

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.

February/March 2008 Issue

Word From the President

First, as is detailed elsewhere in this issue, I am pleased to announce NFTC's new chairman, John Mullen, CEO of DHL Express. He is the latest in a long line of distinguished executives of global companies, and I'm honored that he has decided to lead us. In many ways, DHL typifies the NFTC hallmark – a truly global company with facilities and employees worldwide and a truly broad range of policy interests. I look forward to working with John over the next several years.

Looking forward to 2008, it has become conventional wisdom in Washington to assume that not much is going to happen because it's an election year. History suggests, however, that it is more complicated than that. In the trade area, for example, the Uruguay Round was essentially completed during an election year, and Congress is often the scene of considerable activity late in the year, as Members rush to enact measures they can go home and brag to the voters about. While the country – and the Congress – remain divided on many fundamental issues, such as immigration and health care, one should not conclude that means gridlock across the board. The fact that bipartisan agreement was reached on a stimulus package is a potential positive omen, although it is a fair point that it is always easier to reach agreement on giving away money than on most anything else.

(Continued on page 4)

Inside this issue:

International Trade & Export Finance	2-9
USA*Engage	10
International Tax Policy	11
International Human Resources	12-14
Calendar of Events	15

NFTC Welcomes New Chairman John Mullen, CEO, DHL Express

The National Foreign Trade Council (NFTC) announced the appointment of its new Chairman, John Mullen, Chief Executive Officer for the Express division of Deutsche Post World Net (DPWN), the parent company of DHL, effective Tuesday, January 22, 2008. Mullen oversees DHL's global operations, which includes a presence in more than



225 countries and territories. DHL Express, the market leader in the international express and logistics industry, operates a fleet of 420 aircraft and 72,000 vehicles and employs 124,000 people worldwide.

(Continued on page 2)

Discussion and Book Signing with Ambassador Dennis Ross

Earlier in January the NFTC and the U.S. – Middle East Free Trade Coalition held a luncheon discussion with Ambassador Dennis Ross, Former Special Middle East Coordinator and author of “Statecraft



and How to Restore America's Standing in the World.” NFTC members and U.S. government and embassy officials gathered to compare the current situation in the Middle East and the Israel-Palestine peace process with instances of successful statecraft, such as German Unification in NATO, defusing the Bosnian Crisis and ending Iraqi aggression in Kuwait. The lunch was hosted at the offices of Altria and sponsored by Altria, Boeing Chevron, ExxonMobil, General Electric and Wyeth.

News for Our Members

NFTC Welcomes New Chairman John Mullen, CEO, DHL Express

(Continued from page 1)

"We are extremely pleased to welcome John Mullen as our new Chairman. As the CEO of a company with expansive international operations, John understands the importance and complexities of global commerce and our open-rules based trading system," said NFTC President Bill Reinsch. "He will be an immeasurably valuable asset to the NFTC and our member companies."

Mullen is also a member of the Board of Management of DPWN, the world's largest transport and logistics group. Prior to being named worldwide CEO of the Express division, Mullen was the CEO of U.S.-based DHL Americas. Before joining DHL, Mullen spent 10 years with the TNT group, holding various senior leadership positions, including Chief Operating Officer for two years and Chief Executive Officer of TNT Express Worldwide for three years.

"With protectionist sentiments growing, the Doha Round outcome uncertain and much work left to be completed in the U.S. Congress on the three pending FTAs, now is a critical time for the NFTC to work with policymakers to illustrate and underscore the benefits of trade to domestic and international economic growth," said Mullen.

"I look forward to working with the NFTC to help lead these efforts."

Mullen will succeed Dinesh Paliwal, President, Chief Executive Officer and Vice Chairman of Harman International, who served as Chairman of the NFTC since 2005.

"We wholeheartedly extend thanks to Dinesh for all of his contributions to help advance the longstanding, pro-trade mission of the NFTC," said Reinsch. "During his tenure as Chairman, Dinesh was critical to our efforts to press for passage of FTAs with Oman and Peru, as well as Vietnam PNTR and other trade-related legislation. We appreciate his leadership and service to the organization and wish him all the best in his future endeavors."

