opposed to what the other wants. At present, he explained, the Egyptian government is trying to seek a dialogue rather than an outright solution to the problem.

Congressman Houghton noted that there are many positive aspects to the U.S.-Egyptian relationship and asked the Foreign Minister if there is any single bilateral issue of concern to Egypt. Minister Moussa explained that Egypt views relations with the United States as a top priority. He observed that there are strong military-to-military contacts between the United States and Egypt and that U.S. foreign assistance has been instrumental in Egypt's success. The Foreign Minister said that the Egyptian government is aware that U.S. foreign aid will end over time and would like to prepare for that by negotiating a free trade agreement. He noted that the $2 billion in annual U.S. foreign assistance to Egypt has produced a $3 billion trade surplus for the United States. "Now the relationship needs to move from aid to trade," he stated. Minister Moussa indicated that one obstacle to closer bilateral relations is that the United States always insists that Israel be included in every aspect. The United States, he said, needs to disassociate Israel from issues when appropriate. In his view, Israel does not belong in every discussion between the United States and Egypt. "We need

a strong bilateral relationship that can stand on its own," he stated.

Congressman Portman asked the Foreign Minister about his views on the gas pipeline which will send Egyptian natural gas to Israel. The Foreign Minister noted that foreign companies have contributed to the project and that this is not a government-to-government issue. He indicated that the Egyptian government does not intend to oppose it and that the obstacles have been on the Israeli side.

Chairman Archer thanked the Foreign Minister for his time and for sharing his views with the delegation.

Lunch meeting with the American Chamber of Commerce in Egypt

Cairo, Egypt; April 18, 2000

Mohammed Ozalp, Vice President of the AmCham and Head of the Misr International Bank, introduced and welcomed Chairman Archer and the delegation on behalf of the AmCham.

Chairman Archer opened by reaffirming the strong bonds of friendship between the United States and Egypt in political, cultural, and economic terms. He added that coming to Egypt was the fulfillment of a childhood dream for him.

Chairman Archer then explained the key responsibilities of the Committee on Ways and Means: raising revenue, social security, medicare, social welfare programs, and complete jurisdiction over foreign trade. He added that in the coming months, Congress would be considering key legislative issues on the trade agenda: the value of the continued participation of the United States in the WTO (in the form of a resolution relating to Congress' continued approval of the WTO agreements), whether to accord permanent normal trade relations to China, and passage of legislation granting key preferential trade benefits to Africa and extending additional benefits to Caribbean Basin Initiative countries. Chairman Archer expressed his hope that the Africa bill would pass in a relatively short period of time. He emphasized that Egypt should watch this legislation closely both for what it might foretell about legislative prospects and challenges for an eventual U.S.-Egypt free trade agreement and because it provides an indication of the difficulty of passing trade legislation in the U.S. Congress at this time.

Chairman Archer added that Egypt and the United States agree on many issues with respect to international trade, such as the importance of commencing a comprehensive round of trade negotiations in the World Trade Organization. He concluded by pointing out that all countries that have reduced protectionist policies have increased the standard of living of their people, while countries that increase protection have reduced the standard of living of their people.

Mr. Jayant Ganatra then posed several questions to Chairman Archer on behalf of the AmCham. The first question was what single step could Egypt take to continue to attract the information technology industry to Egypt. Chairman Archer responded that Egypt needed to take the necessary steps to create a friendly envi-

ronment for the industry. He mentioned certainty for investors, improving Egypt's customs regime, improving Egypt's financial services commitments to the WTO, and dealing with other anomalies in Egypt's trade regime such as reducing or eliminating the soft drink tax on Coca-Cola and Pepsi.

Mr. Ganatra then posed a question related to the value of the WTO to developing countries and the question of labor and environmental issues and trade. Chairman Archer responded that labor and environmental issues are legitimate concerns, but these concerns should be addressed outside the WTO. He added that it is important to expand trade "for trade's sake" and noted that multinational corporations would, if given the opportunity, come to developing countries and create jobs for local populations. He added that foreign investment should be seen as a positive element in an economy. Chairman Archer pointed out that the United States is the world's largest borrower nation, and U.S. borrowing has strengthened economic growth, productivity and employment.

The next question concerned whether Chairman Archer believed the NASDAQ would return to its previous level quickly. He responded that he had learned long ago not to predict the course of the stock market. He added that he did not believe the sell-off per se should be a cause for concern because it is not "real life" anyway if a company's stock valuation rises from $5 per share to $100 per share in only a year's time. He added that it is important to keep things in perspective, recalling that the market was substantially higher today than it was a year ago.

The final question concerned what legislation he hoped would pass before his term as Chairman ended at the end of the year. Chairman Archer responded that he would like to save Social Security for all time, institute health care reform for the next 50 years, and enact structural tax reform to make the system work more effectively for the American people. He stated that with the White House opposed to his proposals in each of these areas, it is unlikely that these reforms would be made, but he expressed his hope that they would be made in the future.

Meeting with Minister of Economy and Foreign Trade Youssef Boutros Ghali

Cairo, Egypt; April 18, 2000

Chairman Archer met privately with the Minister before the delegation meeting, discussing the potential for a Free Trade Agreement (FTA) between the United States and Egypt as well as prospects for a new WTO round.

During the delegation meeting, Congresswoman Johnson noted that there are a number of obstacles to developing business in Egypt, making it harder to attract foreign investment. She stated her hope that the new intellectual property law is passed by the parliament soon and that customs problems are corrected. The Minister responded that Egypt is setting up institutions to tackle these problems. The average tariff is down to 15 percent, with the maximum rate between 40 and 45 percent. Hi-tech is being addressed and promoted. Egypt has tackled the big problems, he said, and there are only little problems left. Fundamentally, Egypt has

a deep-seated belief that the market economy is the "way to go" because free trade provides the framework of deadlines to accomplish goals. Egypt needs to set up an institutional infrastructure to take the small steps to make an FTA easier to accomplish, and Egypt's desire to initiate a dialogue with the United States provides this framework. Although Egypt values strongly its strategic relationship with the United States, the European Union is "way ahead" because it has already negotiated an FTA with Egypt. Egypt, the Minister said, is now reluctant to sign the agreement because the EU concept of free trade is different. If Egypt enters into an FTA with the European Union, he warned, the United States will lose the Egyptian market because it cannot compete. The Minister emphasized that Egypt does not have the same type of strategic relationship with the European Union as it does with the United States, implying that the United States could quickly make progress on an FTA if it so desired. The Minister continued that the United States and Egypt must initiate a dialogue before there can be compromise and a successful negotiation.

The Minister also stated that a new intellectual property law consistent with the WTO Agreement on Trade-Related Intellectual Property (TRIPs) will be submitted to Parliament in December or January, although this is a short parliamentary year because of elections. The law will contain a patent mailbox, patent exclusivity, and market exclusivity, the key elements identified by the U.S. Trade Representative. He also pointed to improvements in customs and customs valuation. He concluded by saying that as believers in free trade, Egyptians do not need the "carrot" of an FTA to make improvements. However, an FTA would provide a better framework instead of a piecemeal approach.

