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.

December2008/January 2009 Issue

Word From the President

The Future Global Trading System Remarks to UMUC

When I agreed to do this last spring, the global landscape was relatively clear and the trends more or less predictable. The events of the past several months have changed that dramatically. I almost regret having agreed to come here tonight since you are now no doubt expecting me to say something halfway intelligent about the global financial crisis. Unfortunately, I'm afraid I'm going to disappoint you in that regard. I'm not sure anybody has anything intelligent to say about it right now, least of all, me. I also think we need to let the dust settle, or at least slow down, before drawing too many definitive conclusions. Even so, I believe that while we obviously have a crisis of confidence, many trends in the global economy will continue regardless of recent events, and I'm going to say a few words about them.

The factors that will continue to define the global economic system are the rapid and widespread dissemination of technology and the growth of global supply chains and global capital markets. Taken together they will narrow the gap between the U.S. and others.

Advances in technology drive globalization. Technology speeds everything up. Today, communication is virtually instantaneous.

(Continued on page 2)

Inside this issue:

NFTC Welcomes New Senior Vice President Robert Ragan

The National Foreign Trade Council (NFTC) in November announced that Robert (Bob) Ragan will join the organization as Senior Vice President, effective January 12, 2009. Ragan currently serves as Principal Vice President of Bechtel, one of the world's largest engineering and construction companies.

"As a dedicated member of the NFTC Board of Directors for the past 15 years, Bob has been a tireless advocate for this organization and its policy objectives," said NFTC President Bill Reinsch. "From his work on the Board and our Plans & Policies Committee to his past chairmanship of the State & Local Sanctions Committee of USA*Engage, Bob has brought his expertise and leadership skills to the table time and time again, and we are so pleased to welcome him to the NFTC team in his new role."

Prior to joining the NFTC, Ragan held numerous leadership positions at Bechtel. Following a career in the U.S. Government with the Departments of Energy and Defense, and the National Aeronautics and Space Administration, from 1980 to 1986, Ragan was responsible for Bechtel's worldwide procurement management and strategic planning for Bechtel National, Inc. He was Manager, Defense and Space Programs from 1986 until 1990. Between 1990 and 1993, he served as Vice President of Marketing & Business Development for other international engineering and construction firms.

(Continued on page 7)

News for Our Members

A Word from the President

(Continued from page 1)

Technology milestones pass by more and more quickly. Moore's Law, for example, tells us in essence that semiconductor performance capabilities double every 18 months. Software is out of date in half that time.

Second, globalization and technology advances bring everything -- commerce, people, conflict -- closer together. In trade, I illustrate this by pointing out that more than half the cut flowers sold in this country every day are imported from overseas, which would have been unthinkable even 30 years ago. There's a company in North Carolina that catches flounder off the Atlantic Coast and sells it fresh every day in Tokyo. Banks transfer capital all over the world – or did – with a few clicks of the mouse. This is not going to change so long as the capabilities for it remain.

Third, technology is a great leveler. As it speeds production and shrinks space, the opportunity for more people – good guys and bad guys -- to operate globally and acquire new technologies grows rapidly. That makes the world a more complicated place because the same globalization that brings the world together for economic growth and prosperity is also leaving millions of people behind in the competitiveness race as well as making dangerous technologies more accessible to people who wish us ill. If everything is made everywhere, how do we control it, and what do we do about those places that might not have a comparative advantage in anything?

Fourth, just as the growth of commerce in the last century brought about the decline of states' rights versus federal authority, globalization will bring about a decline in nations' rights and a growth of supranational and transnational entities and transnational problems – environment, health pandemics, financial crises – that will need new institutional structures or reform of the old ones. The summit in two weeks will begin the process of trying to find them. Ironically, as countries become less important, we're likely to see more of them.

Fifth, post-Cold War, we are still transitioning to a new era, which in economic terms will be "non-polar." Some states may be preeminent by virtue of size, but their influence over others will be increasingly limited. The gap between the US and everyone else will continue to narrow, not because we are declining, but because others are catching up. That means that the United States, which for years has been the linchpin of the global economic system for strategic as well as economic reasons, will be less able or willing to make sacrifices for the good of the system because our domestic politics will not permit it.

Looking Forward

The events of the past two months demonstrate that the wheels can come off the train, but at the end of the day we are unlikely to go permanently in reverse.