NFTC Sticks Toe in Climate Change Waters

Thanks to Al Gore, not to mention environmental realities, climate change has become the flavor of the month in policy circles. It is not on its face the kind of issue one would expect the NFTC to be deeply involved in, but the NFTC Board considered the issue at its meeting last June and expressed support for looking at the trade-related aspects of climate change legislation.

Thanks to Stanford summer intern Alina Syunkova, that is exactly what we have done. Last December we released a paper titled, "WTO-Compatibility of Four Categories of U.S. Climate Change Policy," which examines energy and climate related bills introduced in the 110th Congress from the perspective of their compliance with World Trade Organization (WTO) rules. The NFTC does not take a position on climate change legislation *per se*, but it is our strongly held view that whatever action is taken should be done in a WTO-compliant way in order to avoid messy dispute resolution problems in the future that will impede implementation of our policy.

A related conclusion of the paper is that if the United States is going to act, it makes sense for us to act sooner rather than later. International law and national standards in this area are relatively unformed, and early actors get the benefit of helping to shape both law and standards before other nations can move the debate in a different direction.

(Continued on next page)

News for Our Members

NFTC Sticks Toe in Climate Change Waters

(Continued from page 2)

The report concludes that U.S. domestic policies to address climate change can, in principle, be compatible with World Trade Organization (WTO) rules and the multilateral trading system. However, certain climate change policy tools can be more trade-distorting than others and conflict with specific WTO provisions, raising the costs and jeopardizing the long-term success of comprehensive climate change abatement programs in the United States.

Some of the paper's conclusions:

- Energy efficiency requirements and standards, such as the renewable fuel standard found in H.R. 6, are likely to violate GATT Article III on national treatment. In fact, similar measures adopted in the United States in the 1990s were successfully challenged in a landmark WTO dispute. By contrast, CAFE standards in H.R. 1509 appear to be more WTO-compatible.
- Government-administered eco-labeling schemes in H.R. 6 may violate Article II of the WTO Agreement on Technical Barriers to Trade for constituting measures that are “more trade-restrictive than necessary” to protect the environment, even if this objective is “legitimate.”
- Subsidies for renewable energy are very likely to violate the WTO Agreement on Subsidies and Countervailing Measures. For example, loan guarantees for renewable fuels facilities in H.R. 6 are financial contributions targeting specific industries and commodity products; they may act to increase the U.S. world market share in biofuels while decreasing foreign countries' U.S. market share in conventional fuels. Any subsidy that affects the export performance of a U.S.-produced climate-friendly good is likely to be prohibited under WTO rules.
- Government procurement of climate-friendly goods, such as the program included in H.R. 3221, may be covered by the WTO Agreement on Government Procurement, to which the U.S. is a party. This Agreement contains numerous flexibility measures that seem to accommodate most climate-friendly government procurement programs. The measures in H.R. 3221 do not appear to be in direct violation of the treaty – especially if the U.S. government employs transparent international product standards and participates in international standardization efforts.
- National greenhouse gas emissions cap-and-trade programs, such as the one envisioned in S. 2191, involve trade in emissions permits, which are neither a “good” nor a “service” subject to WTO regulation. Although in theory, emissions trading may be one of the most WTO-compatible policy instruments available, in practice, such programs are accompanied by standards and regulations, eco-labeling, subsidies, and other measures that raise WTO-compatibility concerns. A particularly alarming provision in S. 2191 creates a reserve of emissions permits for U.S. importers of foreign goods, which is separate and additional to the national reserve. It effectively imposes a tax on imports from WTO Members who do not utilize clean production processes and methods.

(Continued on page 5)

News for Our Members

A Word from the President

(Continued from page 1)

On the trade front, however, I remain modestly optimistic. The agenda is clear – try to restart the Doha Round and persuade Congress to pass the three pending Free Trade Agreements (Colombia, Panama, and South Korea). While the Round remains on life support, there are signs that other governments are beginning to think that they might be better off concluding the negotiations this year rather than exposing them to the uncertainties of a new American administration. While some are probably worried – incorrectly in my view – that a Democratic president would be too inflexible to conclude the Round, all realize that any new administration, regardless of party, will take some months to get organized, and waiting for that, while not as long as waiting for Godot (hopefully), will still postpone negotiations into the summer and fall of 2009. That slowly dawning realization is not exactly a jump start for the negotiations, but it is a trickle of electricity that might help Ambassador Schwab get things moving.

