



Annual Report
2004

G | M | F The German Marshall Fund
of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

A B O U T G M F

***T**he German Marshall Fund of the United States (GMF) is an American public policy and grantmaking institution dedicated to promoting greater cooperation and understanding between the United States and Europe.*

GMF does this by supporting individuals and institutions working on transatlantic issues, by convening leaders to discuss the most pressing transatlantic themes, and by examining ways in which transatlantic cooperation can address a variety of global policy challenges. In addition, GMF supports a number of initiatives to strengthen democracies.

Founded in 1972 through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has five offices in Europe: Belgrade, Berlin, Bratislava, Brussels, and Paris.



2004

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LETTER FROM THE PRESIDENT

For the past three years, American and European policymakers have been at odds over Iraq, the role of the UN, and an assortment of other issues, big and small. This atmosphere of contention has transcended the political elite and now infects, to varying degrees, the general citizenry on both sides of the Atlantic. While anti-Americanism is not a new phenomenon in Europe, we are now experiencing an extraordinary upsurge in hostility toward the United States, its policies, and its leaders. Likewise, many Americans now hold similarly strong feelings toward France, if not all of Europe. Such antipathy toward a major European country is unprecedented in the post-World War II era.

Does this growing citizen estrangement really matter? Many experts dismiss public opinion as interesting but largely irrelevant to the course of U.S.–European cooperation. They argue that the political and policy elite operates mostly independently from the passions and antagonisms of the general public. For example, despite bouts of anti-Americanism during the 1970s and 1980s, European leaders were willing and able to work closely with the United States. In the aftermath of World War II, many Americans held strong anti-German feelings, yet this did not prevent the inclusion of Germany in NATO, the United Nations, or other postwar institutions, nor did it stop the United States from making Germany one of its closest allies. Americans and Europeans may have felt less than warm toward one another, but the necessities of the Cold War and the wisdom of our political leaders overrode public sentiment.

The fact is that public opinion makes more of a difference now than it has in the past for three reasons. First, and most obviously, the existential threat posed by the Soviet Union, which necessitated transatlantic cooperation regardless of how Europe viewed America, and vice versa, has disappeared. Second, the expansion and diversification of the news media have made citizens more aware, if not better informed, of international issues — and that awareness is now exploited by governments, politicians, nongovernmental organizations, and other interest groups. Finally, increased public sector transparency, combined with more aggressive media, makes it harder to obscure those situations in which policymakers decide to take positions that are manifestly in opposition to the sentiments of a majority of their constituents. Yes, Tony Blair and José María Aznar were willing to go against a large segment of their publics in support of the Iraq War, but in doing so the latter also paid a political price that few politicians are willing to bear.

If public opinion does have an influence on foreign policy, what are the prospects for U.S.–European cooperation? Will the strong emotions unleashed during this year's American and European political campaigns be a barrier to a strong strategic relationship?

Growing public antagonisms are a serious but not yet fatal problem. There remains a broad willingness and commitment to a joint agenda on many pressing issues. The positive reservoir of public goodwill built over many years has allowed the transatlantic



Craig Kennedy, president of GMF

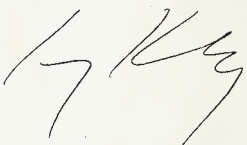
community to survive other periods of difficulty. However, these deep-rooted positive sentiments should not be taken for granted. If we do not address current concerns and antagonisms in the near future, we will find ourselves in a situation in which it will become increasingly difficult to marshal public support for common action.

GMF has taken several steps to avert such a situation. First, we have made a major commitment to better understand public opinion on both sides of the Atlantic. Our annual *Transatlantic Trends* survey has become the benchmark for evaluating citizen views on foreign policy. In 2004, we also began an annual public opinion survey on economic and trade issues, and we hope to add another on values and religion in 2005. In addition, we continue to support seminars and meetings designed to enhance understanding of public attitudes in the transatlantic community.

Second, since GMF's founding, we have focused a significant portion of our work on political leaders and journalists. At a time when politicians find anti-American or anti-European remarks a sure applause-getter, we encourage a more thoughtful and nuanced debate among policymakers on the real issues that divide the United States and Europe. In that same vein, we have made a sizable investment in journalists' quality coverage of transatlantic issues, including the annual Peter R. Weitz Journalism Prizes for outstanding writing on Europe.

Finally, we are investing in a new generation of transatlanticists. In an earlier age, we could assume that political, business, and media leaders — the people who are so important in shaping public opinion — had some appreciation for U.S.–European relations. This assumption no longer holds, and so, especially at a time of heightened tensions, opportunities for intense face-to-face interactions have become increasingly important for reducing the negative images that are forming on both sides of the Atlantic. We provide young politicians, journalists, and businesspeople from Europe and the United States an opportunity to travel and learn on the other side of the Atlantic through numerous exchange programs carried out each year.

In the not so distant past, the transatlantic alliance was a necessity forged by a common threat. Today, U.S.–European cooperation on international issues is an option that has to be chosen over and over again as new challenges emerge. We believe that this solution, uniting the major democracies of the world, is still the most effective and preferable choice for dealing with many regional and global problems. However, we also believe that this option will become less and less viable if we do not confront growing negative sentiments in the United States and Europe. GMF is a very modest institution in terms of resources, but we hope to use these capacities, in concert with other organizations and institutions, to create an honest and productive dialogue between Americans and Europeans.



Craig Kennedy, President
The German Marshall Fund of the United States

HIGHLIGHTS 2003–2004

MARSHALL FORUM ON TRANSATLANTIC AFFAIRS

The German Marshall Fund held the 2004 Marshall Forum on Transatlantic Affairs, entitled “Partnership? The United States and an Enlarging Europe in a Changing World,” April 15–18 at Schloss Elmau in Elmau, Germany. Nearly 180 American and European leaders from the political, nonprofit, media, and business fields convened, among them Marshall Memorial Fellows and members of GMF’s wider network. A delegation from the Transatlantic Policy Network and the Congressional Economic Leadership Institute participated, including members of the U.S. Congress and the European Parliament.

Among the featured speakers were Angela Merkel, chair of the German Christian Democratic Union and minority leader of the Bundestag; Gen. James Jones, supreme allied commander, Europe; Erika Mann, member of the European Parliament; Michael Enzi, U.S. senator (R-WY); Carl Bildt, former prime minister of Sweden and UN special envoy to the Balkans; and Ahmet Davutoglu, chief advisor to the prime minister of Turkey.

Throughout the weekend, conference participants examined a broad range of transatlantic issues through a series of presentations and small-group discussions. They focused on broad topics, such as transatlantic foreign and security challenges and democracy in the EU’s borderlands, and more specific issues that included democracy in the greater Middle East, religiosity among immigrants, and the relationships among security, agriculture, trade, and development policies. The conference also featured a session on the U.S. presidential election with U.S. Congressman Phil English (R-PA), German journalist Robert von Rimscha, and Gary Schmitt, executive director of the Project for the New American Century. The next Marshall Forum on Transatlantic Affairs will take place at Schloss Elmau April 7–10, 2005.

Below: Gen. James Jones speaks to the press at the 2004 Marshall Forum on Transatlantic Affairs.

Below, right: Marshall Forum participants discuss transatlantic policy in Elmau, Germany.



INTERNATIONAL COMMISSION ON THE BALKANS

In 2004, the German Marshall Fund co-sponsored the International Commission on the Balkans, an initiative to encourage American and European experts to seek solutions to unresolved issues in the Balkans and further these countries' integration into international institutions. In fall, Commission members visited Kosovo, Serbia and Montenegro, Macedonia, Albania, Croatia, and Bosnia and Herzegovina, and will issue a report in 2005.



Commission Chairman Amato

"We intend to be helpful both to the decision makers and to the societies in Southeast Europe as well as to the incoming European Commission," said Giuliano Amato, chairman of the Commission and former prime minister of Italy.

The Commission is comprised of 17 internationally renowned decision makers from Europe and the United States. Among them are former presidents Richard von Weizsäcker of Germany and Kiro Gligorov of Macedonia; former prime ministers Carl Bildt of Sweden, Jean-Luc Dehaene of Belgium, Zlatko Lagumdžija of Bosnia and Herzegovina, and Ilir Meta of Albania; the foreign minister of Romania, Mircea Geoana; the former foreign minister of Serbia and Montenegro, Goran Svilanovic; and the Slovenian EU commissioner, Janez Potocnik. The Commission is supported by the Robert Bosch Foundation (Germany), the King Baudouin Foundation (Belgium), the Charles Stewart Mott Foundation (United States), and the German Marshall Fund of the United States.

TRANSATLANTIC TRENDS 2004 PUBLIC OPINION SURVEY

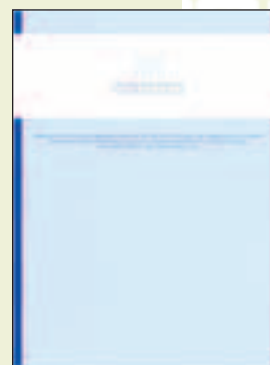
For the third year, the German Marshall Fund carried out the *Transatlantic Trends* survey of European and American views on foreign policy and of each other. The survey continues to be of significant interest to policy communities, governments, and the media on both sides of the Atlantic. Three new countries have been added to the survey — Turkey, Spain, and Slovakia — bringing to ten the number of European countries involved.

Key findings of the *Transatlantic Trends 2004* survey, which was conducted in mid-June and released in early September, were:

- The rift between Europe and the United States appears to have widened.
- Europeans disapprove of U.S. foreign policy under Bush, while Americans wish to have closer ties with Europe to help solve global problems.
- Turks are overwhelmingly in favor of EU membership largely for economic reasons, while Europeans remain ambivalent.
- Democrats closely resemble Europeans on a number of questions related to use of force, the importance of a multilateral mandate, and feelings about the UN.

A sampling of media coverage of the survey findings includes the *The Washington Post*, *The Wall Street Journal*, the *Los Angeles Times*, *The Economist*, the *Financial Times*, *La Repubblica*, *El Pais*, *Frankfurter Allgemeine Zeitung*, *Die Welt*, *Süddeutsche Zeitung*, *Welt am Sonntag*, *Le Monde*, *The Guardian*, and the BBC.