Although we all like to think we live in unique times, there is ample precedent for periods of rapid social, political and economic change:

- Industrial Revolution, railroad, telegraph etc. (1890s, close patent office, everything already invented).
- Run up to World War I (ratio of trade to world output did not reach the level of 1913 again until 1970.) This is the most recent historical example of moving backwards, although if you go back to the 14th century (plague) and the fall of the Roman Empire, you find more.

(Continued on page 3)

News for Our Members

A Word from the President

(Continued from page 2)

What we should learn from economic history is that it is hard to "uninvent" things. If capabilities exist, a way will be found to exploit them. Flows of goods and capital may slow and, for a time, even stop, but we are beyond the point where the pathways themselves will vanish.

To digress for a moment, one interesting thesis connects globalization to liquidity and capital. It is the latter's abundance that encourages the investment – some of it highly risky at the time – that produces innovation; and it is its contraction for any reason (war, panic, depression, etc.) that causes globalization's retreat. This was a popular idea during the Asian financial crisis of late 1990s; yet we ultimately moved beyond that, and I suspect we will do so again this time.

So, the best description, ironically, comes from Lenin: two steps forward, one step backward, and occasionally the reverse. There are retreats, but each time we end up on a higher level – or at least a faster one.

When that occurs, the winners will be those who run faster. If we want to maintain the capability gap between ourselves and others, outpacing their development is essential. Holding them back doesn't work very well.

The global supply chain will inevitably expand again; trade will grow even if we never sign another trade agreement. The Doha Round will eventually succeed at some level – probably in 2010 – and will likely be followed by another one. The benefits of trade liberalization over time are clear. Countries that are globally engaged grow and countries that are not, stagnate. Whether countries are prepared to act in their own interest on trade policy, however, is an open question, both here and in developing countries.

That is because globalization is a force for both stability and instability as it simultaneously pushes countries to conform to market principles and to Western norms of rule of law yet at the same time rides roughshod over deeply ingrained cultural values, exacerbates growing problems of income inequality, exploitation of workers, women, and children, and contributes to environmental degradation and resource depletion.

You will see more focus on that part of the equation by next year's Congress, but it is not just an American problem. Negotiating better multilateral rules to deal with these problems, however, may be beyond the WTO's capacity. Don't look for its death, -- old organizations rarely die -- but look instead for growing interest in a "two-track" system, where countries prepared to take more globalization risks in the interest of more rapid growth will get together and liberalize faster on their own terms. Others will be left behind in the expectation that when they see their neighbors growing faster, they'll climb aboard the train. These new negotiations will be bilateral, regional, and sectoral.

Even so, there are constraints that all countries will face. Indeed, **learning to live with limits promises to be one of the important but painful lessons of the 21st century.**

1. Growing demand for resources, particularly energy, will continue to lead to price spikes and periodic shortages, as we had earlier this year, which in turn could slow growth, contribute to inflation, and become the source of future conflicts.

(Continued on page 4)

News for Our Members

A Word from the President

(Continued from page 3)

2. Continued sparring over environmental degradation will preoccupy the multilateral process. The rich countries show signs of getting religion on the subject; the poor ones continue to view it as a plot to hold back their industrial growth. All of us continue to cling to the fantasy that we can clean up the environment and solve global warming without compromising economic growth or significantly changing our lifestyles.

3. Global capital markets will come back and grow in size and volatility. As we have painfully learned, when money moves around the world at the click of a mouse, financial panics in one country can spread quickly, and current institutions and regulatory authorities are ill-equipped to prevent or contain them. The upcoming G-20 meeting provides the hope of launching a move for new rules, in which countries may ultimately agree to sacrifice some growth in order to obtain more stability; in other words, restricting the potential for upside gain and downside loss. Whether these new rules will do anything for income inequality and the other social issues I mentioned is doubtful.

These developments will affect countries differently.

1. **Rich countries.** Aside from the United States, major developed countries, particularly in Europe, will increasingly face the challenge of relevance in a world where they are declining in importance numerically, economically and politically. One of the challenges of our multilateral institutions will be to recognize that and rebalance political weight in favor of the rising countries. Europe and Japan, in particular, will face the challenge of demography – declining populations that will limit future growth and which is not offset by a tradition of immigration like we have.

2. **The United States** will be in a better position but must cope with the psychological and economic impact of waning preeminence. That will mean continued policy battles over trade policy and protection, and over immigration. We will increasingly need to rely on imported workers to maintain growth and competitiveness, but we will continue to face divisions in our population over this, as we have for the past 200 years.

