



December 11, 2006

Economic News

Global Growth "Steady" for 2006

The Organization for Economic Cooperation and Development (OECD) reported that leading global economies should finish at 3.2% growth for 2006 – higher than its previous forecast in May 2006 – despite a weakening in the U.S. economy. A major factor for this welcoming analysis is the upsurge in the Eurozone and EU-trading bloc's recent overall economic performance. Individually, the U.S. economy should grow at 3.3% for 2006 (down from 3.6%) with the Eurozone finishing at 2.6% (up from 2.2%). However, with increasing global current account imbalances, the over-pressurized U.S. housing market and further fiscal tightening likely in Europe next year most agree that 2007 and 2008 will see a rather sharp reduction in overall growth. Indeed 2007 overall global growth is forecast to be 2.5% and 2008, at 2.7%.

Firm U.S. Job Market

U.S. employers added 132,000 jobs in November - which was stronger than expected – and signaling the buoyancy and general confidence in the U.S. economy. As a result, many think that the Federal Reserve will keep interest rates on hold next week, when they meet. However, the overall unemployment rate rose 0.1% to 4.5% as some sectors are struggling to cope with an economy still unsure as to how soft its landing will be.

The Euro (€) Gains on the Dollar (\$)

The euro traded above \$1.32 for the first time in 20 months – and hit a record against the yen (¥). So far this year, the euro has risen almost 11% against the dollar. As a result, Eurozone exports may become more expensive abroad if this rise holds – but most officials look to recent impressive EU-economic growth and the fall in unemployment (it reported its lowest level since the early 1990s) in the Eurozone to offset any worrying and knock on affect. As expected, the European Central Bank (ECB) raised interest rates to 3.5%.

U.S.-Europe News

No Foreign Control over U.S. Airlines

The U.S. withdrew proposals to offer foreign investors a greater say in the operation and management of U.S. airlines – causing doubt over the future of the "open skies" agreement with Europe. Under the agreement, air traffic across the Atlantic would be further deregulated, allowing the aviation industry to become more market-based in both the U.S. and Europe. As the EU voiced its disappointment over the decision by Washington to pull back, the U.S. made it clear that it was fully committed to signing the agreement. Further consultation will continue over the next couple of months.

NATO Pushes Forward – And Keeps Membership Doors Open

A strengthened commitment to the success in Afghanistan by the 26 North Atlantic Treaty Organization (NATO) member heads of state was agreed upon while meeting in Latvia on a two day summit, November 28-29. A better coordinated effort was

mapped out, with more troops to be sent, allowing more flexibility to the operation and leadership in order to restore peace and prosperity to the region. Separately, addressing an audience at Latvia University in the capital Riga, President Bush stated that NATO's doors are open, welcoming all European democracies for membership.

EU Pushes for Further Trade Liberalization

"A balanced response to globalization", said European Union (EU) Trade Commissioner Peter Mandelson noting that the EU is pushing forward its trade agenda as the Doha Agenda continues to rest. Desiring further free-trade agreements – and curbing any chance of rising protectionism amongst EU member states – the EU is looking towards Latin America and Asian nations, in particular, to secure better bi-lateral trade relations. Speaking on behalf of the European Commission (EC), Mandelson repeated the EU's commitment to the success of Doha but noted that trade is not only administered in Geneva and thus it is in the EU's interest to move forward and pursue its commercial interests.

Croatia as an EU Member by 2010

Olli Rehn, Commissioner for EU enlargement, has noted that Croatia has a good chance at becoming a member of the (EU) by the end of the decade – but Croatia must continue to work cooperatively with the EU in meeting all the requirements for membership. Commission Rehn stressed that Croatia must further reform their judiciary and better tackle government and business corruption both of which are greatly affecting Croatia's political and economy progression – and thus their EU candidacy. With Croatia facing a forthcoming general election, the EU will soon know more as to what Croatia's plans are moving forward.

Warm Reception for Bulgarian and Romanian To-Be-Commissioners

The Bulgarian and Romanian candidates for European commissioners are certain to get approval by the European Parliament (EP). Once confirmed, Meglena Kuvenerova will represent Bulgaria as commissioner of consumer protection and Leonard Orban will represent Romania as commissioner for multilingualism.

EU Ready to Adopt REACH

After a long debated approval process, the EU is inching closer to adopting one of the most ambitious and controversial pieces of legislation in years – as the EP along with the support of the Finnish EU presidency agreed to a compromised text of the proposed regulation on the registration of chemicals. REACH or the Registration, Evaluation and Authorization of Chemicals (REACH), as it is known, is to be a system whereby all companies having trade of any product in any form to or within the EU must register all chemicals used in the traded product, taken from a drawn up list of some 30,000, in order to certify their non-risk factor to human health and/or the environment. Industry leaders have strongly opposed it as being too overzealous and unproductive from a European economic standpoint. The EC believes the agreed upon legislation, as is, strikes the proper balance between the interests of consumers, the environment and industry. If adopted by the EP in early December and thereafter approved by the EU Council of Ministers, REACH will gradually be phased in over a number of years, beginning next year and culminating in 2018.

EU Will Open Up Borders to New Member States

The EU will phase-out restrictions on borderless-travel to the new member states that joined in May 2004 (minus Cyprus) – allowing these countries to join the Schengen no-borders visa system in early 2008. Before going into effect, however, a formal approval by the EU must be granted after reviewing that the respective countries' border and customs-security are in line with the standards as set by the European Commission. This is likely to be taken by mid-2007.

U.S. Chamber of Commerce in Action

On December 12, the U.S. Chamber's Eurasia Business Platform (EBP) will host the Secretary General of the World Customs Organization, Mr. Michel Danet, and the Secretary General of the International Road Transport Union, Mr. Martin Marmy, for a dinner event in New York City.

On January 5, 2007, the U.S. Chamber of Commerce and National Chamber Foundation will host a conference, Outlook 2007: State of American Business. Participants will discuss business issues that will play a key role as the legislative agenda in 2007 takes shape. U.S. Chamber President and CEO Tom Donohue will also deliver his annual State of American Business address, laying out the Chamber's agenda for the year ahead.

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