Council Highlights

NATIONAL FOREIGN TRADE COUNCIL

ADVANCING GLOBAL COMMERCE FOR OVER 90 YEARS

Council Highlights is a bi-monthly summary of news and events of the National Foreign Trade Council exclusively for its members.

December 2007/January 2008 Issue

Word From the President

As a general rule, trade negotiating rounds never fail; they simply keep stumbling along until everyone agrees out of exhaustion to an outcome that is far short of the ambitious pronouncements that launched them. That may still happen in the case of the Doha Round – it is certainly stumbling, and the proposals that have emerged are becoming less ambitious – yet there is growing reason to believe that while the body may remain on life support for a while, the brain is dead and not coming back, at least in its current form.

While many of the arguments in the talks have not changed, globalization has changed both the underlying dynamic and tone of the negotiations. This suggests it is time for the United States to think more creatively about how to advance its interests, since reconciling the Administration's free trade rhetoric, Congress' reluctance to move on trade, and business' reluctance to support a "small" outcome is becoming increasingly difficult.

Historically, most trade rounds have ended via a deal between the U.S. and the European Union with the acquiescence of a few others like Japan, Switzerland, and Australia. It is then sold to a handful of developing countries who accept it on behalf of the others. This time, however, the developing countries have been far more engaged and far more obstreperous negotiating partners, which, in an organization that depends on consensus, can be fatal. To some degree, their feistiness has more to do with their own domestic politics and with maneuvering for leadership among their developing country colleagues than it does with the substance of the negotiations. Regardless, they have clearly demonstrated their unwillingness to support the long-term collective interests of the trading system and their own economic growth over their short-term political needs.

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More Than 100 CEOs Send Letter to Congress on China Legislation

In a letter to the House and Senate leadership, more than 100 CEO's communicated concerns about pending legislation in Congress on trade with China. The letter expressed the view that legislation under consideration, if enacted, would jeopardize American leadership in the global economy and its numerous benefits in terms of job creation and economic growth.

The letter raised particular issue with legislation that would impose unilateral trade penalties likely be found to violate US international trade commitments. It acknowledged that more action is needed to address issues relating to currency valuation, product safety and intellectual property rights, but stressed the importance of continued direct engagement with China to resolve these and other concerns.

Strong political pressure exists for some kind of legislative action on China. With few congressional session days left in 2007, expectations are that any congressional action on China-related legislation will occur in 2008. The NFTC and the broader business coalition in opposition to counterproductive legislation on China will continue to track and lobby against legislative initiatives which would harm US economic and trade interests.

Inside this issue:

News for Our Members

NFTC Speaks on Prospects for Doha Round and Spearheads Multi-Business Statement

At a public event hosted by the Global Business Dialogue on November 15, NFTC Vice President Mary Irace spoke on the current outlook for a near-term conclusion to the Doha Round. She based her comments on a recent series of NFTC meetings in Geneva with WTO Ambassadors and other senior WTO officials. She highlighted that the mood in Geneva was positive and that there is a lot of hard technical work underway, which is necessary for a breakthrough in the trade talks by early next year. What will determine this in the next several weeks will be whether anticipated revised texts on agriculture and goods, and a new text on services, will narrow differences sufficiently for a "horizontal" negotiating process to proceed and ultimately enable final ministerial decisions on the few most difficult issues.

During her remarks, Irace highlighted that if a breakthrough on core modalities were achieved, the negotiations could be completed in 2008, and that a breakthrough would provide a strong political case for securing a targeted extension of US trade negotiating authority. She emphasized that many challenges remain to getting a final agreement, and that the number one ingredient for success was political leadership in tackling sensitive issues.

As a way to demonstrate continued business commitment to an ambitious and balanced outcome, the NFTC spearheaded a "Call to Leadership on the Doha Round" among business groups from numerous developed and developing countries. The statement calls on national leaders to exert the necessary political action to achieve a successful conclusion to the Round as soon as possible. More than 25 organizations from 15 countries endorsed the statement.

