

# Council Highlights



NATIONAL FOREIGN TRADE COUNCIL ADVANCING GLOBAL COMMERCE

June/July 2006 Issue

## Word From the President

The NFTC has had a couple victories recently that I want to tell you about, both to let you know some of the things we are working on, and, more importantly, to note the triumph of good sense in the Congress.

First, on June 14<sup>th</sup>, the House Financial Services Committee unanimously approved CFIUS reform legislation that I think most in the business community would agree avoids the pitfalls of the Senate bill, and which is neither likely to become a significant deterrent to foreign investment nor an impetus for foreign retaliation. I will leave the details of the bill to others. In this space, I only want to note two significant aspects to the debate:

The legislation was bipartisan. Representatives Blunt, Price, Maloney and Crowley initially introduced the bill, and it had accumulated more than sixty cosponsors from both sides of the aisle prior to markup. Such bipartisanship does not happen frequently enough these days, and the process demonstrates why it would be good if this occurred more often. Concerned members from both parties contributed genuine input in drafting the bill, and the four key leaders worked hard on their respective sides of the aisle to bring their colleagues on board. In the end the Committee approved the bill unanimously, which bodes well for its future on the floor and the likelihood it will escape debilitating amendments.

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## "Catch-all" is Coming, and Other Export Control Developments

The National Foreign Trade Council and USA\*Engage have been following the progress of a soon-to-be-proposed Bush administration rule to tighten export controls to China. We expect it to be published as a proposed rule in June, after languishing in interagency discussions for months. NFTC has led a lobbying effort on behalf of interested member companies and other associations to elevate discussion of the consequences of what has come to be known as the "conventional military catch-all" (catchall for short), which is meant to prohibit trade that "would make a material contribution" to China's military capability or the proliferation of weapons of mass destruction.

NFTC and USA\*Engage support an effective export control system to benefit national security but believe that this rule will add little. Indeed, despite numerous meetings with government officials, it remains unclear what items to be covered by the regulation are either not widely available or are already subject to U.S. controls. As a result, this rule will add substantially to companies' compliance programs

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## Special points of interest:

- **NFTC and USA\*Engage Raise Constitutional Concerns Regarding State Sanctions:** *NFTC and USA\*Engage seek to reaffirm the same principles that lead to a 9-0 Supreme Court victory... (Page 4)*
- **IRC §911 Setback Explained** *U.S. residents working abroad must now overcome greater constraints on their ability to compete internationally... (Page 7)*
- **MEFTA Prepares to Fight for U.S.-Oman FTA:** *As House Democrats are expected to inhibit Oman FTA legislation... (Page 9)*

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### **NFTC Supports Permanent Normal Trade Relations with Russia**

The NFTC, along with a broad-based business coalition, is supporting Permanent Normal Trade Relations with Russia, thereby removing Russia from the Cold War-era Jackson-Vanik legislation and clearing the way for the U.S. to take advantage of prospective Russian membership in the World Trade Organization. One of the priority issues for U.S. business in Russia's accession is improvement in Russia's intellectual property protection. On June 5<sup>th</sup> the NFTC participated in a meeting with Franklin Lavin, Under Secretary of Commerce for International Trade, in which industry's concerns about IPR protection were discussed in detail. The coalition, led by the U.S.-Russia Business Council, meets on a regular basis to monitor progress in the bilateral trade negotiations between Russia and the U.S. and to coordinate meetings with Members of Congress and the Executive Branch. The Jackson-Vanik legislation was passed in 1974 to pressure the Soviet Union to permit Jewish emigration. Members interested should contact Mary Irace at [mirace@nftc.org](mailto:mirace@nftc.org) or Dan O'Flaherty at [doflaherty@nftc.org](mailto:doflaherty@nftc.org)

### **NFTC Continues to Press for Real Results to Doha Round in Meeting with WTO Official**

The Doha Round is approaching its most critical phase in the next few weeks. With a ministerial meeting scheduled for the end of June, and the Hong Kong July deadline quickly approaching, political decisions are necessary to break the logjam on the so-called modalities for agriculture and goods. This hurdle continues to hold up progress on the rest of the negotiations.

As part of the NFTC ongoing special project on the Doha Round, the NFTC is pushing for an ambitious outcome and opposes a mediocre or "Doha-Lite" result. At the end of the day, one of the most important determinants of success for the NFTC will be whether the Doha Round achieves effective new market access for goods, services and agriculture. This requires both developed and developing, especially major emerging markets, to liberalize their markets beyond existing levels of access.