3. **Asia** - There's a lot to watch for in Asia, including how the Asian tigers, who have been true success stories over the past 50 years, will adapt to the emergence of India and China as economic and political powers, but it is those two stories that I want to conclude with.

4. **India** will be the biggest country in the world by 2030 and has the potential to be a significant global force.

   - Its middle class is projected to grow from 50 million to 583 million in 2025. India's GDP per capita will quadruple from 2007 to 2020, while average annual growth will be 8.4% (Goldman Sachs report).

   - There are already signs – in their last election – of growing strains between rich and poor, urban and rural that, unlike China, will be worked out in a democratic framework. Their challenges are poor infrastructure – China spends seven times more on it than India does – which will be tested by increasing urbanization, a still omnipresent and inefficient bureaucracy despite government policy changes, and cultural taboos that restrict economic progress.

(Continued on page 5)

A Word from the President

(Continued from page 4)

- Their rule of law and democratic traditions matter, but the political path to implementing needed economic reforms will continue to be rocky, and their nuclear program and the unsettled state of Kashmir makes them a source of global instability in the future regardless of their progress in other areas.

5. **China** - Economically, China is growing fast. It is doing what Japan did in the 50s and 60s, what Korea and Taiwan did subsequently, and what Malaysia, the Philippines, Indonesia, Thailand, and a host of others are trying to do right now.

    - But China is different because of its size and its politics. With 1.3 billion people, there are few limits on its capacity. It will become a true economic rival -- not the proverbial 800-pound gorilla but the 800,000-pound gorilla.

    - While we had many of these same worries about Japan 20 years ago, at the end of the day it was an ally and friend. China is not, which means its growth has strategic as well as economic implications.

Inside China, the political debate is likely to be over accountability rather than democracy – a government that is reasonably transparent, does not act arbitrarily, particularly on local matters like seizing farm land to build shopping centers or closing down internet cafes, and which provides an effective means of redress of individual or group grievances. **China's dilemma is how to build accountability into a system that depends on its absence for its survival.**

Their economy faces huge challenges. Unprofitable state-owned enterprises that employ millions of people, overwhelming bank debts, largely to those companies, regional and urban-rural income disparities, and growing inflationary pressures, are the symptoms. The medicine is financial reform so that the cost of capital is determined by the market, and there are fewer subsidies and economic constraints that skew investment and lead to bubbles, panics, and inflation.

Interestingly, the Chinese know that – for Communists, they have become very good capitalists – but so far their implementation has been too conservative because opening up their economy to deal with its problems will inevitably undermine their political system and challenge the Party's control. And that is the dilemma they cannot yet solve.

Rapid development also presents other challenges which are not unique to them but are magnified by their size. Two examples:

- Clean air and water. Experts estimate that at least one-third of China's water is not fit for human use, and anybody who has been there can testify to their air pollution problems. Addressing these problems without significantly retarding their manufacturing growth will be expensive, difficult, and time-consuming, and it will require substantial public cooperation.

(Continued on page 6)

News for Our Members

A Word from the President

(Continued from page 5)

- Energy consumption. In 2004 they used 40% less energy than the US; by 2030, they will use 11% more. Much of the increase comes from coal. They will build a new coal power plant every week for the next 2 or 3 years. Cleaning their air will require shifting to other sources, including oil and gas, which will significantly increase global demand for petroleum and nuclear power and will also require a shift away from industrial production and towards services on a much faster schedule than it took the U.S. to do the same thing. The fact that India will go through the same transition will make the global problem even worse.

What Does This Mean for Us?

- U.S. manufacturing will continue to lose jobs while improving productivity. We have been losing manufacturing jobs for 40 years, but mostly to technology – not China. The Chinese have actually lost millions more manufacturing jobs than we have.

- Like everyone else, we must deal with the psychological and economic consequences of globalization in terms of lost jobs and devastated communities. The economic gap between the top and bottom in our society is getting worse, and our adjustment programs to deal with it do not work well.

- We should be wary of our increasingly precarious global financial position. We are deeply in debt to the Chinese, which increases their potential leverage over us. For all of our economic might, we are now seeing that economic fundamentals eventually catch up, and once confidence is lost it is hard to restore without significant policy change. The issue will be hard landing or soft landing, and the longer we fail to address the fundamentals, the more likely it will be the former, as we may be seeing now.

