

Mr Pascal Lamy  
Trade Commissioner  
European Commission  
Rue de Genève 1  
B-1049 Bruxelles

13 February 2004

THE PRESIDENT

Dear Commissioner,

**Foreign Sales Corporations/ Extraterritorial Income Exclusion Act (FSC/ETI)**

I am writing to you regarding the above-mentioned long-standing Transatlantic dispute, which has been poisoning the Transatlantic relationship for too long. UNICE's position on the matter is clear and consistent. Since the US was deemed to be in breach of its WTO commitments, for UNICE there is no better alternative than full implementation of the WTO Dispute Settlement ruling namely repeal of the non-compatible US legislation. UNICE supported and continues to support EU action to achieve that objective in a way which would be fully WTO-compatible, not be detrimental to European business interests and in the shortest timeframe possible.

UNICE calls on you, Commissioner, and the Member States to continue to stand firm on any US legislative proposal, which would be discriminatory or adversely affect European business interests, and particularly US subsidiaries of EU companies. We believe that enactment of such legislation would exacerbate seriously the tensions in the Transatlantic relationship at a time when partnership and cooperation are needed more than ever.

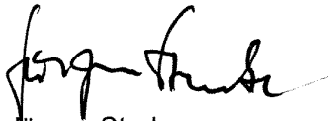
UNICE appreciates that changing legislation is not an easy task and might take some time. Therefore, it has encouraged and supported fully the conciliatory approach adopted by the EU to de-escalate the dispute and facilitate a positive outcome by allowing sufficient time to the legislative process while standing firm on the objective and preserving EU interests under the WTO dispute settlement procedure.

As you know, Commissioner, European business does not like sanctions because they hurt interests which have nothing to do with the disputes. It regards them only as a last resort when all other procedures and alternatives have been exhausted without success to ensure the application of WTO rules and commitments. UNICE therefore strongly hopes that the US will finally pass legislation satisfying the above-mentioned elements by the 1 March 2004 deadline so that the application of sanctions would become unnecessary.

Considering the good progress achieved in the US legislative process and all the efforts and goodwill on both sides to bring the case rapidly to a close in a mutually satisfactory manner, I would like to indicate to you, as an ultimate move to secure a definitive solution, what European business would be ready to accept. The US Congress is considering a three year transition period. For our part, we are ready to consider, while reluctantly, a reasonable transition period, as short as possible, for repeal of the current legislation. It would therefore appreciate if such flexibility could be explored provided that the final outcome would be WTO- compatible and not affecting negatively European interests including FSCs for option contracts.

We greatly appreciate, Commissioner, all your efforts to bring this dispute definitely to an end in a way satisfactory to EU companies' interests. You can count on all UNICE's support for any initiative that would further improve and strengthen the Transatlantic relationship. Please do not hesitate to call on us if we can be of any assistance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jürgen Strube', written in a cursive style.

Jürgen Strube