Members of the NFTC Doha Round Working Group conveyed this message to Rufus Yerxa, WTO Deputy Director General, in a private meeting during his recent two-day visit to Washington. Yerxa highlighted the many challenges confronting the negotiations, and stressed the importance of gauging the merits of any prospective final agreement on the status quo in the current multilateral trading regime, and determining whether the Doha Round constitutes a de facto improvement.

### **NFTC Meets with House Foreign Operations Staff on World Bank Procurement Proposal**

The NFTC continues to weigh-in actively on the pending proposal by the World Bank to establish a country pilot project on the use of national procurement regimes on Bank supported projects. Last year, the NFTC mobilized business groups to oppose the initial draft proposal, chiefly because it would be counter to the longstanding effort of the World Bank to harmonize and standardize its best practice procurement guidelines and documents, which in turn, would be counter to similar effort to combat corruption in government procurement in developing countries. Largely as a result of NFTC and member company leadership, the Bank withdrew its original proposal and is in the process of revising it.

The Chairman of the House Appropriations Foreign Operations Subcommittee, Congressman Kolbe, has taken a strong interest in this issue and included a provision in last year's FY 06 appropriations bill to suspend the disburse-

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ment of 20% of U.S. funding for the World Bank IDA account until the Treasury Department certified that the procurement proposal had been withdrawn and the Bank's procurement function strengthened. Due to the lack of certification and progress on this issue, Mr. Kolbe's has rescinded the \$188 million from last year's funding. The NFTC has been in communication with Mr. Kolbe's appropriation's staff regarding this issue.

### **NFTC Trade Committee Meets, Discusses Trade Agenda for Remainder of 2006**

On June 12, the NFTC Trade Committee met with Tim Reif, Minority Staff Director for the Ways and Means Trade Subcommittee, for a discussion on the outlook for legislative action on pending trade agreements and other legislation. There are at least six measures the business community would like to see enacted before Congress adjourns – implementing legislation for the Oman and Peru FTAs, legislation to grant PNTR for Vietnam to enable the U.S. secure the benefits of Vietnam's pending accession to the WTO, action on a miscellaneous tariff bill, and renewal of trade preference programs, including GSP.

Mr. Reif acknowledged the importance of International Labor Standards in both the Oman and Peru agreement. In Oman, full application of the standards will take time, but the country has shown a commitment to their implementation. Both FTA bills await movement in the House Committee on Ways and Means, and will continue to be reviewed in the coming months.

The Vietnam PNTR bills were scheduled for roll-out in Congress on June 13. Officials at USTR and Members of Congress discussed the bills before their formal submission to the House and the Senate. Mr. Reif believes that the bills will garner broad bipartisan support, and may possibly pass during the current session of Congress. The U.S. and Vietnam officially signed a comprehensive bilateral agreement on Vietnam's WTO accession on May 31, 2006.

### **Vietnam PNTR Coalition Campaign Off and Running**

The U.S. business coalition for Permanent Normal Trade Relations (PNTR) for Vietnam officially launched on June 13th, with several members of Congress present. The NFTC serves on the steering committee of the coalition, and has been lobbying aggressively for action on the legislation to grant PNTR to Vietnam. The legislation would remove Vietnam from the "Jackson-Vanik" requirements, established during the Cold War, to link most-favored-nation tariff treatment to freedom of emigration in communist countries. PNTR guarantees U.S. entities the benefits forthcoming from Vietnam's accession to the WTO, and will be a capstone in the full normalization of a bilateral relationship that is growing in importance and economic significance.

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### **NFTC Pushes Completion of Ex-Im Bank Reauthorization**

In a letter to members of the House Financial Services Committee, the NFTC joined with CEE in supporting the House bill to reauthorize Ex-Im Bank, H.R. 5038. The Committee is expected to mark-up its bill in mid-June. The Senate Banking Committee is also moving forward to reauthorize the Bank, with another full Committee hearing scheduled for mid-June. NFTC member companies are encouraged to weigh-in in support of this important legislation. The time table for final action is unclear this point, however, the NFTC will be pushing for its completion before Ex-Im Bank's Charter expires on September 30, 2006.

### **Emerging Body of State Sanctions Legislation Presents Concerns about Constitutionality**

USA\*Engage and the National Foreign Trade Council have become increasingly concerned over a growing body of state sanctions legislation that has emerged over the past year. In particular, a spate of legislation mandating public pension fund divestment from companies with alleged ties to Sudan raises serious constitutional concerns.