GMF partnered with Compagnia di San Paolo of Turin, Italy, and the Luso-American Foundation of Lisbon, Portugal, and was joined by the Fundación BBVA of Spain and the Institute for Public Affairs (IVO) of Slovakia.



Europa mantiene de la guerra

La encuesta muestra que los europeos mantienen una actitud ambivalente hacia la guerra en Irak, pero se muestran más favorables a la intervención de la OTAN.

País	En favor de la intervención	En contra de la intervención
Francia	51%	47%
Italia	71%	27%
Reino Unido	71%	27%
Países Bajos	61%	37%
Polonia	71%	27%
República Checa	71%	27%
Eslovenia	71%	27%
Eslovaquia	71%	27%
Turquía	71%	27%
Estados Unidos	71%	27%

HIGHLIGHTS 2003–2004

TRADE AND POVERTY FORUM CALL TO ACTION

Following the breakdown of the World Trade Organization negotiations last year in Cancún, Mexico, members of the German Marshall Fund's signature Trade and Development project, the Trade and Poverty Forum (TPF), issued a set of far-reaching recommendations intended to revive the talks as part of a global action against poverty. The Forum's Call to Action urges developed- and developing-country governments to undertake vital political, trade, and development reform measures that more

broadly distribute the benefits of the global economy to the world's poor. TPF members also announced plans to build a global coalition of businesses, NGOs, labor unions, and legislators in the United States, Europe, Japan, India, Brazil, and South Africa — an alliance that will call on their respective governments to support these recommendations. To date, the Call to Action has been endorsed by a wide range of politically diverse individuals and institutions including

United States Trade Representative Carla Hills; congressmen Cal Dooley (D-CA), Jim Kolbe (R-AZ), and Adam Smith (D-WA); the UN Millennium Development Campaign; Oxfam; the National Conference of Christian Churches; Bread for the World; the Citigroup Foundation; the Merck Foundation; and VEO-LIA Environment.

Our efforts to broaden the coalition around the Call to Action against global poverty draw upon the results of a new GMF initiative: the first public opinion survey on trade and poverty reduction issues in the United States, Great Britain, France, and Germany. The study results revealed much about the U.S. and European publics' understanding of how they are affected by changes in the global economy, including a preference for trade over aid as a means of alleviating poverty and wide public support for trade liberalization. The findings — which were well-reported in the American and European media — were presented to WTO ambassadors in Geneva in November. They are also being analyzed by the governments of Canada, France, the Netherlands, and the United Kingdom, and by the European Commission. The survey will be repeated next year and will include two additional countries.



TPF members at a meeting in Brussels, Belgium, announce a Call to Action to alleviate world poverty.

TRANSATLANTIC SPEAKER SERIES

The German Marshall Fund launched a new program to fill a gap in information sharing across the Atlantic. The program, called the Transatlantic Speaker Series, brings European intellectual and political leaders to American interest groups and policy communities outside of the government and economic hubs of New York and Washington, DC. European speakers come from top levels of leadership in the government, business, media, and NGO sectors. They travel to select cities in the United States where GMF has developed a broad base of civic leaders and partner institutions through its fellowship and practitioner-exchange programs. In 2004, the Transatlantic Speaker Series invited three speakers to the following cities:

- Hans-Ulrich Klose, member of the German Bundestag (SPD), vice chairman of the Committee on Foreign Affairs of the German Bundestag, and chairman of the German-American Parliamentary Group (January 17–24, 2004: Denver, Los Angeles, San Francisco)
- Christian Schmidt, member of the German Bundestag (CSU), defense policy spokesman of the CDU/CSU Parliamentary Group, and chairman of the German-British Parliamentary Group (February 22–28, 2004: Raleigh, Cleveland, Seattle)
- Mia Doornaert, diplomatic editor and editorial writer, *De Standaard* (Belgium) (September 25–October 2, 2004: Minneapolis, Pittsburgh, New York)

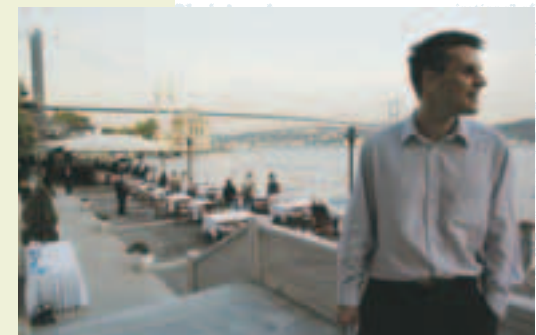
The Transatlantic Speaker Series provides a unique opportunity for both the communities and the guest speakers to participate in important transatlantic dialogues and exchanges. It gives communities across the United States firsthand exposure to the current issues, politics, and perspectives from Europe, while providing the European leaders an unusual chance to learn about the issues and concerns of local communities and regions in the United States.

TURNING AN EYE TO TURKEY

In 2004, the German Marshall Fund focused in-depth attention on the issues facing Turkey and the EU given the December decision on whether or not to start membership talks. As a result, GMF undertook many activities to increase awareness and understanding of Turkey's situation on both sides of the Atlantic.

Among these activities, GMF undertook several fact-finding trips to meet with policymakers, politicians, government officials, opposition and minority groups, and NGOs. Together with the Turkish Economic and Social Studies Foundation (TESEV), GMF organized a study tour for American and European journalists to Istanbul, Ankara, Diyarbakir, and Mardin to explore the range of issues affecting Turkish membership in the EU.

The largest and most wide-reaching of GMF's activities in Turkey was the organization, together with TESEV, of the "Atlantic Alliance at a New Crossroads" conference. It was held in the lead-up to the official NATO Summit in Istanbul and was attended by more than 100 leading scholars, journalists, and former government heads. It focused on the Alliance's overall strategic reorientation and potential new focus on areas such as the Black Sea region, Afghanistan, and possibly Iraq, and on promoting democracy in the greater Middle East. A set of policy papers called the "Istanbul Papers" and a new book on the Black Sea were presented at the conference. GMF also announced plans to open an office in Ankara and to include a Turkish scholar on its roster of Transatlantic Fellows.



Istanbul, Turkey
PHOTO: DINA RUDICK, POOL PHOTOGRAPHER



PROGRAM AREAS

The German Marshall Fund (GMF) operates in three program areas: Transatlantic Policy, Transatlantic Leaders, and Strengthening Democracies. The Transatlantic Policy program encompasses GMF's support to policy dialogues, institutions, and individuals working on a range of issues of relevance to the United States and Europe. The Transatlantic Leaders program includes study tours, fellowships, and exchange programs that promote the continuous replenishing of leaders in the United States and Europe who are knowledgeable about the other side of the Atlantic. The Strengthening Democracies program includes GMF's work in Central and Eastern Europe, the Balkans, and the Black Sea region to deepen the transitions to democracy.

TRANSATLANTIC POLICY PROGRAM

The German Marshall Fund supports American and European think tanks and policy professionals working on a wide range of foreign and domestic policy challenges that affect the transatlantic relationship. In addition, the Transatlantic Policy program promotes dialogue on important global issues impacting transatlantic policy through GMF's six offices in Europe and Washington, DC. The Transatlantic Policy program is divided into three areas: 1) **Policy dialogue** supports activities that promote sustained discussion and debate on transatlantic and global issues. These activities are conducted both by GMF and by partner institutions. 2) **Support for institutions** is channeled primarily through GMF's various Key Institution programs in the areas of foreign policy, Central and Eastern Europe, and immigration and integration. 3) **Support for individuals** is provided through a variety of fellowship programs for policy professionals.

POLICY DIALOGUE

NATO SUMMIT

The German Marshall Fund and the Turkish Economic and Social Studies Foundation (TESEV) co-sponsored an international policy conference entitled "The Atlantic Alliance at a New Crossroads" June 25–27, 2004, in Istanbul, Turkey. The conference took place in the run-up to the NATO Summit and was made possible through core sponsorship from GMF and DaimlerChrysler, with additional support from PAREX Bank. With more than 50 heads of state and several thousand journalists attending the NATO Summit, Istanbul offered a unique opportunity to

highlight GMF's role in promoting a dialogue on how the United States and Europe can come together to maintain peace and security in Europe and reorient the Alliance to face new challenges emanating from beyond the continent, including those from the greater Middle East.

More than 100 leading scholars, journalists, and former government heads attended the Atlantic Alliance conference. Keynote speakers included Turkish Prime Minister Tayyip Erdoğan, NATO Secretary General Jaap de Hoop Scheffer, Senate Majority Leader Bill Frist (R-TN), and the chairman of the Senate Foreign Relations Committee, Senator Richard Lugar (R-IN). Other VIP speakers included Georgian President Mikhail Saakashvili, Azerbaijani President Ilham Aliiev, and Turkish Foreign Minister Abdullah Gül.

Themes highlighted included the Alliance's overall strategic reorientation, a new Euro-Atlantic strategy for the Black Sea region, and NATO's future role in Afghanistan and possibly Iraq, as well as how the West can promote democracy in the greater Middle East. Additionally, GMF presented a set of scholarly policy papers — called the "Istanbul Papers" — on a number of these issues, as well as a new book on the Black Sea region. The conference, as well as these publications, has attracted considerable attention and continues to play an important role as a reference point in the evolving debate.



Opposite page, left: Marshall Memorial Fellows Emmanuel Faux, György Kakuk, and Rosemarijn Vermeij at the 2004 Marshall Forum on Transatlantic Affairs in Elmau, Germany; middle: Parliament building in Hungary, one of the ten countries to join the EU in 2004; right: Third annual Bundestag Forum on the United States in Berlin, Germany

Left: Turkish Prime Minister Tayyip Erdoğan addresses the "Atlantic Alliance at a New Crossroads" conference in Istanbul.

POLICY DIALOGUE *continued*

TRADE AND DEVELOPMENT PROGRAM

North Atlantic democracies have been the principal driving force in the effort to integrate global markets for nearly half a century, but in recent years important constituencies in Europe and the United States have begun to question whether globalization has gone too far. The list of politically toxic issues — such as “outsourcing” — has been growing, which has slowed the pace of economic integration and added weight to other strains on the transatlantic relationship. The successful negotiation of an agreement in the Doha Round acceptable to the United States, Europe, and developing countries is becoming increasingly important to achieving progress on economic integration and the alleviation of global poverty.

