

DAILY BULLETIN

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HOUSE VOTES TO REPEAL TAX BREAKS RULED ILLEGAL BY WTO

Senate, House must now reconcile competing versions of tax measure 1

USAID FACT SHEET OUTLINES AGRICULTURAL BIOTECHNOLOGY BASICS

Millions of farmers worldwide now plant biotech crops, agency says 2

U.S. PRESENTS 10-POINT ACTION PLAN AGAINST INTERNET HATE CRIMES

Amb. Stephan Minikes addresses final session of OSCE conference 4

U.S. TRADE AGENCY SAYS "NO" TO ANTI-SPAM E-MAIL PLAN

Establishing e-mail authentication system is first step, FTC reports 5

HOUSE VOTES TO REPEAL TAX BREAKS RULED ILLEGAL BY WTO

Senate, House must now reconcile competing versions of tax measure

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Washington -- The House of Representatives June 17 approved legislation that would make major changes to U.S. tax law and repeal export tax breaks that have been ruled illegal by the World Trade Organization (WTO).

Voting 251-178, legislators approved a measure that cuts taxes for manufacturers and overhauls U.S. rules dealing with international taxation.

The Senate passed its own tax measure on May 11. Now negotiators from both chambers will be appointed to reconcile differences between the two bills. A final version must be approved by both the House and Senate and signed by President Bush in order to become law.

Despite considerable differences between the two bills, they each include billions of dollars in corporate tax breaks and share the same core aim: resolution of a long-standing dispute with the European Union (EU) over U.S. tax breaks to exporters under the Foreign Sales Corporation (FSC) law, and its successor regime, the Extraterritorial Income Act (ETI).

The WTO has repeatedly found FSC/ETI provisions to be impermissible under international trade rules

and has authorized the EU to impose up to \$4 billion in retaliatory tariffs on U.S. exports. The EU began in March to impose tariffs of 5 percent on a wide range of U.S. products, and said the rate would increase by 1 percentage point a month up to 17 percent. As of June 1, the tariff rate was 8 percent.

The Bush administration repeatedly has called on Congress to repeal the FSC/ETI tax breaks and bring the United States into compliance with its WTO obligations.

The White House's Office of Management and Budget (OMB) issued a statement supporting passage of the House bill, but also suggested that House and Senate negotiations should work to reduce the measure's \$34 billion cost.

"The administration looks forward to working with the conferees on this legislation to move it toward budget neutrality," OMB said.

One significant difference between the House and Senate measures is that the House bill's \$155 billion in tax cuts are offset by \$121 billion in tax increases and other revenue-raising provisions, leaving a \$34 billion difference. The Senate measure is revenue neutral.

One of the more controversial sections of the House bill would give \$9.6 billion to tobacco farmers in exchange for ending government price supports.

During debate on the House floor, opponents of the bill strongly criticized the tobacco provision, along with what they described as numerous tax breaks for special interest groups, including manufacturers of pharmaceuticals, sonar devices for fishing, bows and arrows, and tackle boxes.

Congressman Steny Hoyer, the second-ranking Democrat in the House, declared: "This is the worst tax bill I have seen on the floor of this House."

House Ways and Means Committee Chairman Bill Thomas, chief sponsor of the bill, said the provisions were necessary to provide a competitive playing field for small producers, as well as to win support for the overall measure.

Both the House and Senate measures would reduce the income tax rate for manufacturers from 35 percent to 32 percent by 2008, and include a special one-year 5.25

percent income tax rate for companies that repatriate foreign earnings.

It is unclear if House-Senate negotiators will be able to resolve their differences during the current congressional session.

USAID FACT SHEET OUTLINES AGRICULTURAL BIOTECHNOLOGY BASICS

Millions of farmers worldwide now plant biotech crops, agency says

The U.S. Agency for International Development (USAID) has issued a series of six fact sheets outlining the key issues related to products derived from modern biotechnology. The first fact sheet defines agricultural biotechnology.

Following is the text of the first fact sheet:

U.S. Agency for International Development (USAID)
June 2004

WHAT IS AGRICULTURAL BIOTECHNOLOGY?