The more recent developments include the enactment in April of a Maine law requiring the state retirement system to divest from companies doing business in Sudan. In May, a new Connecticut law enabled the state treasurer to review similar cases and order divestment. On June 1, the California State Assembly passed a bill prohibiting public employee and teacher pension funds from investing in companies with active business operations in Sudan.

These measures were spearheaded by Illinois in June 2005 when the governor signed into law a bill forbidding public investment in companies with business ties to Sudan. The state treasurer has been mandated to divest all such holdings by December 2006. Following Illinois, and a similar bill in New Jersey, a total of twenty-three states have introduced Sudan-related legislation.

NFTC and USA\*Engage are concerned about the constitutionality of these sanctions. While the situation in Darfur is deeply tragic, the resolution of the conflict can only be accomplished with the leadership and assistance of the federal government and a strong, coherent foreign policy constructed by Congress and the President. Individual states do not have the right to implement foreign policy. In particular, these state sanctions impede the ability of the federal government to pursue appropriate action and gather multinational support.

The U.S. Supreme Court gave credence to this position and in 2000, when *Crosby v. NFTC* struck down a Massachusetts law denying state contracts to companies doing business in Burma. The Court ruled that such laws impermissibly intruded on the federal government's authority and was preempted by federal law. NFTC is confident that this and other constitutional arguments apply directly to the state-level legislation at issue in 2006.

## **USA\*Engage Warns About Congressional Approach to Iran**

USA\*Engage and the National Foreign Trade Council continue to lead opposition to the expansion of unilateral and extraterritorial sanctions against Iran that are under consideration in Congress. Legislation has passed the House of Representatives and is pending in the Senate, which would seriously dent the alliance between the United States and its allies on Iran's nuclear program and would complicate efforts to resolve the current impasse. Many of the changes that have been proposed to the current unilateral U.S. sanctions program in place against Iran are dangerously counterproductive and should be opposed.

These changes are contained in H.R. 282 and S. 333, the Iran Freedom Support Act, led in the House by Ileana Ros-Lehtinen (R-FL) and in the Senate by Rick Santorum (R-PA). One key concern is that these bills would remove the useful periodic review of the Iran sanctions regime by removing the sunset provision included in the earlier Iran-Libya Sanctions Act. Sunset provisions are vital to creating an effective sanctions regime, as they permit Congress to review sanctions to ensure that they are effective and useful over time. S. 333 and H.R. 282 would destroy key alliances, and make the U.S. more vulnerable to international commercial complaints, by greatly expanding the entities subject to sanctions to include insurers, creditors and foreign subsidiaries. The bills would also limit the flexibility of the President to conduct foreign policy by requiring investigations and sanctions determinations on each individual investment in Iran, whether prospective or preexisting, by a person described in the Act. Finally, the capital market sanctions contained in the House version would discourage foreign investment in the U.S. and could potentially damage domestic business interests abroad.

Beyond opposing these changes to current law, USA\*Engage also continues to remind legislators that, at their core, these unilateral sanctions are ineffective and counterproductive to U.S. foreign policy goals, and that the extraterritorial provisions contained in current law damage U.S. alliances. As USA\*Engage, the National Foreign Trade Council, the Coalition for Employment through Exports, and the Chamber of Commerce noted in a recent letter to House members:

“In considering an extension to U.S. sanctions, we also urge you to rethink the overall approach by Congress, given their negative and often unintended impact on the people of Iran and on our ability to forge vital international alliances. When we hear of reports like the one raised in the March 15 hearing of the House Committee on International Relations – about the difficulties that humanitarian organizations have had operating to relieve suffering by earthquake victims – it seems appropriate to take a closer look at whether there might be a better way for the United States to address the serious concerns raised by the policies of the Iranian government.” Contact Jake Colvin at [jcolvin@nftc.org](mailto:jcolvin@nftc.org) for more information.

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### **NFTC Tax Lunch Forums Continue to Provide Member Education and Draw Sizeable Crowds**

The NFTC's Tax Lunch Forums continue to provide a significant opportunity for the NFTC Tax Committee to interact with tax officials and learn from various tax experts. The NFTC holds six regular tax lunch forums to update tax committee members on current international tax topics and takes advantage of the opportunity to host additional speakers when appropriate.

