Council Highlights

NATIONAL FOREIGN TRADE COUNCIL

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

April/May 2008 Issue

Word From the President

One of the disappointing aspects of the apparently never-ending presidential campaign has been the revival of the debate over NAFTA. One would think that after fifteen years we would have put this one to bed, but apparently not. This resurrected debate is unfortunate on two levels. First, it misleadingly scapegoats our problems, and second, it underestimates the intelligence of the American voter.

Copious amounts of data have been presented over the years to "prove" that NAFTA is either a complete success or an abysmal failure. Depending on how, what, and when one counts, one can probably prove either proposition. The truth, as usual, is somewhere in between. Like most trade initiatives, the gains are long term and diffuse; the losses short term and specific. The argument of overall macroeconomic gain is hard to refute. Trade and investment have expanded, all three economies have grown, jobs have been created, and prices are lower than they otherwise would be.

At the same time, it is not hard to identify plants that have closed in the U.S. and moved to Mexico. Organized labor charges that some companies have also used the threat of moving to leverage contract concessions ring true. In other words, there are losers, and we can identify many of them.

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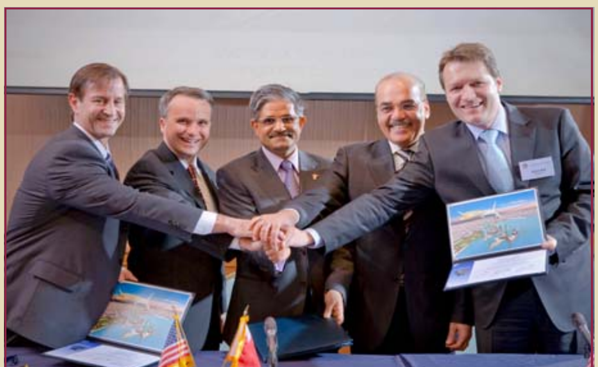
Inside this issue:

NFTC, U.S.—Middle East Free Trade Coalition Welcome New Boeing, Gulf Air Business Deal

Reflects Benefits of Enhanced Bilateral Relations Under U.S.—Bahrain FTA

A signing ceremony was held in Washington on March 16 to commemorate a recent business agreement between The Boeing Company and Gulf Air of the Kingdom of Bahrain. Gulf Air has agreed to purchase 16 of Boeing's new 787 Dreamliner Aircraft, in a sale valued at between $4 - $6 billion, demonstrating the tangible benefits of increased commercial ties between the two countries under the free trade agreement. The U.S.-Bahrain FTA entered into force in August 2006. Under the terms of the agreement, all American consumer and industrial product exports to Bahrain enter duty-free. Similarly, 98% of U.S. agricultural tariff lines were eliminated upon the FTA's entry into force, with the remaining 2% to be phased out over 10 years.



[left to right]1. Mr. Martin A. Bentrott, Vice President - Middle East and Africa Sales, Boeing Commercial Airplanes 2. The Honorable Christopher A. Padilla, Under Secretary for International Trade, U.S. Department of Commerce 3. Mr. Mahmood Al Kooheji, Chairman of the Board of Directors, Gulf Air 4. Dr. Naser M.Y. Al Belooshi, Ambassador of the Kingdom of Bahrain to the United States 5. Mr. Björn Näf, President & Chief Executive, Gulf Air.

U.S. – Colombia Free Trade Agreement Thrown into Legislative Limbo in Unprecedented Partisan Wrangling

To activate the Trade Promotion Authority legislative clock under which the US-Colombia free trade agreement was negotiated, President Bush sent the legislation implementing the agreement to Congress on April 8th. Defying protocol, the President sent the bill forward without the tacit agreement of the House and Senate leadership in order to ensure that the agreement receive consideration before Congress adjourns for the 2008 elections.

