

Council Highlights

September 2005

NATIONAL FOREIGN TRADE COUNCIL



A Word From the President

In the last issue of Council Highlights I warned of coming trench warfare on export control issues and cited the pending proposal from the Commerce Department's Inspector General to expand the cases where a deemed export license would be required for foreign nationals employed at American companies. I was pleased to see that more than 300 comments were filed on that proposal, many of them from companies, although the majority came from universities concerned about the impact on their foreign students and researchers, who would also be affected. Hopefully, this blizzard of negative comments will push this proposal into the trashcan where it belongs.

Meanwhile, a far more serious concern has developed because of acting Commerce Under Secretary Peter Lichtenbaum's commitment at a Congressional hearing to issue an expanded "catch all" regulation for items with a military end use being exported to China.

For those unfamiliar with the term, "catch all" is a concept embodied in existing regulations as they are applied to items that can assist in the production or delivery of weapons of mass destruction (WMD). The idea is simple in concept but complicated in implementation. Most such items are already controlled for export and require a specific license; however, if you as an exporter know that an item you are exporting will be used to facilitate WMD production or delivery, then you have an obligation to apply for an export license even though the item may not be controlled. Thus the term catch all - the regulation "catches" uncontrolled items and subjects them to the licensing process based on the exporter's knowledge of their likely end use.

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DR-CAFTA -- A Crucial Victory for U.S. Trade Policy... NFTC's Involvement.

DR-CAFTA passed narrowly in the House by a vote of 217-215 and was a huge victory in a hard fought trade battle. This was a major win for the business and trade community as well as the Central American countries that will be affected by the agreement.

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TOP COUNCIL NEWS

NFTC Opposes Harmful Amendments to Appropriations Bills

"The NFTC actively worked to defeat harmful trade-related amendments to the House and Senate Appropriations bills during their respective floor deliberations in June and July..."

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U.S.-South Africa Business Council Briefed by USTR on Renewal of U.S.-SACU FTA Talks

"On July 27, Assistant USTR for Africa Flori Lizer briefed the Business Council and the private sector coalition supporting the FTA on plans to renew negotiations in September."

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Upcoming NFTC 2005 Tax Committee Fall Meeting

"The annual NFTC Fall Tax Committee Meeting will be held in Washington, DC, September 19th - 20th... The panelists will discuss tax legislation and offer their forecast for the remaining year of the 109th Congress."

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Hispanic Alliance For Free Trade Event



President Bush addresses the Hispanic Alliance for Free Trade at the Organization of American States.



The OAS audience included OAS diplomats, USTR Robert Portman, U.S. Secretary of Agriculture Mike Johanns and Secretary of Commerce Carlos Gutierrez.



Anne Alonzo, NFTC and OAS President Insulza greet President Bush.



White House DR-CAFTA Signing Ceremony August 2, 2005



International Trade and Finance

NFTC Opposes Harmful Amendments to Appropriations Bills

The NFTC actively worked to defeat harmful trade-related amendments to the House and Senate Appropriations bills during their respective floor deliberations in June and July. A range of amendments were offered of potential adverse impact to NFTC members, including preventing the use of funds for any trade agreement that included provisions allowing the temporary entry of business personnel, as well as limiting and/or prohibiting Ex-Im Bank from providing support for exports to China or exports from companies incorporated offshore for tax purposes. Most, if not all of these amendments were either defeated or not offered.

A few troubling amendments were included in the FY'06 Foreign Operations Bill, including an amendment by Congressman Sanders (I-VT) to prohibit Ex-Im financing of exports related to nuclear energy projects in China. The NFTC plans to lobby for the removal of the Sanders and other problematic amendments during the upcoming House-Senate conference in September.

(Continued from Page 1, "DR-CAFTA -- A Crucial victor for U.S. Trade Policy...")