NFTC Applauds Strong Bipartisan Vote on Peru Trade Promotion Agreement

After months of a major business advocacy effort in support of congressional approval of the US-Peru free trade agreement, the House on November 8, approved the PTPA by 285-132. It was a strong bipartisan vote, with 109 Democrats and 176 Republicans voting in favor of the agreement. Sixteen members did not vote. This was followed by a very positive Senate vote in favor of the Agreement. There, 77 Senators voted in favor, 18 against, with 5 Senators absent.

The NFTC hailed these votes as a very positive step in advancing a pro-trade agenda. The NFTC similarly has called on the House and Senate to act on the other three pending FTAs with Panama, Colombia, and Korea.

For copies of the NFTC press release and letter to Congress, please go to the NFTC website.

News for Our Members

Member Input Sought in 2008 Trade Policy Priorities/December 10th Trade Committee Meeting Scheduled To Discussion 2008 Agenda

NFTC members were invited to attend a Trade Committee meeting on December 10, 2007 for a preliminary discussion of 2008 priorities. Majority Chief International Trade Counsel to the Senate Finance Committee, Demetrios Marantis, joined committee members for part of the meeting to share his perspective on the outlook for 2008. The NFTC expects a very full agenda next year with the added element of it being a presidential election year. For more details about the meeting, please contact Mary Irace at mirace@nftc.org.

NFTC Participates in OECD Technical Advisory Group

The NFTC recently participated in the Organization for Economic Cooperation and Development (OECD) Technical Advisory Group (TAG) on value-added and goods and services taxes (VAT/GST) for cross-border services and intangibles in Paris. Catherine Schultz, NFTC Vice-President for Tax Policy, participated in the TAG meeting. The TAG is divided into two Task Teams, comprising a number of mixed business and government participants in each. One Task Team is considering the fundamental concepts of cross-border supplies of services and intangibles; the other is looking into cross-border refunds of VAT/GST where a non-established business incurs tax in a jurisdiction in which it is not required to be identified for tax purposes.

The fundamentals Task Team presented a working draft of a paper designed to give the governmental tax administrators participating in Working Party 9, an outline of the work that has been done so far by the fundamentals group. The paper **Demetrios** included some very **Demetrios** basic examples illustrating the principles agreed to by the BIAC Committee on Fiscal Affairs: 1) for consumption tax purposes, internationally traded services and intangibles should be taxed according to the rules of the jurisdiction of consumption; and 2) the burden of value added taxes themselves should not lie on taxable businesses except where explicitly provided for in legislation. The Task Team will develop more complex examples and will continue to work on the definitions set forth in the examples.

The refund Task Team is collecting information from businesses on VAT refunds. Since its inception in September 2007, the Task Team has been gathering information from both tax administrations and businesses on the existing procedures for businesses to obtain refunds of the VAT/GST incurred in a country where they are not established. This work includes information on how these procedures operate in practice and identification of the scale and nature of the main difficulties with which businesses are confronted. The Task Team will continue to gather survey information, and then will make suggestions to improve the efficiency and security of current VAT/GST refund/recovery processes for foreign businesses. These suggestions may also include procedures providing foreign business customers with tax relief and alternatives to refunds.

News for Our Members

A Word from the President

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A principal reason for this is the impact globalization is having on everybody. There is no question global economic integration and rapidly evolving modes of transportation and communication are accelerating change all over the world. Competition is more intense across the board, and those who cannot keep up suffer far more quickly than they used to. That has produced politicaldemands in many countries, including the United States, to pull back and slow down trade negotiations even though liberalization is in their own economic interest. It has also made it much harder for governments to make the necessary negotiating concessions, even though trade negotiations did not cause globalization, and their failure won't stop it.

That puts us at a crossroads. We can continue to beat our heads against the Brazilian-Indian wall in the Doha Round and hope for an eventual outcome that will be so modest as to be meaningless, or we can acknowledge that not everyone is prepared for further trade liberalization right now, and that it makes no sense for those that are to be held to the pace of the slowest. That, in turn, suggests two tactics.