Signed in August 2006, the agreement has already been reopened once last summer to amend the labor and environment provisions pursuant to the May 10, 2007 bipartisan trade compromise between the Administration and Congress. While that deal enabled the Peru FTA to pass Congress with a comfortable margin, the Colombia FTA has been plagued by continuing opposition in this politically charged election year. Central to Democratic opposition is the belief that Colombia has not done enough to stem violence against labor unionists. Both Democratic Presidential candidates have announced their opposition to the Colombia FTA. Further complicating matters, both House Speaker Nancy Pelosi and Senate Finance Chairman Max Baucus have tied consideration of the Colombia pact to the enactment of expanded and enhanced Trade Adjustment Assistance legislation

In response to the President's actions on April 9th Speaker Pelosi announced that the House of Representative would change the "fast track" rules for the agreement by stopping the 90-day legislative clock for voting on the FTA. While this does allow for negotiations between the executive and legislative branches, it leaves the timing of a vote to the discretion of the House leadership. NFTC President Bill Reinsch issued this statement following the House action:

> *The U.S.-Colombia FTA should be considered by Congress on its merits. It is a carefully crafted agreement that will open markets and expand opportunities for American workers. It will also bring increased stability and economic growth to the region at a critical time in its history. NFTC members employ tens of thousands of American workers whose livelihoods depend on the Administration and Congress working through their differences to open new markets for American goods and services and to develop an American workforce well equipped to succeed in the global economy.*
>
> *It's time for both sides to stop playing 'gotcha' and return to the bipartisanship that has maintained the integrity of the fast track process that has advanced our economy for thirty years. The stakes are too high to walk away from this challenge.*

On April 10, the vote on the Colombia rule was 224 – 195. Ten Democrats voting against the rule were Representatives: Bean, Boren, Boyd (FL), Cooper, Cramer, Cuellar, Hill, Lampson, Mahoney (FL), and Matheson. Representative Tanner voted "present" and Democrats not voting were Representatives: Andrews, Bishop (NY), Larson (CT), Rush, and Sires.

NFTC Launches Project on Future Trade Negotiating Authority Statute

The US statute granting the President Trade Negotiating Authority (TNA) expired in June 2007. The statute, commonly referred to as Trade Promotion Authority or TPA, set forth the accelerated timetable for Congressional consideration of trade agreements by an up or down vote without amendment. It also set forth negotiating objectives for the US to seek in trade agreements and a consultative mechanism for the Administration to keep Congress apprised of and have their views taken into account in the negotiating process.

Recognizing that new trade negotiating authority legislation will not be enacted until after the inauguration of a new President and a new Congress, the NFTC has launched a project to develop the outlines of a TNA bill now for discussion and debate and hopefully for consideration by the next President's transition team.

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News for Our Members

NFTC Launches Project on Future Trade Negotiating Authority Statute

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To achieve this, we have two groups working in tandem. The first is concentrating on a proposed set of trade negotiating objectives that are reflective of today's global economic integration and the competitive realities of the 21st century, including the need to address labor and environmental concerns. We are being advised in this effort by Grant Aldonas, former Under Secretary of Commerce for International Trade Administration. Our second group is focusing on the process issues regarding the scope of authority to negotiate, consultations with Congress and the manner in which trade agreements are considered by Congress. Greg Mastel, former Trade Counsel to Finance Committee Chair, Max Baucus, is advising this group.

Our goal in this project is to have the outlines of a proposed TNA bill available for consideration by our full Trade and Export Finance Committee this spring. Once approved, we would share it with other trade groups in an effort to build consensus within the business community on its key provisions. We will also be consulting with key Members of Congress, representatives of the Administration and other outside groups with an interest in trade policy issues. As mentioned, our goal is to develop a product that could serve as a basis for TNA legislation espoused by the next President and the 111th Congress.

NFTC Members Join Delegation to Geneva to Press for Conclusion of the Doha Round

Members of the NFTC WTO Project participated in an American business delegation trip to Geneva April 14-15th to show business support of the Doha Round and encourage WTO negotiators to bring the Round to an ambitious and successful conclusion in 2008. The trip was organized by the NFTC, the NAM and the US Camber under the umbrella of the American Business Coalition for Doha (ABCDoha). In a press statement in conjunction with the trip, it was stated:

A Doha Round agreement that provides for substantial liberalization in trade in services, agriculture and industrial products is even more important today than six years ago when the Doha Round was launched. Today, the global economy is facing economic and financial uncertainty. Trade is an engine for economic growth, and the successful conclusion of the Doha Round will send an important, timely, and positive signal to world markets.

