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.

June-July 2009 Issue

A Word From the President

Over the past few years I've generally refrained from writing about China because I also serve on the U.S.-China Economic and Security Review Commission, and I did not want to confuse my two hats and lead NFTC members to think that I might be speaking on behalf of the Commission. China has become such an important part of the global picture, however, and our bilateral relationship has become so important, that I decided to break my rule and provide a few thoughts on the subject with the understanding that these are personal and do not necessarily reflect the views of the Commission or any of the other commissioners.

Viewed historically, China 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 – maximize economic growth and move up the value-added chain as fast as it can.

In many respects China and the United States are mirror images. We buy their products; they depend on our market to grow. They save 40-50% of their income while we still save virtually nothing, though that has changed a bit. We are the world's largest debtor, while they are rapidly becoming the largest creditor.

These trends, plus their size and potential, make them not the proverbial 800-pound gorilla but the 800,000-pound gorilla.

That is worrisome in and of itself. But there is also politics beyond economics. We had many of the same economic worries about Japan 20 years ago, but at the end of the day they were an ally and friend. China is not, and we worry not only about the economic implications of rapid growth but also the strategic implications of a potential struggle for predominance in the Pacific.

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U.S.-Mexico Trucking Dispute Awaits Administration Plan to Forge Compromise

Nearly two months have passed since the government of Mexico imposed retaliatory tariffs on $2.4 billion worth of U.S. manufactured and agricultural exports into Mexico in response to the U.S. Congress pulling funding for a U.S. pilot program to assure the safety of Mexican long-haul trucks on U.S. roads. This pilot had been the negotiated compromise of a NAFTA dispute settlement case decided in Mexico's favor because the U.S. has yet to honor its NAFTA commitments to permit cross-border trucking.

After President Obama directed Secretary of Transportation Ray LaHood to find a way forward to end the dispute and implement U.S. NAFTA commitments, the Administration began developing a set of principles to allow Mexican trucks to operate safely on U.S. roads. Those principles have not yet been shared with Congress or the Mexican government.

Complicating the issue is public concern over the outbreak of a new and unique strain of H1N1 virus in Mexico and the potential pandemic as the disease rapidly spread around the world.

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Japan's allied status, however, did not save it from rhetorical excesses, best exemplified by the episode where several members of Congress bashed a Toshiba product to pieces outside the Capitol Building.

Our experience over the next several years with China is likely to be very similar – rhetorical excess that is not matched by actual legislation enacted into law and certainly not by legislation likely to do anything about the problems that have been identified.

The reality is that since Nixon opened the door, our relations with China have consistently fluctuated within a fairly narrow band – 4-6 on the 10 point scale. Candidates frequently run against China – Clinton did in 1992, Bush did in 2000, and Obama did to a lesser extent in 2008. But when they get in they discover the breadth and depth of the relationship, as well as its importance, is such that they have limited flexibility. That is not likely to change in the Obama Administration, after an initial settling in and testing period (naval incidents) that seems to have become traditional.

In turn, the Chinese don't make the relationship easy, and the business community often finds itself in the awkward position of opposing Congressional attempts to "fix" the problems because the solutions are flawed all the while knowing that the concerns are real.

Part of the dilemma is that, as the President has pointed out, our problems are primarily our own, and they require US, not Chinese, solutions.

Taking a step away from the immediate economic crisis and looking at long term trends, I would argue that the key economic dilemma we all face is dealing with globalization as a force for both stability and instability. It simultaneously pushes countries to conform to market principles and to Western norms of rule of law, while at the same time riding roughshod over deeply ingrained cultural values, exacerbating growing problems of income inequality, exploitation of workers, women, and children, and contributing to environmental degradation and resource depletion.

Those are not trade problems, but they end up being treated that way for two reasons. First, it's always easier to blame the foreigners than yourself for your problems. Second, the WTO is the only multilateral organization that has an effective dispute resolution mechanism, so nations have an incentive to define their problems as trade grievances so they can take them there.

Both these views underlie Congressional activity on China – an effort to blame our problems on them, and to seek trade solutions to them. Currency misalignment, subsidies, IP violations, food and product safety, access barriers to US products and to US investment, as well as Chinese investment here, have all been fair game for Congressional investigation.

Yet very little has happened. Why not?