On the FTA front, the path forward is slowly becoming clear. Congressional delegations continue to commute back and forth to Colombia; the case for the agreement continues to be made, and I foresee a spring vote. Since it is unrealistic to expect House Democrats to vote on an FTA without some other vote in tandem that will appeal to their group of trade skeptics, you can expect growing speculation about the “price” for a Colombia vote. The obvious price is an expanded trade adjustment assistance package if it is not passed earlier as part of a stimulus package. The NFTC has consistently supported TAA reform and expansion as good policy, a necessary part of the implicit legislative bargain that has long supported an open trade policy, and, as a practical matter, a very small price to pay for trade liberalization. Ultimately, the program needs to be reconsidered in light of a major overhaul of our entire unemployment insurance program, but that is not for this year.

The other price that I expect will ultimately be extracted by the Congress, probably along with a vote on the Korea FTA, is China legislation. While I would be surprised to see anything actually enacted into law this year on that subject, passage of a bill by one body or the other is likely. These bills have had some of the longest gestation periods in history, which has frustrated lobbyists who can't fight them until it's clear what it's in them, but that may turn out to be a good thing, as Congressional opinion appears to be evolving somewhat in light of changing events. The new events are the U.S. staggering toward recession, and the faster appreciation of the yuan. The yuan is up about 14% in the past two and half years – not as much as the proponents of legislation are demanding, but not peanuts either. The fact that it has begun to appreciate more quickly in the past two months suggests that it might be wise to wait a bit to see what happens before acting precipitously. Our own precarious economic situation has also given some Members pause. No one wants to take steps that could add to inflation or otherwise make a difficult situation worse. Thus, continued review is likely for several more months before a clear path emerges.

Regardless, the basic facts don't change – legislation with dumping or countervailing duty penalties for currency imbalances is a micro remedy for a macro problem, and it cannot possibly have an economy-wide effect. That won't matter if this is essentially a political rather than economic debate, but there are a few small signs that Members are beginning to think about the economics, which is good news. Even so, the politics won't go away without a fight, and I foresee a vote in the House on some kind of China bill in late spring or early summer – late enough so that the voters haven't forgotten by November.

All in all, it's too soon to write off 2008, but it's not too soon to start thinking about the longer term. That's why the NFTC will be developing new trade negotiating authority proposals in anticipation of the inevitable debate on renewing that authority, which any president of either party is sure to request, and it is also why we are beginning to think, along with others, about WTO reform. More on all of that later!

News for Our Members

NFTC Sticks Toe in Climate Change Waters

(Continued from page 3)

- This may violate GATT Article III on national treatment and will probably be challenged by industry-intensive developing countries where environmental standards are not as stringent as in the United States.
- Domestic climate change policy that is WTO-compatible will not only deter costly WTO disputes in the future; multilateral engagement may be the only way to reach U.S. and global emissions reduction targets, and will serve to enhance the international position of American enterprise. If it acts promptly in area, the United States has an opportunity to significantly influence the development of multilateral law and regulation in this area.

One part of the paper has proved to be controversial – the penultimate bullet above relating to the cap and trade program in the Lieberman-Warner bill. Its proponents argue that our concerns about its WTO compatibility are misplaced and that we have not correctly interpreted WTO rules. We have respectfully disagreed with that, and emails and documents have been going back and forth. It has made for an interesting debate, but in many ways, the important point is simply that there is a debate, and that it is about something important – international trade rules and our compliance with them. Regardless of who is right about the particular provision in question, the fact that we are arguing about WTO compliance and that the Congress cares about that is an encouraging development.

2008 Could See Long-sought Breakthrough in Doha Round

Developments in the first quarter of 2008 will be critical for the fate of the Doha Round. As expected, negotiations resumed in Geneva on January 3 and there have been an intensive series of meetings under the chairs' direction on agriculture and non-agriculture market access (NAMA). In services, delegations have been coordinating positions in preparation for meetings with the chair. There have also been a lot of below the radar discussions about how to manage the negotiations over the next few months.