For about 10,000 years, farmers have been improving wild plants and animals through the selection and breeding of desirable characteristics. This breeding has resulted in the domesticated plants and animals that are commonly used in crop and livestock agriculture. In the twentieth century, breeding became more sophisticated, as the traits that breeders select for include increased yield, disease and pest resistance, drought resistance and enhanced flavor. Traits are passed from one generation to the next through genes, which are made of DNA. All living things -- including the fruits, vegetables and meat that we eat -- contain genes that tell cells how to function. Recently, scientists have learned enough to begin to identify and work with the genes (DNA) that are responsible for traits.

Agricultural biotechnology is a collection of scientific techniques used to improve plants, animals and microorganisms. Based on an understanding of DNA, scientists have developed solutions to increase agricultural pro-

ductivity. Starting from the ability to identify genes that may confer advantages on certain crops, and the ability to work with such characteristics very precisely, biotechnology enhances breeders' ability to make improvements in crops and livestock. Biotechnology enables improvements that are not possible with traditional crossing of related species alone.

HOW IS AGRICULTURAL BIOTECHNOLOGY USED?

Genetic engineering: Scientists have learned how to move genes from one organism to another. This has been called genetic modification (GM), genetic engineering (GE) or genetic improvement (GI). Regardless of the name, the process allows the transfer of useful characteristics (such as resistance to a disease) into a plant, animal or microorganism by inserting genes (DNA) from another organism. Virtually all crops improved with transferred DNA (often called GM crops or GMOs) to date have been developed to aid farmers to increase productivity by reducing crop damage from weeds, diseases or insects.

Molecular markers: Traditional breeding involves selection of individual plants or animals based on visible or measurable traits. By examining the DNA of an organism, scientists can use molecular markers to select plants or animals that possess a desirable gene, even in the absence of a visible trait. Thus, breeding is more precise and efficient. For example, the International Institute of Tropical Agriculture has used molecular markers to obtain cowpea resistant to bruchid (a beetle), disease-resistant white yam and cassava resistant to Cassava Mosaic Disease, among others. Another use of molecular markers is to identify undesirable genes that can be eliminated in future generations.

Molecular diagnostics: Molecular diagnostics are methods to detect genes or gene products that are very precise and specific. Molecular diagnostics are used in agriculture to more accurately diagnose crop/livestock diseases.

Vaccines: Biotechnology-derived vaccines are used in livestock and humans. They may be cheaper, better and/or safer than traditional vaccines. They are also stable at room temperature, and do not need refrigerated storage; this is an important advantage for smallholders in tropical countries. Some are new vaccines, which offer protection for the first time against some infectious illnesses. For example, in the Philippines, biotechnology has been used to develop an improved vaccine to protect

cattle and water buffalo against hemorrhagic septicemia, a leading cause of death for both species.

Tissue culture: Tissue culture is the regeneration of plants in the laboratory from disease-free plant parts. This technique allows for the reproduction of disease-free planting material for crops. Examples of crops produced using tissue culture include citrus, pineapples, avocados, mangoes, bananas, coffee and papaya.

HOW LONG HAS BIOTECHNOLOGY BEEN USED IN AGRICULTURE AND FOOD PRODUCTION?

The first food product of biotechnology (an enzyme used in cheese production and a yeast used for baking) appeared on the market in 1990. Since 1995, farmers have been growing GE crops. In 2003, 7 million farmers in 18 countries -- more than 85 percent of them resource-poor farmers in the developing world -- were planting biotech crops. Almost one third of the global biotech crop area was grown in developing countries.

WILL AGRICULTURAL BIOTECHNOLOGY HAVE ECONOMIC AND SOCIAL IMPACTS?

A safe and sufficient food supply, grown in an environmentally responsible fashion is essential for humanity. Like any technology, agricultural biotechnology will have economic and social impacts. Since their introduction, crops improved using biotechnology have been used safely, with benefits such as the reduction of pesticide use. Agricultural biotechnology is only one factor among many influencing the health and welfare of farmers and other citizens in the developing world. As biotechnology continues to evolve, factual and open public discourse is vital to define the role it should play in Society.

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U.S. PRESENTS 10-POINT ACTION PLAN AGAINST INTERNET HATE CRIMES

Amb. Stephan Minikes addresses final session of OSCE conference

The United States has proposed a 10-point action plan to the Organization for Security and Cooperation in Europe (OSCE) for addressing the profusion of racist, xenophobic and anti-Semitic propaganda on the Internet.

The action plan was presented by U.S. Ambassador to the OSCE Stephan Minikes at the closing session of an OSCE-sponsored conference on hate speech, hate crime and the Internet June 17 in Paris.