The largest part of the answer, at least right now, is a Congressional inclination not to rock the boat. While there is near consensus in Washington that the RMB is undervalued, there is also a concern that unilateral action to address that could only backfire and make things worse.

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Part of that is due no doubt to the realization that China holds large amounts of US government paper, and a decision by them to dispose of some of it would have serious consequences for us.

(There is a debate raging in Washington right now about whether or not that's really something to worry about – a replay of the old story: if you owe the bank $10,000 you worry. If you owe the bank $10 million, the bank worries. One school of thought, aided by some Chinese statements about SDR's, for example, is that this is a real problem. The other school argues that the Chinese have nowhere else to go, and this is a red herring.)

But another part of this is simply a concern that Congress meddling in the international economy is unlikely to produce good outcomes and is likely to produce one bad outcome – Congress being blamed for anything bad that happens. This is a sign of legislative and political maturity. Sometimes, if you don't know what to do, it's ok to do nothing.

It is also true, that many in Congress and the Administration understand that legislation is unlikely to make much difference, except possibly in the food and product safety area.

For example, trade law changes are particularized. They only operate when someone files a specific case against a specific company or companies involving specific products and proves it's been injured by those imports. Only then are actual duties imposed, and only on the subject imports. Any impact will only be felt in the handful of sectors where cases are brought and won. This is a microeconomic tool that can be effective for a sector suffering unfair trade practices, but it is not – and can never be – a macroeconomic solution to our bilateral trade problems.

On currency, the Congress cannot force revaluation. Treasury has had extensive conversations with the Chinese for four years on this. The bottom line is they know exactly what they need to do, which is exactly what we've told them they need to do, but they are reluctant to move as quickly as we would like. In essence, they are pursuing an exceptionally conservative monetary policy. 20% appreciation in nearly four years is not nothing but not enough.

What this means is that while we will continue to see agitation on these issues at the margin, major disruptive legislation is unlikely to pass.

Footnote: a trade law enforcement bill is a possibility. There hasn't been one for years, but the various proposals lurking out there are largely intended to fight old battles, for example, the Bush Administration's failure to provide any relief in section 421 cases, and it is not clear yet in the new Administration whether they need to be fought. Any such bill will not be entirely China-specific, though China will be cited in many cases.

I think there is also a growing awareness in the Congress of China's willingness to sharply and quickly retaliate, unlike the Japanese. It may be a canceled military visit, purchases of US goods put on hold or canceled, an investment decision deferred, a new standards regulation, often not directly related to the area where we have acted. These are not by themselves reasons not to take action if it is warranted, but they are a reminder that in the trade world few events are without consequences, and smart policymakers figure out what the likely ones are and prepare for them before they act .

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News for Our Members

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None of this should come as a surprise to people with experience with China, and much of it is simply the inevitable consequence of global economic integration. Of course the Chinese have a significant stake in our economy. We have a significant stake in theirs, even if it is primarily as a buyer of their products. It is only natural that as the number and strength of the linkages grow, the difficulties associated with changing or breaking them become more obvious.

So far, on the big issues we have shared a number of common interests which have made it possible for us to make policy decisions consistent with Chinese priorities – not for that reason, but because they are also consistent with our own priorities.

Looking ahead, that may not last for several reasons.

1) The US is not likely to be able to return to its position as purchaser of the world's goods. Our arguments to China, as well as other advanced developing countries, that they need to pursue policies that increase domestic demand and move away from export-led growth strategies, will have increased resonance because we will no longer be contradicting them with our actions. Their economists know we're right, but their government has too often been tempted to take the easy way out. If that changes at our end, it may have no choice but to change at their end as well.

2) Growing competition for resources, particularly oil, could lead to conflict, both direct if we move into a period of short supply, and indirect as we compete with China for access to new sources of supply.

3) On a host of issues, most obviously the Doha Round and climate change, China will have to decide if it wants to be leader of the developing world in fact as well as in rhetoric or pursue outcomes more in line with its own economic interests, which in some respects are closer to ours than to those of developing countries. If it does the former, we will be bumping up against each other in numerous fora. This will become increasingly an issue, as the Obama Administration faces problems like climate change that must be addressed multilaterally.