The key to moving forward remains agriculture and achieving a final breakthrough on the core modalities. Once the nature of the modalities in that area becomes clear, quick equivalent progress in other areas will be essential, particularly in NAMA. Revised texts in both of these areas will be released in February, which will then enable the negotiations to move to a “horizontal” phase where there will be discussions across all key issues. This will take place among senior officials in a “green room” process. The expectation is that this effort will further narrow differences for final ministerial decisions. There is also a possibility that there will be a consolidated “Lamy text” at one point to facilitate the final political decisions that must be made.

As the highlights went to press, Ministers from over two dozen WTO Member governments are meeting in Davos in conjunction with the World Economic Forum. It is expected to be an opportunity to underline the political importance of an early breakthrough and of finishing the Round as soon as possible. Recent uncertainty in the global economy will underscore the need for concluding the Round as a way to boost economic growth.

(Continued on page 8)

News for Our Members

The 2008 Trade Policy Agenda

*“We can achieve a unified American approach to economic engagement and leadership in the world that transcends party, president and Congress because Democrats and Republicans have managed to work closely together for more than 70 years on trade on a bipartisan basis.” —
Ambassador Susan Schwab, Remarks January 17, 2008*

Ambassador Schwab used this opportunity to set forth the Administration’s trade policy agenda and priorities for 2008. At the center of near term attention is the Colombia Free Trade Agreement. She indicated that President Bush and the Administration will engage in an intensive effort through early March to garner the necessary support for the trade deal. This will include a series of Cabinet-led delegations of Members of Congress to Columbia, a nationwide education effort on the importance of the FTA and traditional DC-based lobbying of the Congress with the help of the business community. She stated that a “no” vote on the Colombia FTA is a vote against US exporters – manufacturers, service providers, and agricultural producers. She added, that “none of us – not the Administration, not the Congressional leadership – wants to look back in a few years and ask ‘who lost Latin America?’”

Ambassador Schwab also urged approval of the FTAs with Panama and South Korea. With respect to Korea, she urged early resolution of the beef import issue to put Korea in line with its international obligations and clear the way for consideration of this significant, commercially meaningful agreement.

She then turned to the other important unfinished negotiation – the Doha Development Round (DDR), explaining that there remains a chance the negotiations could be completed this year. While conceding that most had written off the DDR as a Bush Administration accomplishment, Schwab remained hopeful the forthcoming negotiating texts expected in February – on agriculture, NAMA, rules and services – will form the basis for an agreement. She reiterated the widely held view that real progress on a deal on agriculture was the key to progress in the other remaining negotiating groups.

The Ambassador also touched upon the US bilateral trading relationship with China and current issues in that relationship. She emphasized that the US approach is to seek “dialogue where possible and enforcement when necessary”. She added the US Administration is committed to a policy that works to ensure Chinese compliance with its international obligations and a transparent and fair bilateral trading relationship. At the same time, she expressed concern about some of the legislative proposals pending in Congress that would take a punitive approach to outstanding trade issues.

Finally, Ambassador Schwab closed by flagging a new policy arena with potential impact on the trading system – climate change. She indicated that organizations with a stake in a more open, rules based trading system should be watchful of proposals or actions taken in the name of protecting the environment that are, in reality, protectionist in sheep’s clothing.

Much of Ambassador Schwab’s presentation on the 2008 trade agenda was repeated in a meeting of Congressional trade advisors on the same topic. In this meeting, however, the context in which trade policy was viewed and the listing of priorities by Democratic trade policy staff understandably differed.

In their view, the Democratic legislative priorities for the year started with China currency and subsidies legislation and the enactment of an extension and expansion of the US trade adjustment assistance program.

(Continued on next page)

News for Our Members

The 2008 Trade Policy Agenda

(Continued from page 6)

In fact, it has been said that Chairman Baucus will not consider the pending FTAs or any other trade legislation before or until a TAA bill is passed by the Senate. The evaluation and extension of US trade preferences laws were also seen as a priority. There seems to be a particular interest in analyzing the success and failure of existing preference programs to assess their cost effectiveness and ongoing viability.

On the WTO and the Doha Development Round, Congressional advisors were also hopeful that the negotiations could be completed this year. Both Democratic and Republican staffers expressed their strong support for the multilateral system and the importance of bringing the DDR to a successful and ambitious conclusion. They, too, emphasized the importance of progress in the agricultural negotiations as key to success in the other negotiating groups and a final agreement.