Aside from NFTC's traditional advocacy efforts, which included writing letters of support and holding meetings with Members of Congress, NFTC was involved in a unique effort to pass DR-CAFTA. NFTC played a role in this effort through the participation of Senior VP, Anne Alonzo, by helping to create, house and lead an important new umbrella coalition - the Hispanic Alliance for Free Trade (HAFT). HAFT is a bi-partisan, umbrella alliance of 130 of the most influential Hispanic organizations, formed in support of the DR-CAFTA. Hispanic Americans share strong familial, social and economic ties with Central and Latin America. As important "stakeholders" to the outcome of the DR-CAFTA and other agreements in the hemisphere, it was highly important that Hispanic voices be heard in the debate. NFTC was pleased to help facilitate this effort.

In a few short months, HAFT became engaged in nation-wide grassroots and political advocacy in support of the DR-CAFTA. HAFT was able to organize and effectively communicate a positive message of support by the Hispanic business community and, in the process, became a leading voice in the debate. HAFT's nationwide constituency met with over 100 Members of Congress; wrote over 250 letters of support; participated in a huge email initiative to the Hill, as well as extensive signature, call in and op-ed placements and supported U.S. Secretary of Commerce Gutierrez in several roundtables around the country. Other highlights included participating in a major press conference with House Speaker Dennis Hastert and Chairman Bill Thomas, hosting a Lobby Fly-In Day with over 190 Hispanic leaders from across the country and hosting President Bush at a major DR-CAFTA address at the OAS.

The Hispanic Alliance for Free Trade has been recognized by the Administration, the business community, Members of Congress, Central American ambassadors and others as having played a role in enacting DR-CAFTA. We hope to maintain HAFT and mobilize it in the future for other free trade efforts.



International Trade and Finance



NFTC International Trade and Finance Committee Meets with Senior U.S. Officials on China

As part of NFTC's ongoing lobbying efforts on Capitol Hill in opposition of legislation to impose a 27.5% tariff on U.S. imports from China, NFTC Trade Committee members held two meetings in July with key U.S. officials on the current status and outlook of U.S.-China trade and economic relations. The first meeting was held with Olin Wethington, Treasury Department's Special Envoy on China. He provided a thorough analysis of the prospects for major currency reform in China. His general assessment was that he expected some reform action by China because it was in China's own economic self-interest. The second meeting, with Charles Freeman, Assistant USTR for China, focused on the range of trade issues currently front and center in the U.S.-China trade relationship. He talked at great length about the challenges in improving China's record on intellectual property rights enforcement, which is of strong interest to many NFTC members.

Switzerland Pursues Trade Liberalization with United States

On July 21, the NFTC co-hosted a roundtable lunch discussion with Swiss Federal Councillor Joseph Deiss, Head of the Federal Department of Economic Affairs (DEA), who was in Washington to propose to the U.S. Administration the commencement of exploratory talks on the possibility of establishing a free trade agreement between Switzerland and the U.S.

Deiss met with USTR Robert Portman and members of relevant committees in both the House and Senate. This is following a June 10 decision by the Swiss Federal Council to make trade liberalization with the United States a priority initiative.

U.S.-Swiss bilateral trade is \$36 billion, with \$224 billion in cross-border investment. Swiss companies buy more U.S. services than China and Indonesia combined, and U.S. direct investment in Switzerland amounts to over \$100 billion - more than in South America and the Middle East combined.

NFTC Calls for Needed Action by Political Leaders on the Doha Round and Gears Up for the Hong Kong Ministerial

July was a critical month for WTO negotiators in Geneva. As the 2005 midpoint in the lead up to the WTO Ministerial Conference in Hong Kong this December, the July discussions aimed at achieving needed clarification and guidance in setting forth more detailed negotiating parameters necessary for serious progress in Hong Kong. In a press statement, the NFTC expressed disappointment with the outcome of the July meetings and urged negotiators to achieve greater progress in the coming weeks to assure an ambitious result and successful ministerial meeting.

The NFTC and members of the NFTC special project on the Doha Round are planning an active presence at the Hong Kong Ministerial Meeting. NFTC members interested in attending the meeting should make their hotel and air reservations as soon as possible and secure the necessary NGO credentials for access to the convention center.