In addition to briefings by US Ambassador Peter Allgeier and his negotiating team in Geneva, the group was slated to meet with WTO Director General, Pascal Lamy, and the Ambassadorial Chairs of the leading negotiating groups related to agriculture, services and industrial products. Since the beginning of 2008, negotiations in Geneva have intensified in an effort to achieve a breakthrough that could lead to Ministerial level agreement on the broad outlines of a deal this spring or summer. The ABCDoha delegation's key message in support of this outcome is that the deal has to be ambitious – leading to real liberalization in market access for the three pillars of the Round which are agriculture, services and industrialized products. The coalition also endorses steps to give more developing countries a stake in the trading system by improving market access for their goods and services in developed countries.

While it remains possible for the broad outlines of a Doha Round to be agreed to this year, it is understood that the technical work associated with tariff schedules, etc. could take well into 2009. Moreover, the US trade negotiating authority statute has expired and a new "fast track" mechanism will not be considered until after a new President takes office. While this could further delay the actual implementation of the Doha Round by the United States, the American business community strongly believes a breakthrough in the negotiations this year is critical. [See related article on trade negotiating authority]

News for Our Members

Word from the President

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But this is hardly a new phenomenon. The United States has been losing manufacturing jobs for more than thirty years – long before NAFTA was even conceived, much less implemented. Of the current competitive threats we face, those from China and India are much more significant. While we can argue about the role of trade in our economic problems, it is very hard to argue that in 2008, NAFTA is the biggest one we have.

And that brings us to the second issue – American voters already know that. We're not dummies, and even those most at risk from global economic integration understand that repealing, or even revising, NAFTA is not going to bring back lost jobs in Youngstown – or pick your favorite city – and to say that it will is to underestimate the intelligence of our citizenry. Ah, you say, NAFTA is a symbol, a surrogate if you will, for all our economic problems. That may well be, but what we should be getting from our presidential candidates is not an acceptance of that generalization and promises to "fix" NAFTA but rather an acknowledgement and explanation of what our real problems are and what real remedies they would propose.

As I have discussed in this column in the past, the real solutions lie largely outside the narrow realm of trade policy – they involve education, training, support for research and development and getting our economic house in order. Ironically, the candidates are not short of proposals in these areas. Unfortunately, at a time when the United States faces complex economic policy issues that do not lend themselves to easy solutions, the candidates have failed thus far to elevate their rhetoric to a more constructive plane. Instead, by playing to the worst of the debate they encourage the Lou Dobbs of our country to give the people simple but wrong answers when we all should be debating the real and more complex tasks of how to enhance economic growth and shrink income inequality.

On a related note, I also want to announce the NFTC is working on drafting a new trade negotiating authority bill that we hope will influence the debate next year. As you know, existing authority has expired, and, regardless of the trade climate, we expect any new President to seek new authority. We are worried, however, that in the current environment it could well end up as legislation that would discourage rather than promote trade. Preventing that may be an uphill struggle under the best of circumstances, but we believe that the way to begin is with our own proposal. So, stay tuned. You'll be hearing more about this later in the spring.