Congressman McDermott then asked the Minister to explain the appropriate way to deal with labor and environment issues in the WTO. The Minister responded that these issues will not go away, but they, particularly labor, have no place in trade negotiations. Although environmental issues are closer to trade as are issues relating to genetically modified organisms, labor "has nothing to do with trade and vitiates the trading process." He emphasized that Egypt is against child labor and prison labor and similar issues, but societal issues are more subtle than trade matters. The International Labor Organization is the more appropriate forum in which to negotiate agreements on labor. "Hand waving" is acceptable, the Minister said, but "nothing of substance" should be included in the WTO agreements. The issue is one of perception, he added, because the developing world does not trust the developed world, seeing the labor discussion as a "back door" to trade sanctions. Labor issues can be subtle, he noted, citing the example of a case in which a child works in a developing country in order to save his family from starvation. "Whose definition of civil society would we use," he asked, wondering if his example would be taken into account.

Congressman McDermott agreed that while labor is further away from trade, it cannot be rejected. Congressman McDermott added that environmental issues can be used as trade barriers and then he asked the Minister whether the European Union's precautionary principle was acceptable to Egypt. The Minister responded that he does not know how the European Union would use it because there

are no objective criteria. "We can't have secret societies," he noted, citing the need for transparency. Those who seek to link trade with the environment should develop objective criteria, he concluded.

The Minister then spoke about the structure of the WTO, noting that it is the only organization with a one-country/one-vote structure, which should be preserved. However, the WTO cannot "negotiate each comma," so members should rethink and stratify the negotiation process, he said. The current process is not viable, and until it is fixed, there cannot be a new round.

Congressman Portman noted his frustration with the EU's agricultural policy. He agreed with the Minister that the WTO must be restructured and he suggested that the new round be set to deal with the shortcomings of the WTO, including transparency and dispute settlement. He encouraged Egypt to take the lead in this regard.

The Minister concluded the meeting by noting that Tunisia, Morocco, Jordan, and Egypt are discussing a free trade agreement, with the next meeting set for mid-May or early June.

Briefing by Robert K. Vincent, Jr, Director, Egyptian Antiquities Project Direct, American Research Center in Egypt

Luxor, Egypt; April 19, 2000

Under a U.S. federal grant provided by the U.S. Agency for International Development (USAID), the American Research Center in Egypt (ARCE) carries out Egyptian antiquities preservation and restoration projects in Upper Egypt (Attachment C). Robert "Chip" Vincent provided the delegation with a briefing on ARCE's work in the vicinity of Luxor, Egypt, particularly with respect to the Tomb of Sety I in the Valley of the Kings and the Temple of Luxor. The delegation also visited sites to observe the type of work being conducted by ARCE under the USAID grant. Mr. Vincent explained that the most severe threat to the antiquities in the region remains flash flooding. To mitigate this threat, he said, ARCE has developed a series of recommendations, which it has presented to the Egyptian Supreme Council of Antiquities, on flood protection measures. In the tomb of Sety I, he added, ARCE has conducted a thorough study of the tomb's present condition to evaluate its structural stability and the conservation needs of the wall paintings and to propose a suitable site presentation plan. At the Temple of Luxor, Mr. Vincent pointed out that ARCE is conducting a conservation project on certain stone fragments which were underground and have been exposed to the ground water table.

MOROCCO

Country Team Briefing with Ambassador Edward Gabriel and Embassy Staff

Rabat, Morocco; April 21, 2000

Ambassador Edward M. Gabriel opened the briefing by welcoming the delegation and providing the historical context for the U.S.-Morocco relationship. He recalled that King Hassan II had been a good friend of the United States and that his son, King Mo-

hammed VI, has continued that tradition since he assumed the throne upon the death of his father in July 1999. This friendship has deep historical roots as Morocco was the first country to recognize the U.S. flag in 1777. Ambassador Gabriel stated that the bilateral relationship is enjoying a "renaissance," and that King Hassan had noted before his death that "not since the days of Kennedy has the [U.S.-Morocco] relationship been so good."

In this context, Ambassador Gabriel stated that visits by Congressional delegations and other official visits are crucial to reinforce and advance the relationship. He noted that such visits are important not only for the bilateral relationship but also to advance U.S. regional diplomacy, in particular the North African strategic element and Morocco in relation to sub-Saharan Africa.

Ambassador Gabriel then turned to the economic dimensions of the relationship, stating that 50 percent of Morocco's government budget is spent on public sector wages and entitlements, while 33 percent is spent on debt service, leaving very little discretionary spending for infrastructure investment and social improvement programs. As a consequence, Morocco is heavily dependent on the private sector and private sector investment. He stated that the debt overhang is the result of policies pursued from the mid–1950s through the 1980s.

On the positive side, Morocco's current policies leave it in a good position to invest more strongly if the debt burden can be eased. He indicated that there are two particular initiatives in this area that the United States should consider. The first is debt-equity swaps, an approach that a number of European countries, including Austria, France, Italy, and Spain, are using. Under this approach, debt relief is provided in exchange for private sector investment in Morocco. The European Union's pursuit of this approach has been good for Morocco, but harmful for the United States, because EU companies can obtain price advantages of as much as 5–6 percent over U.S. companies by participating in these swaps. A second approach worth exploring is providing debt relief in exchange for Morocco's adoption of U.S. policies in areas like trade.

Ambassador Gabriel then explained that King Hassan II has instituted a modernization program for Morocco that he described as a "three-legged stool." The first leg involves a political experiment, which Ambassador Gabriel termed successful so far. In this area, King Hassan invited Prime Minister Abderrahmane Youssoufi, a former political dissident, to form a government in 1998 and to permit greater democracy and attention to human rights issues.

The second leg involves macroeconomic reform. In this area, Morocco's track record has been good with inflation under one percent and the budget deficit under three percent.

It is the third leg of the stool, social development, which presents Morocco with its greatest challenge. In key areas such as infant mortality, maternal mortality, the gap between rich and poor, and access to infrastructure, substantial improvements are needed. Even in these areas, however, Ambassador Gabriel emphasized that King Mohammed VI has been working to address these issues, in line with U.S. policies, more strongly than past leadership.

Richard Johnson, Counselor for Economic Affairs at the U.S. Embassy, then offered a more detailed briefing on macroeconomic

issues. He termed Morocco a "middle-income country," with per capita GDP at approximately $1,300. He echoed Ambassador Gabriel's comments that Morocco had followed the wrong policies in the decades following independence, from the 1950s to the early 1980s. In the first wave of economic reform in the mid–1980s, Morocco reduced its budget deficits and tariffs to promote competition, and its growth through most of the 1990s has averaged approximately three percent.

Mr. Johnson said that Morocco is now in need of a second wave of economic reform. He indicated that its targets should include doubling growth to approximately six percent and strengthening the social safety net. To accomplish this goal, the United States has urged Morocco to take four steps: (1) restructure the government budget away from entitlements and wages toward infrastructure and social investment; (2) promote greater transparency, rule of law and anti-corruption efforts; (3) continue trade and tariff liberalization; and (4) improve literacy with educational investment and reform (the general illiteracy rate is estimated to be 50 percent, with illiteracy among women in rural areas at 90 percent). In the last area, he stated, a key reform is to focus strategies and investment on primary and secondary schooling rather than on post-secondary education.

Mr. Johnson noted further that due to the drought which Morocco has experienced over the last two years, the country's GDP growth was reduced to zero in 1999 and is likely to remain at that level for 2000. On the positive side, Mr. Johnson stated that Morocco enjoys good relations in the Arab world, including among the Gulf States, several of which have taken steps to ease Morocco's debt burden.