USA*Engage



USA*Engage-Supported Bills to Deny Funds to Enforce the Cuban Embargo Fail in the House; Treasury Modifies USA*Engage "Cash-in-Advance" Ruling on Sales to Cuba

On June 30 the House of Representatives defeated three measures that would have liberalized travel restrictions on Cuba. A bill to deny funds to enforce restrictions on Cuban-Americans' travel lost by 211 to 208, but had passed 225 to 174 last year; a bill to deny funds to enforce restrictions on student travel lost by 233 to 187; and a bill to

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USA*Engage & NFTC Meet on Visa Policy

A small section of the visa working group, led by the NFTC and the American Council on International Personnel (ACIP), met with Homeland Security officials on August 8 to follow up on earlier meetings aimed at improving the visa issuance process for foreign business travelers. At the meeting, the NFTC noted some improvements in the speed of visa issuance as well as the usefulness

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USA*Engage Discusses Potential Amendments to Alien Tort Statute

Members of USA*Engage concerned with abuse of the Alien Tort Statute (ATS) met on July 18 to discuss possible legislative remedies. The group considered draft legislation for this purpose and discussed other legislation circulating that would in fact expand the use of the ATS. The group reconvened on August 10 to continue the discussion. Members with questions about USA*Engage activity on the ATS can contact Dan O'Flaherty at doflaherty@nftc.org.



U.S. - South Africa Business Council



U.S.-South Africa Business Council Briefed by USTR on Renewal of U.S.-SACU FTA Talks; Invites President Mbeki to Speak in New York; Applauds Appointment of Jendayi Frazer as Assistant Secretary of State

On July 27, Assistant USTR for Africa Flori Lizer briefed the Business Council and the private sector coalition supporting the FTA on plans to renew negotiations in September. Importantly, the SACU countries have committed to a comprehensive FTA and will take up issues individually in meetings at six to eight week intervals. The parties agreed to aim for completion by December of 2006.

On July 28, the U.S.-South Africa Business Council, along with the Business Council for International Understanding, invited South African President Thabo Mbeki to speak to a business and financial audience in New York when he attends the U.N. General Assembly in

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2006 Spring Tax Committee Meeting Becomes a Winter Meeting, February 16th - 18th in Savannah, GA

The date and location for the 2006 Spring Meeting has been selected. To avoid conflicts with other spring meetings, the 2006 NFTC tax meeting date has been moved up to February 16th - 18th. Savannah, GA has been selected as the site of the meeting. Please mark your calendars.

Don't miss the opportunity to visit Savannah, GA and experience the hospitality of the South and the beauty of this celebrated city. The meeting will begin with a welcome reception and dinner the night of Thursday, February 16th and continue through lunch on Saturday, February 18th.

As always, an information-packed agenda is planned. The meeting promises to be interesting and informative. Please plan to attend. For additional information, contact Judy Scarabello, Vice President for Tax Policy, jscarabello@nftc.org.

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September. The speech would allow President Mbeki to expand on the South African government's priority of attracting foreign direct investment.

The Business Council applauded the Senate's confirmation of Jendayi Frazer, currently ambassador to South Africa, to be Assistant Secretary of State for African Affairs and will hold a reception for her following the August break. For more information about these activities, contact Dan O'Flaherty at doflaherty@nftc.org or Michael Lake at mlake@nftc.org.

Upcoming NFTC 2005 Tax Committee Fall Meeting

The annual NFTC Fall Tax Committee Meeting will be held in Washington, DC, September 19th - 20th, at the Four Seasons Hotel. The meeting will begin with a reception the evening of Monday, September 19th. The meeting will continue Tuesday morning, September 20th, following the traditional NFTC's Fall Meeting format.

The meeting will kick off with a panel of senior legislative tax staff moderated by Nick Giordano, Washington Council for Ernst & Young. The panelists will discuss tax legislation and offer their forecast for the remaining year of the 109th Congress.