New Members: Bayer, Stanford Financial & LMG Benefits

Bayer Corporation is a global enterprise with core competencies in the fields of health care, nutrition and high-tech materials. Bayer's products and services are designed to benefit people and improve their quality of life. At the same time they want to create value through innovation, growth and high earning power. For when you can't "bayer" the pain, Bayer makes your medicine. As the U.S. subsidiary of pharmaceuticals and materials giant Bayer AG, the company operates through three divisions and an internal services company. Dr. Ron Docksai is the Bayer member contact for the NFTC. (www.bayer.com)

LMG Benefits, LLC, is an internationally recognized benefit consultant and brokerage firm, which was established by Jeffrey M. Gentile to help guide employers with the development or restructuring of their employee benefit plans. In the continuously changing world of employee benefits it is sometimes difficult for companies to concentrate on day to day operations and also stay current with the new programs and products available to recruit and retain qualified employees. LMG Benefits' dedicated team is always ready with excellent support and sound advice. Their reputation is built on performance. NFTC welcomes LMG Benefits as an International Human Resources member. (www.lmgbenefitsllc.com)

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News for Our Members

South Africa Faces Shortages of Electricity with Major Economic Consequences

In early February South Africa went on an emergency basis due to a sudden shortage of electric power. This means rationing electricity to households which have to reduce usage by 10%, business which have to reduce by 15% and hotels and shopping centers which have to reduce by 20%. The shortage will cut economic growth in the short- and most likely the medium-term which will have a social and political downside. In the longer-term the current crisis will result in new power plants being built and diversification of energy sources from coal to solar, wind and biofuels, all of which will be good. In the meantime there will be pain. The question is how much and for how long and who will take the blame politically.

At the moment new industrial projects are being put on hold, unemployment is expected to increase and the country's ambitious plan for sustained growth of 6% by 2014 has been thrown in doubt. The government has, however, given assurances that the 2010 soccer World Cup competition will go forward as planned. The shortages were shocking because for many years South Africa has had reliable and cheap electric power.

What are the causes of the power shortage? By what means and how quickly can it be resolved? What will be the impact on commerce, economic growth and unemployment? What are the political consequences?

South Africa has benefited from an abundant and cheap supply of electricity since the founding of the monopoly public utility, the Electricity Supply Commission, or Eskom, in 1928. The act establishing the monopoly mandated that electricity be sold at cost. Artificially low labor costs under apartheid, combined with South Africa's large reserves of coal, enabled Eskom in effect to subsidize industrial development and to become a surplus producer, ultimately exporting electricity to neighboring countries. The low cost of South Africa's electricity has deterred foreign power companies from entering the market. As a result, Eskom supplies 95% of the country's power. The African National Congress governments since 1994 have expanded service to rural areas and townships and successfully pursed policies to increase GDP growth. Indeed, there were warning signs a decade ago that demand would exceed supply at about the time that it in fact happened.

On January 9 a power shortage shut down South Africa's critical mining sector for five days. Since then the mines have been operating at 90% capacity. At the same time service to the general public was subject to "load shedding," cutting supplies to customers on a rotating basis. Telephone and Internet service for businesses and other customers became unreliable; the absence of street and traffic lights worsened traffic; private security systems switched to generators, which work only for a limited time; a man died on the operating table because the power failed as "rolling blackouts" interrupted power supply for homes, businesses, shopping centers and public utilities.

The proximate cause of the January shortages was a shortage of coal at Eskom's power stations and a very wet season that had flooded coal mines and impeded transport. In 2000 Eskom had 61 days of coal stockpiled. By this January coal stockpiles averaged only 10 days, and in some places only two days, resulting in an inability to cope with increased demand. Also in 2000 Eskom began to reduce coal stockpiles better to manage operating costs. The Black Economic Empowerment policy favored small and new suppliers and plants cancelled long-term bulk contracts to switch to short-term deals with black suppliers. Since suppliers were no longer selected by proximity to plants and BEE-compliant transportation was required, mostly trucks that traveled poor roads, coal supply was compromised. The result was that Eskom burned more coal than it bought.

Certainly robust economic growth is also an underlying cause. That was in fact the government's intention and its ardently desired outcome, which is why President Mbeki said the crisis had arisen from positive factors. One of the achievements of the ANC government has been the doubling of the population served by electricity since 1994.