In closing, Mr. Johnson stated that the United States needs to provide "deliverables" to Morocco to encourage it to continue to pursue the right set of policies. Two of those deliverables are debt relief and food aid (due to the drought). In regard to U.S. aid, the country budget is $10 million, a small figure but one the Embassy is working to push as far as it can. Examples of projects the United States is supporting with foreign aid are: (1) a project to simplify and improve the investment climate for U.S. companies; and (2) a project to promote adherence to the rule of law by strengthening the judicial system and transparency.

Chairman Archer asked what kind of debt relief efforts Mr. Johnson suggests that the United States participate in. Mr. Johnson replied that there are bilateral efforts such as those undertaken by the Gulf States. In addition, there are steps that could be taken through the Paris Club, which has provided the framework for the debt-equity swaps noted earlier.

Congressman Portman asked Mr. Johnson for specific examples where European countries have used debt-equity swaps to gain an advantage for local producers. Mr. Johnson replied that the issue has been raised in a utility privatization project involving Enron and EMS Energy.

Congressman Portman asked if Mr. Johnson could clarify how the debt-equity swaps work. Mr. Johnson explained that a European company obtains the approval of the Moroccan government to pursue the approach in the context of a specific commercial trans-

action. The company then approaches a European government, which "auctions" a portion of the country's debt. Mr. Johnson stated, however, that the "auction" usually amounts to a "sweetheart deal" whereby the company is able to buy the debt at approximately 50 percent of its value and sell it to the foreign government in local currency at approximately 56–60 percent of its value. Mr. Johnson added that with a lack of transparency, it is difficult to know in what instances this approach has been used.

Congresswoman Johnson then asked how the U.S. Agency for International Development (USAID) projects are improving rule of law in Morocco. Mr. Johnson responded that USAID and the Embassy are working with the Ministry of Justice to reform judicial, civil, and commercial mechanisms. In particular, USAID is helping Morocco to set up a system of commercial courts and expects to spend several million dollars over the next several years to complete this project. The project entails training judges for the courts and sharing modern management techniques with the Ministry of Justice.

Congressman English asked whether Morocco's government procurement law is as good as it is reported to be. Mr. Johnson responded that Morocco passed a law in 1998 that requires most government procurement to be made by public tenders. In 1999, Morocco issued a tender for its second cellular license and earned $1.1 billion, whereas an earlier attempted tender that was not public or transparent resulted in bids of only $400 million. This experience has given Moroccan officials a strong incentive to pursue public, transparent tenders.

Kathleen Kriger, the Embassy's Commercial Counselor, then described several advocacy projects that she and Embassy staff are pursuing. The most significant and politically high profile case is the competition between Boeing and Airbus to renew Royal Air Maroc's (RAM's) fleet. The tender, expected in May 2000, is estimated to be worth between $1 billion and $1.5 billion. Ms. Kriger noted that RAM has had an all-Boeing fleet for more than 30 years, and that Boeing has enjoyed a close relationship with RAM. Continuation of the all-Boeing fleet would provide substantial cost advantages for RAM. Moreover, the second highest-ranking Boeing official in the region, Senior Vice President for Sales, Seddik Belyamani, is the highest ranking Moroccan-American in U.S. business. Nonetheless, Ms. Kriger indicated that Airbus is going all-out for the sale. Some press accounts have even tied Airbus to a campaign linking Boeing (erroneously) with the Polisario movement in the Western Sahara.

Other projects that the commercial office is supporting include a GE project to sell turbines to a combined cycle power project, several other power projects involving Enron and CMS Corporation, and a landfill project.

Meeting with The Honorable Alami Tazi, Minister of Industry, Commerce and Handicrafts

Rabat, Morocco; April 21, 2000

Minister Tazi welcomed the delegation to Morocco and explained that he has been member of the Moroccan legislature for the past

30 years. He noted that the United States and Morocco have enjoyed very close relations for many years. King Mohammed VI, he explained, has brought a new climate to Morocco of freedom and solidarity that has borne political, economic, and social fruit among the Moroccan people. The Minister indicated that the year 2000 has been one of severe drought in Morocco which will affect Moroccan economic growth, especially in terms of wheat production. The new climate ushered in by King Mohammed, he said, will require Morocco to work harder to address the problems caused by the drought.

At present, Minister Tazi explained that Morocco is focusing its attention on trade liberalization and economic reform. He asked the delegation to convey to U.S. investors that their capital is welcome in Morocco and that they will find a favorable investment climate. The Moroccan Ambassador to the United States, he noted, will have a very positive impact in this regard in the United States and Ambassador Gabriel will continue to work very hard on this as well.

Chairman Archer thanked Minister Tazi for meeting with the delegation and explained that delegation's purpose in celebrating and reinforcing the longstanding and close bilateral relations between the United States and Morocco. The Chairman observed that the world is changing and countries must move into a new environment. He further stated that "[i]n the 21st century, trade will replace frictions and wars of the past." Just as General Shelton visited Morocco to discuss closer strategic and military alliances between our countries, Chairman Archer noted that ways must be found to continue to strengthen the U.S.-Morocco economic partnership. As the United States makes an effort to expand trade and investment relations with Morocco, the Chairman expressed hope that Morocco will "open the door to investors" to help raise the standard of living for the Moroccan people. In this regard, he explained that transparency in government procurement, rule of law, and a reduction in bureaucratic red tape is critical.

Chairman Archer noted that Ambassador Gabriel will always be available to the Moroccan government to assist in any way possible. He added that the Ambassador recognizes how important rainfall is to the Moroccan agricultural sector and how devastating the current drought is on the Moroccan economy. Chairman Archer explained that the Ambassador is working to get the U.S. government to provide additional wheat in this time of great need.

Chairman Archer stressed the importance of U.S. firms having equal treatment to their European competitors in the Moroccan market.

Congresswoman Johnson thanked Minister Tazi for his warm hospitality and congratulated him for the Moroccan government's focus on education reform, especially efforts to open the educational opportunities available to women. Congresswoman Johnson noted that in the United States federal law opened the door to education for women for the benefit of the entire country. She also expressed concern that U.S. firms do not face a level playing field in Morocco vis-à-vis their EU competitors and explained that her district in Connecticut is a large Boeing supplier and home to GE

Capital, both of which are interested in expanding their relations with Morocco.

Minister Tazi said that he and Ambassador Gabriel enjoy a close personal friendship and noted that the foundation of U.S.-Moroccan relations is solid. The two countries need only to strengthen the trade projects already underway and to continue the bilateral dialogue under the U.S.-Moroccan Trade and Investment Framework Agreement. Minister Tazi explained that Morocco is seeking a climate that will be most suitable for U.S. investors. At present, two-way trade between the United States and Morocco is only valued at $1 billion per year. Of this amount, U.S. exports to Morocco comprise 75 percent. Minister Tazi expressed his belief that two-way trade between the United States and Morocco should total $3 to $4 billion per year. He noted that Morocco's present volume of trade with France is equal to $3.7 billion per year.

Minister Tazi stated his confidence that Ambassador Gabriel's efforts to strengthen the bilateral relationship will reap great benefits. He noted that Morocco currently has three industrial parks and that the government has plans to meet with CMS Energy to discuss a possible industrial park in Tangiers. These industrial parks will be home to a number of companies, primarily U.S. firms.