Two of the most crucial issues on the table at the World Trade Organization are agricultural liberalization both in the advanced industrial countries and in the developing world; and special and differential treatment — preferential rules, concessions, and assistance for poor countries. As part of an effort to move a pro-development trade liberalization agenda forward, the German Marshall Fund’s Trade and Development program will focus on promoting dialogue, transatlantic cooperation, and shared leadership in these areas, as well as following through in terms of needed domestic policy reforms in Europe and in the United States.

In July 2004, the William and Flora Hewlett Foundation announced a two-year, \$2.6 million grant to GMF, the largest contribution to the Trade and Development program to date. Taken together with support from the Rockefeller Foundation, the Bill & Melinda Gates Foundation, the Citigroup Foundation, and the Merck Foundation, it gives a major boost to GMF’s economics programming, building on the Trade and Poverty Forum’s (TPF) work to integrate trade, agriculture, and development issues into GMF’s core programs. This year, GMF took a group of journalists to India to look at agricultural issues (Brazil is on the agenda for 2005), held a successful TPF meeting in Brussels, and conducted a public opinion survey on trade and poverty reduction.

BUNDESTAG FORUM ON THE UNITED STATES

The German Marshall Fund held the third annual Bundestag Forum on the United States May 27–28, 2004, in Berlin, six months before the U.S. presidential election. The Forum provides an important opportunity for a diverse group of first-rate U.S. thinkers to debate American politics in the German capital. This year’s topic, “Is the Transatlantic Rift Over? The U.S. Perspective in 2004 and Beyond,” focused on the future of transatlantic relations. It featured lively discussion among a diverse group of roughly 150 parliamentarians, opinion leaders, and decision makers from the United States and Germany.

GMF co-chairman Guido Goldman and Deutsche Bank Managing Director Hanns-Michael Hölz served as the Forum’s hosts and moderators. Ronald D. Asmus, senior transatlantic fellow with GMF, opened the Forum with a dinner address on how U.S. foreign policy would change if John F. Kerry were to be elected. The second day of the Forum kicked off with a presentation by William Kristol, chairman of the Project for the New American Century and editor of the influential Washington, DC-based political magazine *The Weekly Standard*, called “A Conservative Perspective on the Transatlantic Partnership.” John C. Hulsman, research fellow at The Heritage Foundation, and G. John Ikenberry, Peter F. Krogh Professor of Geopolitics and Global Justice at Georgetown University, followed

The Trade and Development journalism study tour to India included a visit to a produce market.
PHOTO: GLEN STUBBE,
POOL PHOTOGRAPHER





Panelists John C. Hulsman, Guido Goldman, Hans-Ulrich Klose, William Kristol, Heike MacKerron, G. John Ikenberry, and John F. Harris at the third annual Bundestag Forum on the United States.

with a discussion on the United States and multilateralism. The Forum concluded with a presentation by John F. Harris, political correspondent at *The Washington Post*, on “Who Will Win? Trends in the U.S. Presidential Race,” followed by a debate during lunch.

Deutsche Bank AG sponsored the Bundestag Forum for the third year in a row, with additional financial and logistical support provided by the German-American Parliamentary Group, the Foreign Relations Committee of the German Bundestag, and the International Relations Division of the German Bundestag. The fourth Bundestag Forum on the United States will be held in Berlin, June 2–3, 2005.

BLACK SEA CONFERENCE SERIES

The German Marshall Fund launched a series of Black Sea conferences in recognition of both the growing strategic importance of the region and the lack of coherent Western strategy toward it. A series of historically unprecedented events put the wider Black Sea region onto the West’s radar. The successful integration of Central and Eastern European countries, stretching from the Baltic to the Black Sea, into Euro-Atlantic institutions marked the end of the grand historical project of the 1990s. Moreover, the terrorist attacks of 9/11 and 3/11 underscored new dangers emanating from beyond the continent, in particular from the greater Middle East. As opposed to being viewed as distant points on the periphery of Europe, the wider

Black Sea region is now seen as a crucial part of the Euro-Atlantic community’s southern flank buttressing against a potentially unstable greater Middle East.

GMF’s goal in this project was to bring together the best and brightest thinkers on the region to sketch out the rationale and contours of what could and should constitute a new and more engaged Euro-Atlantic strategy to anchor the countries of the Black Sea region more closely to the West. As a result, two publications were produced — Istanbul Paper #2, entitled “Developing a New Euro-Atlantic Strategy for the Black Sea Region,” and a book edited by Ronald D. Asmus, Konstantin Dimitrov, and Joerg Forbrigg, entitled *A New Euro-Atlantic Strategy for the Black Sea Region*. Both were presented in June 2004 at the “Atlantic Alliance at a New Crossroads” conference sponsored by GMF and TESEV on the eve of the NATO Summit in Istanbul, Turkey. Both publications have since received considerable attention and generated much discussion and debate on both sides of the Atlantic, including on Capitol Hill. Along with the networking that resulted from the seminar series, these publications have established GMF as an important interlocutor on these issues in the region.



POLICY DIALOGUE *continued*

U.S.–EU SUMMIT THINK TANK SYMPOSIUM

With support from the European Commission, the German Marshall Fund, and the Irish Institute for European Affairs, the second annual U.S.–EU Summit Think Tank Symposium took place June 13–14, 2004. The one-and-a-half-day conference for American and European scholars was held in Dublin, capping the six-month Irish presidency of the European Union.

The annual Think Tank Symposium, timed to coincide with the official U.S.–EU Summit, seeks to increase American participants' knowledge of the EU and its structure and to provide European and American think tank communities an opportunity to discuss timely and important policy issues of transatlantic concern. The 2004 Symposium focused on the consequences of EU enlargement for transatlantic relations and the development of a new European global strategy. Some 35 European and American foreign policy analysts, professors, and media representatives from 17 countries engaged in an open and frank dialogue on the future of the U.S.–European relationship.



Dan Twining and Ulrike Guérot with participants of the second annual U.S.–EU Summit Think Tank Symposium in Dublin, Ireland.



Irish Deputy Prime Minister Mary Harney

Representing the host government, the Hon. Mary Harney, Irish deputy prime minister and minister for enterprise, trade, and employment, gave the keynote address on what an enlarged Europe means for the United States. U.S. Ambassador to Ireland James Kenny joined Ms. Harney in wel-

coming participants to the symposium. Panelists at the conference spoke on various aspects of the transatlantic relationship, including: how cooperative U.S. and European trade policies can help developing countries surrounding the EU; the development of security policy between NATO and the European Security and Defense Policy (ESDP); transatlantic engagement in the greater Middle East; and American and European strategies for Russia's place in the international system.

Among the presenters were Mark Leonard, director of the Foreign Policy Centre in London; Walter Russell Mead, senior fellow for U.S. foreign policy at the Council on Foreign Relations; Antonio Missiroli, research fellow at the European Union Institute for Security Studies in Paris; Henning Riecke, resident fellow for transatlantic security policy at the German Council on Foreign Relations; Gary Schmitt, executive director of the Project for the New American Century; and Jeremy Shapiro, director of research and fellow in foreign policy at the Brookings Institution. Papers presented at the Think Tank Symposium are available at www.gmfus.org.

WIDER EUROPE CONFERENCE

In March 2004, a few weeks before the accession of ten Central and Eastern European countries to the European Union and NATO, the German Marshall Fund partnered with the Slovak Foreign Policy Association and the Institute for Public Affairs (IVO) of Slovakia to hold an international conference in Bratislava, Slovakia. GMF's meeting of think tank and NGO officials dovetailed into a governmental conference that brought together the prime ministers of the new EU member states, two presidents from the Southern Caucasus, NATO Secretary General Jaap de Hoop Scheffer, and EU Commissioner Guenter Verheugen, to address the evolving policy agenda of the Euro-Atlantic community toward its new neighbors. Both conferences came under the umbrella idea "Towards a Wider Europe: The New Agenda," and GMF convened policy experts and analysts from more than 30 countries in Central and Eastern Europe, as well as Western states and institutions, to discuss the theme. The results of the think tank conference were then used in the governmental meeting the next day.

This think tank and experts meeting, as well as its governmental counterpart, was among the first major international conferences to focus attention on the new larger Euro-Atlantic community. The dual enlargement of the European Union and NATO this year has shifted the foreign and security policy agenda of accession countries from accession itself to the new challenges of full integration. It has also shifted the EU and NATO agendas toward new geographical and problem areas just outside the region's new borders. Considerable challenges to democracy and security loom in the immediate southern and eastern borders of the enlarged EU, specifically in the Balkans, the Black Sea region, and the Caucasus. In identifying the most crucial of these challenges, the think tank and experts meeting aimed to help set an agenda for foreign and security policy for the countries in the region, as well as for the Euro-Atlantic community more broadly.



Top: Jamie P. Shea of the NATO Public Diplomacy Division, Pavol Demeš of the German Marshall Fund, and Heather Grabbe of the European Commission address the Wider Europe conference in Bratislava, Slovakia.

Bottom: Participants of the Wider Europe conference discuss integration issues surrounding the new EU member countries.

POLICY DIALOGUE *continued*

TRANSATLANTIC JOURNALISTS FORUM

The German Marshall Fund, in cooperation with the European Commission, convened the third annual Transatlantic Journalists Forum (TJF) in Brussels, Belgium, July 11–13, 2004. This year the Forum received additional support from the U.S. Mission to the EU in Brussels. The two-day gathering provided a diverse group of American and European journalists an opportunity to get to know each other and exchange views. Much like the two previous Forums, this one enabled journalists to compare notes on press coverage of transatlantic relations and to meet with high-level policymakers and experts from Washington, DC, and Brussels.

This year's Forum focused primarily on homeland security and the differences in public perceptions and media coverage of the issue on the two sides of the Atlantic. The presentations and discussions showcased these differences, but they also highlighted how the United States and Europe can work together on addressing the global terrorist threat and bolstering security at home and abroad.

