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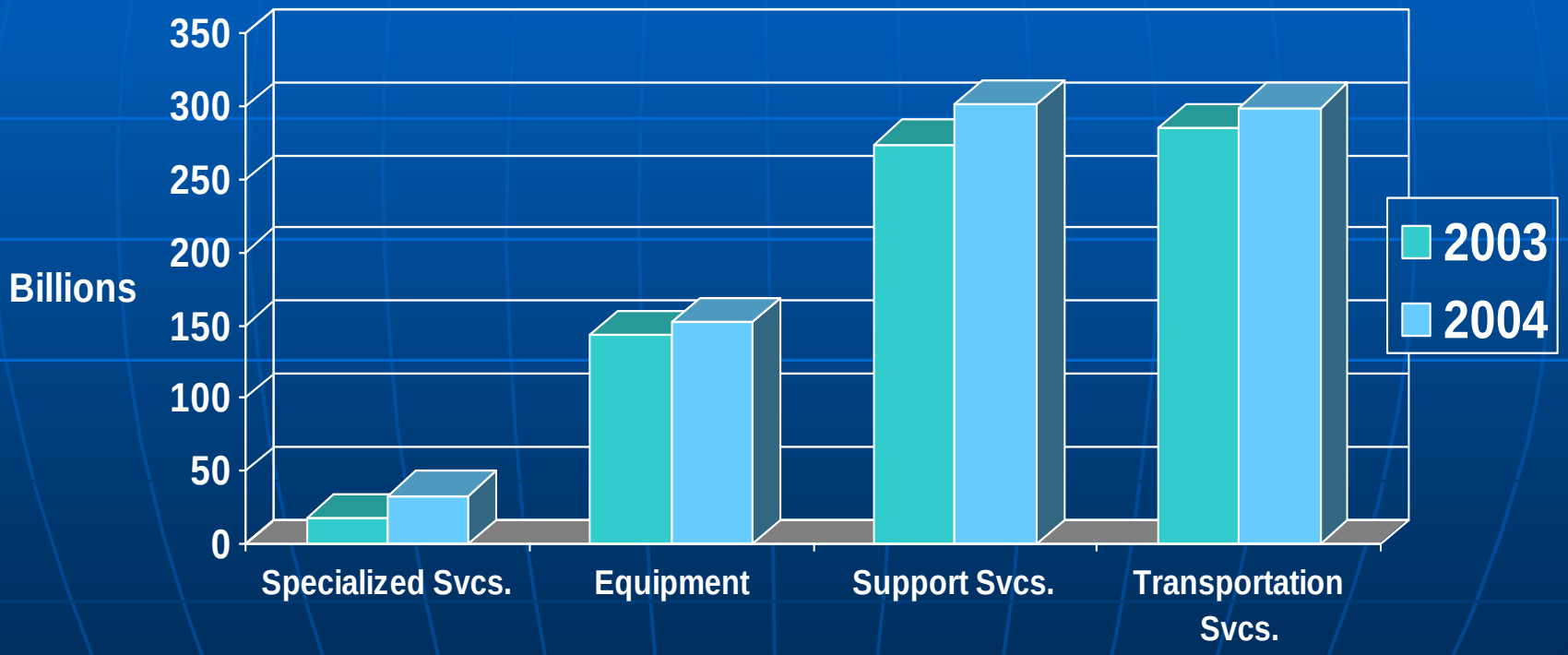
The United States and Europe: Engines For World Growth

- As of 2003 → $580 billion in annual two-way trade and $1.7 trillion in two-way stock direct investment.
- The U.S. asset base in the European Union (EU) is greater than in Latin America, Africa, Asia, and the Middle East combined.
- US/EU represents the largest business relationship in the world → 12 million people are employed in the U.S. and 12 million people are employed in the EU whose jobs rely on this business relationship.
- Together, the U.S. and the EU generate over 41% of the world's economic output, as measured in Gross Domestic Product, as well as 41% of the world's wealth.