The United States can continue to negotiate bilateral and regional free trade agreements with those countries that are prepared to liberalize along with us. So far, most of our FTA negotiations have had more to do with foreign policy than economics, but there is no reason why we cannot pursue talks with larger economies where the market potential is great, like Japan and the EU. Agriculture will always be a problem, but it may also be time to put that aside as the price for real market opening on services and manufactured goods that will stimulate job growth here.

We can also push for a liberalization track at the WTO – the existing organization would continue, but within it, a group of countries prepared to agree to real trade liberalization in the interest of faster growth would be free to proceed. That means explicitly abandoning the most favored nation concept and restricting enhanced benefits only to those willing to make enhanced commitments. There would be no free riders.

These are not new ideas, but they have not gained much traction because we remain wedded to the idea of an inclusive organization where all receive the same benefits. Reflecting this, the WTO already exempts the least developed countries from many of the obligations of past Rounds, yet they continue to receive the same or preferential benefits. That is still a noble goal, but it might make tactical sense to take a step backwards now in order to take two steps forward later on.

Successful FTAs and a multi track WTO will demonstrate that increased trade leads to increased growth and jobs. People know that in the abstract, but since the gains are long-term and diffuse, while the costs – which are also real – are short-term and specific, it is easier politically to resist change than it is to embrace it. Liberalized trade on a smaller scale will mean some countries growing faster and getting richer and others falling behind. What better "proof" of the advantages of trade negotiations could there be, and what better way to make the case for eventually returning to large scale negotiations and a new round?

News for Our Members

NFTC Visits South Africa; Uncertainty Surrounding Election of New ANC President; Macro-economic Trends Continue Positive

On a November visit to South Africa NFTC Vice President Dan O'Flaherty met with senior South African government and business leaders, addressed a "U.S-South Africa Private Sector Dialogue" in Johannesburg, and participated in the biennial Africa Summit of the Corporate Council on Africa in Cape Town.

Presidential politics is the current preoccupation in the country at large and in the business community. The ruling African National Congress will elect its president in a party conference in mid-December. In the past the ANC president is almost guaranteed to be elected president of South Africa by their parliament after elections in late 2009. This year's ANC election has major business implications. The South African constitution limits the President to two terms. Unable to serve a third term and not having groomed a successor, President Mbeki is running to retain the ANC presidency. His declared opponent is Jacob Zuma, who was fired as Deputy President in 2005 over allegations of corruption and who has waged a campaign based on populist themes similar to those of Hugo Chavez of Venezuela. His energetic efforts to reassure the business community that he would continue current policies have been met with profound skepticism. Some predict that his election would be followed by capital flight and an accelerated brain drain. Certainly South African financial markets and the foreign exchange value of the rand could be negatively affected. Even if Mbeki is re-elected as president of the ANC the election of a new president of the country in 2009 will depend on the opaque internal politics of the ANC and the interplay of a variety of possible successors. The bottom line is that for the first time since the 1994 transition from apartheid, there is political uncertainty and the possibility of instability.

The economic successes and failures of the ANC government underlie the political ferment. On the plus side, the economy is growing at 5% per annum, FDI increased by 7% in the first three quarters of '07 (including the Chinese purchase of 20% of Standard Bank), and South Africa had a trade surplus with the US of $3.2 billion in '06 and of $2.75 billion in the first three quarters of '07. The 2010 soccer World Cup in South Africa is stimulating infrastructure investment, as is the Accelerated and Shared Growth Initiative for South Africa (ASGISA), whose objective is to achieve sustained 6% growth by 2015. On the negative side, the growth has been jobless. The official unemployment rate is 26%, but is 37% by the "expanded definition," which includes the informal sector. Inequality of income remains among the highest in the world and the ANC is accused of having created a new class of "black diamonds" who have profited disproportionately from the ANC's Black Economic Empowerment policies. Zuma's campaign has stressed these shortcomings and, combined with Mbeki's growing unpopularity, has propelled him into a neck-and-neck election. Importantly, the delegates to the December party conference are not bound and as a result the outcome is unpredictable.