4) There is always the possibility that latent issues of political supremacy in the Pacific region could move to the fore. Thus far, we have found issues to cooperate on, like anti-terrorism and North Korea, but that is not necessarily a permanent condition. When I was in China several weeks ago, I found a growing sense of self-confidence on the part of the Chinese, which is a significant change from the past. If it leads them in the direction of constructive involvement and leadership in dealing with multilateral problems, that could be a good thing. If it leads them to throw their weight around in the region, it will no doubt cause bumps in our relationship.

U.S.-Mexico Trucking Dispute Awaits Administration Plan to Forge Compromise

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At a time of uncertainty and much misinformation about how the virus is transmitted, many see the delay in moving forward on the trucking resolution as a strategy to keep the issue from being caught up in the hyperbole over this public health issue. Secretary LaHood has recently indicated that a new proposed program would be shared with Congress shortly after they return from the Memorial Day recess, with implementation targeted for this summer.

Meanwhile, the Mexican tariffs on a range of U.S. goods from agriculture to consumer electronics, and textiles are having a devastating effect on individual exporters and facilities across the country whose products are the target of tariffs. The NFTC continues to push for a swift and permanent resolution to the problem by the Administration and Congress.

Timing of Panama FTA Still in Doubt Despite Senate Finance Hearing

U.S. Trade Representative Ron Kirk recently announced that the Administration "was working furiously" to resolve remaining labor and tax issues before President Obama sends the trade agreement to Congress, and indicated that there exists a "discreet window" for action before Panamanian President Martin Torrijos leaves office June 30. Given the flurry of activity by Congressional, USTR and Treasury Department experts trying to iron out remaining issues, it was widely believed that the bill would at least be submitted to Congress by then.

However, despite a vigorous effort by Senate Finance Committee Chairman Max Baucus during May 21 hearings on the Panama FTA, calling for the agreement to be submitted, the Administration remained noncommittal on when they would move. "The president believes that it is very important that Panama be considered in the context of a broader domestic agenda," including healthcare reform, Assistant USTR for the Americas Everett Eissenstat said during the hearing, leaving doubt on when the White House would move on Panama. At the same hearing, organized labor, which previously remained relatively silent on Panama, came out against moving the agreement, citing labor and tax issues still outstanding in their estimation.

Both the outgoing and incoming Panamanian Administrations have indicated that they will do what is needed to change their tax laws and share tax information with the U.S. Chairman Baucus and ranking minority member Charles Grassley strongly urged the President to avoid delay in wrapping up the FTA, a position which was supported by leaders of the pro-trade New Democrat Coalition leadership in the House, who praised the Senate Finance leadership for holding the hearing.

Administration Sends Mixed Signals on the Future of Participation in the Trans-Pacific Partnership Negotiations

The Obama Administration has not yet made any official announcement of its intentions toward the Bush Administration's agreement to enter into negotiations of a plurilateral trade agreement among nations of the Asia Pacific region, building on the existing agreement among Chile, New Zealand, Singapore and Brunei.

The Administration's first action on the effort was to postpone the first organizing round of negotiations that had been scheduled for late March in Singapore, and included the additional participants of Peru, Australia and Vietnam. The postponement was met with understanding given that U.S. Trade Representative Ron Kirk had not yet been officially confirmed at the time, and officials indicated that a review of the initiative in the context of the Administration's overall trade strategy toward the Asia Pacific was warranted.

U.S. Trade Representative Ron Kirk, in an exchange with reporters on May 18, after giving a speech on the Administration's next steps in the trade agenda (http://www.ustr.gov/assets/Document_Library/Transcripts/2009/May/asset_upload_file770_15658.pdf) stated that the TPP negotiation "is sort of the baseline for what we would like to do in the region …. it may be that that becomes, you know, the ceiling as well as the floor, it may be that it becomes the floor, but I just happen to have an inherent bias that I think there is an extraordinary upside to us being as creative and broad in our thinking as we can as it relates to the Asia-Pacific." However, TPP was not mentioned in the speech and no further clarification or official announcement of the Administration's intentions were forthcoming. Additionally, timing was not discussed, and in his speech, USTR Kirk indicated that new initiatives might have to wait for a conclusion to the Doha Round."

The NFTC was quick to respond to Ambassador Kirk's comments, issuing a statement that "If press reports are accurate, this is indeed good news and the NFTC and its members strongly support Ambassador Kirk's vision for using the TPP negotiations as a means to expand our commercial engagement with the Asia-Pacific region.

