

DAILY BULLETIN

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BUSH DISCUSSES TRADE, IRAQ WITH MOROCCO'S KING MOHAMMED

White House Press Secretary Scott McClellan told reporters July 8 that President Bush met with Morocco's King Mohammed and emphasized his desire to see the U.S.-Moroccan Free Trade Agreement ratified by the Senate in 2004.

McClellan said that the leaders discussed progress in Iraq and Afghanistan and addressed the security situation in both countries.

"We certainly appreciate the commitment from Morocco to help support the Iraqi people as they move forward on improving the security situation and building a free and peaceful society," McClellan said.

According to the spokesman, the two leaders also discussed a range of issues including the global war on terrorism, the Middle East peace process and the Western Sahara.

"Morocco has undertaken some important reforms to protect the rights of women and children, moving forward on their family law. And we appreciate those

efforts to move forward on reform,” the spokesman said.

“We certainly thank His Majesty King Mohammed for his leadership, and appreciate Morocco’s close friendship with the United States,” McClellan said.

IRAQ TAKING FIRM STANCE AGAINST TERRORISTS

“The prime minister [of Iraq] and others have made strong statements that they are determined to crack down on those who are seeking to derail a better future for the Iraqi people,” McClellan said.

According to news reports, Iraq’s Prime Minister Iyad Allawi signed the National Safety Law July 7 granting the interim government wider powers to help fight insurgents. The new law allows the government to impose curfews, set up checkpoints, and search and detain suspects in limited areas

“You’re seeing action by the security forces there, the Iraqi security forces, to go after those who seek to spread violence in their country,” the spokesman said.

When asked about recent bombings in Iraq, McClellan responded, “We’ve always said that as they [Iraq] move forward on the elections and move forward on sovereignty, that you would see the terrorists in the country and others who are opposed to freedom and democracy seek to derail that process.

“Iraq is moving forward and making great progress toward building a free and peaceful future,” the White House spokesman said.

ADMINISTRATION CITES PROGRESS IN WAR ON TERROR

“We’re making tremendous progress, but there is much more to do to win the war on terrorism and defeat terrorism,” the spokesman said.

“Libya has renounced its weapons of mass destruction program and dismantled its weapons programs. That’s a significant development,” McClellan said.

Libya publicly gave up its weapons of mass destruction programs in December 2003 following an incident in which U.S. agents seized a ship carrying thousands of centrifuge parts bound for Libya in October 2003.

When asked about a recent speech from Homeland Security Secretary Tom Ridge about intelligence relating to a possible terrorist attack against the United States, McClellan responded, “We receive credible information of this nature that shows that al Qaeda is continuing to work to carry out a large-scale attack against the American people, it’s important to keep people informed about that intelligence that we are receiving.”

“We revamped and reformed the Federal Bureau of Investigation (FBI). Their number one priority now is protecting the American people against terrorist attacks. They are working every day to disrupt plots from happening in the first place.”

“September 11th taught us that we must confront threats before it’s too late and that’s exactly what we’re doing,” McClellan said.

U.S. WILL NOT REST UNTIL DARFUR CRISIS RESOLVED, POWELL SAYS

Secretary calls on Sudanese government to end violence

The United States will continue to put pressure on the government of Sudan to immediately address the humanitarian crisis in Darfur, Secretary of State Colin Powell told participants at a conference on Africa July 8, adding that “only action, not words” will save the lives of thousands of civilians.

“Too many lives have already been lost. We cannot lose any more time,” Powell said.

“We in the international community must intensify our efforts to help those imperiled by violence, starvation and disease in Darfur. But the government of Sudan bears the greatest responsibility to face up to this catastrophe, rein in those who are committing this ethnic cleansing and save the lives of its own citizens,” he added.

The secretary’s remarks came at the unveiling on Capitol Hill of a new report on U.S. policy toward Africa that was commissioned by the U.S. Congress and prepared by the Center for Strategic and International Studies,

a Washington-based think tank. The report calls for increased U.S. investment in counterterrorism programs, health infrastructure, peacekeeping operations and other initiatives in Africa.