Participants were drawn from major news sources across the United States and Europe, and included journalists from the *Boston Globe*, *Miami Herald*, *Cleveland Plain Dealer*, *Dallas Morning News* and CNN on the U.S. side, and their counterparts from *Der Spiegel* (Germany), *Süddeutsche Zeitung* (Germany),



EU Commissioner Antonio Vitorino speaking at the Transatlantic Journalists Forum.

L'Express (France), *Domino Forum* (Slovakia), and Reuters Brussels, as well as anchors from Bulgarian and Romanian national TV. During panels and keynote events, they engaged in dialogue with EU commissioners Antonio Vitorino and Loyola de Palacio; Rafael Bardaji, a close associate of former Spanish President Aznar; and Frank Cilluffo, a former special assistant for homeland security to President Bush. The next Transatlantic Journalists Forum is scheduled to take place in spring 2005 in Washington, DC.

FROZEN CONFLICTS

The German Marshall Fund's Frozen Conflicts project seeks to make the resolution of Europe's frozen conflicts a primary agenda item for transatlantic cooperation and policy initiative in Washington, DC, Brussels, and key European capitals. Frozen conflicts are the ethnic and secessionist disputes sustained by Russian political and military intervention that neither Moscow nor its local partners have an interest in resolving. As Europe's last unresolved conflicts, Abkhazia, South Ossetia, Nagorno-Karabakh, and Transnistria threaten the periphery of a continent composed of secure democracies. They are an unresolved legacy of the Soviet empire and represent a critical new theater for transatlantic engagement that



Participants Boyko Vassilev, Stefano Sannino, Joy Di Benedetto, and William Drozdiak at the Transatlantic Journalists Forum in Brussels, Belgium.

promotes democracy, security, and integration into the Euro-Atlantic community.

To look further into these unresolved disputes, GMF has planned three study tours to the frozen conflict areas in Southeastern Europe — the secessionist Transnistria region of Moldova, the secessionist provinces of South Ossetia and Abkhazia in Georgia, and the disputed enclave of Nagorno-Karabakh between Armenia and Azerbaijan. In partnership with the Project on Transitional Democracies and the Lynde and Harry Bradley Foundation, GMF will sponsor these study tours for senior European and American leaders, journalists, experts, and congressional staff to understand the causes of the conflicts and to help develop a new transatlantic strategy for their resolution. In each country, the group will travel first to the capital for meetings with the president, his ministers, U.S. and European ambassadors, and leading opposition figures and independent journalists. The group will then travel to the conflict zones to meet with the secessionist leadership, NGOs, and journalists, and spend a day in the field surveying the strategic geography of each conflict. Two small research trips have already been conducted with GMF funds in preparation for the senior leader trips. On each of these trips, GMF has received the active support of the White House, the State Department, the respective U.S. ambassadors, and the president of each country, as well as leading opposition figures and journalists.



GMF's Mark Cunningham, Craig Kennedy, and Dan Twining with Bruce Jackson, president of the Project on Transitional Democracies and Amb. Alex Rondos on a study tour of the frozen conflict zone in the South Caucasus.



Ancient church in T'usheti, Georgia, near the Chechen border during a frozen conflicts trip.

SUPPORT FOR INSTITUTIONS

FOREIGN POLICY KEY INSTITUTION PROGRAM

The Foreign Policy Key Institution program is a central element of the German Marshall Fund's institutional grantmaking. These grants exemplify GMF's longstanding commitment to institutions that have demonstrated effectiveness in their research, analysis, and policy advice concerning the challenges facing the transatlantic relationship. Among the key institutions GMF supports are organizations focused on maintaining effective networks of European and American policy and opinion leaders.

GMF Foreign Policy Key Institutions are primarily think tanks with a highly respected international reputation — they are the basic pillars of the transatlantic debate. These institutions regularly organize transatlantic conferences, workshops, and seminars on current and timely transatlantic policy issues. They produce policy papers, reports, and policy recommendations for opinion leaders and decision makers on both sides of the Atlantic, providing them with transatlantic solutions and enriching the intellectual debate. They also tie together an outstanding network of people in the transatlantic community and help keep transatlantic discussion alive. Through its Foreign Policy Key Institution program, GMF supports the academic, intellectual, and administrative players of the transatlantic discussion and helps shape foreign policy solutions. GMF invites proposals from institutions with a strong track record of previous work on transatlantic policy issues.

CENTRAL AND EASTERN EUROPE KEY INSTITUTION PROGRAM

In 1999, the German Marshall Fund launched another Key Institution program aimed at identifying and supporting independent Central and Eastern European (CEE) public policy institutions committed to developing democratic practices and strengthening transatlantic ties. After five years, this program has developed into the backbone of GMF grantmaking in the CEE region, and it has become increasingly intertwined with other GMF activities in this part of Europe.

Unlike state-funded universities and research institutes, think tanks in the CEE region play a key role in offering independent analyses and encouraging open debate among political elites and the general public. GMF's support of these institutions allows them to deepen their transatlantic partnerships, thereby enriching their own programs and increasing American and West European partners' knowledge and understanding of Central and Eastern Europe. GMF support has significantly helped independent think tanks become an ever-stronger voice in the policy process and public debate in Central and Eastern European countries and beyond.

In 2004, GMF supported 11 institutions from Bulgaria, the Czech Republic, Poland, Romania, and Slovakia that addressed issues around the following topics: foreign and security policy, transatlantic relations, and political reform in Southeast Europe. Whether tackling questions of foreign and security policy or focusing on problems of a more domestic nature, think tanks in the region have generally realized the potential of cooperation, comparison, and exchange of experiences between both sides of the Atlantic, and they have increasingly come to make this transatlantic dimension an integral part of their work.

IMMIGRATION AND INTEGRATION KEY INSTITUTION PROGRAM

The German Marshall Fund's Immigration and Integration Key Institution program seeks to enhance understanding, among American and European policy and decision makers, opinion leaders, the media, and civil society organizations, of the challenges and opportunities that increased immigration poses for societies. In light of new security threats, GMF also strives to help shape the relationship between Islam and the West in order to improve integration of democratic Muslim communities.

GMF does both largely through its Key Institution program, which provides institutional support for comparative research and its dissemination on immigration and integration policies. In 2004, GMF supported the activities of six immigration and integration policy institutes:

1. European Forum for Migration Studies, University of Bamberg — “Transatlantic Discourse on Integration” briefings in Berlin on barriers to integration and efforts to remove them; the roles of state and civil society in the integration of migrants; amnesty for illegal migrants; and education.
2. Institute for the Study of International Migration, Georgetown University — policy briefings on a new temporary worker program (Mexico City); integration of immigrant children and adolescents (Washington, DC); and victims of trafficking (Houston, Texas).
3. University of California, Davis — “Migration Dialogue” seminar on the implications of EU enlargement for immigration trends in the EU member states (Vienna–Bratislava), and research and preparation for a seminar and trip to Toronto, Canada.
4. Migration Policy Group — Transatlantic Dialogue in Brussels for international experts to debate the relationship between migration and foreign policies in five European countries, the EU, and the United States.
5. The Center for International and European Law on Immigration and Asylum, University of Konstanz — Migration Policy Forums in Berlin for EU and German policymakers to debate policy developments in their governments and an “EU–U.S. Cooperation Program” in Washington, DC.
6. Centre d’Étude des Politique d’Immigration, d’Intégration et de Citoyenneté (CEPIC), University of Paris, Sorbonne — research on the impact of new migrants on secularization in Europe and North America.

FOREIGN POLICY KEY INSTITUTIONS

American Council on Germany — New York, New York

American Enterprise Institute — Washington, DC

American Institute for Contemporary German Studies — Washington, DC

Aspen Institute Berlin — Berlin, Germany

Atlantic Council of the United States — Washington, DC

Brookings Institution — Washington, DC

Center for Strategic and International Studies — Washington, DC

Centre for European Reform — London, United Kingdom

Centrum für Angewandte Politikforschung — Munich, Germany

Congressional Study Group on Germany — Washington, DC

Council on Foreign Relations — New York, New York

Deutsche Gesellschaft für Auswärtige Politik — Berlin, Germany

European Institute — Washington, DC

Hellenic Foundation for European and Foreign Policy — Athens, Greece

Institut Français des Relations Internationales — Paris, France

Istituto Affari Internazionali — Rome, Italy

Nixon Center — Washington, DC

Project for the New American Century — Washington, DC

Stiftung Wissenschaft und Politik — Berlin, Germany

Transatlantic Policy Network — Brussels, Belgium

SUPPORT FOR INDIVIDUALS

TRANSATLANTIC FELLOWS PROGRAM

A critical part of the German Marshall Fund's capacity to engage in and contribute to important policy debates between the United States and Europe is its Transatlantic Fellows (TAF) program. GMF Transatlantic Fellows have contributed numerous articles, developed a range of programs and initiatives, and built important networks of policymakers and analysts who address a wide range of policy challenges and tensions in the transatlantic relationship. Transatlantic Fellows have focused on international security, economic development, trade, foreign policy, immigration, and many other topics important to transatlantic cooperation. Recent TAF publications have appeared in *NRC Handelsblad*, *The Washington Post*, the *International Herald Tribune*, the *Financial Times*, *Policy Review*, *Foreign Affairs*, *Die Zeit*, *The Wall Street Journal*, and many other news and opinion outlets.

Transatlantic Fellows
Jeffrey Bergner and
Patrick Weil



In addition to extensive publications, other TAF activities in 2004 included the conclusion of a speaker series called "Power, Institutions, and Legitimacy in Atlantic Relations," featuring prominent academics opining on general questions of American and European hard and soft power; a European tour by Washington, DC- and Europe-based Fellows who led policy workshops in several European capitals; and the organization of numerous roundtable discussions, seminars, and debates.