In spite of all these challenges, the good news is that doing something about many of them is under our control, not anyone else's. We can choose the right tax, trade and immigration policies that encourage foreign investment and make the United States a welcoming place to visit, live and work. We can choose to improve our educational system and create a 21st Century workforce. We can choose to address the massive imbalances in our trade and current accounts.

The one thing we know for sure is that the rest of the world, particularly China and India, will continue to run faster, so it falls to us to pick up the pace if we want to retain our global position.

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.

NFTC Welcomes New Senior Vice President Robert Ragan

(Continued from page 1)

He then returned to Bechtel in 1993 to serve as Manager of the Washington, D.C. office until June 2007, when he became Manager of Marketing & Business Development.

In addition to his other duties in the Washington office, Ragan was responsible for international trade and government relations. During his tenure at Bechtel, he served on the Board of Directors of both Bechtel Systems & Infrastructure, Inc. and Bechtel National, Inc. Ragan has also helped to lead key U.S. business community initiatives, including serving as a board member of the U.S.-Russia Business Council and Meridian International Center, and as chairman of the Washington Export Council and the National Constructors Association's Government & International Affairs Committee.

The NFTC, founded in 1914, is the only business association dedicated solely to trade policy, export finance, international tax and human resources. The organization represents more than 300 companies through its offices in New York City and Washington, D.C. As Senior Vice President, Ragan will focus on a number of policy issues, including trade, international tax and intellectual property, and on NFTC member relations and development.

Ragan succeeds Catherine Bennett, who recently joined Tyco International as Vice President of Public Affairs. "We appreciate all of Cathie's work on behalf of our members, especially her leadership of the WTO Initiative and Intellectual Property Working Group, and we wish her the best in her future endeavors," concluded Reinsch.

NFTC Releases Analysis of 2008 Congressional Election Results and Their Impact on U.S. Trade Policy

On November 17, 2008, The National Foreign Trade Council (NFTC) released an analysis of what the 2008 congressional election results mean for U.S. trade and engagement policies in the 111th Congress. The NFTC conducted the analysis to explore whether there is any truth to assertions made over the past few weeks that the composition of the incoming freshman class signals a seismic shift in the future of U.S. trade policy. The NFTC analysis was designed to answer the following questions: Was trade a key campaign issue for members of the incoming class? Do new members' views on trade differ from those of their predecessors? Is there a substantial difference between being a "trade skeptic" and being "anti-trade?" Has it become more difficult to pass trade legislation in Congress?

"After an election, it's always tempting for representatives of each side of an issue to come out and declare victory, but it's not that simple," said NFTC President Bill Reinsch. "The truth of the matter is that the results of the congressional elections are a mixed bag when it comes to trade. In the majority of races, trade was not an important factor, and it is not correct to suggest that incoming members represent a sea change in the way the United States will approach trade and diplomatic policies."

"We look forward to working with the incoming class and briefing new members on our top trade priorities, including passage of the pending free trade agreements with Colombia, Panama and South Korea, enactment of an enhanced Trade Adjustment Assistance program, and a successful conclusion to the Doha Round, among many others," said Reinsch.

(Continued on page 8)

NFTC Releases Analysis of 2008 Congressional Election Results and Their Impact on U.S. Trade Policy

(Continued from page 7)

The NFTC analysis found that of the eight Senate races analyzed, only four successful candidates mentioned trade explicitly on his or her Web site when discussing campaign issues. Based on these Web sites and other statements, the NFTC estimates that perhaps two of the successful candidates are less inclined towards free trade and engagement than the incumbent based upon his or her historical voting record. Similarly, in the 52 House races analyzed, only 12 successful candidates made any mention of international trade in the issues section of his or her Web site. Further, of the 12 House races in which trade was featured, only seven successful candidates appear to advocate policies that are clearly less inclined towards free trade and engagement than their predecessors. According to the NFTC, only 23 percent of successful candidates running for a House seat mentioned trade on their Web site, which is a dramatic decline from 2006 when 54 percent of successful candidates mentioned trade.

"We believe there is an opportunity to craft a bipartisan U.S. trade policy going into next year. Republicans and Democrats have indicated a strong commitment to using the May 10th agreement as the basis for the U.S. trade agenda moving forward, and we expect to see a renewed sense of bipartisanship and greater consensus on key issues like labor and the environment," said NFTC Vice President for Global Trade Issues Jake Colvin.

"At the beginning of new presidential terms, there tends to be greater bipartisan support for trade," Colvin continued. "Moving forward on trade policy will require building trust between the parties and leadership from the President, and our hope is that President-elect Obama will work with both sides of the aisle to restore that bipartisan spirit in Congress."