At the request of NFTC members, Barbara Felker, Chief, Branch 3, Office of the Associate Chief Counsel (International) IRS, spoke at the May Tax Lunch Forum. Ms. Felker's comments focused on the significant guidance in progress on various foreign tax credit issues. She also commented on the recently released temporary and proposed regulations issued to provide guidance to reflect changes in the treatment of dividends from noncontrolled corporations resulting from the American Jobs Creation Act of 2004 and the Gulf Opportunity Zone Act of 2005. As always, Ms. Felker's proficiency and expertise provided NFTC Tax Committee members with valuable information.

A special Tax Lunch Forum was held in late May to take advantage of a visit to the Washington area by prominent Indian tax practitioner, Mukesh Butani, of BMR & Associates in New Delhi. Mr. Butani leads the firm's international tax and transfer pricing practices. Mr. Butani's informative remarks focused on the Indian tax reform agenda, in-bound tax planning and structuring opportunities, recent rulings and judgments impacting cross-border trade and investment, and recent audit experience with an emphasis on transfer pricing audits. It was an excellent opportunity to gain additional insight into the country's tax regime.

The June Tax Lunch Forum's speaker, Robert Dilworth, is the Senior Advisor to the Assistant Secretary (Tax Policy), at the U.S. Department of Treasury. In his role, Mr. Dilworth provides research, analysis, and liaison regarding tax policy, tax legislation, Internal Revenue Regulations, and tax reform, and assists in the general coordination of related Office of Tax Policy activities. Of particular importance to NFTC members is Mr. Dilworth's current role advising the U.S. Treasury on international tax reform. His June 20<sup>th</sup> visit is timely, just two days prior to the June 22<sup>nd</sup> Ways and Means hearing on the topic.

### **Tax Agreements are Concluded, Paving the Way for a Fall Tax Treaty Ratification Hearing**

In her remarks at the April NFTC Tax Lunch Forum, Tricia Brown, Deputy International Tax Counsel, Treaty Affairs, U.S. Treasury, indicated that several agreements were nearing completion. True to her word, Ms. Brown and her staff have concluded agreements with Finland, Denmark, and Germany. Completion of these agreements early in 2006 helps to provide assurance that there will be time for a tax treaty hearing before the end of this Congressional session.

Senator Lugar, Chairman of the Senate Foreign Relations Committee remains dedicated to the success of the U.S. Treasury's tax treaty program. While a Tax Treaty Ratification Hearing was held in February 2006, Manisha Singh, Deputy Chief Counsel, Senate Foreign Relations Committee, is committed to pursuing a second hearing in the fall of 2006 if time permits (*i.e.*, if the agreements are cleared through the necessary branches of the Administration and time can be allocated on the Senate calendar). At the February hearing, Ms. Brown also noted that the U.S. Model Tax Treaty is substantially complete and could be discussed at a fall hearing.

Ms. Brown has an excellent track record in the tax treaty area, her remarkable accomplishments include many important tax agreements of importance to multi-national companies. The NFTC is thrilled to count her as a longtime friend.

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### IRC §911 Housing Exclusion Suffers Scaleback

The recent passage of the Tax Increase Prevention and Reconciliation Act of 2005 contained some beneficial international tax provisions, however, the modification to IRC §911 was less than positive. IRC §911 has survived several attacks by lawmakers in the last several years despite continued attacks, but this time was the exception.

The change to IRC §911 raises \$900 million over 5 years and \$2.1 billion over 10 years. The provision is effective for taxable years after December 31, 2005, i.e., the application of the law is retroactive for calendar year taxpayers. The JCT Report issued January 27th, 2005, "Options to Improve Tax Compliance and Reform Tax Expenditures," first suggested this change to IRC §911.

IRC §911 allows a U.S. resident that works abroad to exclude a certain amount of foreign earned income from U.S. taxation, helping to mitigate the double taxation associated with the U.S. worldwide tax regime. Prior to the law change, IRC §911 also excluded reasonable housing costs from U.S. taxation. The recent modification to the law limits the housing cost exclusion, increasing taxes on U.S. businesses and American workers abroad, seriously undermining their ability to remain internationally competitive.

The new law, generally:

Indexes the \$80,000 foreign earned income exclusion for inflation using the Consumer Price Index (e.g., the 2006 income exclusion would increase to \$82,400);

Limits the housing allowance to 30% of the taxpayer's foreign earned income exclusion ( $\$82,400 \times 30\% = \$24,720$ ) less the existing base housing exclusion amount ( $\$82,400 \times 16\% = \$13,184$ ) or \$11,536; and

Requires the taxpayer to use the excluded foreign earned income and housing exclusion amounts to determine the tax rate applied to any excess income (i.e., the \$82,400 and the \$11,536 detailed above would be added back to any excess taxable income for purposes of determining the tax rate applied to that remaining taxable income—this change in the law is referred to as the stacking rule).