Transatlantic Fellows during the 2004 fiscal year included Ronald D. Asmus, former deputy assistant secretary of state for European affairs; John Audley, founding director of the Trade, Equity, and Development Project at the Carnegie Endowment for International Peace; Jeffrey Bergner, former chief of staff of the Senate Foreign Relations Committee; Erik Bleich, assistant professor of political science at Middlebury College; Esther Ezra, immigration

scholar at the Center for Applied Policy Research; John Harris, White House correspondent for *The Washington Post*; G. John Ikenberry, Albert G. Milbank Professor of Politics and International Affairs at Princeton University; Ethan Kapstein, Paul Dubrulle Professor of Sustainable Development at INSEAD in Fontainebleau, France; Marc Leonard, executive director of the Foreign Policy Centre in London; J. Scott Marcus, senior advisor for Internet Technology at the Federal Communications Commission; Cem Özdemir, former member of German Bundestag; Barry Posen, professor of political science at MIT; Joseph Quinlan, chief market strategist for Bank of America Capital Management; Daniel Thomas, associate professor of political science at the University of Pittsburgh; Amb. Alexandr Vondra, former deputy minister of foreign affairs for the Czech Republic; Patrick Weil, senior research fellow at the National Center for Scientific Research in Paris; and Cindy Williams, senior research fellow for security studies at MIT.

RESEARCH FELLOWSHIP PROGRAM

The German Marshall Fund's Research Fellowship program offers grants to Ph.D. candidates and senior scholars for research to improve the understanding of significant contemporary economic, political, and social developments relating to Europe, European integration, and transatlantic relations. In 2004, GMF awarded 11 fellowships from a pool of nearly 100 applicants. The award recommendations were made by a selection committee chaired by Gary Marks (University of North Carolina at Chapel Hill) and including William Adams (University of Michigan), Colleen Dunlavy (Harvard University), David Kideckel (Central Connecticut State University), Jeffrey Legro (University of Virginia), and Christopher Soper (Pepperdine University). The awards were presented for research on issues of immigration, European integration, and democratization; transatlantic cooperation on reducing foreign oil dependence; poverty in Europe; and equal rights for men and women and early childhood governance in different European countries.

Two Research Fellowship recipients, Alexander Cooley, assistant professor of political science at Barnard College, Columbia University, and Robert Rohrschneider

of Indiana University, were also selected to become Transatlantic Fellows in residence at GMF's Transatlantic Center in Brussels. Alexander Cooley will complete his study on "Democratization and U.S. Overseas Military Basing Agreements: Lessons from Southern Europe for Eastern Europe," while Robert Rohrschneider will be working on "Contested Integration: The Growing Opposition to the European Union in East-Central Europe."

JOURNALISM FELLOWSHIP PROGRAM

The German Marshall Fund created the Journalism Fellowship program in 1999 to expand the quantity and quality of European issues covered in the United States. The program's original objective — to increase the number of American journalists who report on European and transatlantic issues by giving them the opportunity to travel and report from Europe — has expanded to give Europeans an opportunity to travel to the United States and report back on U.S. issues. In this way, GMF hopes to contribute to better reporting on both sides of the Atlantic and to allow stories to be told that might not otherwise be covered.

Each year the Journalism Fellowship program allows some 20 to 30 journalists to report on a wide variety of transatlantic issues relating to economic, foreign and domestic policy concerns. In the past year, immigration and integration issues became a particular focus of the Journalism Fellowship program, with GMF supporting a report on Muslim immigrants in the Netherlands produced for PBS' "News Hour with Jim Lehrer," and the documentary "Young, Muslim, and French," which was shown on PBS' "Wide Angle." While a majority of GMF's Journalism Fellowships have gone to print journalists, there have been a number of fellowships granted to TV and radio program producers and journalists as GMF continues to work on strengthening and diversifying the fellowship program. Other examples of excellent work supported by GMF's Journalism Fellowships include Peter Savodnik's reporting from Belarus in the early summer and Nathan Hodge's reporting from Afghanistan in fall 2004, which increased the visibility of the political situations in these countries in the American press.



Above: Participants on a journalism trip to India have lunch with the Self-Employed Women's Association (SEWA) in Ahmadabad.
PHOTO: GLENN STUBBE, POOL PHOTOGRAPHER



Left: Journalists on a study tour of Turkey prior to the NATO Summit in Istanbul look at a map of the region.
PHOTO: DINA RUDICK, POOL PHOTOGRAPHER

TRANSATLANTIC LEADERS PROGRAM

Since its inception, GMF has brought Americans and Europeans together to increase understanding and to build future transatlantic networks among the political, media, business, and nonprofit communities. GMF sponsors a range of fellowship and exchange programs designed to provide both broad cultural exposure and more targeted opportunities for learning about specialized policy areas. Through the Transatlantic Leaders program, GMF directs a number of fellowship programs and leadership development initiatives to support the continued replenishment of leaders in the United States and Europe who are committed to the transatlantic relationship.

MARSHALL MEMORIAL FELLOWSHIP

The Marshall Memorial Fellowship (MMF) provides a unique opportunity for emerging leaders from the United States and Europe to explore societies, institutions, and people on the other side of the Atlantic. The MMF program, now in its 23rd year, draws Fellows from 14 European countries and the United States for a three- to four-week traveling program.

GMF awards more than 100 Marshall Memorial Fellowships each year to leaders in politics, government, business, media, and the nonprofit sector committed to strengthening the transatlantic relationship. More than 1,200 Fellows have participated in the program since its inception in 1982, creating a diverse network of transatlanticists that remain engaged through annual conferences, meetings, online communications, and involvement in other GMF program areas.

American and European Fellows each visit five or six cities per trip. They meet formally and informally with

a range of policymakers and prominent members of the business, government, political, NGO, and media communities. GMF works closely with partner institutions and individual consultants in each city, providing Fellows with an invaluable local perspective on the transatlantic and domestic issues on the agenda. In

2004, three groups of American Fellows visited 23 European cities, including Brussels, Berlin, Paris, Sofia, Athens, Amsterdam, Hamburg, Barcelona, Warsaw, and Turin. European Fellows' itineraries took them to 30 American cities and towns, including Denver, Birmingham, Seattle, Chicago, Madison, Lincoln, Boise, Cleveland, Austin, and Washington, DC. Along the way, each Fellow has the opportunity to explore his or her own professional interests beyond the group programs, which focus on a range of domestic and international policy areas.

CONGRESS–BUNDESTAG FORUM

The German Marshall Fund, in partnership with the Robert Bosch Foundation, has developed the Congress–Bundestag Forum, a program for members of the German Bundestag and the U.S. Congress to improve dialogue and cooperation between American and German policymakers. The Forum will also broaden members' knowledge of political and policy processes on the other side of the Atlantic and provide them with connections to policymakers and politicians in both countries. The first meetings took place December 9–11, 2004, in Washington, DC, and Florida.

The generous Bosch Foundation grant for the Congress–Bundestag Forum has also enabled GMF to expand other activities with the U.S. Congress and the German Bundestag. Many of the German participants in the Congress–Bundestag Forum also participate in

European MMFs at Mt. Rushmore, South Dakota.





Above, left: American MMFs visit the Olympic Stadium in Athens, Greece; Above, right: Civic leaders from Cleveland and Pittsburgh get an overview of urban development efforts in Lyon, France.

GMF's annual Bundestag Forum on the United States and regularly meet with Marshall Memorial Fellows when they are in Berlin. Formal outreach to the U.S. Congress significantly improves GMF's ability to engage policymakers across the broad spectrum of GMF program areas. As a result of GMF's work with Congress, senior congressional staff regularly meet with visiting European scholars, government officials, and representatives from nongovernmental organizations.

TRANSATLANTIC INITIATIVES FUND

The Transatlantic Initiatives Fund (TIF) is a unique partnership between the German Marshall Fund and leading U.S. and European community foundations that are committed to preparing the next generation of community leaders to work in a more global world, and that are keen to look abroad for innovative approaches to pressing issues at home.

Working closely with GMF staff, participating foundations identify major issues affecting their communities and convene a select delegation of community leaders to participate in study tours to European cities grappling with the same issues. Using its extensive network of contacts, including former Marshall Memorial Fellows, European foundation representatives, and alumni of other GMF fellowship programs, GMF designs and organizes the seven- to ten-day study tours, accompanies the group, and ensures appropriate follow-up activities such as reports and action plans.

In 2004, GMF partnered with four foundations and the Brookings Institution to study European approaches to a range of urban policy challenges:

- The Cleveland Foundation and The Pittsburgh Foundation delegations traveled to Lyon, France, and Turin, Italy, to examine those cities' approaches to urban economic development, regional governance, and neighborhood regeneration.
- Dade Community Foundation assembled a delegation of community leaders and journalists to learn how

London and Berlin are tackling the challenge of economic integration of refugees and migrants.

- The Greater Milwaukee Foundation delegation included foundation experts, an affordable-housing developer, a bank loan officer, and a senior county official on aging who studied Dutch and Danish efforts to build and adapt housing for the elderly that allows people to age at home and combat social exclusion.
- The Brookings Institution Metropolitan Policy Program assembled a delegation of national experts in urban policy to study the ongoing economic transformation of Europe's "weak market" cities and visit Brussels, Lille, Essen, and Berlin.



"This trip allowed me to gain knowledge that I will carry throughout my life. I have a better understanding of the giant country on the other side of the ocean, but my time in the States also helped me gain a fuller perspective on my own 'Old Europe' and my even older Italy."

— RAFAELLA MENICHINI, DEPUTY EDITOR OF THE FOREIGN DESK LA REPUBBLICA (EUROPEAN MMF 2003)

Greater Milwaukee Foundation trip to Amsterdam to study Dutch housing solutions for the elderly.



TRANSATLANTIC LEADERS PROGRAM *continued*

TRANSATLANTIC COMMUNITY FOUNDATION FELLOWSHIP

In June 2004, ten community foundation professionals — five Americans and five Europeans — participated in the fifth year of the Transatlantic Community Foundation Fellowship (TCFF). The program enables staff of community foundations to exchange best practices and experiences with their colleagues on the other side of the Atlantic by spending two weeks in residence with a host community foundation. This allows for direct one-on-one learning, exposing both the host institution and the Fellow to alternative means of addressing similar social and economic concerns. The broader goal of the program is to create and strengthen networks of people within the field of community philanthropy who can share their international experiences with their colleagues and thereby assist in the further development and the capacity building of the field at large. The program is coordinated in partnership with the King Baudouin Foundation (KBF) of Belgium, which manages the European portion of the exchange. The German Marshall Fund handles the American component with financial support from the Charles Stewart Mott Foundation.