The analysis noted that the "CAFTA-15" were easily reelected, and survived primary challenges from trade skeptics. The NFTC also pointed out that to the extent that there is any increase in skepticism, it is regional and largely reflects concerns over loss of manufacturing jobs. While the NFTC believes these are valid concerns, they do not suggest that the new Congress is broadly "anti-trade."

For a copy of the NFTC 2008 Congressional Election Analysis, please visit http://www.nftc.org/default/trade/2008/2008%20Congressional%20Election%20Analysis.pdf

NFTC Issues Policy Recommendations to President-elect Obama

The NFTC on November 18, 2008, sent a letter to President-elect Obama, urging him to enact policies that maximize the competitiveness of U.S. businesses and workers. The letter noted that expanding international trade and investment plays a key role in U.S. economic growth, but that trade policy must be coupled with domestic policies that promote competitiveness.

"Our trade policy does not exist in a vacuum. To make certain that our citizens gain maximum benefits from our participation in an open world trading environment, our domestic policies must assure that the United States is the most attractive location for global investment, as well as for research and development, particularly of advanced technologies," wrote NFTC Chairman and CEO of DHL Express John Mullen.

Mullen continued, "We therefore look to issues not traditionally associated with trade policy but which constitute the environment in which competitiveness is fostered. These include our education and health care systems, the need for a secure and competitive energy supply, a modern infrastructure and environmental policies that address global warming. By focusing on these longer term issues as well, we seek a better world not only for ourselves but for our children and their children."

(Continued on page 9)

NFTC Issues Policy Recommendations to President-elect Obama

(Continued from page 8)

The NFTC offered the incoming president 11 policy recommendations regarding the Doha Round, pending bilateral and regional trade agreements, trade negotiating authority, worker adjustment assistance programs, preference programs, climate change, U.S. immigration and visa policy, unilateral sanctions, divestment, regulatory reform and international tax policy.

With regard to the Doha Round, the NFTC recommended that the incoming Administration exercise its vision and leadership to bring the talks to a successful conclusion. The NFTC also suggested that instead of simply adopting the structure of past multilateral trade negotiations, the new Administration "look at new architectures for negotiations that encompass countries interested in further liberalization instead of relying on existing frameworks that produce least-common-denominator outcomes."

The NFTC letter pointed out that "far from undermining our prosperity, bilateral and regional trade agreements are an important mechanism for opening markets for the export of American goods and services," and pressed Obama to support passage and implementation of pending free trade agreements with Colombia, Panama and South Korea. Equally important, the NFTC recommended that an improved and modernized Trade Adjustment Assistance (TAA) program be a top priority for the next president.

The NFTC also expressed its support for U.S. visa and immigration system reforms that will make the United States more welcoming to foreign-born professionals, students and business travelers.

In the area of tax policy, the NFTC argued that the incoming Administration should enact international tax policies that "reflect both the position of the United States in the global economy and the position of the individual American firm seeking to grow and prosper in global markets." The NFTC also restated its strong support of the bilateral tax treaty program that "promotes greater certainty, the avoidance of double taxation and the prevention of discriminatory treatment against U.S. companies," and recommended that the new Administration pursue policies that "permit American companies to pay roughly the same amount of tax as their foreign competitors in markets both at home and abroad."

Further, the NFTC and its affiliate USA*Engage urged the new Administration to renounce the use of unilateral sanctions for foreign policy purposes, discourage state and local measures that require divestment by pension funds of shares in companies active in "problem" countries, and reform export control and sanctions licensing regulations.

Mullen wrote in closing, "The National Foreign Trade Council looks forward to working with your Administration to advance our common interest in a competitive U.S. private sector operating in a rules-based international economy."

For a full copy of the letter, please visit http://www.nftc.org/default/trade/2008/nftc_obama_letter.pdf

International Tax Policy

NFTC Urges Japan to Extend Seven-Year Limit on Carry-Forward of Losses as Part of Emergency Tax Package Under Consideration

National Foreign Trade Council (NFTC) President Bill Reinsch on November 17, 2008, sent a letter to Japanese finance and economic ministers, urging the government to adopt a proposal to extend the period of time in which corporations can use losses against profits in future years. The NFTC believes that Japan should extend the seven-year carry-forward period as part of the emergency tax package the Japanese government is considering introducing in response to the international financial crisis.