One possible helpful provision in the new law gives the Secretary authority to provide guidance to adjust the 30% housing cost limitation based on geographic differences in housing costs relative to U.S. housing costs. The NFTC has received word from U.S. Treasury officials that they would welcome assistance in gathering that kind of information.

If you have data regarding high cost housing in certain geographic locations or can obtain it from a third party, please forward it to Judy Scarabello, Vice President for Tax Policy, at [jscarabello@nftc.org](mailto:jscarabello@nftc.org) at your earliest convenience. Please also reach out to anyone else that might have usable information. After a review of available data, next steps can be determined regarding obtaining additional information and the need for assistance in presenting the information to Treasury.

The NFTC has said many times before that any modifications along these lines would seriously undermine U.S. competitiveness in foreign markets. The NFTC will continue to play a significant role in this area. For more information, or to join the IRC Section 911 Ad Hoc Coalition, please contact, Judy Scarabello, Vice President for Tax Policy, at [jscarabello@nftc.org](mailto:jscarabello@nftc.org).

### Advancing Global Commerce

*The role of America in the world economy and the impact of international trade on the U.S. have never been more important. Leveraging its broad membership, expertise and influence, the NFTC is the only national business organization that exclusively advocates the international and public policy priorities of its members. From international trade, investment, tax, and export finance to human resource management, the NFTC's services and advocacy are a critical link for U.S. companies.*

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### NFTC Co-Hosts Another Successful OECD Tax Meeting

The NFTC in association with the Organization for Economic Cooperation and Development (OECD), the U.S. Council for International Business (USCIB)/Business and Industry Advisory Committee (BIAC) to the OECD, the Organization for International Investment (OFII), and the International Fiscal Association (IFA)-USA Branch, successfully hosted the third annual U.S. Tax Meeting, *OECD Initiatives in International Taxation: Looking Ahead*, in Washington, DC, June 5-6, 2006. Constance Morella, United States Ambassador and Permanent Representative to the OECD, and U.S. Senator Orrin Hatch (R-UT), kicked off the meeting with informative remarks about international competitiveness and the importance of OECD's. This year's meeting drew the largest group yet with over 200 participants from various industries, practitioners, and government officials.

Harry J. "Hal" Hicks III, International Tax Counsel, U.S. Treasury, provided the luncheon address, and shared his thoughts on the OECD's growing list of tax projects and the importance of U.S. participation in that work.

The meeting focused on important recent OECD initiatives: permanent establishment and attribution of profits issues; transfer pricing methods; principle of nondiscrimination; and the taxation of cross-border services. The OECD brought several of their highest ranking tax officials: Jeffrey Owens, Head of the OECD's Center for Tax Policy and Administration; Mary Bennett, Head of Division, Tax Treaty, Transfer Pricing, & Financial Transactions; Jacques Sasseville, Head of Tax Treaty Unit; and Caroline Silberztein, Head of the Transfer Pricing Unit, each participated on panels that included representatives from business, practitioners with subject area expertise, and officials from the IRS, and the U.S. Treasury.

The meetings have become an annual event with the U.S. international organizations that are involved in tax policy joining together for joint sponsorship. Please direct any questions or comments to Judy Scarabello, Vice President for Tax Policy, [jscarabello@nftc.org](mailto:jscarabello@nftc.org), 202 887 0278, extension 2023.

### US-Peru Trade Coalition Meets with House Majority Leader's Staff

On Monday, June 12th twenty representatives from the U.S.-Peru Trade Coalition met with staffers in the office of House Majority Leader John Boehner to discuss the progress of the U.S.-Peru Trade Promotion Agreement in Congress. The group, which included National Foreign Trade Council staff, attempted to impress upon staff member Mike Sommers the importance of pressing forward with the current trade agenda. Members of the coalition favor a timely introduction of all trade agreements to avoid a bottleneck in the legislative process. They will continue to meet and work with Congressional leaders to urge the passage of the U.S.-Peru Trade Promotion Agreement as well as other free trade agreements that come before Congress.

The National Foreign Trade Council is a leading business organization advocating an open, rules-based global trading system. Founded in 1914 by a broad-based group of American companies, the NFTC now serves hundreds of member companies through its offices in Washington and New York.