The plan urges OSCE states to prosecute criminal threats of violence on the Internet and to collect and publish data on hate crimes, while nongovernmental organizations (NGOs) are urged to increase their monitoring of the Internet and parents are urged to avail themselves of filtering software that enables them to exercise greater supervision over their children's use of the Internet.

It also calls on states "to ensure that the Internet remains an open and public forum for the airing of all viewpoints."

Minikes acknowledged in his opening remarks differences in the ways OSCE states view government regulation of objectionable speech, with the United States in favor of confronting bigotry in the marketplace of ideas rather than suppressing it.

"Today, the Internet, like the printing press, can be used to promote unpopular ideas," he said. "However, the United States believes that ultimately the ability of the Internet to promote discourse and disseminate ideas is

the very solution to -- and not a problem in -- the fight against racism, xenophobia, and anti-Semitism."

Minikes also pointed out broad areas of consensus at the conference on how to handle objectionable material on the Internet, and said those ideas provided much of the basis for the United States' proposed action plan.

For example, he noted that the conference participants agreed on the need for further study on the relationship between online hate speech and bias-motivated crimes; the importance of educating children about the falsehoods in hate speech; the important role played by industry and nongovernmental organizations in monitoring and countering hate speech; and the need for governments to prosecute bias-motivated crime -- and where appropriate, criminal threats posted on the Internet.

U.S. Delegation Ten-Point Action Plan

1. Participating States should take action to ensure that the Internet remains an open and public forum for the airing of all viewpoints and to foster access to the Internet both in homes and in schools.
2. Participating States should vigorously investigate and, where appropriate, fully prosecute bias-motivated violence and criminal threats of violence on the Internet.
3. The OSCE Representative on Freedom of the Media should study whether laws prohibiting bias-motivated speech are being enforced in a discriminatory or selective manner or are being misused in any nation as a means of silencing government critics and suppressing political dissent.
4. Participating States should study the effectiveness of laws regulating Internet content, specifically with regard to their effect on the rate of racist, xenophobic, anti-Semitic crimes.
5. Analytically rigorous studies should be conducted of the possible relationship between racist, xenophobic, and anti-Semitic speech on the Internet and the commission of bias-motivated crimes.
6. Participating States should collect information concerning incidents of bias-motivated crimes and publish a report on an annual basis summarizing this data.

7. Participating States should support the establishment of programs to educate children about bias-motivated expression they may encounter on the Internet. Materials from successful educational programs should be widely disseminated.

8. Participating States and ISPs should take steps to increase parental awareness of widely available filtering software that enables parents to exercise greater supervision and control over their children's use of the Internet.

9. NGOs should continue and increase their efforts to monitor the Internet for, share, and publicize their finding of racist, xenophobic, and anti-Semitic content.

10. Participating States should train investigators and prosecutors on how to address bias-motivated crimes on the Internet

U.S. TRADE AGENCY SAYS "NO" TO ANTI-SPAM E-MAIL PLAN

Establishing e-mail authentication system is first step, FTC reports

The U.S. Federal Trade Commission is telling the U.S. Congress that a proposed plan to protect Internet users from unwanted, unsolicited e-mail (spam) is not a good idea right now.

In a June 15 report, the FTC said the success of an anti-spam registry will depend on development of a system for authenticating the source of e-mail. The agency recommends a program to encourage the widespread adoption of standards that will prevent the falsification of the origin of e-mail messages and help law enforcement personnel, Internet service providers and computer users to identify spam.

Congress asked the FTC to conduct the study after witnessing the national success and popularity of the "Do Not Call" Registry. This system, implemented in 2003, allows consumers to ban telemarketers from calling them by registering their telephone numbers on a national list maintained by the FTC.

A comparable "Do Not E-Mail" registry could not be enforced and could make the problem worse, according to the findings reported in an FTC press release. After consultation with some of the nation's largest Internet, computer and database management firms, the FTC concluded that the security, privacy and effectiveness of a "Do Not E-Mail" registry could not be assured without universal e-mail authentication standards.

Without improved security, the FTC study also suggested, spammers might be able to invade an e-mail registry and use the addresses to spread even more spam and make the problem worse.

The full FTC report is available at:
<http://www.ftc.gov/reports/dneregistry/report.pdf>

Please Note: Most texts and transcripts mentioned in the U.S. Mission Daily Bulletin are available via our homepage www.usmission.ch. Select "Washington File" from the drop-down menu under "News."