"This is much shorter than the period allowed by almost every other developed country of which we are aware. At this time, when substantial losses are being incurred, especially in the financial sector, it seems clear that a period longer than seven years will be required to fully utilize such losses," wrote Reinsch. "If corporations are required to write off some of these losses because they cannot be utilized in the current seven-year period, that will increase the impact of such losses. It will also make Japan a less attractive place in which to invest, compared to other countries with longer carry-forward periods."

Reinsch noted that extending the seven-year limit would benefit both domestic and foreign investors. "Our members are committed to investment in Japan, but very hard economic choices have to be made, even for businesses with a long-term view," he wrote. "Our members believe that an increase in the carry-forward period to 20 years (or, preferably, an unlimited period, as in many countries) would significantly increase the likelihood of continued inward investment into Japan."

"We hope that you will support this proposal, and our members would be happy to work with you in fashioning an acceptable provision." Reinsch concluded.

For a full copy of the letter, please visit http://www.nftc.org/default/tax/Japan%20NOL%20letter.pdf.

USA*Engage

New Report Explores Impact of Lifting U.S. Iran Sanctions on the Global Economy, Trade and Price of Oil

USA*Engage commissioned a study released on Friday November 21, 2008 "Normalization of Economic Relations: Consequences for Iran's Economy and the United States" written by Dean DeRosa, principal economist at ADR International Ltd., and Gary Hufbauer, a senior fellow at Peterson Institute for International Economics. Professor Hufbauer is one of the preeminent experts in the area of sanctions and the author of Economic Sanctions Reconsidered, 3rd edition (2007).

The DeRosa--Hufbauer study illustrates the economic impact that US sanctions on Iran have on the economics of the two nations. The study determined that if United States were to lift its sanctions against Iran, and Iran were to liberalize its economy, the world price of oil could fall by 10 percent (based on average world price for crude oil of about $50 a barrel) and Iran's gross domestic product (GDP) could increase by 23 percent annually.

(Continued on page 11)

New Report Explores Impact of Lifting U.S. Iran Sanctions on the Global Economy, Trade and Price of Oil

(Continued from page 10)

The study estimated that a 10 percent reduction in the price of oil would save the United States $38 billion to $76 billion a year, and that liberalizing the Iranian economy could result in an increase in Iran's total trade of up to $61 billion and boost U.S. non-oil trade and trade in services with Iran by about $46 billion.

USA*Engage commissioned the study to provide helpful data at a time when a new Administration is taking office and has promised a fresh look at U.S.—Iran relations. USA*Engage members believe, as the study noted, that "the efficacy of the sanctions in forcing political change is controversial. In economic terms, however, both sides lose from the geopolitical standoff."

As William Reinsch, co-chair of USA*Engage and President of the NFTC has noted, the prospect of the United States moving quickly to lift its sanctions against Iran and of the Iranian regime liberalizing the country's economy any time soon are remote but "the new administration…will provide the opportunity for rethinking policy on a variety of fronts; we would like them to be informed with some analysis and facts."

USA* Engage, NFTC Push for New Cuba Policies

The National Foreign Trade Council and USA*Engage have begun calling for new Cuba policies next year, applauding President-elect Barack Obama for his willingness to engage in diplomacy and urging him to end travel and trade restrictions on the island.

In a letter released December 4, the groups joined ten other leading trade associations to urge the incoming administration to reexamine current U.S. Cuba policy and consider new approaches that would benefit U.S. national security and economic interests. The associations, which include the American Farm Bureau Federation, Business Roundtable, and U.S. Chamber of Commerce, welcomed President-elect Obama's support for suspending restrictions on family remittances, visits, and humanitarian care packages from Cuban Americans, and noted that while "these are excellent first steps…we urge you to also commit to a more comprehensive examination of U.S. policy."

The groups asked President-elect Obama to work to end travel restrictions and to suspend certain restrictions on trade that would allow American companies to help Cuba to respond more effectively to the humanitarian crisis in the wake of recent hurricanes and storms in Cuba. They wrote that, "the United States could exempt agricultural machinery, heavy equipment and other exports from the embargo which would provide the goods and technology needed to rebuild from recent storms. The United States could also license direct banking services in order to facilitate these sales."