Minister Tazi noted that women are now serving in the government, in the legislature and in all levels of community and social development. He observed that an association of Moroccan women entrepreneurs exists which specializes in textiles and garment manufacturing. Minister Tazi indicated that his own chief of staff is female. He expressed hope that there will be an opportunity to bring together U.S. women entrepreneurs with their Moroccan counterparts.

Congresswoman Dunn thanked the Minister and explained that she represents the Seattle, Washington area, which is home to Boeing. She underscored the importance of the treatment of U.S. firms in Morocco. She noted that Boeing and Royal Air Maroc have enjoyed an extremely close relationship for 30 years and that Boeing's Senior Vice President for Sales, Seddik Belyamani, is the most senior U.S. businessman of Moroccan descent. Congresswoman Dunn said that Boeing knows it must continue to compete with Airbus and is extremely interested in the tender for new aircraft that Royal Air Maroc has issued. She expressed hope that Boeing could continue to serve Royal Air Maroc through its modernization period.

Congressman McDermott pointed out that two Members of the delegation represent Boeing, which is an indication of how seriously Americans view the bilateral relationship with Morocco. He observed that Arab relations with their friends are strong and are not easily broken. Congressman McDermott expressed hope that Boeing will win the contract with Royal Air Maroc, but noted that it is most important that the contract be decided on merits. If there is transparency in the process, he said, Boeing is convinced that it can win.

Minister Tazi thanked Congresswoman Dunn and Congressman McDermott for their comments and pointed out that the Moroccan delegation at the WTO Ministerial in Seattle visited Boeing's facilities and was welcomed by Mr. Belyamani. He observed that Seattle

is a thriving city, due to the presence of Boeing and Microsoft. Minister Tazi said that he encourages Boeing in every way possible and noted that he would support the Royal Air Maroc contract being awarded to Boeing if it were a matter in his jurisdiction. The airline has called for an international tender because it involves a large number of aircraft. Once all bids are received, Minister Tazi said he was confident that the strongest supplier will be chosen. Recently, he pointed out, Boeing delivered three aircraft to Royal Air Maroc.

Congressman English expressed his interest in the Moroccan procurement process and complimented Minister Tazi on the passage of the new law and implementation of a transparent procurement process. He noted that Morocco has been on the cutting edge in the WTO in this regard. Mr. English expressed his support for the combined gas power generating plant that CMS Energy has been involved with in Northern Morocco.

Minister Tazi said that Moroccans are very happy to see any contracts signed between the U.S. and Moroccan private sectors. He noted that the CMS power plant is operating well under a strong U.S. team and that it is the first of its kind, having been completely put together by the private sector.

Congressman Portman thanked the Minister for the opportunity to discuss U.S.-Moroccan relations, especially in the area of trade and economics. He explained that the General Electric Aircraft Engine Division is headquartered in his district, which has a great interest in maintaining close relations with Morocco. He noted that there is a concern that the Moroccan Association Agreement with the European Union may disadvantage non-European firms, including American firms. He expressed hope that a solution can be found to develop a model for trade liberalization for the benefit of all countries. In addition, Congressman Portman pointed out that there is more that the United States can do to help Morocco with debt relief and other forms of assistance, but he noted the importance of keeping in mind the successful model for economic growth based on free markets that has been proven around the world.

Minister Tazi responded that Morocco will certainly seek to proceed with economic reform and to increase trade with the United States. He noted that the Association Agreement with the European Union entered into force in March 2000 and will eliminate tariffs on industrial products between Europe and Morocco over the next 12 years. Minister Tazi indicated that U.S.-Moroccan relations are strongly supported by King Mohammed VI and President Clinton, which will facilitate finding immediate solutions to any problems. The advocacy of the U.S. and Moroccan Ambassadors, as well as the bilateral dialogue under the Trade and Investment Framework Agreement, will also help. Recently, he noted, there were talks at the World Economic Forum in Davos, Switzerland between the United States, Mauritania, Morocco, and Tunisia about establishing a dialogue between the United States and the Maghreb region. He indicated that there will be another high level meeting between the United States and Morocco in June.

Ambassador Gabriel noted that the U.S. Embassy has already identified more than $2 billion worth of projects in which U.S. firms can compete in Morocco.

Chairman Archer closed by thanking Minister Tazi for his time. He noted that every country has its biases and thinks in terms of its own interests. More than any other country, he said, the United States has tried to give of itself in terms of the Peace Corps and foreign aid. He observed that the United States has not generally asked for much in return. Chairman Archer explained that the United States believes that it is in its own interest to see other countries grow and develop. He noted that Americans believe strongly in competition in terms of raising standards of living and understand the natural connection between Morocco and Europe. However, he expressed the belief that if Morocco finds itself captive to Europe, Moroccans will not get the very best deals in their trade and business relationships. Chairman Archer said that the United States enjoys a competitive edge in high-tech sectors and in terms of economic performance and emphasized that it would be mutually beneficial to both Morocco and the United States to have a stronger trade relationship. He noted that Americans want to invest in Morocco and that Morocco is to be complimented for the progress it has made.

Minister Tazi expressed his hope that Morocco's friends will be so evermore and noted that Morocco is proud to have been the first country to recognize American independence. Geography has placed Morocco next door to Europe, he said, but there is no reason that Morocco would forget its longstanding relationship with the United States. He indicated that Morocco can have many trading partners.

Ambassador Gabriel expressed his personal thanks to Minister Tazi and his staff. He noted that Minister Tazi has been a great friend to the United States and that no one in the Moroccan government has sought more to make sure that "the window across the Atlantic is as big as the window across the Mediterranean."

Lunch Meeting with the American Chamber of Commerce in Morocco

Rabat, Morocco; April 21, 2000

Ambassador Gabriel thanked the American Chamber of Commerce for its leadership in hosting the delegation and noted that there has been a great increase in the number of high level U.S. government visits to Morocco within the last two years. These visits have led to improvements in every aspect of relations with Morocco, the oldest ally of the United States.

The Ambassador noted that the delegation has aggressively advanced trade relations with Morocco. He introduced the Members of the delegation and asked Chairman Archer to make a few remarks.

Chairman Archer began by explaining the jurisdiction of the Ways and Means Committee in the U.S. Congress over tax policy, health care, Social Security, welfare, and trade policy. He noted that, as the world enters the 21st century, it is moving away from government-to-government relations and is replacing them with business to business relations. In the future, he said, the big issue will be how to attract foreign investment to raise standards of living rather than dependence on foreign aid.

Chairman Archer continued by pointing out that trade is becoming the lifeblood of the relations of countries with each other. In the United States, he noted, there is a battle over the issue of free trade versus protectionism. The Chairman pointed out that all of the Members of the delegation strongly believe in free and open trade, and that the delegation is in Morocco to build on the strength of the existing bilateral relationship. He said that Ambassador Gabriel has done an excellent job of representing U.S. interests in Morocco and is dedicated to trade and economic relations. The Chairman expressed hope that Morocco will "open all of its doors and windows" for U.S. investors to build Morocco with the Moroccan people because it is only through investment that workers can have a better life. If Morocco builds an investment-friendly environment, he said, investors will come to Morocco with technology and expertise.