"The strategy that seems to be emerging from USTR is to engage our trading partners on a multitude of levels, including enforcement of existing agreements and resolution of long-standing disputes. Engaging early on through the TPP to develop a creative approach to a plurilateral and comprehensive market opening initiative in the Asia-Pacific region jump starts this Administration's strategy and signals to our trading partners that the United States is serious about expanding markets for American products and services."

"Starting negotiations this year through the TPP will lay the groundwork for an even more productive Asia-Pacific Economic Cooperation (APEC) conference hosted by the United States in 2011."

"We look forward to official confirmation from USTR on the status of the TPP initiative."

Whether Ambassador Kirk jumped the gun and spoke before official White House clearance or his comments indicate his views, it is clear that a deeper and more substantive engagement in trade issues in Asia is likely to be included in any comprehensive trade strategy unveiled by the Obama Administration.

New Life for the World Trade Organization

A few months ago, prospects for progress in the WTO negotiations seemed dim and distant. Today, thanks to renewed interest from the Obama Administration and a resounding victory for the Congress Party in India's election, the odds are much better for making real progress in the Doha Round.

U.S. Trade Representative Ron Kirk made his first visit to Geneva in mid-May, to indicate the Administration's commitment to a successful conclusion to the Doha negotiations. Success, he suggested, "means a balanced and ambitious agreement with meaningful market access gains for all involved."

At the same time, important work continues to be done below the radar particularly on examining what could be the content of negotiations in certain sectors. This work will help to create the basis for an eventual political level discussion about how to resolve differences in negotiating positions down the road.

Apart from the negotiations, the WTO has begun a process of institutional caretaking that has made the organization more relevant to the current crisis. It is clear that WTO members attach great importance to efforts to resist protectionist pressures and to the role of the WTO in monitoring developments through reports from the Director-General and subsequent review in the Trade Policy Review Body. WTO officials expect the process of monitoring trade barriers beyond the current crisis and anticipate that potential trade-restricting measures such as border adjustment components of climate change policy could be included in future reviews.

It is increasingly likely that trade ministers will gather in Geneva for a ministerial conference this year, which is tentatively scheduled for November 30 through December 2. While the agenda is likely to center on discussions of institutional issues and future work, the meeting will also provide an opportunity to take stock of the Doha negotiations.

Labor Influence Enhanced in South Africa's New Government

The African National Congress retained power in South Africa's April 22 general election with a slightly reduced, but still overwhelming, majority in the parliament which, as expected, elected ANC leader Jacob Zuma president of the country. Since Zuma, who as a former guerilla leader without deep policy experience, won the party leadership in 2007 with the support of the labor federation and the communist party. Since the foibles of his personal life received wide coverage, business leadership worried about political stability and policy continuity under a Zuma government. Hence the considerable significance attached to his cabinet appointments.

On May 10 President Zuma announced a cabinet that is carefully balanced to reassure nervous economic stakeholders while rewarding his key supporters. Reaction in the South African and the international press has been generally favorable, stressing continuity especially in economic policy. Zuma has rewarded his supporters in the communist party and the labor federation with cabinet posts. It should, however, be remembered that membership in the communist party was a common expedient for ANC leaders during the liberation struggle and does not necessarily imply serious ideological commitment. Zuma will certainly be under pressure to move to the left (meaning primarily greater government control of the economy and accelerated social spending) from a new generation of leaders in important parts of his coalition such as the influential ANC Youth League and the labor federation, some of whom are intemperate and radical in their hostility toward the status quo.

While Zuma's appointments did not bear out earlier concerns of a leftward lurch, they do represent a decided change in emphasis. His electoral campaign assures a greater emphasis on poverty alleviation, service delivery and crime prevention and a less internationalist approach to foreign economics and foreign policy.

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Labor Influence Enhanced in South Africa's New Government

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The degree to which South Africa will, or will be able, to turn inward will be watched closely. Zuma's key appointment was that of former finance minister Trevor Manuel as head of a new National Planning Commission to coordinate policy-making and develop a National Plan. Manuel's appointment serves the dual purpose of retaining the well-regarded former minister in the cabinet and aspiring to a well-coordinated policy apparatus. Skeptics have questioned whether creating a super-cabinet committee in fact will make for smoother policy-making or lead to bureaucratic infighting. Manuel's replacement at Finance, Pravin Gordham, who originally came out of the South African communist party, has led the South African tax collecting agency where he earned a formidable reputation with business as a no-nonsense manager. *The Financial Times* quoted him as saying the new arrangement would create "more cohesion and greater balance."