Separately, NFTC Vice President Jake Colvin released a report on December 1, calling for President-elect Obama and Congress to signal a new direction in the foreign policy of the United States by changing policy towards Cuba. Colvin's report, "The Case for a New Cuba Policy," was underwritten by the New Ideas Fund, where he is a fellow. He writes that, "While issues such as the global economic crisis and the wars in Afghanistan and Iraq will take months, years, or even decades to resolve, President-elect Obama has the opportunity to send an immediate signal of change to the world through a new approach to Cuba policy."

(Continued on page 12)

USA* Engage, NFTC Push for New Cuba Policies

(Continued from page 11)

The report highlights a national security benefit from changing policy, observing that the Bush administration has increased the burden on key government agencies responsible for keeping the United States safe from terrorism through its directives related to the Cuba sanctions program. Reversing those policies, and establishing risk-based priorities for allocating scare resources, would allow the U.S. government to refocus its attention on the most serious threats to national security.

Colvin also suggests there is a changing political landscape that makes a different approach to Cuba "an increasingly smart political strategy," given the attitudes of new Cuban American voters as well as the growing number of non-Cuban Hispanic voters in Florida.

It report draws on the advice of numerous former senior U.S. government officials with responsibility for Cuba as well as other foreign and economic policies. James Dobbins, Senior Director for Inter-American Affairs, National Security Council, 1996–1999, says in the report that, "Cuba policy is long past due for substantial revision, and domestically there is waning support. Flooding Cuba with American tourists, journalists, and culture is the fastest way to promote change. I'd almost completely reverse current policy."

Other former officials who advocate substantial changes to U.S. Cuba policy include former Senior Director for Inter-American Affairs at National Security Council Arturo Valenzuela; former Assistant Secretaries of State for Western Hemisphere Affairs Jeffrey Davidow, Peter Romero and Alexander Watson; and former U.S. Ambassadors to the United Nations Thomas Pickering and Nancy Soderberg.

The report recommends that President-elect Obama reverse President Bush's initiatives on Cuba policy in the context of the transition team's review of existing regulations. Specifically, President-elect Obama could immediately remove restrictions on the ability of Cuban Americans to travel and send financial support to family in Cuba; rescind the Bush administration's counterproductive limits on people-to-people travel and trade; rely on general licenses for travel to Cuba and instruct the Treasury Department to redeploy resources internally to focus on more urgent priorities; and abolish the Office of Transition Coordinator and the Commission for Assistance to a Free Cuba, which obstruct direct diplomacy with Cuba and disrupt relations with U.S. allies.

Colvin also offers a series of initiatives the President and Congress should undertake over the longer term, including issues of interest to American businesses like halting the extraterritorial application of sanctions and repealing the so-called Section 211 trademark provision that is inconsistent with U.S. trade obligations.

The report attempts to dispel the notion that the executive branch's hands are tied when it comes to changing policy. Drawing on advice from former officials from the U.S. Treasury Department who were responsible for sanctions policy it concludes that, "In spite of the layers of U.S. laws and regulations on Cuba, and the mistaken belief among many that meaningful policy changes require an act of Congress, the president retains wide discretion to modify the rules…through its licensing authority in the Cuba Assets Control Regulations. The idea that Congress has limited the president through legislation such as Helms-Burton is largely a myth."

USA*Engage and NFTC will work to set up briefings and meetings next year to build on these initial calls to change policy.

Annual International Human Resources Management Conference: Houston, March 3-4, 2009

The National Foreign Trade Council will host its eighth annual international human resources conference in Houston on March 3-4. The primary focus will be on global workforce management. The continued expansion of MNCs into emerging markets in Africa, Asia, Brazil, China, the Middle East and Russia results in the ongoing challenges of talent sourcing, recruitment, development and retention.

In addition to subject matter experts from the NFTC and the conference co-hosts, the program will include senior corporate colleagues from such companies as: Wal-Mart International; Intel, Parsons; Anadarko Petroleum; Washington Group International and Weatherford. It is expected that they will be joined by other corporate speakers.

Cross-border immigration and tax compliance, cost effective mobility and reward programs, talent identification and development will also be covered through case studies and "lessons learned" session.

The co-hosts for the conference include: Aetna Global Benefits; AIRINC, Cartus; Ernst & Young; HR*Houston; and International SOS.

For information about the agenda and registration go to www.nftc.org or contact Sandra Rodriguez at srodriguez@nftc.org.

Managing the Challenges of Talent Identification, Development and Retention in the Asia Pacific Region

- New York - March 25, 2009
- Chicago - March 31, 2009
- Santa Clara - April 2, 2009

The National Foreign Trade Council and Hewitt Associates will co-host a series of full day seminars on human capital strategies in the major countries of the Asia Pacific Region. The connections of business strategies and human capital strategies will be examined in detail.