Chairman Archer expressed the concern that U.S. firms may face a potential imbalance as a result of Morocco's Association Agreement with the European Union. He expressed hope that the United States and Morocco can work together to be certain that there is a level playing field that is transparent. The Chairman observed that American firms will accept the competition that this environment will bring. If Americans cannot prove that a U.S. product or service is better than the competition, he noted, then the deal should go to someone else, but American firms should not lose because of non-transparent activities. Chairman Archer stated his belief that if Morocco is a captive market, "it is not to the benefit of those who are captured."

Chairman Archer added that 2000 is a year in which the United States will consider a number of important trade issues. Among other things, he noted, Congress will consider whether the United States will remain a member of the WTO and will vote on granting permanent normal trade relations to China. While China is a long way from Morocco, the Chairman pointed out that this vote will send an important signal to the world about the commitment of the United States to the multilateral trading system. Chairman Archer expressed his firm belief that the United States must continue to engage the world.

Chairman Archer closed by thanking the American Chamber of Commerce for hosting the delegation and said that while the delegation would leave Morocco, Ambassador Gabriel will remain as a strong voice for U.S. business interests in Morocco. Chairman Archer expressed his willingness to take questions from those in attendance.

Laurence DeWitt, Director General of Jorf Lasfar Energy Company and Board Member of the American Chamber of Commerce, asked Chairman Archer about the chances of Morocco becoming part of the African Growth and Opportunity Act pending in Congress. Chairman Archer responded by saying that the Africa bill has been the subject of great conflict with the Senate over the past six months. Both sides want to build a market in sub-Saharan Africa, he explained, but there are still vestiges of protectionism in the U.S. Senate, particularly in the area of textiles, that are difficult to overcome. The Chairman expressed hope that the bill will serve as a foundation which can be extended to North Africa, which al-

ready serves as a gateway to sub-Saharan Africa. Chairman Archer expressed his interest in the United States negotiating free trade agreements with Morocco, Egypt, and Tunisia, but he noted that it would be fraught with controversy on the textile issue. He stated that these initiatives will have greater chances for negotiation and implementation once the quotas on textiles are eliminated in the WTO in 2005.

Julianne Furman, Executive Director of the United States-Morocco Council on Trade and Investment, asked Chairman Archer about the possibility of expanding the list of products, other than textiles, that are eligible for GSP treatment. Chairman Archer responded by saying that this idea can be discussed and may hold potential for expanding U.S.-Moroccan bilateral trade relations.

Karim Chraibi, Business Development Manager for CMS Energy, asked Chairman Archer whether there is a chance that the United States will sign a debt-equity swap agreement with Morocco as France has done. Chairman Archer asked Congressman Portman to respond. Congressman Portman noted that there are limitations under U.S. law on what the United States can do on debt relief, but he noted that the Department of Treasury is working on a vehicle within existing law to enable U.S. companies to purchase the debt of foreign governments. He also indicated that Ambassador Gabriel is working in this area.

Chairman Archer concluded by thanking the American Chamber of Commerce again for hosting the delegation.

Meeting with Prime Minister Abderrahmane Youssoufi

Rabat, Morocco; April 21, 2000

The Prime Minister opened the meeting by emphasizing the friendship between the United States and Morocco and their long-standing alliance. He noted that the volume of trade between the two countries has increased significantly and a number of investment projects are being discussed. The Moroccan debt, he said, is a handicap, and he thanked the United States for supporting the increase in the debt ceiling by the Paris Club. The late King, he said, was an initiator of the peace process, and the new King is continuing this work. The Minister said that he hopes to see a declaration of an independent state of Palestine this year and that peace between Israel and Lebanon has accelerated, noting his belief that President Clinton is working to achieve this goal before he leaves office. He also pointed to the Eizenstat Initiative meeting held in Washington this week, noting that he would like to develop an FTA among these countries (Egypt, Algeria, Tunisia, and Morocco). Morocco is the most stable government in the region, he emphasized, and Moroccan policies are favorable to democratic values. The new King, he added, has displayed good political qualities and acumen and symbolizes the stability of the state and its propensity to develop democratic values and constitutional principles. "We're determined to work to assure that this region is one in which democratic values prevail," he declared, citing Morocco's support for peace on the African continent, in Europe, and in the Middle East, as well as its participation in peacekeeping forces in Bosnia and Kosovo.

The Prime Minister recognized the problems in Moroccan society, such as poverty pockets, unemployment, and the important social deficit in education and health. However, Morocco is addressing these problems, he said, and is developing a policy to attract more national and international investment, which in turn will create stronger growth. Morocco has implemented legislative reforms, just as recently as last month. He pointed to the drought as a major catastrophe, noting the need to insure adequate food and water for rural areas. He thanked the United States for grants of wheat and for intervening with the Paris Club to raise the debt ceiling. He then discussed Morocco's debt burden, noting his optimism that additional U.S. investment will help absorb the debt, although recognizing that "problems in the House of Representatives" may make it difficult. He noted that he supports the negotiation of a free trade agreement with the United States.

Chairman Archer responded, noting how warmly his delegation has been welcomed in Morocco. He noted that the delegation believes that the U.S.-Moroccan relationship is important and wants to strengthen it further. He congratulated the Prime Minister for the stability of the government and for its great help to the world as an intermediary in the Middle East peace process. He noted that the global economy is in a transition in which government aid is declining and private investment is creating more and better jobs. The Chairman said that the delegation wants to be an agent to increase opportunities for trade and investment to build on the infrastructure left by prior leaders. The delegation believes this is important, he added, because such a strategy is advantageous to the United States as well as to the long term interests of the world. He mentioned his great concern about the drought and how devastating it has been for the Moroccan economy. He noted that the United States Ambassador will make a strong request for additional wheat shipments to Morocco.

Chairman Archer also pointed to the long-term importance of a level playing field for U.S. companies to invest and do business in Morocco, giving them an even chance with EU companies. He emphasized that he wishes to work with Morocco to maintain such a level playing field, and after the delegation has left Morocco, the U.S. Ambassador will speak for the delegation in this regard. The Chairman stated unequivocally that "the ways of the past won't serve Morocco well in the future," and Morocco must seek to increase investment through better transparency and rule of law. The Chairman concluded by inviting the Prime Minister to the United States.

Congresswoman Johnson noted the extraordinary achievements of Morocco in the arts and in helping the poor and illiterate. She also said that she is pleased to see how the United States and Morocco work together on U.S. aid funding. She also noted her appreciation of the importance of debt relief and increasing the number of products eligible for preferential treatment under the Generalized System of Preferences. She concluded by pointing to her biggest concern about the long-term: that differential tariff rates could develop because of Morocco's association agreement with the EU.

The Prime Minister thanked the delegation for its sympathy concerning the drought and the proposal for additional shipments of

wheat. As to the investment climate, he noted that Morocco is "determined" to enforce transparency requirements, noting that Morocco has already put in place laws guaranteeing transparency, including a public tender system. The next problem to deal with, he said, is licensing, and he is seeking to assure transparency in this regard as well.