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### **Anne Alonzo travels to Peru to garner support for the Peru Trade Promotion Agreement**

National Foreign Trade Council's Senior Vice President, Anne Alonzo was invited by the U.S. Embassy in Peru to travel to that country and speak on behalf of the private sector regarding the pending free trade agreement between the U.S. and Peru. Anne presents first on Tuesday, June 13th in the southern Peruvian province of Cusco, where she will address business leaders in the local agricultural community. The remainder of her week will be spent in Lima, the nation's capital. Here Anne will meet with and present to a wide array of Peruvian constituents, including university students, business leaders, and members of the Peruvian Congress. Throughout her visit, Ms. Alonzo will convey to Peruvians the substantial benefits to be gained in both the U.S. and Peru if the agreement is ratified and implemented.

### **US-Middle East Free Trade Coalition Mobilizes on Oman**

With indications that Ranking Minority Member Charles Rangel and Democrats on the House Ways and Means Committee will withhold support on the US-Oman FTA because Oman cannot implement its labor commitments immediately, the NFTC, through the US-Middle East Free Trade Coalition is meeting with House Members to make the case that Oman's commitment to make all necessary changes to its labor laws by October 31, 2006 is a remarkable accomplishment and this agreement should move forward. Oman is a steadfast ally in an unstable region and the agreement is state of the art. Failure to move on the Oman FTA before the August recess potentially jeopardizes other trade votes such as the Peru FTA and the Vietnam PNTR and sends a damaging message to our allies in the Middle East. For more information contact Chuck Dittrich at [cdittrich@nftc.org](mailto:cdittrich@nftc.org).

### **MEFTA Coalition Steering Committee Hosts Jordanian Minister of Commerce and Industry**

On June 15, the U.S.-MEFTA Coalition Steering Committee sponsored a breakfast discussion panel with Jordanian Minister of Commerce and Industry Sharif Al Zoubi, to discuss Jordan's current positive economic the government's major guiding principles in support of that growth. Minister Al Zoubi elaborated on Jordan's commitment to a private sector-led economy, the divestment of state assets, and a healthy education system producing more IT graduates per year than Singapore. Although he cautioned that there is still much progress to be made on many fronts, nevertheless the overall message of his remarks was optimistic.

The Minister was in Washington to meet with Members of Congress on allegations by NGO's of labor standards violations in specific textile and apparel factories in Jordan and published recently in the New York Times, the Minister reiterated that his government takes such allegations with the utmost severity. He qualified that the Jordanian government in no way accepts human rights violations and added that the country's laws are in accordance with ILO standards, more must be done in the area of enforcement, especially in light of the huge influx of foreign workers to the Qualified Industrial Zones (QIZ's). Jordan's aggressive response to this challenge is broad, based and being taken in cooperation with multiple stakeholders including the ILO, NGO's and with technical assistance from the U.S. government. Contact Chuck Dittrich at [cdittrich@nftc.org](mailto:cdittrich@nftc.org) for more information.

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### **U.S.-South Africa Business Council Briefed on Outcome of FTA Talks with SACU**

Assistant U.S. Trade Representative Flori Liser briefed both the Business Council and the U.S.-SACU FTA Coalition as to the outcome of the meetings held in late April in Pretoria between Deputy U.S. Trade Representative Karan Bhatia and Director General of the South African Department of Trade and Industry, Tshediso Matona. The outcome of the meeting was to step back from efforts to negotiate a US-SACU FTA before the year-end deadline dictated by the expiration of President Bush's trade negotiating authority, and to continue the plurilateral dialogue through a mechanism that the two governments are currently devising. The intent is to bring all sides together, regarding the broad subjects that an FTA includes, over a longer period of time for the purpose of providing a head start to the newly elected presidents of the U.S. and South Africa in 2009. This plan is hoped to yield a successful negotiation in years to come.

### **Business Council Extends Welcome to Eric Bost, Ambassador-designate to South Africa**

The Business Council welcomes Eric Bost, the U.S. Ambassador-designate to South Africa, and will hold an event for member companies to meet him upon receiving full Senate confirmation for his new assignment. Ambassador Bost is currently Under Secretary of Agriculture for Food, Nutrition, and Consumer Services.

### **Will Stephens of Johnson & Johnson Assumes Chair of U.S.-South Africa Business Council**

Robert Mallet, Senior Vice President of Pfizer, Has completed his term as chair of the Business Council. The member companies and staff are very grateful to Robert for his able leadership. Will Stephens, Vice President, Johnson & Johnson, has become chair of the Business Council. Will has extensive experience in South Africa and is a member of the NFTC Board of Directors.