U.S. Telecom Market Continues to Grow…

2004 Total: $784.5 billion (7.9% growth over 2003)
2003 Total: $720.5 billion (4.7% growth over 2002)

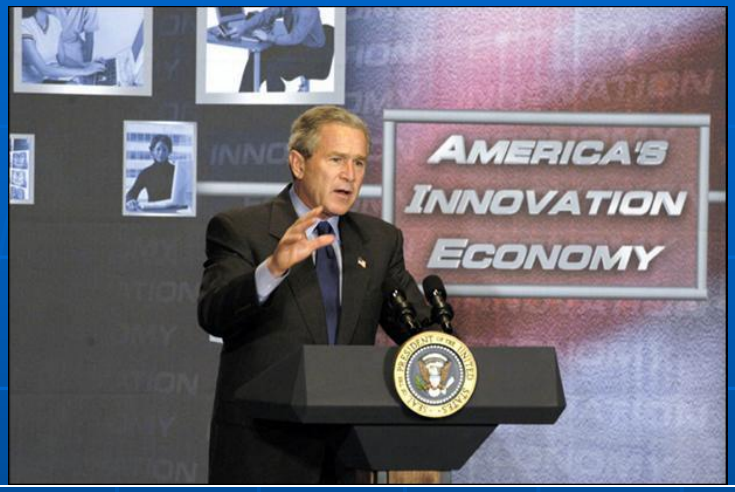


Source: *TIA's 2004 and 2005 Telecommunications Market Review and Forecast*

ICT Investment Drives Productivity

- U.S. productivity grew 4.7% in Q3-2005 and has grown 3.1% over the past four quarters. From December 2000 to December 2004, productivity grew at its fastest 4-year rate in over 50 years.
- From 1Q03-1Q05, major segments of IT investment spending grew between 22% and 48%. IT contributed 8.0% in 2003 and 12.0% in 2004 to the rise in GDP. Private fixed investment reached over $2 trillion in 1Q05—a 13.1% increase over 1Q04.
- ICT investment has been a driver of growth around the world, not just in the U.S.:
  - In OECD countries, ICT investment typically accounted for between .3 and .8% growth in GDP during 1995-2001.
  - During the period 1995-2003, US average labor productivity (ALP) increased at an average annual growth rate of 3.06% - more than double that of the previous 22 years (1973-1995). Nearly half (47%) of ALP growth was due to IT contributions to capital deepening and total factor productivity (TFP). (Source: Progress & Freedom Foundation, Digital Economy Fact Book, 7th edition, 2005)

The President's Broadband Vision



President Bush speaking at the U.S. Department of Commerce June 24, 2004

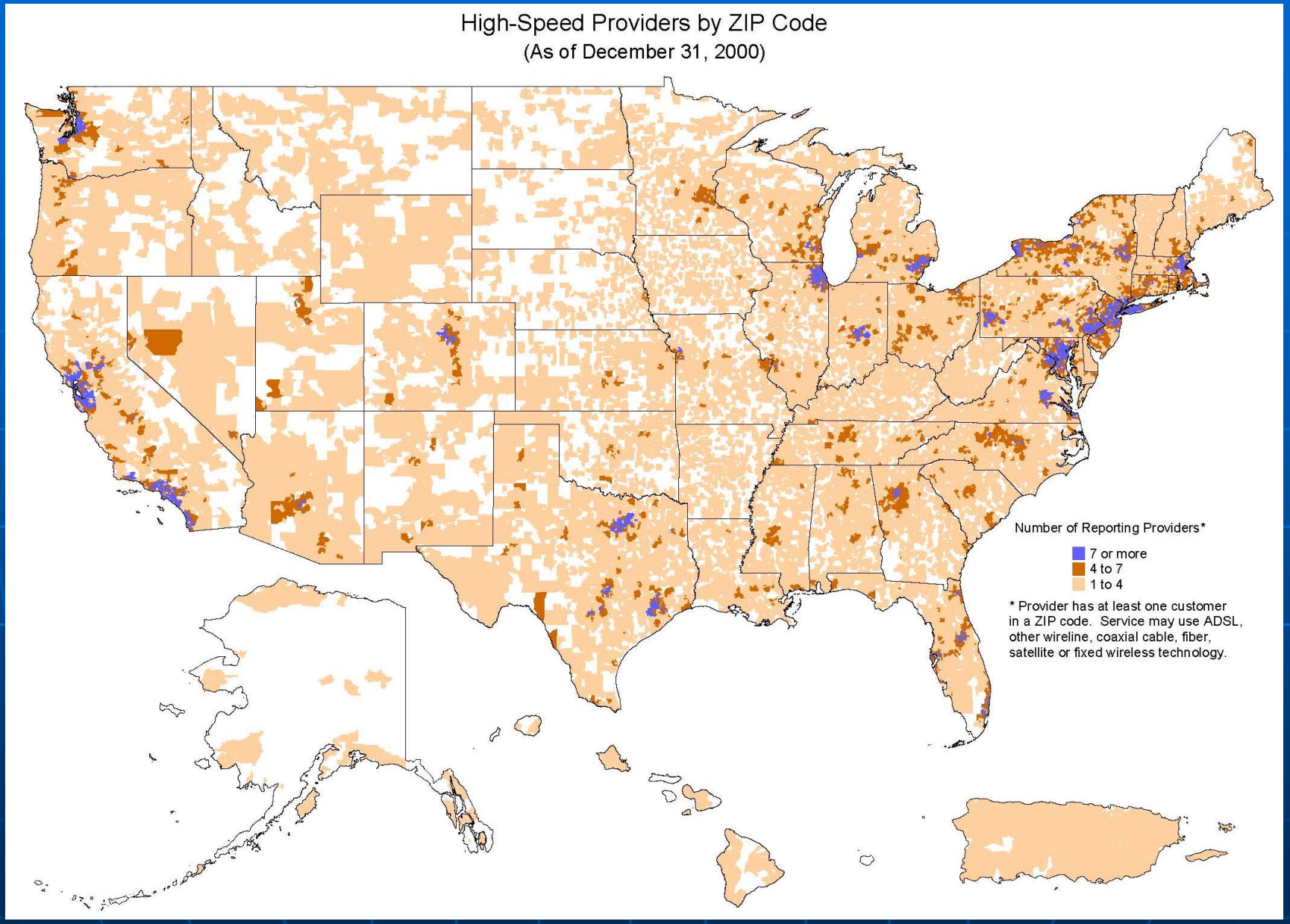
"This country needs a national goal for broadband technology . . . universal, affordable access for broadband technology by 2007."