JOURNALISM STUDY TOURS

The German Marshall Fund coordinates several study tours each year for American and European journalists to explore issues of transatlantic concern. These trips may be generated from GMF programs or they may be focused around an important transatlantic event such as a summit or election. The goal of each Journalism Study Tour is to support independent, balanced coverage of a transatlantic issue and provide opportunities for journalists to explore an issue that they might not otherwise be able to cover. It also serves to strengthen GMF's network of journalists interested in transatlantic issues.

One such trip this year was led by GMF's Trade and Poverty Forum in March 2004. A delegation of five European and six American journalists traveled to India — including Delhi, Ahmadabad, Hyderabad,

and Chennai — to learn about trade, agriculture, and poverty from a developing-country perspective, and to enable them to introduce this into their reporting of European and U.S. trade policies. The trip was enormously successful, and two participants wrote entire series (for the *St. Louis Post-Dispatch* and the *Minneapolis Star Tribune*, respectively) on agriculture and poverty in India and the relationship between U.S. and EU trade policies on the Indian agriculture industry and poverty. Two more trips are planned, to Brazil and South Africa, for journalists who cover agriculture, trade, and international relations.

In May, GMF organized another weeklong study tour to Turkey in preparation for the NATO Summit in Istanbul in June. The goal was to bring a group of American and European journalists to different places in Turkey to explore the issues surrounding Turkey's potential membership in the European Union and to introduce them to Turkish government, culture, and society. Ten journalists and a photographer met with members of NGOs, government, opposition and minority groups, human rights organizations, and the business community. Cities visited include Istanbul (the financial capital), Ankara (the government capital), Diyarbakir (a Kurdish city), and Mardin (an historical site close to the border with Syria). Several stories on the complexities of Turkish society, and on the pros and cons of EU membership for Turkey, were published as a result of this trip.

APSA CONGRESSIONAL FELLOWSHIP

Each year, the American Political Science Association (APSA) Congressional Fellowship program, with support from the German Marshall Fund, provides an opportunity for two mid-career German professionals to gain an insider's view of Capitol Hill through a ten-month fellowship in a U.S. congressional office. Fellows secure their own jobs as legislative assistants in Congress by contacting member offices directly. Once they obtain a position, APSA Fellows gain an intimate understanding of the functioning of the federal government as a whole. The program provides participants with a unique view into the American political process that they then take home with them.



Opposite page, Journalism Fellowship to Turkey—top: Istanbul; middle: Richard Chacon, Boston Globe; bottom: Nikolas Busse, Frankfurter Allgemeine Zeitung.

Manfred Wörner Seminar participants in Leipzig, Germany.

Two outstanding Fellows were selected for the 2003–04 APSA program: Miriam Vierreger, who in 2003 graduated from the Universitaet Bonn with a Master of Liberal Arts in North American studies and had been working as a journalist; and Nina Luttmer, also working as a journalist and a recent graduate of the University of Heidelberg. Vierreger worked in the office of Congressman Christopher Shays of Connecticut and was hired full-time as a legislative assistant following the completion of her internship; Luttmer worked in the office of Congressman Charles Rangel of New York on press issues.

MANFRED WÖRNER SEMINAR

Co-sponsored by the German Marshall Fund and the Armed Forces Office of the German Ministry of Defense, the Manfred Wörner Seminar brings together 15 young American and German professionals each year to examine German and European security policy, and to discuss common U.S.–German and U.S.–European security interests. Participants are drawn from a diverse range of professional and educational backgrounds. In 2004, American participants included representatives from the Council on Foreign Relations, the Center for the Study of the Presidency, CNN International, Reuters, the State Department, the National Security Council, the Arizona State Senate, and the Nassau County Legislature in New York State. German participants included representatives from the Christian-Albrecht University in Kiel, the German Bundestag, the Friedrich Naumann and the Konrad Adenauer foundations, the Austrian Ministry of Defense, the German Institute for International and Security Affairs, and the Geneva Center for Security Policy. The ten-day program takes place each year in three German cities — Bonn, Cologne, and Berlin — and in Brussels, Belgium, and consists of meetings with experts on security and defense in both the German–American

and European–American framework. This year’s program included briefings by senior representatives of NATO, the EU, and the German Defense Ministry. In addition, the group met with Ms. Elfi Wörner, widow of former NATO Secretary General Manfred Wörner, and with Richard von Weizsäcker, former president of the Federal Republic of Germany. The highlight of the program was a visit to the headquarters of the 13th Mechanized Infantry Division in Leipzig, where the group attended the division roll call of several new NATO contingents that were going to be deployed to Bosnia and Herzegovina, Kosovo, and Afghanistan.

Fostering the GMF Network — Maintaining an active dialogue between emerging leaders of the United States and Europe is one of GMF’s foremost goals in fostering its network. The Marshall Forum on Transatlantic Affairs, held each year in Europe, and the American MMF Seminars, organized annually by regional alumni host committees, provide the opportunity for leaders program alumni to reconvene around transatlantic themes and to make new connections. Additionally, GMF sponsors smaller, regional alumni seminars designed to address issues more specific to each region, such as stability in the Balkans, or immigration and South European countries. Finally, GMF actively involves alumni in other GMF program areas where their experience and expertise can provide an added dimension to the transatlantic debate.

“Our trip to Europe reminded us that the challenges we face are part of a global trend and the solutions will not always come from within our nation’s border. It is to our benefit to continue to pursue dialogue with our sister cities in Europe and beyond and promote learning between our countries.”

— KIM BURNETT, EXECUTIVE DIRECTOR, THE COMMUNITY DEVELOPMENT PARTNERSHIPS’ NETWORK (TIF 2004)

STRENGTHENING DEMOCRACIES

As far back as the 1980s, GMF has worked with the democracy movements of Central and Eastern Europe. Some of the countries in this region are now reaching the final stages of transition, while others still have much work to do. GMF remains active and engaged throughout Central and Eastern Europe, the Balkans, and the Black Sea region through a variety of programs supporting the continued process of democratic consolidation and the integration of the region into Euro-Atlantic structures.

BALKAN TRUST FOR DEMOCRACY

The Balkan Trust for Democracy (BTD) is a \$27 million grantmaking initiative that supports good governance in Southeastern Europe. It was made possible through a public-private partnership between the German Marshall Fund, the United States Agency for International Development, and the Charles Stewart Mott Foundation. During just one year in operation, the BTD has established itself as an effective grantmaking mechanism in support of democratic transition and institution building by distributing more than 90 grants totaling more than \$2.7 million to indigenous organizations in the Balkan region. The BTD entered its second year of this ten-year initiative by strengthening grantmaking capabilities and attracting new partners such as the Netherlands Belgrade Embassy, which made a €500,000 contribution.

In addition to grantmaking, the BTD is committed to long-term development and democratic consolidation throughout the region by working to provide important insights and promote a wide range of Balkan issues. In July, BTD's executive director, Ivan Vajvoda, testified before the U.S. Senate Foreign Relations Committee and participated in briefings at a number of U.S. congressional and policymaking venues in various countries. GMF also organized a Balkan panel during June's pre-NATO Summit conference in Istanbul, bringing together prominent policymakers and opinion leaders to discuss outstanding issues and regional cooperation.

ENVIRONMENTAL PARTNERSHIP FOUNDATIONS

In 1991, the Environmental Partnership for Central and Eastern Europe (EPCE) was launched by the German Marshall Fund, the Rockefeller Brothers Foundation, the Charles Stuart Mott Foundation, and the Atlantic Philanthropies. EPCE is a consortium of national environmental organizations focused on fostering community-based environmental action and citizen participation in Central Europe. It is comprised of six independent grantmaking and technical assistance foundations in Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia. They act both nationally and as a regional group, and focus on small-scale environmental action projects that contribute to sustainable development by reconciling social, economic, and environmental priorities. Moreover, EPCE supports bottom-up initiatives aimed at proposing alternatives to official government programs and policies, which lead to more effective sustainable development solutions at the local, regional, and national levels. The Environmental Partnership Foundations represent one of the best examples of the development of indigenous grantmaking capacity in these countries, and each year the foundations provide critical support to the improvement of environmental conditions throughout the region. Partners in the Czech Republic, Hungary, Poland, and Slovakia have now reached a level of organizational sustainability that allows them to focus continued support on the foundations in Bulgaria and Romania.

“*The Balkan Trust for Democracy is a leader in supporting local projects that reach every nook and cranny of the Balkan region, enabling positive change after so many years of decline. The Balkans are not yet an oasis of stability. But with institutions like the BTD showing the way, they will be in the years to come.*”

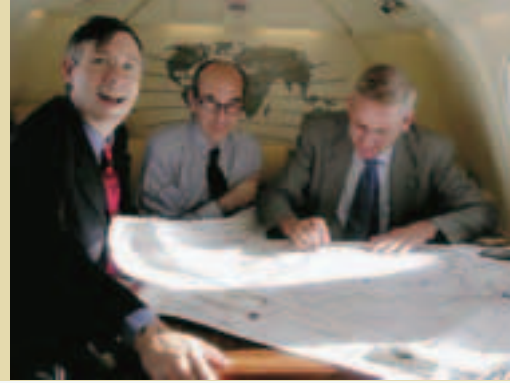
— MISHA GLENNY, AUTHOR,
*THE BALKANS, 1804–1999:
NATIONALISM, WAR AND THE
GREAT POWERS*



MMF Alumni Seminar in Prague



Members of the Albanian youth movement MJAFT protesting in Tirana for the right of journalists to work freely.



François Heisbourg of the Foundation for Strategic Research, Jean-Louis Six of the European Bank for Reconstruction and Development, and UN Special Envoy for the Balkans Carl Bildt on a Balkans study tour.

TRUST FOR CIVIL SOCIETY IN CENTRAL AND EASTERN EUROPE

The Trust for Civil Society in Central and Eastern Europe, based in Warsaw, Poland, was established in 2001 as a joint ten-year project of the German Marshall Fund, the Ford Foundation, the Charles Stewart Mott Foundation, the Open Society Institute, and the Rockefeller Brothers Foundation. Its mission is to promote the development and long-term stabilization of civil society and nongovernmental organizations in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia. The Trust provides grants to partner institutions in each country. These partner institutions then re-grant the funds in small increments to support the projects of civil society organizations. Since early 2002 the Trust has made grants to indigenous partner organizations in Bulgaria, Slovakia, the Czech Republic, Poland, Hungary, and Slovenia. The founding donors have pledged \$60.5 million to the Trust toward a goal of \$75 million. During 2005 the Trust plans to extend its activities to Romania and to be fully operational in all seven countries.