The economic team includes a new cabinet-level ministry, the Department of Economic Development, headed by Ebrahim Patel, former secretary general of the South African Clothing and Textile Workers Union. The department is intended to focus on economic policy-making and will require coordination with the Finance Ministry which controls the budget, and with the Department of Trade and Industry. Patel has been one of the strongest critics of the investor-friendly policies of the past decade.

The new Minister of Trade and Industry, Rob Davies, also a member of the communist party, is along with Manuel a known quantity, having previously been deputy minister of Trade and Industry and having written widely on economic policy. It is unclear what priority the department's international functions will have under the new arrangement and which of his two deputies will have those responsibilities. Obviously, the external business community will watch carefully how these duties are distributed. The press is reporting that Davies wants to raise external tariffs from their applied levels to their bound levels. This could increase tariffs on manufactured goods from the average applied rate of 10.5% to the average bound rate of 30% and tariffs on textiles and clothing could rise to their bound rate of 35.9%.

Other significant appointments included the replacement of Foreign Minister Nkosazana Dlamini-Zuma (who becomes Home Minister) with Maite Nkoana-Mashabane, former ambassador to India and Malaysia and a Limpopo provincial leader (and the renaming of the ministry as International Relations and Cooperation). This appointment has caused some disquiet because she is a relative unknown with slim foreign policy credentials and therefore could signal a lower international profile for South Africa. Prominent businessman and former Gauteng premier, Tokyo Sexwale, was named as Minister of Human Settlements (housing) and has resigned from his investment company.

Blade Nzimande, the Secretary General of the South African Communist Party, was appointed Minister of Higher Education and a new Department of Basic Education was created, led by Angie Motshekga, a former teacher and provincial education official. Buyelwa Sonjica's Ministry of Mining and Minerals has been spit with Susan Shabangu, formerly the deputy minister, who achieved notoriety for hard-line comments on police treatment of criminal suspects, became the new Minister of Mining with Sonjica as Minister of Water and Environmental Affairs. The replacement of Barbara Hogan as Minister of Health by newcomer Aaron Motsoaledi (the well-respected Hogan became Minister of Public Enterprises) has been greeted with disappointment because Hogan had in her brief tenure reversed the course of her discredited predecessor, Tshabalala Msimang. President Zuma moved his former wife, Nkosazana Dlamini-Zuma, from Foreign Affairs to Home Affairs. The new Minister of Defense is Lindiwe Sisulu, former Minister of Housing, daughter of close Mandela associate Walter Sisulu, and a colleague of Jacob Zuma in the military arm of the ANC in exile. One of the more interesting appointments was that of Pieter Mulder, leader of the opposition Freedom Front, an Afrikaner nationalist party, as Deputy Minister of Agriculture.

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Labor Influence Enhanced in South Africa's New Government

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The cabinet has been expanded from 28 to 34 ministers, who, with their 27 deputies, constitute a large and potentially unwieldy body. Some early commentary warns of turf wars and delays in decision-making. The heavy emphasis on planning is significant in a government apparatus that has suffered from a lack of capacity and has been criticized for inadequate delivery. It remains to be seen whether high-impact policies such as Black Economic Empowerment, which helped to create a very wealthy black elite without having a major impact on the poor, will be altered. And that raises the very interesting question of the role of the black business elite, which greatly prospered in the Mbeki years, under Zuma with his significant debt to labor. Certainly labor's protectionist preferences will clash with those of globalized business, including labor's active skepticism of foreign direct investment and opposition to privatization of state-owned enterprises. Indeed, the labor federation has already filed a court challenge to the British telecom Vodafone's attempt to take a position a local cell phone company.

If the Zuma government is best characterized as a labor government seeking to perfect the "developmental state," it remains to be seen whether it will seek a "hard" developmental state that maximizes government control and intervention or a "soft" developmental state that promotes a healthy private sector in a mixed economy. The ultimate imponderable is how the Zuma government will react to the global economic crisis, which, combined with the collapse of commodity prices, has sent the South African economy into recession. Expectations raised by Zuma's populist electoral campaign are unlikely to be met in his government's early years. This could either strengthen the hand of the labor federation or cause Trevor Manuel to advocate strenuously for an open economy. Time will tell.