Powell's address was similarly wide-ranging, and touched on many of the Bush administration's key policies toward the continent. He discussed in detail several U.S. development programs that benefit Africa, including the African Growth and Opportunity Act and the Millennium Challenge Account, which he called "the most significant development assistance program the world has seen since the Marshall Plan."

U.S., CHINA SETTLE DISPUTE OVER SEMICONDUCTOR TAX REFUNDS

China to stop refunds favoring China-designed circuits

The resolution of the World Trade Organization (WTO) dispute between the United States and China regarding China's tax refund policy for integrated circuits, more commonly known as semiconductors, will ensure "a level playing field" for all semiconductor manufacturers and exporters, says U.S. Trade Representative (USTR) Robert B. Zoellick.

Under the terms of the agreement, China will immediately stop certifying any new semiconductor products or manufacturers for eligibility for value-added tax (VAT) refunds or offering VAT refunds that favor semiconductors designed in China. By April 2005, China will also stop providing VAT refunds on Chinese-produced semiconductors to current beneficiaries, according to a July 8 USTR press release.

"One of the guiding principles of the WTO is that countries and consumers benefit most when products have fair and equal access to markets without regard to their national origin. Policies that discriminate against products on the basis of national origin distort both purchasing and investment decisions to the detriment of everyone," the press release says.

An integrated circuit or semiconductor is an electronic device that can be switched to conduct or block electric

currents. Virtually all electronics -- from antilock brakes in automobiles to satellite systems and computer applications -- incorporate semiconductors.

Following is the text of the press release:

Office of the United States Trade Representative
Executive Office of the President
Washington, D.C. 20508
USTR Press Releases are available on the USTR website at:
<http://www.ustr.gov>.

July 8, 2004

Contact: Richard Mills/Neena Moorjani (202) 395-3230

U.S. and China Resolve WTO Dispute Regarding
China's Tax on Semiconductors
Resolution of Trade Spat Provides Real Results To U.S.
High Tech Manufacturers

WASHINGTON -- The United States and China have agreed on a resolution to their dispute at the World Trade Organization (WTO) regarding China's tax refund policy for integrated circuits. The resolution will ensure full market access and national treatment for U.S. integrated circuits in China, the world's fastest growing semiconductor market and an export market worth over \$2 billion to American manufacturers and workers. Today's agreement resolves the first WTO case filed against China by any WTO Member.

Effective immediately, China will not certify any new semiconductor products or manufacturers for eligibility for VAT refunds. China will no longer offer VAT refunds that favor semiconductors designed in China. And, by April 1 of next year, China will stop providing VAT refunds on Chinese-produced semiconductors to current beneficiaries. Under China's tax policy, U.S. exporters of integrated circuits to China paid up to five times as much tax as local Chinese manufacturers. These policies disadvantaged U.S. manufacturers as well as U.S. firms that design integrated circuits.

"America is the global innovator. American ingenuity has spurred far-reaching gains in human achievement, and we need to ensure that there is a level playing field so that our innovators and manufacturers continue to lead the world," said U.S. Trade Representative, Robert B. Zoellick. "These are real, concrete results. Today's agreement complements our successful resolution of the

wireless internet encryption issue in late April, and will ensure that our high-tech firms have full access to one of our fastest growing markets. Day in and day out, we are working hard to enforce trade rules, deliver real results to American workers and ensure that there is a level playing field for American exporters.”

China is the world's third largest consumer of integrated circuits, with a market value of approximately \$19 billion. Although imports currently represent approximately 80 percent of China's market, its semiconductor industry is expanding rapidly, with substantial investment from foreign firms. China's VAT refund policy not only discriminated against U.S. products directly, but also has distorted international investment in the integrated circuit sector. China is a substantial market for semiconductors produced in U.S. factories: U.S. exports of integrated circuits to China were \$2.02 billion in 2003.