### **International Human Resource Management Conference-July 26-27, 2006-Santa Clara CA**

The NFTC will host a two day conference on strategic global business and human resource management issues. The faculty will include Bill Reinsch, president of the NFTC, and Peter Brew of the International Business Leaders Forum which is based in the UK. Bill and Peter will provide context on issues relating to globalization, including: intellectual property protection, dealing with corruption, the upsurge in protectionist attitudes here and abroad, barriers to doing business, and the importance of governance.

Corporate speakers will include senior human resource executives from such companies as Applied Materials, Bechtel, CH2M Hill, Cisco, Dell, Flextronics, Honeywell, Intel, and Solectron as well as subject matter experts from Cartus, Deloitte, Fragomen and Generali.

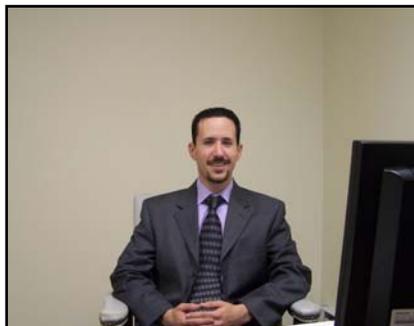
For details visit the NFTC website or contact Laura Morales at [lmorales@nftc.org](mailto:lmorales@nftc.org).

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### NFTC Welcomes New Staff Member James M. Schneiderman

James M. Schneiderman is the latest addition to the NFTC team in Washington DC. James graduated *cum laude* from The Citadel, the Military College of South Carolina with a degree in Political Science and an emphasis in International and Military Affairs. Completing his studies toward a Masters Degree in International Trade Policy from the Monterey Institute of International Studies, James will now take the title of Manager of Communications, Membership and Development.

James has several years of experience in sales, and previously worked for Valterra Products Inc. in Tijuana, Mexico, where he established a program for small maquiladoras to bring their supply chain operations into compliance with the new Customs and Border Protection, Customs-Trade Partnership Against Terrorism program. More recently, James volunteered as an intern at NFTC for several months, before returning to California to complete his post-graduate degree.



The NFTC welcomes James to its staff, and looks forward to building stronger, closer relationships with its members through his work. James can be contacted directly at (202) 464-2038 or by e-mail at [jshneiderman@nftc.org](mailto:jshneiderman@nftc.org).

### NFTC Welcomes Four New Members

NFTC welcomes Clifford Chance LLP, a global law firm, as one of its newest members. Clifford Chance has offices throughout the world, and offers local and cross-jurisdictional expertise in all major business centers. Mr. George Klienfeld, Counsel in Washington D.C., is the NFTC member contact. The NFTC welcomes Mr. Klienfeld and Clifford Chance LLP, and looks forward to building a strong, lasting relationship.

<http://www.cliffordchance.com/>

NFTC also welcomes Reckitt Benckiser to its esteemed assemblage of members. Reckitt Benckiser is a truly global company that produces a variety of common household products. The NFTC shares this firm's global view, and looks forward to working with Lisa Doorly, the new member contact, to promote the ideals of global commerce.

<http://www.reckitt.com/>

Sara Lee Branded Apparel joined the NFTC in May, and will accompany a long list of respected company representatives on NFTC's Board of Directors. NFTC welcomes Jerry Cook, Vice President, Government and Trade Relations, to the NFTC team and looks forward to establishing deep and long-lasting bonds with Sara Lee Branded Apparel.

<http://www.saralee.com/home.aspx>

Winston & Strawn LLP is the NFTC's most recent newcomer, joining in early June. Winston & Strawn is an international law firm with nearly 900 attorneys in 10 cities across the globe. Eric L. Hirschhorn, a Partner at the firm, is the new NFTC member contact. NFTC welcomes Mr. Hirschhorn and his firm as its latest addition to its team.