A Modest Proposal in Iran

Einstein defined insanity as doing the same thing over and over again with the expectation of a different result. The Obama administration is trying intelligently to engage the Islamic Republic of Iran, arguably at a "tipping point" in the strategic course of Middle East events and American interests in them. Predictably, Democrats and Republicans in Congress want to "help" by legislating more economic, unilateral, extraterritorial sanctions on Iran -- S908/HR 2194, "The Iran Refined Petroleum Sanctions Act" -- as an aid to the presumed "carrot and stick" nature of yet-to-occur U.S.-Iran negotiations. This conventional wisdom presupposes that sanctions, timelines, carrots and sticks, etc. actually work – notwithstanding the other conventional wisdom that Iranian "deciders" are irrational fanatics, bent on military nuclear capability, destruction of Israel and regional hegemony.

Perhaps it would be useful to consider an alternative set of goals and policies to meet them. What if the goal of U.S.-Iran negotiations is to articulate shared interests sufficient to contribute to regional stability and resumption of economic and diplomatic bilateral relations? Would not a first set of talks have to work through the grievances and consequent conventions that have accumulated in both countries since the 1953 coup against Iran's Prime Minister Mohammed Mossadegh, the re-imposition of the Shah's dictatorship, the 1979 revolution, and the Iran-Iraq war?

The recently published Rand report, "Dangerous But Not Omnipotent: Exploring the Reach and Limitations of Iranian Power in the Middle East," sponsored by the U.S. Air Force Directorate of Operational Plans and Joint Matters, justifies such an intervention of candor by dissecting the politically operative conventions as to the nature of Iranian governance and state behavior and effectively refuting them all.

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A Modest Proposal

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Over the course of two previous administrations and multiple Congresses, USA*ENGAGE has put forth the fact, consistently, that sanctions do more harm than good in terms of policy goals. They are simply not capable of achieving their desired behavioral result and, worse, over time, entrench and economically reward those in power. As the Rand study observes, the Iranian Revolutionary Guard and the mullah-operated bonyads (charitable trusts) control more than a third of Iran's economy not least because of economic sanctions that prevent the forces of global competition from working within Iran's economy.

So instead of "carrots and sticks," or "freeze for freeze " (of sanctions for nuclear programming) why not "thaw for thaw": permit sales of all "non dual use" U.S. goods and services in Iran, in return for Iran opening its energy sector to U.S. companies' investment of financial and human capital. There's a game-changer.

How to Manage Trade Issues On A Shrinking Budget

How do the latest proposed international tax changes affect your company's business? How about your competitive advantage in working and selling outside the United States? Wouldn't it be improved by having Free Trade Agreements (FTA's) in place between the US and countries in which you work or want to sell? What about expatriate employment conditions? Are your concerns about protecting your intellectual property and copyrights abroad inhibiting your willingness to share innovative ideas and products? Are the export credit agencies an important source of financing for your overseas projects?

In other words, are trade policy, export financing, international tax, human resource and IPR issues areas of concern to your company? And what can you do about them? Do you have experts in your company to cover these ever changing issues?

During these times when companies are cutting costs, including staff, consultants, lobbyists, it may seem counter-intuitive to join a trade association at this time. And, if you wanted to get help with the myriad topics affecting your business, how many associations would you need to join?

Well, the answer is ONE. The National Foreign Trade Council (NFTC).

We are the only business association dedicated solely to covering all of these issues on behalf of our membership. We'll keep you informed of issues affecting your business, provide access for you to key decision makers or contact them on your behalf. And, provide a forum for collaborating with other firms with like interests in resolving problems impacting foreign trade.

Here's the counterintuitive part – The nominal fee for NFTC membership essentially provides you staff augmentation with experts in the various fields of interest. Membership is not based on corporate revenue, but, rather on what issues are of interest to your company. Let me explain:

Your company can select from a menu of activities in which to join, including trade, international tax, and/or international human resources. Dues are structured based on your level of participation. You also can "bundle" your membership and participate in all three areas and pay a reduced amount. There also are some special interest activities such as support for the WTO/DOHA round completion and USA-ENGAGE, a group of NFTC member companies dedicated to eliminating unilateral sanctions against countries in which your company might want to work.