U.S.-South African bilateral relations are difficult in a number of areas, one of which is trade policy – both bilateral and in the WTO Doha Round. The suspension of the US free trade negotiations with SACU in 2006 means that no resumption of trade talks is likely to take place within the next two years at least. Since 99% of South African exports enter the U.S. duty free under AGOA and GSP, there is little incentive to make concessions to the U.S. in other areas.

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Tax Policy

NFTC November & December Lunch Forum Focus on Tax Legislation

The NFTC Tax Committee was honored to hear remarks by Christopher Javens, International Tax Counsel to the Senate Finance Committee Minority, at the November 13th Tax Lunch Forum. As Congress nears the end of the legislative session, there are several key tax bills that have not been completed.

Mr. Javens gave an overview of the pending tax legislation, and gave his personal prognostications of the bills that may be adopted before Congress adjourns for 2007. There are sharp disagreements between the Senate Finance Committee and the House Ways and Means Committee over whether the pay-as-you-go requirements should be maintained for the one-year patch to the alternative minimum tax (AMT). There are also disagreements over how to pay for the extension of expiring tax provisions. Mr. Javens speculated that before Congress adjourns, the House and Senate would both adopt a one year AMT patch, and would waive the pay-go requirements to do so. He did not believe that the extension of the expiring tax provisions could be accomplished in the time remaining in the legislative session in 2007. It is also unlikely that Congress would be able to act on the energy tax provisions or the tax provisions included in the farm bill.

Mr. Javens said that even if Congress acts on a one-year AMT patch, they will still have to adopt another patch before the end of 2008, and will have to address the tax provisions that expired in 2007, and also those that expire before the end of 2008. It will be more difficult to address these issues, and find the revenue offsets, in an election year.

Many of Mr. Javens predictions were supported by Evan Liddiard, Tax Counsel to Senator Hatch, at a December 11th Tax Committee meeting. He too expressed the view that an AMT patch would pass without revenue offsets and that an extenders package, energy legislation and the farm bill would be put off until 2008. Both the energy and farm bills include tax provisions.

The NFTC Tax Committee holds six tax lunch forums each year. Topics range from technical tax issues to political tax matters. The Winter Tax Meeting will be a one-day meeting, and will be held at the St. Regis Hotel, Washington, D.C., on Thursday, February 28, 2008.

NFTC Visits South Africa; Uncertainty Surrounding Election of New ANC President; Macro-economic Trends Continue Positive

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South African big business continues to be relatively indifferent to an FTA with the U.S., since they see little to be gained. The "Trade, Investment and Development Cooperative Agreement", or TIDCA, which is intended to continue dialogue on FTA issues, is still under negotiation. Meanwhile, South Africa has signed a revised FTA with the EU effective January 1, 2008, which provides expanded market access to the Europe. The Department of Trade and Industry remains focused on expanding "South-South" trade, primarily with India and Brazil, at the same time that they hope to expand ties with China.

South Africa does continue to be an important commercial partner. There are over 600 U.S. companies with some presence in South Africa which is the U.S.'s largest trade partner in Africa after oil-exporting Nigeria and Angola. It is the number one destination on the continent for U.S. exports. This will persist even in the absence of an FTA, but it is worth noting that there is sympathy in the South African business community for negotiating a Bilateral Investment Treaty and for South African accession to the WTO Plurilateral Agreement on Government Procurement, both of which would be important steps in developing the commercial framework. Additional information is available by contacting Dan O'Flaherty at doflaherty@nftc.org.

USA*Engage

A Busy Season for Sanctions

From Washington to Sacramento, sanctions have been on the minds of policymakers and the subject of various policy initiatives in recent months. In October alone, the House passed new Burma sanctions, the Administration designated a large segment of the Iranian government as a terrorist entity, and the President reiterated his support of the Cuba embargo in what was billed as a major speech. During the same month, State legislators in Michigan, Massachusetts and Pennsylvania attempted to move legislation that would name and shame, and compel divestment of, a broad array of companies said to be doing business in Iran, Syria, Cuba, North Korea and other states.

Sanctions once again have become a popular policy response to a variety of tough foreign policy issues from terrorism to nuclear proliferation to having the last name Castro.