Democratic staff advisors downplayed the importance of consideration of the Colombian and the other pending FTAs. This is reflective of the ongoing debate within the Democratic caucuses on both sides of Capitol Hill over trade policy and the consideration of any FTAs in an election year.

Republican advisors, on the other hand, stressed the importance of completing work on the Colombian FTA and the other two pending agreements. They shared the Administration's view that the Colombian FTA must be approved by Congress to show that the United States is a political and commercial ally that Latin America can rely upon. They also expressed support for approval of the Panama and Korea FTAs and a trade adjustment assistance bill. In contrast to their Democratic colleagues, they expressed the need for caution with respect to legislation targeted at China to avoid actions that would do more harm than good to the bilateral trading relationship. As many experts have stated, the imbalance in the US-China trading relationship is in large part a macro-economic problem; yet most of the legislative proposals set forth to address it take a microeconomic approach.

While many political observers are predicting a 2008 Congressional session light on legislative accomplishments, this may not be the case in the trade arena. President Bush is committed to achieving approval of the remaining three FTAs and will continue to press for votes despite Democratic concerns about voting on trade issues in an election year. Most also believe that there will be legislative action on China and trade adjustment assistance, and an extension of some, if not all, the trade preference programs.

Saudi Ambassador Hosts Dinner Discussion with NFTC Saudi Arabia Working Group

H.E. Adel Al-Jubeir, Saudi Ambassador to the United States, hosted members of the NFTC Board of Directors and the NFTC Saudi Arabia Working Group at dinner at his residence in December to discuss ongoing commercial reforms in Saudi Arabia as well as economic opportunities and issues that U.S. companies face in the Kingdom. Ambassador Al-Jubeir has been especially interested in providing Saudi students studying in the United States with information on internship opportunities in U.S. companies active in Saudi Arabia as the economic boom challenges U.S. companies to recruit skilled Saudi workers for their operations there.

News for our Members

Unique Anti-Counterfeiting Brand Protection Initiative in Lebanon

Brand Protection Group - Lebanon is an association of leading local, regional, and international manufacturers and distributors that joined efforts in March 2003 to fight counterfeit products in Lebanon and the Levant region. With offices in Lebanon, Jordan, Syria, Egypt and Yemen, BPG has launched innovative media campaigns and cooperated closely with local governments to stop the spread of the counterfeit industry and protect the consumer's rights in society. Please take a look at their great website www.brandprotectiongroup.org to see how your company can get involved.

USTR Trip to the Gulf Region

USTR is visiting Saudi Arabia, Kuwait, and Bahrain in February for policy discussions. In Saudi Arabia, they will meet on a range of issues with the Saudi government including IPR, financial services and standards, as well as to establish a dialogue with the GCC Secretariat on trade issues in general, but also specifically on proposed GCC-wide rules on IPR and standards. In Kuwait, they will discuss IPR, standards, and other issues. In Bahrain, they will hold the first U.S.-Bahrain FTA Joint Committee meeting and discuss services, IPR, customs, labor, and standards. If you NFTC members have any commercial issues related to these countries that you'd like to raise with them, please contact Chuck Dittrich at cdittrich@nftc.org.

2008 Could See Long-sought Breakthrough in Doha Round

(Continue from page 5)

In Davos, ministers are expected to consider the manner of their participation in the negotiations over the next few months. In particular, the NFTC expects a discussion about whether, and if so when, they should go to Geneva to become directly involved in the green room meetings designed to secure agreement on modalities. Most Geneva delegates seem to believe it is better to let senior officials try to narrow differences before bringing in ministers, but Director Lamy may prefer the idea of agreeing now that ministers will come before Easter to finish the job.

Ministers will also discuss what should be included in the package at the time modalities are agreed on agriculture and NAMA. Obviously the greatest degree of specificity will be achieved in agriculture and NAMA – such is the nature of modalities. However, something will have to be said about other areas of the negotiation at the time of the agreement on modalities. One major question is how much specificity will emerge in describing what should be accomplished in services, rules, and trade facilitation. For TRIPS and CBD and GI's, where there are demands by the EU and certain developing countries, the question is whether or not there might be agreement for these so called "implementation" issues to become part of the single undertaking package.