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How to Manage Trade Issues On A Shrinking Budget

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It's about delivered value. We're small enough that you won't get bogged down in trade association bureaucracy, but, with approximately 250 member companies, big enough to be effective.

Please consider joining today or, if you're already a member, expanding your membership. We are celebrating our 95th anniversary this year. We are continually "refreshing" ourselves to make sure we never lose sight of the importance of keeping your trade interests in the forefront.

Save the Date...2009 World Trade Dinner and Award Ceremony, October 14, 2009

National Foreign Trade Council Foundations Annual World Trade Dinner and Award Ceremony is scheduled for Wednesday, October 14, 2009, once again being held in Washington, D.C., this year at the National Geographic Society, 1145 17th Street NW. The NFTC's World Trade Dinner is a popular event for senior corporate and public officials and foreign dignitaries; 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 U.S. House of Representatives member Gregory Meeks and 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 company support opportunities or individual reservations contact the NFTC at 202-887-0278 or nftcinformation@nftc.org.

Global Innovation Forum

Al in Geneva

Al Tramposch of the Global Innovation Forum was in Geneva for the past two weeks at meetings of the World Health Organization, including the 62nd World Health Assembly. He was serving as an outside expert to the Czech Republic, acting as the Presidency of the European Union. The country which holds the Presidency in a six-month rotation is responsible for running EU coordination meetings where common positions are reached among the 27 member states, and for speaking in the open meetings on behalf of all of the member states. Al worked last spring with the Slovenian Presidency (he is a joint US-Slovenian citizen), as the lead negotiator on technical issues in the IGWG process leading up to its adoption, at the 61st World Health Assembly, of the Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property.

In his work with the Czech Presidency, Al was charged with the completion of the IGWG process, through adoption of a number of outstanding matters relating to the Plan of Action. This process was completed successfully through consensus, including adoption of the remaining 10 stakeholders which were still in square brackets in the Plan of Action. The outstanding stakeholders were primarily in relation to work on intellectual property and TRIPS issues, and defined the role that the World Health Organization (WHO) in particular would play in those matters. In general, the solution was that WHO would play a role in making member states aware of the TRIPS flexibilities in the area of access to medicines, including the Doha Declaration, but it would not interpret the provisions of TRIPS or Doha.

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Al in Geneva

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The most controversial issue turned out to be whether WHO would act as a stakeholder in relation to an action which included investigating the possibility of an international treaty on research and development. The R&D treaty had been proposed by a small number of stakeholders early in the process, and the solution was that the interested stakeholders, along with any governments that chose to, could continue discussing a possible R&D treaty, and member states could (as they are already entitled to do) bring the issue to the WHO for possible treatment at any time. Whether WHO takes up the issue would be subject to the will of the member states, as is the case for all such proposals.

Al also assisted in matters relating the proposed Pandemic Influenza Preparedness Framework for the Sharing of Influenza Viruses and Access to Vaccines and Other Benefits. This issue had particular import, due to the recent outbreak of swine flu and fears that it could become a pandemic. The Intergovernmental Meeting (IGM) on Pandemic Influenza Preparedness met in the days leading up to the Assembly, in an attempt to find consensus on a proposed framework agreement, and associated Standard Material Transfer Agreement. The aim was to find a balance between sharing of viruses by countries in which the viruses first appear and benefit sharing, meaning access by developing countries to vaccines and other medical products that are developed using the shared viruses.

Consensus was not reached on a number of important matters, including the handling of intellectual property, and whether viruses can qualify as biological resources for purposes of access and benefit sharing, e.g., under the Convention on Biological Diversity. At the Assembly, the member states agreed that the WHO Director General, Dr. Margaret Chan, would take these issues forward and come up with a process that might lead to consensus prior to the WHO Executive Board meeting next January.

The Assembly meeting was shortened by general agreement, to allow government health officials to return to capitals to deal with the swine flu crisis. This meant that a number of issues were put off for discussion later, including intellectual property-related issues such as counterfeit medical products.

A highlight of the meeting was an address by UN Secretary General Ban Ki-Moon**.** The Secretary General also took time to meet with pharmaceutical industry representatives, to discuss matters relating to pandemic influenza preparedness.

