



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and editors
Re: European Union reaction to export tax break replacement schedule
Da: Thursday, Oct. 2, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment in response to remarks from a European Union spokesperson that Grassley's legislation to replace the Foreign Sales Corporation/Extraterritorial Income regime would go into effect too slowly.

"I'm surprised the European Union would threaten sanctions now. The U.S. Senate Finance Committee just yesterday took an extremely important step toward bringing our tax regime into compliance with the World Trade Organization ruling in the FSC/ETI case by passing legislation with a strong bipartisan vote of 19-2. I would hope the spokesperson for the European Union would take the time to carefully examine the bill before making such a strong comment. The fact is the transition does not continue, in her words, 'a scheme that was declared illegal by the WTO.' Unlike the ETI, there is absolutely no requirement in our bill to export a single item to benefit from the transition.

"I'm also surprised by the failure to appreciate the monumental task that confronts us. Compliance requires major modifications to our tax code and significant business restructuring. I would think the European Union would have some appreciation for the extent of this undertaking and show some restraint and patience, just as the United States did in the bananas case, a case in which the EU still hasn't fully complied. The imposition of sanctions now will only contribute to soften the economic recovery and slow economic growth worldwide. The world economy can ill-afford either. The fact is neither the European Union nor the United States can afford to throw up trade barriers. Doing so will only harm workers, farmers, consumers and businesses in both Europe and the United States. Coming on top of the collapse of the Cancun WTO ministerial, this is an especially poor time to create further divisions between the United States and Europe.

"Thankfully, not everyone shares this EU spokesperson's view. The chairman of the European-American Business Council was quoted this week as saying my bill 'is something the EU will see as a serious effort.' "