The NFTC will continue to advocate actively for concluding the Round in 2008 by achieving a breakthrough on modalities by spring. The NFTC WTO Working Group plans to visit Geneva in the next several weeks to convey the importance of such a breakthrough as soon as possible as vital to boosting economic growth worldwide and helping to stem a global downturn. It will also emphasize that if there is a breakthrough, the US business community will push hard for a targeted extension of trade promotion authority.

News for our Members

The NFTC Establishes an International Intellectual Property Working Group

The NFTC has established an International Intellectual Property Working Group to combat the erosion of global support for strong standards and enforcement of intellectual property rights around the world. This is a new initiative that reflects the critical importance of the knowledge economy and its protection to the US economy and the international competitiveness of NFTC's member companies.

Up to and through the conclusion of the Uruguay Round, the U.S. Government – both the Administration and Congress – maintained unfaltering support of strong standards and enforcement of international intellectual property protection. This led to the successful conclusion of the TRIPS Agreement as part of the Uruguay Round. It was also reflected in the TRIPS-plus provisions of the IP Chapters of the U.S. model FTA.

By the later 1990's, this began to change. By then, opponents of the TRIPS Agreement – in academia, amongst NGOs, civil society and developing countries – became more visible and more vocal. This coincided with the growing global recognition of the dimensions of the HIV/AIDs pandemic in sub-Saharan Africa and the perception that pharmaceutical patents were a core part of the problem and that intellectual property rights were the enemy of the poor.

While the pharmaceutical industry was the first target and casualty of the anti-IP movement, it is not the only sector subject to attack by the critics of intellectual property protection. During a recent meeting with U.S. IP attaches from Geneva, Beijing and other countries, one stated that “access to” is now a common prefix in the debate – access to medicines, access to knowledge, to software, to books, etc., expanding the scope of the anti-IP movement once solely focused on pharmaceuticals.

Under the guidance of the IP Working Group, the NFTC will launch a communications campaign in support of intellectual property with a particular focus on the important role now played by the internet and blogosphere in current policy debates. In the near term, we will be working on building a library of information – studies, papers, op-eds, etc., - on current IP issues, that is accurate, verifiable and appropriately vetted, to utilize in this project. The concept is to then engage the internet both offensively and defensively.

Defensively, we will monitor the blogosphere for negative or inaccurate statements relating to intellectual property and post rebuttals, corrections and clarifications. Offensively, we will use the internet to post positive articles, studies, testimony, papers, etc. across a broad-based selection of sites, including newspaper and reporter blogs, NGOs, think tanks, and academic sites. We will also monitor the activities of multilateral institutions and where necessary seek to correct or influence deliberations on intellectual property. This will include an effort to take advantage of opportunities to participate on panels, symposiums or conferences and present the pro-IP perspective. This may also include partnering with other organizations to host educational seminars Capitol Hill that present all aspects of the debate and lay the foundation for a more pro-IP environment in Congress.

To be successful, this project needs the support and input of NFTC member companies with a stake in IP protection. If you want more information, please contact Cathie Bennett, cbennett@nftc.org, (202) 887-0278.

News for our Members

NFTC Gears Up for China Trade Legislation in 2nd Session of 110th Congress

As Members return for the second session of the 110th Congress, the NFTC anticipates renewed efforts to enact restrictive trade legislation on China and, as in the past, the NFTC will oppose these measures. Some of this legislation will continue to be focused on China's foreign exchange policy and its effect on the bilateral US trade deficit. The NFTC, along with a coalition of trade associations, will oppose measures to apply the antidumping and countervailing duty laws to Chinese imports. The trade subcommittee of the House Ways and Means Committee is expected to produce a China trade bill of some sort this winter or spring and it is likely to pass the House. In the Senate different approaches have been taken by the Finance and Banking Committees. Chairmen Dodd and Baucus are expected to address their differences at some point now that Dodd is returning from his presidential campaign. The prevailing view in the business community in Washington is that even though China is not a top priority for most Members, there is a chance that they may see an electoral advantage in having taken some action. The countervailing view is that since the exchange rate is a key flash point, there is evidence that the RMB is revaluing by some significant amount, which could reduce pressures for action. The NFTC continues to play an active role in the business coalition on China and will be active in the much-needed ongoing effort to educate Members and their staffs.