– President George W. Bush, Albuquerque, NM, March 26, 2004

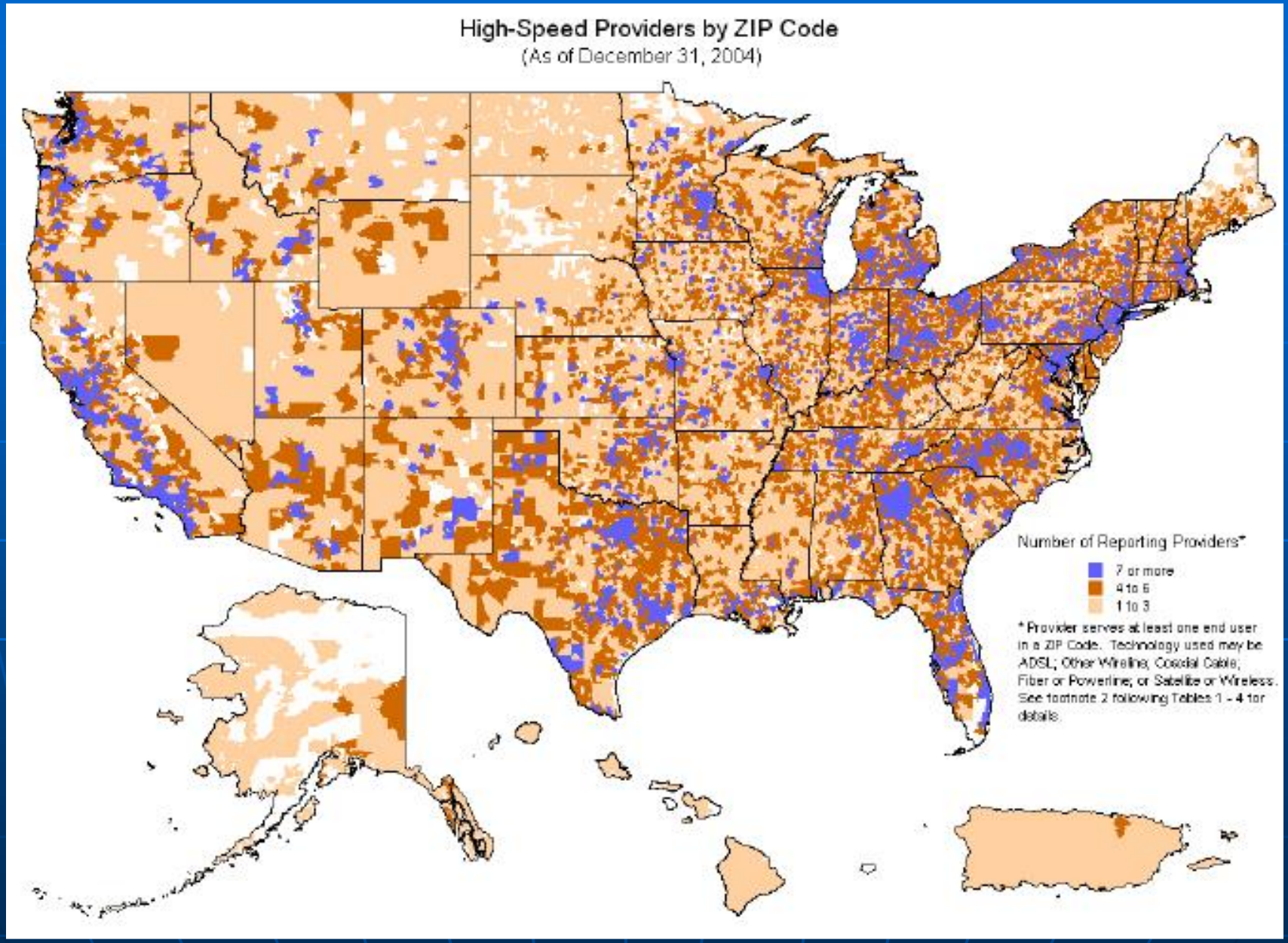
Government's Role

"The role of government is not to create wealth; the role of our government is to create an environment in which the entrepreneur can flourish, in which minds can expand, in which technologies can reach new frontiers."

– President George W. Bush, Technology Agenda, November, 2002


High-Speed Providers by ZIP Code
(As of December 31, 2000)
Number of Reporting Providers*
7 or more
4 to 7
1 to 4
* Provider has at least one customer in a ZIP code. Service may use ADSL, other wireline, coaxial cable, fiber, satellite or fixed wireless technology.

Source: FCC


High-Speed Providers by ZIP Code
(As of December 31, 2004)
Number of Reporting Providers*
7 or more
4 to 6
1 to 3
* Provider serves at least one end user in a ZIP Code. Technology used may be ADSL; Other Wireline; Coaxial Cable; Fiber or Powerline; or Satellite or Wireless. See footnote 2 following Tables 1 - 4 for details.

Source: FCC

U.S. Priorities

- President Bush has a vision for making advanced technologies available to all Americans – by creating the economic and regulatory environment to enhance competition and promote innovation.
- The telecom sector is growing dynamically, and many new technologies show great potential for expanding broadband deployment. IP services are having a very dramatic and positive impact on the U.S. economy.
- This Administration is committed to spectrum and broadband policies that create a domestic and international environment for economic growth by removing barriers to the implementation of U.S. technologies and services.
- The President's goal will ensure that all Americans have the personal and economic benefits of high-speed Internet applications and services.

Technology's Evolution

- **1969** → ARPANET
- **1971** → World's first microprocessor developed
- **1973** → Cell phones invented, available to the public in 1977