Tricia Brown, Acting International Tax Counsel, U.S. Treasury, has been invited to provide a tax treaty and Treasury update. Hal Hicks, Associate Chief Counsel International, IRS, is confirmed and will provide an IRS update. Bob Green, Director, International, U.S. Competent Authority, Internal Revenue Service and former NFTC Vice President for Tax Policy, is also confirmed. He will provide a Competent Authority Update.

The meeting will conclude after lunch. Jeff Kupfer, Executive Director, The President's Advisory Panel on Federal Tax Reform, is the invited keynote luncheon speaker. For more information, contact Judy Scarabello, Vice President for Tax Policy, at jscarabello@nftc.org.



Middle East Free Trade Coalition



NFTC Co-hosts Jordan's Minister of Planning

On July 28th, NFTC co-hosted Her Excellency Suhair Al-Ali, Jordan's Minister of Planning and International Cooperation in a breakfast briefing and roundtable discussion entitled "Jordan: Building a Regional Model." Minister Al Ali briefed the U.S. business community about Jordan's political and economic reforms, U.S.-Jordan economic relations and the impact of other developments in the region on Jordan's economy and reform process.

Staff Profile: Bethany L. Diddle



Bethany Diddle recently joined the NFTC as Manager of Communications, Member Relations, and Development. Bethany has over six years of marketing experience, gained while working at some of the top advertising agencies in the country, including Arnold Worldwide in McLean, VA and Crispin Porter and Bogusky in Miami. It is there that she developed a passion for using marketing and relationship building tactics to advocate for the success of brands, business and most importantly for people. Celebrity Cruises, BearingPoint, and BlueCross BlueShield are a few of the brands Bethany has worked on.

Now Bethany is excited about the opportunity that lies ahead and plans to draw on her experience and background to help NFTC improve, organize and focus its membership development and communication efforts and achieve even better results. Most importantly, Bethany looks forward to getting to know all the people who help us make things happen....that means you, our members! Feel free to contact Bethany at 202-464-2038 or bdiddle@nftc.org.

FTA Updates

The Moroccan parliament is expected to take up the final regulatory changes necessary to implement the U.S.-Morocco FTA when it opens its next session in early October. This will pave the way for an anticipated entry into force of this agreement on January 1, 2006.

With successful passage of the U.S.-DR-CAFTA, it is expected that Congress will take up the U.S.-Bahrain FTA upon return from August recess. Signed in September, 2004, the agreement was ratified by both houses of the Bahraini parliament in early July, 2005.

Negotiation on the U.S.-Oman FTA is reportedly near conclusion, with an official announcement expected soon.

The U.S.-UAE FTA negotiations are making progress, with the third full round of negotiations expected to resume in the fall. A "virtual round" of negotiations on certain chapters via videoconference was held at the end of June.



A Word From the President



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It's easy to see how this concept can quickly become problematic, particularly if it is expanded to cover items with a military end use, which is a far bigger universe than WMD items. First, what is the standard for the exporter "knowing" his item's end use? Is it actual knowledge? Belief? Suspicion? What if the government decides afterwards that he had "reason to know"? What is "end use"? If the end user is military, for example, does that mean that everything it buys is for military end use? Are we concerned about items that "will" be used for a military purpose or items that "could" be used for such purposes?

Expanding the catch all concept beyond WMD to cover exports to China that have a military end use raises all these questions and others. The Chinese People's Liberation Army, for example, is deeply involved in preparing for the 2008 Olympics. Are all those purchases for "military end use?" The aerospace sector probably has the biggest stake in how these questions are answered since so many of its components have both military and civilian uses, but many other sectors including high technology, machine tools, and automotives (primarily engines going to military trucks) could be caught up in this new regulation.



NFTC President Bill Reinsch, during an interview on Lou Dobbs tonight, speaks out on China export controls, an increasingly important issue to NFTC members.

Mr. Lichtenbaum's public statements since announcing work on the regulation have been somewhat reassuring on many of these points, but he has also acknowledged that his draft has yet to run the gauntlet of review by other agencies, most of which will take a harder line than his has.