This is particularly true with Iran, where “doing something” has become a mantra on the Hill. As debate heats up in Congress over the need to authorize the use of force against Iran, many on both sides of the aisle are claiming that sanctions are an alternative to war, and are attempting to use sanctions initiatives to show some action. USA*Engage has countered that these sanctions are “intended to punish Iran,” and “are unlikely to lead to a positive diplomatic outcome,” as Co-Chair Bill Reinsch said in response to the recent designation of the Iran Revolutionary Guard Corps as a terrorist organization. “Real diplomacy,” he continued, “means utilizing direct diplomatic channels to the government in Iran, and it means working with our allies on concerted multilateral efforts.”

The imperative to “do something” has also been a frequent justification given by up-and-coming state legislators seeking to pass legislation that would require their state’s pension funds to divest from companies that are doing business in countries like Cuba, Syria, Sudan and Iran. Similar exercises are repeating across the country, from California to Ohio to Pennsylvania, without any uniform standards for legislation or authoritative lists of companies doing business in these countries, and absent acquiescence by the federal government. The most recent list of companies that would be subject to divestment under a draft Pennsylvania bill captures about 140 major multinational corporations, including a number of U.S. companies whose ties to these countries are in many cases legitimate under U.S. and international laws. Other companies have been targeted erroneously by the private sector research firm which the Pennsylvania retirement board retained to conduct the study. USA*Engage and NFTC continue to work with state pension funds, statehouses, other associations and our member companies to highlight the haphazardness, inconsistencies, foreign policy problems and costs of these approaches.

Finally, the President turned a spotlight on Cuba policy, giving a speech on October 24 that may have been better received at a closed-door fundraiser in Miami. In it, he reiterated his support for the U.S. embargo, and told the Cuban military that, “When Cubans rise up to demand their liberty…you’ve got to make a choice.” The speech provided a platform for a number of editorials and commentary on the merits – or lack thereof – of our unilateral sanctions, including a mention of USA*Engage in Time Magazine’s November 5th issue. (From the magazine: "President Bush is right when he says this is a unique moment in Cuba, but he's missing that moment," says Jake Colvin, director of USA Engage in Washington, which favors moves like lifting the ban on U.S. travel to Cuba…Bush insisted that engaging Cuba now would just give "oxygen to a criminal regime." But, argues Colvin, "American citizens have always proven the best ambassadors of freedom and democracy.")

In response to all of this, USA*Engage has stepped up its alliances with NGOs and trade associations opposed to these new sanctions, including many with grassroots support at the State level. The coalition continues to argue, as it did in a recent letter to Pennsylvania legislators, that “America’s values, security and prosperity are best advanced by sustained public and private sector involvement in world affairs. Engagement at all levels – political, economic, religious, educational and cultural - is the best tool to advance America’s interests overseas.”

Annual Global Human Resources Management Conference—Houston - March 5 & 6, 2008

The NFTC will host its seventh annual International Human Resources Conference at The Houstonian. The focus of the 2008 conference will be "Driving Engagement Across Borders and Cultures: Policy, Process and Strategic Excellence".

The confluence of global demographic trends and the expansion of business opportunities in both traditional and new international markets is placing considerable strain on multinational employers, regardless of business sector. These pressures are particularly strong on companies in the energy, engineering and technology sectors. Current and foreseeable shortages of craft, supervisory, technical and managerial talent significantly affect the maximization of market opportunities. These talent shortages are occurring in Africa, China, the Middle East and Russia. How are employers meeting their needs? What are some smart practices that can be applied across industries? With talent shortages in North America, Western Europe and the Middle East where can talent be sourced? Developed? What will motivate and retain talent?

In addition to subject matter experts from AIG, Baker & McKenzie, Ernst & Young, GMAC, International SOS and the NFTC the conference faculty will include experienced corporate human resource professionals from such companies as Baker-Hughes, BP, Fluor, GM, HP, Nortel, The World Bank and others.

Details on the agenda and registration can be found on the NFTC website, www.nftc.org or by contacting Sandra Rodriguez at 212 399 7128 or at srodriguez@nftc.org.