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Eskom's 1.2 million customers in 1990 grew to 4 million in 2007. At the same time the government decided not to build more power plants and even mothballed two existing plants, reducing generating capacity from 45,000 megawatts to 37-40,000 megawatts. In 1998 Eskom recommended expanding capacity, but Mbeki and his team decided against doing so. Proposals to allow private power generation or to privatize Eskom foundered on strong resistance from the labor federation and its allies. Additional factors include Eskom's failure to significantly diversify from coal power; coal transportation bottlenecks; and a shortage of project engineers resulting from a post-1994 brain drain.

In his February 21 budget presentation, "Weathering the Storm", Finance Minister Trevor Manuel projected a decline in GDP growth from 4.5% to 4%, but private economists estimate growth may fall to 3% (or lower), the lowest level since democratic elections in 1994, in part due to the power shortage. In January Eskom's finance director suggested that no new major industrial projects be started until 2012 when new power plants will be on line.

Cutting power to 90% of normal levels in the mining sector will reduce gold, platinum and diamond production, as well as coal exports. The most immediate result has been layoffs in a country with severe unemployment. For example, Gold Fields, Africa's second largest gold producer, announced on February 24 that it might have to eliminate 7,000 jobs, 13% of its work force, to match the electricity available to it, and that production would fall 20-25% in the first quarter.

Cheap and reliable electric power has always been an asset in attracting foreign direct investment to South Africa. Indeed Eskom provides cut-rate power to foreign investors as an incentive. So it was jarring in mid-February when Rio Tinto Alcan announced it would put on hold a planned smelter at the Coega industrial development complex until new power plants are built. Shortages of electricity will undoubtedly further depress the already anemic interest of U.S. companies in direct investment in South Africa. AES will build two plants by next year that will supply about 1,000 megawatts and General Electric may invest in increased capacity.

Despite Minister Erwin's assurance that "the growth of South Africa's economy at the current healthy levels can continue," there are macroeconomic risks. Reduced GDP growth and plant closings will exacerbate unemployment. Decreased gold, diamond and platinum production is likely to reduce export volumes, although price increases may be offsetting. Significant coal imports combined with a devalued rand would worsen South Africa's chronic current account deficit. That in turn could reduce the appetite of foreign investors for South African equities. Since the current account deficit has been financed by robust portfolio investment, the currency could be at further risk.

There is little prospect of adding significantly to power generating capacity in the short-term because of the lead-time for new power plants. Minister Erwin has announced that a plan will be ready by mid-2008 which may include price increases, saying "we must not create any sense of false security. We are not safe." He went on to predict that the shortage will be overcome within six months. A variety of short-term measures are being taken to address the crisis. Minister Manuel has cited emergency "task teams" dealing with the coal-mining industry and fast-tracked gas turbine projects.

The government plans to buy 45 million tons of coal to replenish depleted stockpiles, which could make South Africa for the first time a coal importer. Eskom announced it would "buy back" power from industrial customers,

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South Africa Faces Shortages of Electricity with Major Economic Consequences

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including the possibility that it would target international aluminum smelters such as BHP Billiton. A complete power supply buy-back from aluminum smelters could effectively shut them down for the rest of the year.

Longer-term plans are taking shape to increase capacity and mandate conservation. Minister Manuel announced plans to lend Eskom $7.6 billion of the $43 billion cost of new power plants over the next five years. The government also proposes increasing solar and wind power. Eskom has invited tenders for new power plants to be operational by June, 2012.

The energy crisis comes at a sensitive time in South African politics coming as it did less than three weeks after Jacob Zuma defeated President Mbeki for the ANC presidency, further battering the president's legacy. The Sunday Independent newspaper ran a headline "President Is Major Casualty of Power Crisis." Mbeki's successor will be elected in April, 2009, and there are predictions that the ANC may lose middle class voters of all ethnic groups over the crisis. Critics accuse the government of minimizing the seriousness of the crisis pointing to the fact that no one has been held accountable or resigned office. Minister Erwin, the cabinet official under whom Eskom falls, will also likely leave office next year. The crisis has fed scapegoating, spreading blame from nefarious foreign capitalists to affirmative action policies. Given South Africa's dependence on foreign capital flows, uncertainty about future political leadership, combined with the highly publicized power failure and a global economic downturn, could make for a rough economic ride in the near term.