The NFTC, in conjunction with the Committee for Employment through Exports (CEE), has begun a working group on this regulation in the hope of moving it in the most rational - and clearest - direction for business. Stay tuned!

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deny funds to enforce the embargo lost by 250 to 169. This was a setback since legislation to deny funds to enforce the travel ban has passed in recent sessions, but been stripped out by Leadership. The White House made it clear it would veto any bill containing these measures. The Senate did vote in favor a bill by Senator Dorgan to open up travel to Cuban-Americans, which passed by 60 to 35, but failed to reach a required two-thirds majority.

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Human Resources



Global Mobility Seminars in Philadelphia, November 1 and Washington, November 3

The NFTC, in conjunction with Cendant Mobility, CIGNA International Expatriate Benefits, Jackson Lewis and KPMG, will host full day seminars on emerging issues, destinations and challenges in the new world of global business and mobility management.

With new business opportunities in Central Asia, Central Europe, China, India, the Middle East and the Pacific Rim, it is critical to understand the challenges faced by international business travelers and cross-border assignees.

In addition to senior specialists from Cendant Mobility, CIGNA, Jackson Lewis, KPMG and the NFTC, faculty will include experienced representatives from AOL, British Aerospace(BAE), Credit Suisse First Boston(CSFB), DuPont, Honeywell, Living Abroad, and Lockheed Martin.

For further information contact Bill Sheridan at wsheridan@nftc.org.

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of certain visa facilitation programs and better information reporting. Other items on the agenda included the "cap gap" faced by J and F visa holders, redundant export licensing and visa procedures, customer service improvements at the border, and the new E-3 Australia visa. During the meeting, NFTC and ACIP presented recommendations to the government, including reinstating the domestic visa revalidation program, implementing a pre-certification program for low-risk business travelers, further improving the quality of public data reports, improving customer service at the Ports of Entry and facilitating visa processing related to medium and small-sized businesses. The NFTC also offered to host a visa forum in conjunction with the ACIP. It is our impression that visa difficulties have been declining, thanks in part to the ongoing work we and others in the business community have been doing. If that is not so, we need to hear from you! In particular, we welcome input from our members regarding individual experiences as to U.S. procedures that have improved and concerns that companies continue to face about the process. For additional information, contact Jake Colvin at jcolvin@nftc.org.

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A February 2005 "clarification" in Treasury Department regulations requiring cash-in-advance for shipments of food to Cuba, permitted under the Trade Sanctions Reform Act, was strongly opposed by the USA*Engage coalition, which supports legislation in the House and Senate to reverse the Administration's restrictive action. USA*Engage strongly supports legislation introduced by Senators Craig, Baucus and others, S. 328, which would roll back the Treasury regulations. Amendments to the Treasury appropriations bill reversing the policy were adopted by House and the Senate committees in July. Then on July 29, Treasury issued another clarification that allows agricultural exports to go forward on a cash basis once a third-country bank, acting as the seller's agent, receives payment, after pressure was applied by Sen. Max Baucus (MT). Members with an interest in Cuba-related issues can contact Dan O'Flaherty at doflaherty@nftc.org or Jake Colvin at jcolvin@nftc.org.



New Members

Aramco Services Company

As a wholly-owned subsidiary of Saudi Arabian Oil Company, the national oil company of Saudi Arabia, ASC has a contract with its parent company under which it provides a wide range of services through six departments operating out of its headquarters in Houston, TX. These services include everything from engineering quality assurance and quality control to purchasing of export materials to financial services and everything in between. Mr. David Bosch, Director, Washington Office, is the NFTC member contact in their Trade Membership. www.aramcoservices.com.