- **1984** → Internet named and switches to TCP/IP
- **1985** → 599 cell sites
- **1989** → WWW created
- **1992** → Digital cellular telephone system
- **1993** → 52MB additional RAM for PCs cost $1800
- **1995** → 257 million personal computers (PC) in use worldwide; average PC cost $1500 (including peripherals); 16 million Internet users worldwide
- **1999** → 375 million wireless subscribers worldwide (76 million U.S. subscribers)
- **2000** → More people watch cable television than broadcast channels
- **2002** → Wireless subscribers surpass fixed telephone line subscribers
- **2004** → Broadband subscribers surpass dial-up subscribers; more chips sold for PC use than business use
- **TODAY** →
  - Over 964 million Internet users worldwide
  - 1.4 billion wireless subscribers worldwide (194.5 million U.S. subscribers)
  - 178,025 cell sites
  - Smart phones bundled with Internet, email, text messaging, MP3 player, ring tones, digital camera, video/video messaging, and location capability
  - PDAs incorporate Wi-Fi and Bluetooth technologies (i.e. Hewlett Packard IPAQ x2000)
  - 820 million PCs in use worldwide – projected to surpass 1 billion by 2007
  - Average PC cost $841 (including peripherals) – dell.com desktops start at $379
  - RAM costs less than one-hundredth what it did in 1993

Shared Challenges Ahead

- We are making strides on both sides of the Atlantic.
- We need to continue to work together to promote free trade, private capital, entrepreneurship and support for private sector innovation.
- It is important to maintain a regulatory environment that allows the private sector do what it does best -- create jobs, drive capital investment, boost markets, and grow our economies.
- Secretary Gutierrez is committed to achieving the objectives of the EU-US TransAtlantic Agenda for Innovation Cooperation and recently participated in the November US-EU Ministerial in Brussels.