<http://www.winston.com/>

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### Calendar of Events

Date	Event	Location
June 26-27, 2006	Board of Directors Dinner and Meeting	Williamsburg, VA
June 30, 2006	USA*Engage Coalition Meeting	Washington, DC
July 26, 2006	Tax Steering Committee Meeting/Tax Lunch Forum	Washington, DC
July 26 -27	<a href="#">Annual IHR Conference</a>	Santa Clara
August 2, 2006	Global Mobility Seminar	Cleveland, OH
August 3, 2006	Global Mobility Seminar	Detroit, MI
September 12-14, 2006	Expatriate Management Committee (EMC) Meeting	New York, NY
September 26-28, 2006	International Assignment Management Committee (IAMC) Meeting	San Francisco, CA
September 27-28, 2006	Fall Tax Committee Meeting	Washington, DC
October 12, 2006	International Benefits Committee (IBC) Meeting	New York, NY
November 2, 2006	Tax Steering Committee Meeting/Tax Lunch Forum	Washington, DC
December 6, 2006	Tax Steering Committee Meeting/Tax Lunch Forum	Washington, DC
Fall 2006	Annual World Trade Dinner and Award Ceremony	Washington, DC
Fall 2006	NFTC Annual Meeting	Washington, DC
Fall 2006	Board of Meeting	Washington, DC

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 James M. Schneiderman, (202) 464-2038, e-mail [jschneiderman@nftc.org](mailto:jschneiderman@nftc.org).

## Word From the President

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The legislation avoided pandering and rhetoric. It was apparent from the beginning that the members of the Financial Services Committee, beginning with the Chairman, Congressman Oxley, and the ranking member, Congressman Frank, understood the sensitive nature of financial markets, as well as the importance of foreign investment to the United States, and were going to make sure that legislation did not send the wrong signals, despite many temptations to do precisely that.

The NFTC was part of a large business effort in support of this bill – an effort that continues since both the House and Senate bills have yet to come to the floor. Nevertheless, companies should be pleased with this outcome and proud of the work we all did to get this far.

Second, on June 15, the Senate defeated by a vote of 45 to 54 an amendment by Senator Santorum to essentially add the provisions of the House-passed Iran-Libya Sanctions Act renewal to the defense authorization. NFTC and USA\*Engage strongly opposed the House-passed bill because it would have tied the President's hands, complicated the Administration's efforts to work jointly with our European allies in negotiating with Iran on a resolution of the current impasse over Iran's nuclear program, and inappropriately refocused the debate on the actions of our allies rather than those of the Iranians. Senators Biden, Hagel, Warner, and Levin, along with Senator Lugar, were instrumental in the amendment's defeat.

This vote is noteworthy because, going into the debate, Sen. Santorum's bill, S. 333, which was similar to his amendment, had 61 cosponsors. Obviously, the debate mattered, as did intercessions from the State and Defense Departments and from USA\*Engage, among others.

Equally important, however, it also represents a victory for the thoughtful contingent in Congress. Most of the votes against the Santorum amendment came from Democrats, along with a contingent of thoughtful Republicans. Truth be told, however, if it had been a Lautenberg amendment, for example, most of the opposing votes would have come from Republicans, along with a contingent of thoughtful Democrats. The amendment would have been defeated in

either case, because, thankfully, there are some senators on each side of the aisle who think these issues through, understand the dangers of a superficially attractive amendment, listen to the arguments presented by the Administration, and vote on the merits. It is encouraging to know that these people exist. They are in both parties and on matters like this one they hold the balance of power. In this case, it was good news for the President and our efforts with Iran, but in a larger context it is good news for the Senate's image as a thoughtful and deliberative institution where good policy still matters, at least on occasion, and knee-jerk diplomacy doesn't necessarily prevail.

## "Catch-all" is Coming, and Other Export Control Developments

*Continued from page 1*

without having a positive impact on national security. And despite the fact that this rule comes as part of U.S. commitments made in the Wassenaar Arrangement, we appear to be alone in controlling these items to China.

This regulation is one of several changes to U.S. export control policy that do not take into account the realities of the global marketplace and do not adequately consider the broader strategic relationship between the United States and China. A better focus for the administration would be to cultivate a strategic China policy that balances national security concerns with economic realities in conjunction with U.S. allies.

In the good news department in the export control area, the U.S. Department of Commerce announced in a May 22 Federal Register notice its intention to establish a new advisory committee to recommend changes to current deemed export control regulations. The announcement is a major victory for the academic, research, and business communities, which objected strongly to earlier proposals that were floated last year by the Bureau of Industry and Security (BIS). BIS has already abandoned its earlier attempt to dramatically complicate the deemed export licensing process by requiring "country of birth" information last December. The agency now appears to be relenting, possibly temporarily, on changes to the definition of technology. The committee will be named soon and will incorporate a range of views from business, academic and national security interests. A new regulatory proposal is expected sometime in 2007. We hope the committee's membership will be balanced, but we are alert to the possibility that it might not be. Either way, however, the business community has another reprieve from the implementation of a counterproductive regulation, and you can be sure we will continue to track its progress closely.

## Council Highlights

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