NFTC Welcome New Members—Dell, KBR and Sunoco

Dell Inc., headquartered in Round Rock, Texas, listens to customers and delivers innovative technology and services they trust and value. Uniquely enabled by its direct business model, Dell sells more systems globally than any computer company, placing it No. 34 on the Fortune 500. Dell's climb to market leadership is the result of a persistent focus on delivering the best possible customer experience by directly selling standards-based computing products and services. Revenue for the last four quarters totaled $58.2 billion and the company employs approximately 90,400 team members around the globe. Robin Clowes, Benefits Analyst, represents the company in the NFTC's International Human Resources Section. (www.dell.com)

KBR, Inc., headquartered in Houston, Texas is a leading global engineering, construction and services company supporting the energy, petrochemicals, government services and civil infrastructure sectors. The company is a leader in many of the growing end-markets it serves, particularly gas monetization, having designed and constructed, alone or with joint venture partners, more than half of the world's operating liquefied natural gas (LNG) production capacity over the past 30 years. KBR offers a wide range of services through its Upstream, Downstream, Technology, Services, Government and Infrastructure, and Ventures business segments. Ernie Northam is the KBR member contact for its NFTC membership (www.kbr.com).

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Global Viewpoint: Health and Productivity

Susan DeGregorio, Hewitt Associates

Health care is one of the most challenging global issues employers face. In many countries with national health care systems, the social contract on health care is being revised as governments struggle to deliver health care services on a timely basis to all citizens that need them. Employers are reexamining their role in the provision of health care benefits, determining the affordability and effectiveness of benefits. Employees are concerned that rising health care costs will prohibit them from receiving adequate health care coverage.

In 2007, Hewitt Associates invited multinational companies to participate in a survey in order to understand how employers approach issues related to health care and absence/disability on a global basis, specifically where greater control is needed and how employers intend to increase their control. Here we review the survey's major findings.

Where do employers need help

Employers are typically offering a company-sponsored health care program and/or nonstatutory absence/disability benefits in every country where they have operations. In the Americas, employers express the greatest concern over employee health and productivity issues in the United States, Canada, and Brazil. In Asia, China poses the greatest concerns. In Europe, health care issues in the United Kingdom and Central Europe are the most problematic for employers.

At least two issues tie all of these countries together: health care costs are rising at rates that exceed inflation and employees are pushing for more comprehensive coverage. In Canada, provincial governments have been reducing coverage under their plans, thereby shifting costs to employer-provided programs, and the debate over the role of private insurers in the provision of services already covered by the public system continues. In Brazil, the government is trying to control health care costing by capping increases on individuals' private health insurance premiums.

In China, the national medical plan operates under the stated goal of *di shuiping, guang fugai* (low benefit levels, wide coverage). Based on Hewitt's claim analysis of typical Foreign-Invested Enterprises, if an employee incurs CNY 100 in outpatient expenses, only CNY 5 is paid from the social pool and CNY 95 is paid from an individual account or out-of-pocket. Given this limited coverage, group medical plans are growing in importance.

In the United Kingdom, heavy smokers and obese patients may be denied some treatments by primary care trusts. Employer-provided health screenings or medical checkups are now tax free only if they are offered to all employees. Long wait times plague the system. In Central Europe, employers must design benefit plans around health care systems that are transitioning away from the single-payer model to, in many cases, undefined mixed systems.

What are employers doing...or not doing

Employers are implementing programs without strategies to guide them or metrics to analyze their effectiveness. Only 25% of survey respondents have a global health care risk management strategy today. Seventy-nine percent will have or expect to have a strategy in the next five years.

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Global Viewpoint: Health and Productivity

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The greatest barriers to the development of a strategy are time, local buy-in, and staffing. The most common global risk management strategies are multinational pooling and health and wellness programs: 54% and 38% of respondents, respectively, indicate that they have either a formal written or informal global strategy. Twenty-three percent of respondents have a formal or informal global Employee Assistance Program strategy; 21% have a global absence/disability management strategy, and 19% have a formal or informal global health care purchasing strategy.