On the other hand if the government can muddle through until new capacity comes on line, the crisis can provide the stimulus for an expanded, more efficient and diversified electrical power generation capacity. If the government spends millions to upgrade and build new power stations and private enterprise starts to generate and source its own electricity supplies, the current difficulties may have stimulated a sounder basis for economic expansion.

New Members: Bayer, Stanford Financial & LMG Benefits

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Stanford Financial Group is a privately held global network of independent, affiliated financial services companies led by Chairman and CEO Sir Allen Stanford. The first Stanford company was founded by Sir Allen's grandfather, Lodis B. Stanford in 1932. Stanford's core businesses are private wealth management and investment banking for institutions and emerging growth companies. The Stanford Financial Group of companies provides private and institutional investors with global expertise in asset allocation strategies, investment advisory services, award-winning policy and equity research, international private banking and trust administration, commercial banking, investment banking, merchant banking, institutional sales and trading, real estate investment and insurance. Stanford has over $43 billion in assets under management or advisement. Stanford Financial makes it a priority to invest in the communities where it operates across the globe through signature corporate philanthropy initiatives with nonprofit organizations such as St. Jude Children's Research Hospital and countless other local and national charities that help strengthen communities. NFTC welcomes Stanford Financial Group, Lionel C. Johnson to our board of directors. (www.stanfordfinancial.com)

Global Payroll: International Assignees & Local Nationals Tax and Accounting Principles

The NFTC's International Human Resources Management sector hosted a one-day comprehensive Global Payroll seminar in New York City on March 28, 2008.

Global Payroll has, increasingly, over the past few years become more of a challenge for many of the NFTC's member companies. Multinational companies continue to struggle with: 1) the effective delivery of compensation in multiple currencies, 2) compliance with regulations in multiple countries simultaneously, 3) underlying tax and accounting complexities, and more.

In an effort to respond to our members' issues with Global Payroll, the NFTC identified and collaborated with two experts (Expaticore LLC and Deloitte) in this field to develop the agenda for a comprehensive one-day seminar. The goal being to address the wide scope of functional responsibilities, that are directly and/or indirectly related to Global Payroll, within a corporation (payroll, tax, global mobility…) and to 'connect the varied elements' of each. Another objective was to produce a comprehensive seminar that balanced the delivery of information to accommodate the [expected] diverse levels of individual knowledge/experience in any one particular functional area vs another. To achieve this, the agenda incorporated the below sessions followed by an open forum.

GLOBAL PAYROLL – "THE GROUND WORK"
Comprehensive review of all base factors related to managing and delivering payroll for international assignees and local nationals. Consider IA types and policy as well as tax concepts and compliance issues including equity, treaty, pension, tax equalization…

INTERNATIONAL ASSIGNMENT COSTS (PROJECTING, TRACKING & RECONCILING)
Explore the relationship between IA costs and effective Global Payroll administration. Review factors, such as, non-periodic pay, equity, personal income, part year assignments, etc.

GLOBAL PAY DELIVERY IN PRACTICAL TERMS
Gain an in-depth understanding of split, shadow, home, and host payroll. Discuss the complexities of global payroll to include foreign exchange, statutory requirements, inconsistent pay frequencies, grossups, W2s, and more.

INDIVIDUAL TAX AND COMPLIANCE FOR INTERNATIONAL ASSIGNMENTS
Examine global taxation concepts, rules relating to Certificates of Coverage, Totalization Agreements (International Social Security), etc.

CORPORATE TAX ISSUES RELEVANT TO INTERNATIONAL ASSIGNMENTS
Understand the critical relationship between Global Payroll and corporate tax issues, such as, permanent establishment

EMPLOYMENT STRUCTURE - THE CORRELATION TO PAY MODELS
Review the relationship between employment structures and pay models - Centralized vs. Decentralized, Secondments, Global Employment Companies (GECs), Cross-charging concepts…

Feedback from the approximately 70 corporate representatives that attended the NYC seminar was very positive - the only major disappointment was that most wanted more time!