The Prime Minister then spoke about the EU association agreement that Morocco ratified on March 1, 2000, noting that the United States should not have major concerns. The ultimate goal, he said, is to conclude a free trade agreement between Europe and North Africa. He stated that he hopes that Eizenstat Initiative, which he appreciates as a counterweight to create a normal flow of trade with the United States, will materialize soon. He noted, however, that Algeria's reluctance will make that difficult. The Prime Minister then went on to speak of his government's relationship with Algeria, noting that the first thing he did when he took office was to reopen that border, which had been closed since 1994. Morocco has supported a gas pipeline from Europe to Algeria, which Algeria opposed. The Prime Minister has been promoting the North African region as a tremendous market, and he emphasized his eagerness to develop a better trade relationship with the United States. He then added that he hopes that the United States will use its influence to change Algeria's behavior.

The Prime Minister stated that his government is strongly interested in women's issues and has proposed an integration plan for women to improve education, health, and socio-economic issues, as well as an effort to improve family issues. The national debate on these issues, he cautioned, creates "storms" because some are suspicious and feel threatened. However, he emphasized that the government is "keen" on fighting for gender equality.

Congresswoman Dunn stated that she was pleased with his comments about the government's policies on women. On behalf of her constituent Microsoft, she congratulated the Prime Minister on Morocco's compliance with the WTO Trade-Related Intellectual Property Agreement (TRIPs). With respect to Boeing, another constituent, she emphasized how important it is to do business with Morocco, and she mentioned specifically that Boeing is competing to continue being the government's aircraft supplier.

Congressman McDermott also noted how serious the Boeing issue is and commended the Prime Minister for his commitment to transparency. He stated his belief that Boeing will win the bidding if the procedure is transparent. He expressed confidence that the Moroccan government will take care of the Enron project as well. He concluded by saying the two governments have been friends for a long time.

The Prime Minister noted that Morocco has been a loyal customer of Boeing, having purchased Boeing aircraft only. The French, however, have the right to try to sell Airbus aircraft. Boeing is extremely popular, he emphasized. Congresswoman Dunn responded by saying that all she asks is that Morocco maintains its commitment to transparency. The Prime Minister responded by saying that while in government, that has been his priority.

Chairman Archer emphasized that in general competition in investment will lead to better terms for Morocco. He mentioned the

specific case of Enron, a constituent, which joined with a local company to bid on a wastewater and power generation plant in northern Morocco using state of the art technology, asking the Prime Minister to give fair consideration to the bid. He noted that it would send a strong signal to have Fortune 500 companies invest in the north of Morocco, where it is most needed. He also mentioned a pending General Electric project and noted his support for ventures by other U.S. companies, including CMS, AES, and Seawest. He also noted that in the insurance sector, it would be helpful to Morocco if foreigners were permitted to own majority ownership stake because more competition creates better products.

The United States Ambassador then spoke, noting that the United States will work hard on food aid and debt relief ideas. He stated that he is glad to hear that both the delegation and the Prime Minister are interested in a free trade agreement, and he noted the need to "speed up U.S. leadership" on this issue. He then praised the Prime Minister for his leadership role in the government during a difficult time. The Prime Minister concluded by praising the Ambassador as a great friend and advocate for U.S. interests.

ATTACHMENT A

ONE HUNDRED SIXTH CONGRESS
BILL ARCHER, TEXAS, CHAIRMAN

PHILIP M. CRANE, ILLINOIS
BILL THOMAS, CALIFORNIA
E. CLAY SHAW, Jr., FLORIDA
NANCY L. JOHNSON, CONNECTICUT
AMO HOUGHTON, NEW YORK
Y HERGER, CALIFORNIA
CCERY, LOUISIANA
CAMP, MICHIGAN
IAMSTAD, MINNESOTA
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SAM JOHNSON, TEXAS
JENNIFER DUNN, WASHINGTON
MAC COLLINS, GEORGIA
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WES WATKINS, OKLAHOMA
J.D. HAYWORTH, ARIZONA
JERRY WELLER, ILLINOIS
KENNY HULSHOF, MISSOURI
SCOTT McINNIS, COLORADO
RON LEWIS, KENTUCKY
MARK FOLEY, FLORIDA

CHARLES B. RANGEL, NEW YORK
FORTNEY PETE STARK, CALIFORNIA
ROBERT T. MATSUI, CALIFORNIA
WILLIAM J. COYNE, PENNSYLVANIA
SANDER M. LEVIN, MICHIGAN
BENJAMIN L. CARDIN, MARYLAND
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GERALD D. KLECZKA, WISCONSIN
JOHN LEWIS, GEORGIA
RICHARD E. NEAL, MASSACHUSETTS
MICHAEL R. McNULTY, NEW YORK
WILLIAM J. JEFFERSON, LOUISIANA
JOHN S. TANNER, TENNESSEE
XAVIER BECERRA, CALIFORNIA
KAREN L. THURMAN, FLORIDA
LLOYD DOGGETT, TEXAS

A.L. SINGLETON, CHIEF OF STAFF

JANICE MAYS, MINORITY CHIEF COUNSEL

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515–6348

April 7, 2000

The Honorable Charlene Barshefsky
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Barshefsky:

We are writing to express our concern about the impact on U.S. exports of the Czech Republic's association agreement with the E.U. As you know, the agreement creates a difference between the tariffs facing U.S. exporters and those faced by E.U. exporters. This is an issue that you have raised repeatedly with the Czech government, and we have been following in the ongoing bilateral talks.

We have a particular interest in the issue of the tariff on large civil aircraft. The Boeing Company would like to compete to supply Czech Airline with several aircraft, but are prevented from doing so by an unfair tariff differential. E.U. aircraft manufacturers face no tariff on these aircraft while the U.S. manufacturers face almost a five percent tariff on aircraft.

The present situation benefits neither the Czech Republic nor the United States. First, no tender to supply such aircraft will be truly competitive when one bidder has a significant price advantage arising from this tariff discrepancy. Second, because of the large value of aircraft, any tariff will result only in expensive duties for the customer, in this case, Czech Airlines. Finally, we are aware that other neighboring countries have found solutions to this issue, such as creating waivers or reducing the tariff to zero to eliminate this problem in the context of major procurements. The Czech Republic stands out in Central and Eastern Europe for not resolving this issue.

We know that you have pointed out to the Czech officials that one of the explicit requirements of the Generalized System of Preferences (GSP) program, is that a country such as the Czech Republic which benefits from GSP cannot grant more favorable trade

preferences to other developed nations than what is granted to the United States. The case of aircraft is but one example of how U.S. trade can be negatively affected by preferences.

We have supported the Czech republic's integration into all Western institutions that it has worked to join, including the E.U. The Czech Republic has been a good partner to many of us in Congress. In that regard, several of our committee members will visit Prague in mid-May and will meet with a broad range of Czech officials, parliamentarians, and other political leaders. We intend to raise our serious concern about tariffs with them.

We strongly support your continued efforts to resolve these tariff issues with the Czech Republic, particularly those related to large civil aircraft. Please keep us apprised of the status of this issue.

Sincerely,

Charles B. Rangel
Ranking Democrat

Bill Archer
Chairman

Jim McDermott
Member of Congress

Jennifer Dunn
Member of Congress

Identical letter sent to the Honorable William M. Daley, Secretary of Commerce.

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

APR 24 2000

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WAYS AND MEANS

The Honorable Bill Archer
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Archer:

Thank you very much for your letter concerning the tariff differential problem faced by Boeing and other U.S. exporters vis-a-vis European Union exporters in the Czech Republic. U.S. industrial exports are subject to Most Favored Nation (MFN) tariff rates, but European Union industrial exports enter the Czech Republic duty-free under its Association Agreement with the European Union. That agreement is intended to be a transitional arrangement leading to full membership in the European Union. We are concerned about these tariff differentials, especially with respect to civil aircraft, and have been striving to address this serious problem.