Only 33% of respondents could estimate their company's aggregate annual cost of providing health care; even fewer respondents (18%) could estimate the cost of their absence and disability benefit programs globally.

Who is responsible

The lack of global health care strategies may be due to the nature of decision making regarding health and absence/disability benefits, which tends to be conducted from the bottom up rather than the top down. To date, decisions regarding plan design, service provider selection, and funding are not usually centralized at corporate headquarters; rather, they originate at the local level or rely heavily on local input. Respondents indicate, however, that they expect a change in decision-making responsibility during the next two years: 56% expect more corporate involvement.

Overwhelmingly, when there is a global health care risk management strategy, Corporate Human Resources shoulders the burden of administering the program. In a small percentage of cases—less than 10%—Corporate Human Resources and Finance share the responsibility.

What are employers' next steps

To hedge against their global risks and create workable strategies, employers must develop an understanding and awareness of the health care systems in the countries in which they operate the local health insurance markets, and their employees' health care needs. A set of guiding principles should be established to anchor expectations at the corporate level and in local offices with a governance framework for decision making.

The steps an employer needs to take in establishing a global health risk management strategy are: 1) assign corporate responsibility and engage local resources; 2) establish an inventory of current programs; 3) address any immediate concerns; 4) establish global guiding principles and governance process; and 5) implement locally and monitor globally.

For more information on the survey findings, please click here: Hewitt's Global Viewpoint: Health Productivity 2007 Survey.

Susan DeGregorio is a senior Health Management Consultant with Hewitt Associates and manages Hewitt's Global Health Management practice. Susan can be reached at susan.degregorio@hewitt.com.

Human Resources

Global Mobility Operations Study

The increasing propensity of employers to globalize has enhanced competition for experienced and capable talent to build, expand and to manage international operations. Many of these valuable employees are expatriates serving their employers in countries outside of their own. The growing cadre of international assignees is increasingly sensitive to the level of assignment support that they and their families receive from their employers, and that quality of service is a key factor in deciding whether to continue on assignment, to take another assignment and even which employer they should work for. In the hope of gaining competitive advantage for this talent, employers have been seeking ways to improve the real and perceived delivery of expatriate services and to reduce related costs. Note: the "overhead" costs of posting an employee on a cross-border assignment are in the range of two to four times base salary so an employee with a base salary of US$125,000 can easily have a total employment cost of US$1,000,000 for a three year posting.

The National Foreign Trade Council's International Human Resources Services (IHRS) unit has been the recognized center of expatriate practice for decades. The IHRS provides NFTC's membership with a deep knowledge base in the field and it serves the broader global mobility industry as a conduit for idea generation.

For the past 12 years, the IHRS has co-produced the annual Global Relocation Trends survey with other sponsors providing the global mobility community with important data relating to the underlying policies that support expatriate practices and related mobility trends. In short this survey has been the central source of "What" companies have been doing in relation to international transfers. Recently, in response to several members' requests, the IHRS has launched the inaugural Global Mobility Operations Study (GMOS) to complement the Global Trends survey by analyzing the "How" global mobility services are delivered. The core drivers for this study include the aforementioned service improvement to expatriates (attraction/retention of talent), significant reduction of cost to employers and improved compliance/mitigation of risk.

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Tax Treaty Update

On November 16, the Denmark and Finland Protocols were passed by unanimous consent in the Senate. Unfortunately, holds were placed on the German Protocol and the Belgian Tax Treaty by Senators Dorgan and Feingold. The Senators have some concerns about the new arbitration provisions that are included in both of these treaties. These are the first U.S. tax treaties to include arbitration provisions. We are hopeful that the concerns of these Senators are alleviated and that they will remove their holds and let the treaties move forward for Senate approval before the Senate adjourns for the year.

Bill Reinsch, NFTC President, testified at the Senate Foreign Relations Committee ratification hearing July 17th. The hearing was on the tax treaties with Germany, Finland, Denmark and Belgium, and was the first tax treaty hearing under the new Democratic majority. A written version of his testimony can be found on the NFTC website at www.nftc.org. The Senate Foreign Relations Committee staff had held a roundtable discussion of the arbitration provisions earlier in the spring.