*USA*Engage*

USA*Engage Unveils New Web site

In January, USA*Engage released a new Web site, at www.usaengage.org. The new Web site features new tools, issues pages, publications and other resources, which underscore the importance of diplomacy, trade and engagement between the United States and the international community.

The "issues pages" describe the coalition's work on various issues and includes a catalogue of important publications from other organizations. These priorities include: State and Federal sanctions; Diplomacy, Trade & Aid; Engaging Cuba; Rethinking Iran; the Alien Tort Statute; Export Controls Policy; and Visa Policy.

Since its inception more than a decade ago, USAEngage.org has been widely recognized as a resource for information about U.S. unilateral sanctions policy. The original USA*Engage Web site was launched in 1997 as an educational tool for policymakers to promote the benefits of U.S. engagement in the world and to illustrate the diplomatic and economic costs of a U.S. foreign policy too reliant on unilateral sanctions. It was one of the first sites designed and used specifically for issue advocacy. This is the first redesign in about five years for the coalition.

On the Web site, you can sign up for a weekly newsletter on USA*Engage's activities and summaries of recent news on sanctions, diplomacy, export controls and visa policy.

Tax Policy

Kuwait Amends Tax Law on Foreign Companies

Kuwait has amended its tax law to cut income tax on profits of foreign companies operating in Kuwait from 55 percent to 15 percent. The amendments are to the 1955 law under which foreign companies were required to pay up to 55 percent of their net profits as tax to the government. Besides foreign investors, the new tax law will be applied to Kuwaiti agents of foreign firms who act as sole representative of their foreign partners. An English translation of the amendment may be found at:

<http://www.nftc.org/default/trade/mefta/Law%20no%203%20of%201955.pdf>

2008 Winter Tax Committee Meeting will be Held on February 28th in Washington, D.C.

The 2008 NFTC Winter Tax Meeting will be held on February 28 at the St. Regis Hotel, in Washington, D.C. The meeting will focus on the current budgetary situation, a potential economic stimulus package, and the technical details of Ways and Means Chairman Rangel's "mother of all tax bills."

The first speakers will include staffs from the Senate Budget and Finance Committees, as well as a leading economist to discuss the current budgetary situation and the economic stimulus package. The second panel will consist of Senate Finance Committee staffers, Josh Odintz and Chris Javens, and the discussion will focus on their recent international trip to the U.K. and Ireland, as well as the Senate Finance Committee agenda for international tax reform. The final panel will discuss the technical details of the Rangel tax reform proposal, and its implications for various industry sectors. Former Bush Administration economist, Lawrence Lindsey is the invited luncheon speaker. The meeting promises to be interesting and informative. For more information, contact Catherine Schultz, Vice President for Tax Policy, cschultz@nftc.org.

Four New Tax Treaties Ratified

On Friday, December 28, the U.S. exchanged tax treaty ratification documents with the governments of Belgium, Denmark, Finland and Germany. All of those tax treaties were thereby entered into force on December 28. The process of getting the tax treaties to this final step was a long and arduous one. The treaties with Germany, Finland and Denmark had been sent to the Senate Foreign Relations Committee in the fall of 2006, but they were sent to the Hill too late to be acted on at the end of the legislative session. The treaty with Belgium was sent to the Hill in the spring of 2007. The Senate Foreign Relations Committee held a roundtable discussion in June on the new mandatory arbitration provisions included in the German and Belgian treaties. The Committee took the time to explore the reasoning behind the arbitration provisions and to understand the mechanics of arbitration better before scheduling the hearing on the tax treaties. The NFTC played an active role in the roundtable discussion.

The Senate Foreign Relations Committee held a hearing on all four treaties in July 2007. NFTC President William Reinsch testified in support of the three new protocols and the new Belgian tax treaty. The Senate adopted the treaties with Finland and Denmark on November 16, but holds were placed on the treaties with Germany and Belgium. Senators Dorgan and Feingold were concerned about the new arbitration provisions contained in these two treaties. After much consideration of the issues, the holds were lifted, and the German and Belgian treaties were approved by the Senate on December 14. The final exchange documents then were drafted by Treasury and sent to the State Department for final approval and exchange.