While the Czech Republic and its customs union partner Slovakia generally have low industrial tariff rates, in some key areas - such as with respect to civil aircraft, automobiles and power generation equipment - they do maintain tariff rates significantly higher than the preferential rates afforded to European Union exporters and the rates that they will need to have in place when they join the European Union. In the case of civil aircraft, the Czech Republic will have to bring its current tariff rate of 4.8 percent down to zero by the time it joins the European Union. The European Union is a member of the GATT Agreement on Trade in Civil Aircraft, which eliminates tariffs on civil aircraft and parts, and so the Czech Republic will have to join it too.

We have been holding high-level talks with the Czech Government about the need to address the tariff differential issue. We have underscored the interest the U.S. Congress has in resolving this problem and that the United States is providing generous preferential treatment for Czech exports under the Generalized System of Preferences program. Moreover, we have submitted a proposal for tariff rate reductions in key sectors and products (including civil aircraft), and expect the Czech Government to respond shortly. We are strongly urging the Czech Government to join the

GATT Agreement on Trade in Civil Aircraft as soon as possible and, in the meantime, to waive tariffs on civil aircraft. This would allow Boeing to compete with Airbus in the Czech Republic under the same tariff rate, i.e., zero.

I am grateful for your willingness to raise the civil aircraft and tariff differential issues during your visit to Prague. Thank you for your support for opening further the Czech market.

Sincerely,

Charlene Barshefsky

ATTACHMENT B

ONE HUNDRED SIXTH CONGRESS
BILL ARCHER, TEXAS, CHAIRMAN

PHILIP M. CRANE, ILLINOIS
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JANICE MAYS, MINORITY CHIEF COUNSEL

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515–6348

April 7, 2000

The Honorable William M. Daley
Secretary of Commerce
Department of Commerce
14th Street between Constitution and
Pennsylvania Avenues, NW
Washington, D.C. 20230

Dear Secretary Daley:

We are writing to express our concern about the impact on U.S. exports of the Czech Republic's association agreement with the E.U. As you know, the agreement creates a difference between the tariffs facing U.S. exporters and those faced by E.U. exporters. This is an issue that you have raised repeatedly with the Czech government, and we have been following in the ongoing bilateral talks.

We have a particular interest in the issue of the tariff on large civil aircraft. The Boeing Company would like to compete to supply Czech Airline with several aircraft, but are prevented from doing so by an unfair tariff differential. E.U. aircraft manufacturers face no tariff on these aircraft while the U.S. manufacturers face almost a five percent tariff on aircraft.

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We know that you have pointed out to the Czech officials that one of the explicit requirements of the Generalized System of Preferences (GSP) program, is that a country such as the Czech Republic which benefits from GSP cannot grant more favorable trade preferences to other developed nations than what is granted to the United States. The case of aircraft is but one example of how U.S. trade can be negatively affected by preferences.

We have supported the Czech republic's integration into all Western institutions that it has worked to join, including the E.U. The Czech Republic has been a good partner to many of us in Congress. In that regard, several of our committee members will visit Prague in mid-May and will meet with a broad range of Czech officials, parliamentarians, and other political leaders. We intend to raise our serious concern about tariffs with them.

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Sincerely,

Charles B. Rangel
Ranking Democrat

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Jim McDermott
Member of Congress

Jennifer Dunn
Member of Congress

Identical letter sent to the Honorable Charlene Barshefsky, United States Trade Representative.

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SUBCOMMITTEE ON TRADE

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

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WAYS AND MEANS

The Honorable Bill Archer
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515-6348

Dear Mr. Chairman:

Thank you for your cosigned letter regarding the impact on U.S. exports of the Czech Republic's association agreement with the European Union. This disadvantageous tariff differential for U.S. firms in the Czech Republic has been, and continues to be, an issue of the highest priority for our European Office within the International Trade Administration (ITA).

I am pleased that the Department of Commerce and the Committee on Ways and Means have cooperated in putting increasing pressure on the Czech Government to resolve the tariff differential issue. Jointly we have focused particular attention upon the tariff on large civil aircraft which seriously impedes the Boeing Company's ability to compete on the sale of new planes to the Czech Airline, CSA.

Assistant Secretary for Market Access and Compliance Patrick Mulloy recently returned from a trip to Prague, where he pressed the deputy ministers of trade and transport, as well as other senior Czech Government officials, to resolve this issue by granting a tariff waiver to Boeing. During his meetings, Mr. Mulloy used your letter to impress upon the Czechs how seriously both the Administration and the Congress view this issue. He raised with the Czechs the strong economic arguments that your letter cites, including the fact that other neighboring Central and East European states, but not the Czech Republic, have resolved this issue by granting waivers or by reducing the tariff on aircraft to zero. Also pointed out to Czech officials was the potential linkage of the tariff differential issue to the Czech Republic's participation in our Generalized System of Preferences program.

We are aware that you led a mission of Ways and Means Committee members to the Czech Republic following Mr. Mulloy's visit, and we are anxious to learn the results of that mission.

We look forward to continuing to work together on this important issue and to see that it is resolved soon. If you have any further questions, please feel free to contact me or have your staff contact Jerry Bonham, Director of ITA's Office of Legislative and Intergovernmental Affairs, at (202) 482-3015.

Sincerely,

William M. Daley

ATTACHMENT C

Egyptian Antiquities Projects in Luxor

In collaboration with the Supreme Council of Antiquities (SCA), the Egyptian Antiquities Project of the American Research Center in Egypt (ARCE) is carrying out projects to preserve and restore antiquities in Upper Egypt under a USAID grant.

Location: **Luxor**

1) **Valley of the Kings**

a) Flood Protection Feasibility Study

In the Fall of 1994, intense localized rainstorms caused flash flooding in the Valley of the Kings. This valley, on the West Bank of Luxor, contains some of the finest tombs in the history of the world, including that of the boy-king Tutankhamen. They date from the 18th to the 20th dynasties of the New Kingdom from ca. 1567 to 1085 B.C. Some sixty-two in number, they are amongst the finest examples extant of the glorious history of the roots of civilization.

Severe flooding poses the most direst and catastrophic threat to these tombs. Water-laden material can enter tombs, gouge walls and abrade the delicate, fabulous paintings that tell us so much of life and death in Pharaonic times. Additionally, the water run off is absorbed by the limestone and shale into which the tombs have been carved. When water-soaked shale expands, it puts explosive pressure on the walls and pillars, sometimes causing them to shatter. The result is structural instability of the tombs.

In conjunction with the SCA, ARCE has embarked on a critical project aimed at protecting the Valley and its tombs from flash floods. Although not as severe as the last great one in the storm of 1916, the 1994 ones have focused attention on these major events. One of these magnitudes occurs statistically about every hundred years. So, we are ripe for another.