The United States has enjoyed an open trading relationship with both Denmark and Finland. The new treaties with these countries eliminate the withholding tax on certain cross-border dividend payments. They also eliminate the withholding tax on dividends arising from certain direct investments and cross-border dividend payments to pension funds.

Global Mobility Operations Study

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"The global mobility industry has long expressed a strong desire to peek under the hood of programs similar to theirs to gain ideas about how to increase their standards of performance and enhance the efficiency and effectiveness of their operations", says Bill Sheridan, Vice President of the IHRS. Expatriate program operations are complex and can be excessively expensive if not run efficiently. Results from the GMOS study are intended to shed a strong light on the infrastructure of participants and to provide them with some ideas about what works well and what might not"

A study oversight committee made up of NFTC members has been actively involved in the design phase of the GMOS project. The committee includes representatives from: AIG, Bank of America, Cemex, Dell, Eli Lilly, Honeywell, Lockheed Martin, Pepsico, Pride International and Reuters.

Grace O'Rourke, Director of IHRS, has been co-managing the project along with Dave Leboff of Expaticore Services LLC (subject matter expert for the GMOS project) and Dan Fisher of Fisher-Rock Consulting (study project manager).

For more information about this project please contact Grace O'Rourke in the New York office of NFTC (212) 399-7128 or by e-mail at gorourke@nftc.org. The registration form and further information relating to the GMOS survey can be found at http://www.expaticore.com/Registration%20Form.doc.

NFTC Welcome New Members—Dell, KBR and Sunoco

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Sunoco, Inc., headquartered in Philadelphia, Pennsylvania, is a leading manufacturer and marketer of petroleum and petrochemical products. With 900,000 barrels per day of refining capacity, nearly 4,700 retail sites selling gasoline and convenience items, approximately 5,500 miles of crude oil and refined product owned and operated pipelines and 38 product terminals, Sunoco is one of the largest independent refiner-marketers in the United States. Sunoco is a significant manufacturer of petrochemicals with annual sales of approximately five billion pounds, largely chemical intermediates used to make fibers, plastics, film and resins. Utilizing a unique, patented technology, Sunoco's cokemaking facilities in the United States also have the capacity to manufacture over 2.5 million tons annually of high-quality metallurgical-grade coke for use in the steel industry. Albert B. Knoll, Managing Director, Federal Relations participates as a member of the NFTC Trade Committee (www.sunocoinc.com)

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.

Calendar of Events

Date	Event	Location
Winter 2008	Board of Directors Meeting	TBA
February 20, 2008	*International Benefits Committee	New York City
February 28, 2008	Winter Tax Meeting	Washington, D.C
March 5 & 6, 2008	Annual International Human Resources Conference	Houston, TX
March 11-13, 2008	*Expatriate Management Committee	Scottsdale, AZ
April 21-23, 2008	International Assignment Management Committee	Houston, TX
April 23, 2008	Tax Lunch Forum	Washington, DC
May 14, 2008	Tax Lunch Forum	Washington, DC
June 3, 2008	*International Benefits Committee	New York City
June 17, 2008	Tax Lunch Forum	Washington, DC
July 16, 2008	Tax Lunch Forum	Washington, DC
July 16-17, 2008	Annual IHR Conference	New York City
October 8, 2008	*International Benefits Committee	New York City
October 8-10, 2008	Fall Tax Meeting	Wintergreen Resort, VA
November 12, 2008	Tax Lunch Forum	Washington, DC
December 10, 2008	Tax Lunch Forum	Washington, DC
Fall 2008	Annual World Trade Dinner and Award Ceremony	TBA
Fall 2008	Annual Meeting	TBA
Fall 2008	Board of Directors Meeting	TBA

* Denotes: The Expatriate Management, Global Compensation, International Assignment Management, and International Benefits Committees are by invitation only. For information about them contact NFTC, (202) 887-0278; e-mail: nftcinformation@nftc.org

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