The seminar will cover: talent sourcing; rewards and training programs; employer branding; leadership development; and "lessons learned."

The faculty will include senior international human resource management professionals from: Abbott laboratories; AIG; Altera; CIGNA International; Cisco Systems; Fluor; Ford Motor Company (India); and Schering-Plough.

For information about the agenda and registration go to www.nftc.org or contact Sandra Rodriguez at srodriguez@nftc.org

Calendar of Events

Date	Event	Location
December 17, 2008	Trade Committee Meeting with Ways and Means Members' Trade Staff	Washington, DC
February 12, 2009	International Benefits Committee*	New York City
March 3-4, 2009	Annual International Human Resources Management Conference	Houston, TX
March 17-18, 2009	NFTC Board of Directors Meeting	Washington, DC
June 2, 2009	International Benefits Committee*	New York City
October 15, 2009	International Benefits Committee*	New York City
Fall 2009	Annual World Trade Dinner and Award Ceremony	TBD
Fall 2009	Annual Meeting	TBD
Fall 2009	Board of Directors Meeting	TBD

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

News for Our Members

Forecast on South Africa

South Africa is unlikely to be an issue for U.S. trade policy in 2009, although the country continues to play a sometimes adversarial role in the Doha Round. Uncertainties about South African political leadership will dominate bilateral relations which have some potential for impacting commercial relations.

The FTA negotiations between the US and SACU were suspended in 2005, leading to negotiations for a "Trade and Investment Development and Cooperation Agreement," signed in July of 2008, which committed the parties to continued dialogue via a Consultative Group. In addition to a monitoring function the Group is to try to conclude trade and investment enhancing agreements. Agreements on customs are foreseen, but not a BIT, which would have the greatest commercial significance to the U.S. A return to US-SACU FTA talks is very unlikely in the foreseeable future.

AGOA, which in 2004 was extended to 2015, is the U.S.'s most significant commercial policy affecting Africa and South Africa, but is coming under scrutiny as are preference programs generally. Congressman McDermott and others introduced legislation in 2008 to extend AGOA benefits beyond Africa, which was unwelcome to many African beneficiaries. It is probable that this legislation will again be introduced in 2009.

AGOA's impact has been most significant in the motor vehicle industry in South Africa whose exports of fully built-up vehicles and components to the U.S. have been increasing annually under AGOA. The original South African industrial policy program for the motor car industry, the Motor Industry Development Program, provided export subsidies and import duties, still today at 30%, was widely regarded as blatantly WTO-illegal. Under the program exports grew from nearly zero in the mid-'90s to 150,000 vehicles in 2007, exports of components (mainly catalytic converters and stitched leather seat covers) increased and high rates of investment followed. In 2004 Australia threatened to bring a WTO case challenging the program as a prohibited subsidy and in 2008 the program was replaced by a modified program deemed to be WTO compliant.

South Africa has continued to champion developing country positions in the Doha Round, most recently demanding special relief for SACU beyond that available to other developing countries. Specifically, South Africa is asking that additional tariff lines protecting SACU's textile and clothing sector be exempted from cuts required under the general formula..

The South African domestic political situation remains uncertain, but so far is best characterized as politics rather than political instability. In September the ANC unceremoniously replaced Thabo Mbeki as president with Khalema Mothlante who is to serve until April when Jacob Zuma is expected to be elected president for a five year term. Despite widespread nervousness over the fact that Zuma comes to power on the support of the trade unions and the Communist Party, and continues to face charges of corruption, he has been generally successful in reassuring business that he will continue the successful macroeconomic policies of his predecessors.

This issue of Council Highlights brought to you by:

USA★ENGAGE

U.S.-Middle East Free Trade Coalition

National Foreign Trade Council
E-mail: nftcinformation@nftc.org
www.nftc.org

Washington DC Office
1625 K Street, NW, Suite 200
Washington, DC 20006
Phone: 202-887-0278
Fax: 202-452-8160

New York Office
600 Lexington Avenue, 29th Floor
New York, NY 10022.
Phone: 212-399-7128
Fax: 212-399-7144

For membership opportunities, please contact us at nftcinformation@nftc.org or 202-887-0278.

NATIONAL FOREIGN TRADE COUNCIL
ADVANCING GLOBAL COMMERCE FOR OVER 90 YEARS