Hanover Compressor Company

Oil and gas companies worldwide depend on Hanover, which operates in every major area of the global energy industry, including the United States, Canada, Mexico, Latin, America, Europe, Russia, West Africa, the Middle East, China and Asia. A leader in the global market, Hanover specializes in full service natural gas compression and provides service, fabrication and equipment for oil and natural gas processing and transportation applications. Hanover sells and rents this equipment and provides complete operation and maintenance services, including run-time guarantees for both customer-owned equipment and its fleet of rental equipment. Mr. Scott Thompson, Director, International Human Resources is the NFTC member contact in their International Human Resources membership. www.hanover-co.com.

Vision Relocation Group

Priding itself on an entrepreneurial spirit and innovative thinking, Vision Relocation Group is NFTC's newest member. Vision Relocation Group is a global relocation management and consulting company with a service menu that includes relocation consulting, policy development, outsourced administration, expense tracking and reimbursement, relocation tax assistance, home marketing and home sale, destination services, group move services and international assignment management services. Stephan Branch, Executive Vice President, is the NFTC member contact and active board member, in their full NFTC membership. www.visionrelocation.com.

XN Financial Services, Inc.

Focused on providing a worry free experience to their customer, XN's wide range of information products and services are designed to sooth the common apprehensions and concerns about any and all aspects of the expatriate experience. XN offers managed insurance services for global employers and individuals, plus a complete range of products and professional services, so that people embarking on a foreign adventure feel as safe abroad as they do at home. Mr. Paul Coleman, Vice President, Strategic Planning and Development, is the NFTC member contact in their International Human Resources membership. www.xn.com.



Calendar of Events



<u>Date</u>	<u>Topic</u>	<u>Location</u>
September (Date TBA)	Briefing by USTR on SACU FTA talks	Washington, DC
September 8, 2005	Meeting on proposed "Catch-All" Export Control Regulation	Washington, DC
September 12 - 14, 2005	Expatriate Management Committee Meeting	Seattle, WA
September 19 - 20, 2005	Fall Tax Committee Meeting	Washington DC
September 26 - 28, 2005	International Assignment Management Committee	Washington, DC
October 18, 2005	International Benefits Committee	New York City
November 1, 2005	Seminar: Global Mobility in 2005 and Beyond: New Places, New Faces, New Challenges	Philadelphia, PA
November 3, 2005	Seminar: Global Mobility in 2005 and Beyond: New Places, New Faces, New Challenges	Washington, DC
November 9, 2005	Tax Lunch Forum	Washington, DC
November 9, 2005	Tax Steering Committee Meeting	Washington, DC
November 30, 2005	India: HR & Business Issues & Opportunities	New York City
December 1, 2005	India: HR & Business Issues & Opportunities	New York City
December 2, 2005	Annual World Trade Dinner and Award Ceremony	New York City
December 2, 2005	Annual Membership Meeting	New York City
December 2, 2005	Board of Directors Meeting	New York City
December 6 or 7, 2005	India: HR & Business Issues & Opportunities	Chicago
February 16-18, 2006	Winter Tax Committee Meeting	Savannah, GA
March 1-2, 2006	Annual International Human Resources Conference	Houston, TX

Note: The Tax Steering Committee Meetings, SACU FTA Chapter Briefings, Expatriate Management, Global Compensation, International Assignment Management, and International Benefits Committees are by invitation only. For information about them contact Chuck Dittrich, (202) 887-0278, e-mail cdittrich@nftc.org.



National Foreign Trade Council



Current Member?

Update your contact information or add a colleague from your company who doesn't currently participate in NFTC activities.

Join us in securing an Open Global Trading System for U.S. Business!

If you know of a company that we may contact to join the NFTC or if you are not a member and would like information on how to become involved, let us know:

Company: _____
 Contact Name: _____
 Address: _____
 Phone: _____
 Fax: _____
 Email: _____

NFTC Area of Interest (check all that apply):

- | | |
|---|---|
| <input type="checkbox"/> International Trade & Investment | <input type="checkbox"/> Export & Project Finance |
| <input type="checkbox"/> International Human Resources | <input type="checkbox"/> International Taxation |
| <input type="checkbox"/> USA*Engage | <input type="checkbox"/> U.S.-South Africa Business Council |

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