DEMOCRATIC REFORM IN BELARUS AND UKRAINE

The German Marshall Fund supports the increasing need to engage actively in wider Europe, or the regions immediately bordering the enlarged transatlantic community. In addition to longer-standing activities in the Balkans and in the Black Sea region, GMF's Bratislava office is leading the way to address the democratic reform process in Ukraine and Belarus. These post-Soviet republics are attracting growing attention from policymakers in both the United States and Europe who understand that a

democratic and stable neighborhood is vital for a strong transatlantic community. In developing assistance strategies for the two countries, GMF wishes to contribute its rich experience in supporting reform in Central Europe and its proven capacity to initiate policy dialogues. Initial activities have included organizing several meetings of policy experts from Belarus and Ukraine, Europe, and the United States; building partnerships with U.S. and European institutions interested in the region; and providing assistance to civic actors working on the parliamentary elections in Belarus and the presidential elections in Ukraine in fall 2004.

CIVIC PARTICIPATION IN SERBIA AND MONTENEGRO

The past year witnessed two elections in Serbia and Montenegro that reaffirmed the democratic path taken by this country after the political transition and exit from the Milosevic regime four years earlier. Civic organizations again played a major role in the successful elections through voter education and mobilization, and thus centrally contributed to the democratic process. The German Marshall Fund supported civic initiatives through a series of grants to indigenous civil society organizations. Among the activities supported were initiatives to monitor the platforms and behavior of political parties in the run-up to parliamentary elections, public forums and the publication of material in minority languages, and televised debate among the four most popular parties. For the presidential elections, GMF supported NGO activities to encourage public participation, including youth get-out-the-vote efforts and media campaigns to increase voter participation.

Ukrainian opposition leader Viktor Yushenko and Prime Minister Viktor Yanukovich at an international policy conference in February 2004.



GMF PARTNERSHIPS

Successful transatlantic relations depend on strong partnerships built up over time, across sectors, and between regions of the world. The German Marshall Fund (GMF) has integrated this model of partnership into its organizational strategy as a means of achieving greater cooperation between the United States, Europe, and other regions. This approach has led to the inclusion in the transatlantic community and the GMF network of a wide variety of individuals — policymakers, journalists, nonprofit leaders, business leaders — and organizations cutting across the full spectrum of society.

GMF understands the crucial role that partnerships play in affecting and addressing the concerns facing the transatlantic community. Our goal is to tackle the fundamental issues surrounding the U.S.–European relationship by drawing on a wide network of individuals and institutions on both sides of the Atlantic.

Through partnering with other organizations, GMF is able to ensure that its projects, programs, and activities bring a unique perspective and provide innovative solutions to transatlantic problems, rather than recapitulate existing work. We actively seek innovative solutions and partners with whom we can work to develop a sustainable, effective transatlantic community.

GMF pursues a variety of partnership models based on a shared vision, such as developing joint initiatives, undertaking matching funding projects, providing grants for projects carried out by other institutions and individuals, developing fully granted programs, and seeking in-kind contributions. In developing programs, GMF is careful to meet its partners' needs.

We thank all of our partners for their contributions to furthering transatlantic cooperation.

**A NUMBER OF PARTNER ORGANIZATIONS HAVE MADE
SUBSTANTIAL FINANCIAL OR IN-KIND CONTRIBUTIONS TO
GMF'S ACTIVITIES, INCLUDING**

21st Century Public Policy Institute	European Commission	Merck Foundation
American Council of Young Political Leaders	Ford Foundation	National League of Cities
Atlantic Philanthropies	Foreign Relations Committee of the German Bundestag	NATO Office of Press and Information
Bertelsmann Stiftung	Fundação Luso-Americana	Netherlands Atlantic Commission
Bill & Melinda Gates Foundation	Fundación BBVA	Netherlands Foreign Ministry
Brazilian Council on Foreign Relations	Fundación La Caixa	Open Society Institute
Brookings Institution	GE Foundation	Pacific Council on International Policy
Charles Stewart Mott Foundation	Gemeinnutzige Hertie-Stiftung	PAREX Bank
Chicago Council on Foreign Relations	George C. Marshall Fund of the Netherlands	The Pittsburgh Foundation
Citigroup Foundation	German-American Parliamentary Group	Pittsburgh Tribune-Review
The Cleveland Foundation	Greater Milwaukee Foundation	Richard & Rhoda Goldman School of Public Policy, University of California, Berkley
Commissioner of the Federal Government for Migration, Refugees and Integration, Germany	Greek Foreign Ministry	Robert Bosch Stiftung
Compagnia di San Paolo	Hubert H. Humphrey Institute of Public Policy, University of Minnesota	Rockefeller Brothers Fund
Confederation of Indian Industries	Institute for Public Affairs, Slovakia	Rockefeller Foundation
Council for the United States and Italy	Institute of Public Policy Studies, University of Denver	Royal Netherlands Embassy
Council of State Governments	International Relations Division of the German Bundestag	Southern Center for International Studies
Dade Community Foundation	International Visitors Council/World Affairs Council of Raleigh, North Carolina	Stavros S. Niarchos Foundation
DaimlerChrysler Corporation	King Baudouin Foundation	United States Agency for International Development
Daniel J. Evans School of Public Affairs, University of Washington	Koerber Stiftung	William and Flora Hewlett Foundation
Deutsche Bank	Lynde and Harry Bradley Foundation	World Affairs Council of Greater Dallas
Draeger Stiftung		Zeit-Stiftung Ebelin und Gerd Bucerius

FINANCIAL STATEMENTS

	2,05	2,05	
	1,60		
11	5,50		
3,40	5,40	5,00	5,40
0,20	2,20		
	10,00		
-0,05	9,55	9,55	9,55
0,01	21,49	21,49	21,49
0,01	0,25	0,25	0,25
	5,50	5,50	5,50
	0,73		
	0,74		
	7,70		
	80,00		
	1,60		

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF TRUSTEES

Grant Thornton 

THE GERMAN MARSHALL FUND OF THE UNITED STATES — A MEMORIAL TO THE MARSHALL PLAN

We have audited the accompanying statement of financial position of The German Marshall Fund of the United States — A Memorial to the Marshall Plan (GMF) as of May 31, 2004, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of GMF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GMF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GMF as of May 31, 2004, and the statements of activities, changes in its net assets, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of GMF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of GMF taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Vienna, Virginia
October 8, 2004

STATEMENT OF FINANCIAL POSITION

MAY 31, 2004

Assets

Cash and cash equivalents	\$	27,265,502
Investments		184,064,390
Fixed assets, net		6,724,292
Other assets		209,887

Total Assets \$ 218,264,071

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	626,505
Deferred revenue		11,227,872
Grants payable		1,043,937

Total Liabilities 12,898,314

Net Assets

Unrestricted:		
Undesignated		193,062,121
Board-designated — Balkan Trust for Democracy		9,496,634
Board-designated — internal projects		2,303,448

Total unrestricted net assets 204,862,203

Temporarily restricted net assets 503,554

Total Net Assets 205,365,757

Total Liabilities and Net Assets \$ 218,264,071

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES

MAY 31, 2004

Changes in Unrestricted Net Assets

Revenues and grants	
Income on investments	\$ 33,205,036
Federal grants	954,108
Non-federal grants	972,740
Royalties and other	481,824
	<hr/>
Total unrestricted revenues and grants	35,613,708
Net Assets Released from Restrictions	<hr/> 1,723,448
Total Unrestricted Revenues, Grants, and Other Support	<hr/> 37,337,156

Expenses

Program services:	
Grant expense	6,414,074
Internal projects expense	6,998,569
Prior year grant expirations — non-federal	(595,672)
	<hr/>
Total program services	12,816,971
Fundraising	318,819
Supporting services — management and administration	4,961,729
	<hr/>
Total expenses	18,097,519
Increase in unrestricted net assets	<hr/> 19,239,637

Changes in Temporarily Restricted Net Assets

Grants	2,116,585
Net assets released from restrictions	(1,723,448)
	<hr/>
Increase in temporarily restricted net assets	393,137
Increase in net assets	19,632,774
Reclassification of Board-designated internal projects	2,716,197

Net Assets, beginning of year	<hr/> 183,016,786
Net Assets, end of year	<hr/> \$ 205,365,757

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

MAY 31, 2004

Cash Flows from Operating Activities

Increase in net assets	\$ 19,632,774
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	222,251
Realized and unrealized gain on investments	(29,898,023)
Changes in assets and liabilities:	
Other assets	(37,192)
Accounts payable and accrued expenses	64,236
Deferred revenue	11,227,872
Grants payable	(611,381)

Net Cash Provided by Operating Activities 600,537

Cash Flows from Investing Activities

Purchases of investments	(55,528,664)
Proceeds from sale of investments	76,446,607
Purchases of fixed assets	(324,541)

Net Cash Provided by Investing Activities 20,593,402

Net Increase in Cash and Cash Equivalents 21,193,939

Cash and Cash Equivalents, beginning of year 6,071,563

Cash and Cash Equivalents, end of year \$ 27,265,502

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE A — Summary of Significant Accounting Policies

ORGANIZATION AND NATURE OF BUSINESS

The German Marshall Fund of the United States — A Memorial to the Marshall Plan (GMF) was incorporated on March 15, 1972, under the laws of the District of Columbia. GMF is an American institution that stimulates the exchange of ideas and promotes cooperation between the United States and Europe in the spirit of the postwar Marshall Plan.

The German Bundestag has approved funding for GMF as an independent American grantmaking institution. From March 15, 1972, through May 31, 2004, the German Bundestag has contributed approximately 128 million euros to GMF.