Considering the attendee feedback as well as the interest expressed by our members, we are pleased to announce that the NFTC has initiated preliminary discussions with Expaticore LLC and Deloitte to conduct this seminar in several more cities. Dates and locations will soon be announced via EM to NFTC members as well as posted on the NFTC web site's calendar.

The Winter 2008 Tax Committee Meeting is a Big Hit with NFTC Members

The tax committee held its annual Winter Tax Meeting in Washington, DC, on February 28th at the St. Regis Hotel.

The meeting opened with a panel consisting of key members of the staffs of the Senate Finance Committee and the House Ways and Means Committee, moderated by Nick Giordano, Washington Council Ernst & Young. Panelists included Mary Baker, IRS Detailee to the Senate Committee on Finance, Majority Staff, and Melissa Mueller, Tax Counsel, House Committee on Ways and Means, Majority Staff. The staff engaged in a spirited discussion fueled by a steady stream of questions from the NFTC Tax Committee on topics ranging from the current state of the economy, and potential tax legislation for the farm, energy and housing sectors, to the potential for international tax reform.

Melissa Mueller, Tax Counsel, House Ways and Means Committee Majority; Mary Baker, Senate Finance Committee, and Nick Giordano of Washington Counsel Ernst and Young give a legislative update.

The next panel also focused on potential legislative developments. It was moderated by Barbara Angus of Angus Nickerson. Panelists included Jon Traub, Chief Tax Counsel, House Ways and Means Committee, Minority Staff, Marc Gerson, Partner, Miller and Chevalier, and Emily McMahon, Deputy Chief of Staff, the Joint Committee on Taxation.

Jon Traub gave the Republican perspective on the 2008 legislative agenda and speculated on the timing of the extension of the alternative minimum tax patch. Marc Gerson reviewed survey findings of the legislative priorities of corporate executives for 2008. Emily McMahon said that the JCT will be looking at international tax reform options, and will also be doing a broader analysis of tax expenditures. The JCT will be coming out with a series of pamphlets on the new expenditure analysis. A pamphlet on deferral will not be forthcoming until the end of 2008.

Jon Traub, Chief Tax Counsel, House Ways and Means Committee Minority gives an overview of the 2008 legislative agenda at the tax meeting.

Jason Furman, Senior Fellow at the Brookings Institution and the Director of the Hamilton Project was the keynote luncheon speaker. Dr. Furman explained the enormous challenges that the American economy is facing. He focused on three main issues: 1) the tremendous rise in income inequality over the past 25 years, 2) the enormous long run budget deficit, and 3) the broken corporate tax system that makes it hard for U.S. corporations to compete internationally. He speculated on ways to correct the aforementioned problems including the adoption of revenue neutral, distributional neutral, tax reform.

The final panel was moderated by Ed McClellan of PricewaterhouseCooper, and consisted of Alan Fischl, Chip Harter, Norm Nystrom and Peter Merrill, all of PricewaterhouseCooper. This panel explained in great detail the provisions of the Rangel "mother of all tax bills," (Tax Reduction and Reform Act of 2007, H.R. 3970) and how those provisions will affect the business community. NFTC Tax Committee members were very engaged in the discussion of the international tax reform provisions.

The Fitful Evolution of Targeted Sanctions

For years, USA*Engage has been grappling with the issue of targeted sanctions. On the one hand, we like to see more nuance and care given to U.S. sanctions policy to avoid the broad, harmful effects of sanctions on ordinary people. On the other, the proliferation of targeted sanctions can complicate compliance for even the most well-meaning global companies.

The Departments of State and Treasury have long advocated more reliance on targeted sanctions, and have increasingly moved to designate specific targets in countries from Burma to Iran.