The agreement, once implemented, will resolve the case that the United States initiated at the WTO on March 18, 2004, and is the culmination of several rounds of discussions between negotiators and legal experts from the two countries. The United States and China held formal consultations in Geneva -- which included delegations from third parties Japan, the European Communities, and Mexico -- as well as meetings in Washington and Beijing.

Background:

U.S. exports of integrated circuits to China are subject to a 17 percent value-added tax (VAT). However, China has taxed domestic products significantly less, by allowing firms producing integrated circuits in China to obtain a partial refund of the 17 percent VAT. As a result of the refund policy, the effective VAT rate on domestic products can be as low as 3 percent. China also has allowed for a partial refund of VAT paid on integrated circuits designed in China but manufactured abroad.

An integrated circuit or semiconductor is an electronic device that can be switched to conduct or block electric currents. Most semiconductor devices are made from silicon, although other materials, such as gallium arsenide, can also be used. Virtually all electronics used today -- from antilock brakes in automobiles to satellite systems and computer applications -- incorporate semiconductors.

One of the guiding principles of the WTO is that coun-

tries and consumers benefit most when products have fair and equal access to markets without regard to their national origin. Policies that discriminate against products on the basis of national origin distort both purchasing and investment decisions to the detriment of everyone. While WTO rules permit countries to provide certain types of assistance to domestic industries, they prohibit WTO Members from supporting their industries by discriminating against foreign products.

If consultations had not resolved the dispute, the United States would have had the right to request that a WTO dispute settlement panel be established to consider the issue.

The United States and China will notify the agreement next week to the WTO in Geneva.

VOA LAUNCHES "THE NEW EUROPE REVIEW" ONLINE JOURNAL

Focuses on countries between Berlin and Moscow, from Baltic to Black seas

The U.S. International Broadcasting Bureau (IBB), together with the Voice of America (VOA), recently launched a multimedia online journal called "The New Europe Review," which focuses on countries located between Berlin and Moscow and between the Baltic Sea and the Black Sea.

The journal is being produced in English and 16 other languages. It is available free at www.neweuropereview.com

Following is an IBB-VOA press release with details:

U.S. International Broadcasting Bureau
Voice of America
Washington, D.C.
<http://www.voa.gov>

IBB, VOA Launch New Online Journal for New Europe

Washington, D.C., June 4, 2004 -- The U.S. International Broadcasting Bureau together with the Voice of America has launched a new multimedia online journal, "The New Europe Review," directed at the countries located between Berlin and Moscow and the Baltic and the Black Seas.

"This new publication shows that we are not ending the dialogue begun more than 60 years ago between the U.S. and Europe," said IBB Director and New Europe Review Publisher Seth Cropsey. "With the New Europe Review, we are now on line, rather than on air, in many Central European languages."

Available for free subscription online at www.neweuropereview.com, this new online monthly publication is edited by the staff of VOA's Eurasia Division and produced in English and 16 different languages of the new Europe.

The first issue features an interview with Latvian President Vaira Vike-Freiberga and articles about the problems the countries of this critical region face in making the transitions from their often troubled past to a democratic and free market future. Future issues will focus on the impact of NATO and the European Union enlargement, Muslims in Europe, anti-Semitism, and relations within this region and between it and both east and west.

Director Cropsey noted that "the peoples of the New Europe understand better than almost anyone else that such debates may be difficult but that the absence of such debates are ultimately destructive of the common values on which our civilization is based."

Under the supervision of the Broadcasting Board of Governors (BBG), the International Broadcasting Bureau (IBB) provides the administrative and engineering support for U.S. government-funded non-military international broadcast services. Broadcast elements include the Voice of America (VOA), Radio Sawa, and Radio and TV Martí (Office of Cuba Broadcasting). In addition, the IBB provides engineering and program support to Radio Free Europe/Radio Liberty and Radio Free Asia.

For more information, contact the Office of Public Affairs by phone at (202) 401-7000, or by E-mail at publicaffairs@ibb.gov

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