ARCE advertised and distributed a request for proposal for an engineering and scientific feasibility study to be conducted of the Valley and for recommendations to be made for flood protection measures. A team from the California Academy of Sciences was selected and it commenced work with its Egyptian members in May of 1996. The team consists of geologists, surveyors, a mining engineer, Egyptologists, a geo-technical, civil engineer and a hydrologist. The team has issued a comprehensive set of recommended local and global protective measures based on low-cost, no-cost implementation utilizing local materials and labor. These recommendations are awaiting approval from the SCA, with a planned commencement of work in the Winter of 2000-2001.

b) Conservation of Tomb KV55

KV55 was discovered in the Valley of the Kings in 1907 by Theodore Davis. Though poorly preserved, the most important objected were a gilded shrine, a wooden sarcophagus and human

remains, possibly of Akhenaten, the so-called heretic Pharaoh who moved the royal city from Luxor to Amarna and who replaced the triad cult worship to the sole god of Aten.

2) The Small Temple of Amun at Medinet Habu

The small temple of Amun at Medinet Habu is believed to be the "mound" wherein the eight primeval gods of the land were interred and which was a burial place of Amun himself. As such, it was a vital religious center of the western bank of the Nile at Thebes. As it stands today, the temple was founded by Hatshepsut and Thutmosis III, who ruled Egypt jointly at the beginning of the 15th Century B.C. The present structure, however, stands on an older platform that may date to the 11th Dynasty (c. 2050 B.C.), demonstrating a more ancient use of the site. The temple remained an important cult center for about two millennia, as shown by the additions, rebuilding, the renovations made to it by a long series of Kings from the Thutmoside pharaoh through the early Roman emperors, attesting to an astonishing religious vitality over the centuries.

This project is being conducted in conjunction with the SCA and the University of Chicago. The conservation work is addressing the following problems: structural stability and serious salt efflorescence affecting different portions of the temple; the cleaning of the painted reliefs that are now obscured with grime and dirt; the dealing of the roofing blocks over the covered area of the temple for protection against rainfall; improvement of drainage and thereby minimization of the effects of standing water; the preparation of the temple for tourism by adding walkways and interior lighting; the addition of informative signage and indication of the outline of the small temple precinct by unobtrusive means.

The project will demonstrate useful procedures applicable to Egyptian monuments throughout the Nile valley. At its conclusion, it will result in an entire, modest-sized temple that has been cleaned, structurally consolidated, freed from the immediate threat of salt and water damage, fully prepared for an influx of visitors, and equipped with educational signage.

3) Luxor Temple

This magnificent temple has some of the most majestic and awe-inspiring architecture and statuary in the world. All of the superb carved and incised reliefs are being degraded by natural and man-made elements. In conjunction with the SCA and the University of Chicago, ARCE is conductin a conservation project in the Temple of Luxor on the decorated stone fragments from the Colonnade Hall depicting the Festival of Opet (when the three gods of Karnak were transported on the Nile to Luxor). These stones were originally carved during the reign of Tutankhamen. As the power of Luxor declined so, too, did the temple complex and by the Thirteenth Century AD, it was buried by desert and rubble fill up to six meters deep. Stones were quarried from the temple for reuse as foundations for village houses where they remained until the nineteen-sixties when the forecourt in front of the Temple was cleared. Because these stones were underground, they were exposed to the water table and are thus laden with salts. They will be a pilot project for all of Egypt, since this is a widespread problem. The project commenced in the Fall of 1995 when the conservator who first studied the fragments revisited the site to analyze his earlier tests and to develop a conservation program. A full time conservator has been treating the fragments during this and the previous seasons. In 1998, a site office and laboratory for non-toxic chemicals was installed at the site. Currently, priority is being given to block fragments that will be installed in the wall of the Sun Court, thus completing an offering scene of a boat of the god Amun.

AMERICAN RESEARCH CENTER IN EGYPT

TOMB OF SETY I PROJECT

In collaboration with the Supreme Council of Antiquities (SCA), the Antiquities Development Project (ADP) of the American Research Center in Egypt (ARCE) has carried out a series of studies of the existing conditions in the Tomb of Sety I in the Valley of the Kings. This is part of a series of projects being funded by USAID and conducted by ARCE with the SCA to preserve and restore the antiquities of Upper Egypt.

Technical Studies at the Tomb of Sety I

Introduction:

Valley of the Kings Tomb Number 17 was prepared for the burial of the New Kingdom Pharaoh Sety I, the father of Ramesses II. It is the largest known fully decorated tomb in Egypt with a length of 100 meters. Every available space on the walls, ceilings and pillars throughout the entire tomb is covered in finely carved and painted relief work of the highest quality. The subject matter involves the identification of the king with the sun god, Re, his merging into the body of the god Osiris and ultimately, his joining the imperishable stars depicted in the vault of the burial chamber. Although there is much in common here with the themes used in the tombs of Sety's successors, none of them are as well preserved, and none can compared with the superb workmanship in the tomb of Sety I. In terms of art history its decoration belongs to a group of exquisitely carved and painted monuments dating from this reign. They comprise the tomb itself, the king's 'funerary temple' at Qurna, a temple complex at Abydos, parts of the Hypostyle Hall of the Temple of Amun-Re at Karnak, and the famous tomb of Queen Nefartari, Sety I's daughter-in-law, in the Valley of the Queens. From an egyptological aspect its repertoire of texts and scenes provides the most complete and explicitly rendered versions of important religious works and ceremonies. For social history it presents a staggering illustration of the organization and achievements of laborers and highly skilled craftsman from the well documented workmen's village of Deir el-Medinah, where the tomb-makers and the families lived.

The modern history of the tomb begins with its discovery in October 1817 by Giovanni Belzoni, who was probably the first to enter it in almost three thousand years. He found the tomb partly choked with debris washed in by flash floods, yet the 2000 square meters of carved and painted wall decoration were still well preserved. Since that time virtually every tourist to the Valley has visited this tomb until its closure some thirteen years ago due to internal deterioration.

Since its discovery the tomb has suffered considerable abuse from visitors and dealers' agents. Segments of the fine painted relief carving have been hacked from the walls to gratify the avarice of collectors, and 19th century tourists lit fires and picnicked in its rooms. Others, more well intentioned, took their souvenirs of the walls by making wax or papier maché squeezes. These left the original carving in situ, but often caused the color to peal off when the impressions were taken. Structural weakness and high humidity have increased the instability of the tomb and accelerated the deterioration of the paint on the walls and ceilings.

Statement of the Project:

During 1998 and 1999 ARCE conducted a thorough study of the present condition of the tomb to collect sufficient data to form the starting point of an actual conservation project for the monument. The three main components were:

1. To study and evaluate the structural stability of the tomb.
2. To study and evaluate the conservation needs of the wall paintings.
3. To study and evaluate the current display of the tomb and propose a suitable site presentation plan including lighting, walkways, protection, environmental monitoring and control, and signage.

Following the photodocumentation of the whole tomb, these were implemented in the following five phases, each of which was a specific study to be completed with a comprehensive report.

1. 3-Dimensional survey.
2. Geotechnical survey and structural stability assessment.
3. Evaluation of the mural decoration and test cleanings.
4. Egyptological study.
5. Display and presentation plan.

Impact of the Project:

- Recommendations from the studies will provide a model for all such future work.
- Implementation would create, for the first time ever in Egypt, a potentially completely conserved, protected and presented tomb. This would include installing protective panels, wooden walkways, proper signage, sensor lighting, ventilation and limiting the numbers of visitors entering at any one time.
- The tomb will become a model of technical study and touristic presentation that can be applied elsewhere.