GMF makes grants in the following areas:

- Economics
- Environment
- Foreign Policy
- Immigration and integration
- Special opportunities

In May 2004, GMF formed a limited liability corporation named 1700 18th Street LLC (LLC), which was incorporated as a wholly owned subsidiary of GMF. The purpose of LLC was to purchase a building in Washington, DC. In June 2004 LLC purchased a building for approximately \$5.9 million.

BASIS OF PRESENTATION

The financial statements of GMF are prepared using the accrual basis of accounting.

Revenue, expense, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Also, satisfaction of donor-imposed restrictions is reported as net assets released from restrictions in the statement of activities.

Unrestricted Net Assets — Net assets that are not subject to any donor-imposed stipulations or other legal limitations.

Temporarily Restricted Net Assets — Net assets subject to donor-imposed stipulations on the use of the assets that may be met by actions of GMF, the passage of time, or both.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit, repurchase agreements, and short-term investments in money market funds.

TRANSLATION OF FOREIGN CURRENCIES

Financial statements for foreign activities reflect assets and liabilities converted to U.S. dollar values at prevailing rates of exchange. Gains or losses from fluctuations of foreign exchange rates are not material to the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVESTMENTS

Investments are reported in the financial statements at fair value.

FIXED ASSETS

Fixed assets are reported at cost net of accumulated depreciation. GMF currently depreciates its assets using the straight-line depreciation method over 3–5 years, with no salvage value. Buildings are currently depreciated over a 40-year term using the straight-line method.

NOTES TO FINANCIAL STATEMENTS

NOTE A — Summary of Significant Accounting Policies *continued*

CONTRIBUTIONS

Unconditional contributions to GMF are recognized in the period promised by the donor. Contributions due in future periods are considered temporarily restricted until they are collected, or when the purpose restriction is accomplished, at which time the restriction is released.

GRANTS

Grants to non-federal third parties are recognized as expenses and liabilities when GMF makes an unconditional promise to fund particular organizations or programs. Federal grants are expensed only when paid to a third party recipient upon acceptance of review performed. Prior-year non-federal grant expirations represent prior-year grants no longer expected to be paid.

GMF has made grants to organizations with at least one Board member in common with GMF. These grants totaled \$470,613 for the year ended May 31, 2004. These grants are made on the same basis as other grants. Related Board members do not participate in the approval process.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, due to broker, and accounts payable approximates fair value because of the short maturity of these financial instruments.

The fair value of investments is based upon values provided by the external investment managers or quoted market values. Fair value of investments in limited partnerships is determined by quoted market values or the general partners.

RETIREMENT PROGRAM

Eligible employees who have attained age 21, and completed six months of employment, may participate in GMF's defined contribution retirement program. GMF contributes an amount equal to 15 percent of a partici-

part's annual salary subject to Social Security tax, and 10 percent of the annual salary in excess of the Social Security base up to the maximum annual salary allowed by the Employee Retirement Income Security Act of 1974 (ERISA) regulations. Retirement expense was approximately \$237,000 for the year ended May 31, 2004. Vesting is immediate for all participants.

FEDERAL INCOME TAX

GMF is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is currently classified as an organization that is not a private foundation within the meaning of Section 509(a) of the Code.

ADMINISTRATIVE EXPENSES

Certain program management expenses are allocated to program expenses. This includes a portion of the Washington, DC, and European office salaries, as well as related benefit costs and other office expenses.

NOTE B — Investments

Investments consisted of the following at May 31, 2004:

	COST	FAIR VALUE
Common stocks	\$108,614,655	\$133,822,905
Corporate bonds	31,250,921	32,750,615
Limited partnerships	22,837,261	17,490,870
	<u>\$162,702,837</u>	<u>\$184,064,390</u>

Income on investments was comprised of the following for the year ended May 31, 2004:

	2004
Interest and dividends	\$ 3,307,013
Realized gain on investments	12,173,210
Unrealized gain on investments	17,724,813
	<u>\$33,205,036</u>

Limited partnerships comprised approximately 5 percent of GMF's total investments at fair value at May 31, 2004. The fair value of the limited partnerships is determined

either by using quoted prices listed on national exchanges or by the general partners of the limited partnerships.

NOTE C — Property and Equipment

Property and equipment consisted of the following:

	2004
Furniture, fixtures, and equipment	\$ 695,654
Leasehold improvements	4,415
Building	6,680,532
Land	300,000
	<u>\$7,680,601</u>
Less: accumulated depreciation	956,309
	<u>\$6,724,292</u>

NOTE D — Leases

GMF's office in Berlin, Germany, is leased until July 2009, and requires monthly rental payments with annual adjustments. GMF's office in Paris, France, is leased until May 2010, and requires monthly rental payments with annual adjustments. GMF's Brussels, Belgium, office is leased until November 2010, and requires monthly payments with annual adjustments.

The future approximate minimum lease payments under non-cancelable operating leases as of May 31, 2004, are:

YEAR ENDING MAY 31,	
2005	\$127,763
2006	109,970
2007	109,970
2008	109,970
2009	109,970
Thereafter	13,746
	<u>\$581,389</u>

Total rental expense was approximately \$212,000 for the year ended May 31, 2004.

NOTE E — Federal Awards

Federal awards consisted of a grant received from the U. S. Agency for International Development (USAID) to be expended and administered by GMF on projects in Central and Eastern Europe, in the areas in which GMF operates. The grant was restricted to the use set forth in the grant agreement between USAID and GMF. The related expense is included in grant expense in the accompanying financial statements.

The portion of GMF's revenue from federal awards is subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported in accordance with, and audited under, government audit requirements. Until such audits have been completed, and final settlement is reached, there exists a contingency to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE F — Temporarily Restricted Net Assets

Temporarily restricted net assets included the following at May 31, 2004:

Marshall Memorial Fellowship program	\$200,197
U.S.–European Trade, Agriculture and Development Policy program	214,022
Transatlantic Community Foundation Fellowship	89,335
	<u>\$503,554</u>

MARSHALL MEMORIAL FELLOWSHIP PROGRAM

During 1998, GMF received a pledge of \$75,000 for the Marshall Memorial Fellowship program to include Fellows from Greece in 2001. Through 2003, \$110,417 was included in the temporarily restricted net assets, as the purpose and time restrictions for those contributions had not yet been met. In 2004 GMF received

NOTES TO FINANCIAL STATEMENTS

an additional \$89,780 in contributions. For the year ended May 31, 2004, no amounts had been released from restriction.

U.S.–EUROPEAN TRADE, AGRICULTURE AND DEVELOPMENT POLICY PROGRAM

In 2004 GMF initiated a program designed to promote greater understanding, partnership, and action between Europe and the United States on global food, agriculture, trade, and development policies that are fundamental to assisting the global poor. A current-year contribution of \$225,000 was made for the program. For the year ended May 31, 2004, GMF recognized \$10,978 that had been released from restriction.

TRANSATLANTIC COMMUNITY FOUNDATION FELLOWSHIP

The Transatlantic Community Foundation Fellowship enables senior staff of community foundations to col-

laborate with their colleagues across the Atlantic, exchange ideas and experiences, and learn about the social, cultural, and economic circumstances affecting community foundations in countries other than their own. Temporarily restricted contributions totaled \$145,680, and amounts released from restriction related to this program totaled \$56,345 for the year ended May 31, 2004.

NOTE G — Grants Payable

At May 31, 2004, GMF had grants payable to third parties amounting to approximately \$1,043,937 representing committed grants that will be disbursed in future years. The 2004 grants payable balance is expected to be disbursed within one year. At June 1, 2003, undisbursed internal grant amounts, which are not expensed until disbursed, totaling \$2,716,197 were reclassified to Board-designated internal projects.

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards

YEAR ENDED MAY 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number/Program Number	Program Dates	Federal Expenditures
German Marshall Fund Endowment	02.194-A-00-03-00101-00	1/10/03–1/10/13	\$954,108

NOTE A — Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards summarizes the expenditures of GMF under its major program as funded by USAID for the year ended May 31, 2004, recorded on the accrual basis of accounting. Because the schedule of expenditures of federal awards presents only a selected portion of GMF's operations, it is not intended to, and does not, present the financial position or changes in net assets of GMF.

NOTE B — Subrecipients

Of the federal expenditures presented in the schedule, GMF provided federal awards to subrecipients under the USAID grant totalling \$954, 108.

**Report of Independent Certified Public Accountants on
Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Trustees

The German Marshall Fund of the United States — A Memorial to the Marshall Plan

We have audited the consolidated financial statements of The German Marshall Fund of the United States — A Memorial to the Marshall Plan (GMF) as of and for the year ended May 31, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered GMF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GMF's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, and officials of the U.S. Agency for International Development and other federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Vienna, Virginia
October 8, 2004

**Report of Independent Certified Public Accountants on
Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Board of Trustees

The German Marshall Fund of the United States — A Memorial to the Marshall Plan

Compliance

We have audited the compliance of The German Marshall Fund of the United States — A Memorial to the Marshall Plan (GMF) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended May 31, 2004. GMF's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of GMF's management. Our responsibility is to express an opinion on GMF's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GMF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GMF's compliance with those requirements.

In our opinion, GMF complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended May 31, 2004.

Internal Control over Compliance

The management of GMF is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered GMF's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and officials of the U.S. Agency for International Development and other federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Vienna, Virginia
October 8, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MAY 31, 2004

Section 1	Summary of Auditor's Results
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Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted? | None |

Federal Awards

- | | |
|---|--------------------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | None |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major program: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | None |
| 4. Identification of major programs: | |
| <i>CFDA Number</i> | <i>Name of Federal Program</i> |
| 02.194-A-00-03-00101-00 | German Marshall Fund Endowment |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

Section 2

Financial Statements Findings	None
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Section 3

Federal Award Findings and Questioned Costs	None
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FELLOW

Maia Comeau

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CONGRESSIONAL RELATIONS

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MARSHALL MEMORIAL
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Ivan Vejvoda

EXECUTIVE DIRECTOR

Gordana Delić

PROGRAM OFFICER

Natalija Prelević

GRANTS AND OFFICE
MANAGER

Nicole Sirak

PROGRAM OFFICER

BERLIN

Heike Mackerron

SENIOR DIRECTOR FOR
EUROPE

Kirsten Engelsma

OFFICE MANAGER

Ulrike Guérot

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