(Continued on Page 12)

Tax Policy

Four New Tax Treaties Ratified

(Continued from page 11)

The German and Belgian treaties contain new mandatory arbitration provisions that were cause for much additional review of those treaties. The arbitration provisions will act as a backstop to the competent authority process and will aid in the dispute resolution process. It is likely that most future tax treaties and protocols will contain mandatory arbitration provisions. The pending protocol with Canada contains a mandatory arbitration provision.

All four tax protocols and treaties eliminate the source-country withholding rates on certain dividends. The provision in the German protocol is effective retroactively to January 1, 2007. All four new tax protocols and treaties also modernize the underlying treaties limitation of benefits provisions. The Finnish protocol eliminates the source-country withholding on royalty payments, and the Belgian treaty eliminates the source-country withholding on interest payments.

Human Resources

The NFTC will Host its Seventh 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 Web site, www.nftc.org or by contacting Sandra Rodriguez at 212 399 7128 or at srodriguez@nftc.org.

Human Resources

International Human Resources – Enhanced Member Support

The National Foreign Trade Council is enhancing member benefits for its International Human Resources members.

Claire Keogh, Global HR Associate, who recently joined the International Human Resources Department located in New York, will assist members with various IHR issues including:

CROSS-BORDER EMPLOYEE ALLOWANCES & RELATED DATA*: Assistance in obtaining, navigating and/or applying online data to specific “real life” situations. Available data includes:

- Allowances (Hardship, Education, Housing, Danger Pay)
- Per Diems: Foreign, CONUS & other rates
- Standard Regulations (e.g. start/end dates of allowances, R&R)
- Emergency Services (Non-US) Information
- Country Guidelines, Travel Alerts, etc.

**NFTC guidelines relating to the above are based on US government standards*

AD HOC SURVEYS: Requests for ad hoc surveys will be evaluated and conducted as appropriate. In the past, the NFTC has conducted ad hoc surveys for members who rely on our IHR and business expertise as well as our reputation for confidentiality.

Ad hoc surveys usually consist of a member company that is seeking to *immediately* benchmark with approximately 10 comparable multinationals. Two examples of this are:

- a) A top executive of a Fortune 100 company is going on assignment (US to China) and wants his wine collection shipped to China. Do companies comply with this type of request?
- b) A Global Mobility Manager overseeing a large population of assignees in Asia is tasked by corporate management to define policy with supporting data as to what other companies are doing in relation to SARS; i.e., are companies mandating family leave? Assignees? If assignees, are they being sent to safe locations?

When conducting ad hoc surveys, the NFTC identifies and obtains the responses of approximately 10 companies comparable to the requesting company. Only responses are provided to the original requestor, i.e. names of responding companies/professionals are omitted due to confidentiality.

NFTC CHAT ROOMS:

Currently, the NFTC owns/manages chat rooms supporting its various International Human Resource committees/working groups. Members already participating in these chat rooms may contact Claire for assistance in maximizing the benefit gained from participation and/or trouble-shooting (sign-on issues, Etc).

ANNUAL REVIEW: On an annual basis, Claire will contact either the primary member contact or the most senior IHR representative in our member database to ensure that IHR member firms are maximizing the benefits of membership with the NFTC.

(Continue on page 14)

Human Resources

International Human Resources – Enhanced Member Support

(Continued from page 13)

At any time, you may contact Claire to verify if either your employer is an IHR member or if you as an Employee of an IHR member company, are in our database with the correct categories of IHR interests.

In addition to the above, the NFTC is interested hearing from all of its IHR members as to how we can better serve your needs. We encourage you to contact Claire.

Claire may be reached at 212-399-7128 or via EM at ckeogh@nftc.org



Ambassador Dennis Ross signs a copy of his recent book for Dr. Sand Al Sati of the Saudi Arabian Embassy

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
February 8, 2008	NFTC Trade Committee Meeting: TPA Legislation	Washington, DC
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
March 25, 2008	Board of Directors Meeting	Washington, DC
April 1, 2008	International Human Resource Management Seminar	Santa Clara, CA
April 2, 2008	International Human Resource Management Seminar	Cosa Mesa, CA
April 3, 2008	International Human Resource Management Seminar	Seattle, WA
April 22-24, 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

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

**This issue of Council Highlights brought
to you
by:**



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**For membership opportunities, please contact us at
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NATIONAL FOREIGN TRADE COUNCIL
ADVANCING GLOBAL COMMERCE FOR OVER 90 YEARS