As USA*Engage highlighted in a joint event with the Sudan Divestment Task Force and op-ed published by Forbes.com in February, one place where the U.S. Government has taken an increasingly nuanced approach is Sudan. Over the past few months, the Treasury Department provided new guidance on areas of Southern Sudan which have been exempted from U.S. sanctions. Donors and investors are now encouraged to invest in and trade with Southern Sudan in support of the 2005 comprehensive peace agreement between the North and the South. In addition, with the support of the U.S. government, the Bank of Juba in Southern Sudan received its own international banking code, known as a SWIFT code, needed for international wire transfers.

While these moves alone are unlikely to stem the violence in Sudan or attract significant, long-term foreign investment, the U.S. Government should be commended for a more nuanced approach to foreign policy sanctions that makes it easier for investors and donors to help the people of Sudan.

On the other side of the spectrum, Cuba policy is one area where nuance is nowhere to be found. In the wake of the announcement that Cuban President Fidel Castro announced he would step down (replaced by his brother Raul), U.S. policy remains as blunt as ever, despite overwhelming evidence that our policies have not worked. On February 25, USA*Engage and the National Foreign Trade Council joined education and civil society groups in sending a letter to the President which suggested that the United States remove restrictions on educational travel and to "begin the process of restoring contacts with the Cuban people as the transition in Cuba proceeds."

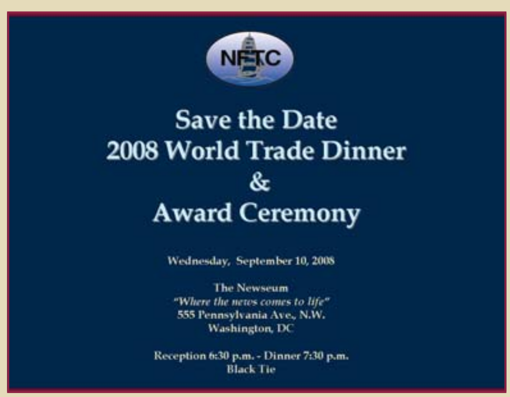
Three days earlier, USA*Engage released a fact sheet listing U.S. Government reports which concluded, variously, that U.S. policies towards Cuba impair our ability to keep out terrorists from Miami Airport, harm American businesses, and waste taxpayer money.

As we have learned when it comes to Cuba, nothing is simple. One day, perhaps, nuance and thoughtfulness will be visible in U.S. Cuba policy, much like it has been of late with respect to Sudan.

For information about USA*Engage's event and op-ed on Sudan or Cuba policy statements, see www.usaengage.org.

NFTC's Annual World Trade Dinner – September 10, 2008

NFTC's Annual World Trade Dinner and Award Ceremony is scheduled for Wednesday, September 10, 2008, once again being held in Washington, DC, this year at The Newseum, *"Where the news comes to life."* The NFTC's World Trade Dinner is a popular event for senior corporate and public officials; a night featuring a formal address by our keynote speaker, presentation of our annual world trade award, and, of course, much socializing. Past speakers have included such respected figures as House of Representatives Majority Leader Steny Hoyer; United States Trade Representative, Ambassador Susan Schwab; Secretary General of the United Nations, Kofi Annan; then UN-Ambassador John Negroponte, as well as several Heads of State.



For more information contact the NFTC at (202) 887-0278 or nftcinformation@nftc.org

Calendar of Events

Date	Event	Location
April 22-24, 2008	International Assignment Management Committee	Houston, TX
April 23, 2008	Tax Lunch Forum: Speakers: John Harrington, International Tax Counsel & Henry Louie, International Economist, U.S. Department of Treasury	Washington, DC
May 14, 2008	Tax Lunch Forum	Washington, DC
June 3, 2008	International Benefits Committee	New York City
June 12-13, 2008	NFTC Board Meeting	Wilmington, DE
June 17, 2008	Tax Lunch Forum	Washington, DC
July 16, 2008	Tax Lunch Forum	Washington, DC
July 16-17, 2008	Annual IHR Management Conference	New York City
September 10, 2008	Annual World Trade Dinner and Award Ceremony	Washington, DC
September 11, 2008	Annual Meeting	Washington, DC
September 11, 2008	Board of Directors Meeting	Washington, DC
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

Note: The Tax Steering Committee Meetings, 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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