While in Geneva, Al met with the newly-appointed Director of Intellectual Property at the World Trade Organization, Tony Taubman. Tony was previously a well-respected official at the World Intellectual Property Organization, where he dealt with global challenges such as genetic resources and patents on biological inventions. As far as what to expect from the WTO in the near future, it looks like intellectual property will continue to be an important issue in the Doha Round discussions, but that the focus may turn more to enforcement, global issues (public health, climate change, genetic resources, etc.), and Internet-related issues. Tony will also lead WTO in the direction of discussion with non-traditional partners on IP, a project that fits perfectly with the work being undertaken by the Global Innovation Forum. We will work with WTO to find ways to collaborate in this area.

Al's work with the Czech EU Presidency has now concluded, but we hope that we will have the opportunity for him to spend time in Geneva consulting with government, IGO and NGO officials and observing at important meetings.

U.S.-Middle East Free Trade Coalition News

NFTC Applauds President for Submitting U.S.-UAE Civilian Nuclear Agreement

On Thursday, May 21, President Obama submitted the U.S.-United Arab Emirates (UAE) Civilian Nuclear Agreement to Congress. The NFTC welcomed the submission with the following statement released by NFTC President Bill Reinsch.

"We applaud the President for recognizing the diplomatic and economic importance of this agreement and submitting it to Congress in a timely fashion, just months after it was signed."

"The UAE is an essential ally in the Middle East and a proponent of peace within the region. The UAE government has taken a bold nonproliferation leadership role in the region by committing within the terms of this agreement to forego any domestic uranium enrichment and fuel reprocessing, relying instead on existing international markets for nuclear fuel services."

"In addition to helping the UAE diversify its energy portfolio, this agreement will provide numerous opportunities for U.S. businesses in the nuclear power industry that stand to play a role in the program's development. It has the potential to create additional high paying U.S. jobs in technology and manufacturing and contribute to maintaining our competitive edge in this critical sector.

"We urge Congress to support President Obama's decision to move forward on this initiative and to take no action contrary to this agreement."

The NFTC serves as the secretariat for the U.S.-Middle East Free Trade Coalition, which was created to promote the expansion of free trade between the United States and the Middle East and to encourage economic development, transparent and accountable governance, and enhance prospects for the people of the Middle East region.

USA*Engage

A New Direction for U.S. Cuba Policy

For the first time in years, the United States is moving to engage Cuba. In early April, the Obama Administration announced that it would lift restrictions on travel and remittances on Cuban Americans, as well as lift restrictions to allow U.S. companies to provide certain telecommunications services to Cuba. The Obama administration also appears to be pursuing increased diplomatic engagement with Cuba.

Congress has also tinkered around the edges of U.S. Cuba policy. Earlier this year, opponents of the embargo inserted provisions into a spending bill, which made it easier for American farmers and businesses to travel to Cuba to market and sell agricultural and medical products to Cuba which are permitted under an exception to U.S. sanctions.

These are encouraging first steps for those who believe that trade, travel and diplomacy are better ways to advance America's interests and support the Cuban people than sanctions and isolation. Yet initial steps have been small and largely symbolic. Bolder changes are necessary – and perhaps on their way.

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A New Direction for U.S. Cuba Policy

(Continued from page 13)

NFTC and USA*Engage, along with a coalition of like-minded companies and associations, are encouraging President Obama to work with Congress to end all restrictions on the ability of U.S. citizens to travel to Cuba.

Ironically, the piece of legislation that was designed to loosen the trade embargo restricts the ability of the President to end the ban on travel by U.S. citizens to Cuba. The 2000 law which exempts exports of agricultural and medical products from U.S. sanctions includes a provision, which was championed by pro-embargo members of Congress, which prohibits the executive branch from licensing "travel to, from, or within Cuba for tourist activities." As a result, the President must work with Congress, which could either restore his authority to resume travel or lift the ban outright. Legislators in the House and Senate have introduced bills to restore travel to Cuba, including H.R. 874 and S. 428, known as the Freedom to Travel to Cuba Act.

Support in Congress is growing for the legislation. It is possible that at least one House of Congress could vote on the legislation before the end of the year.

The Obama Administration can also use its licensing authority to create additional exceptions to U.S. sanctions. President Obama retains wide discretion to make significant changes to U.S. Cuba policy, despite legislation by Congress, which wrote regulations governing the Cuba embargo into law.

President Obama has already announced that he will use this authority to exempt certain U.S. telecommunication services from sanctions. NFTC and USA*Engage are encouraging the administration to use its authority to exempt more American products like tractors and construction equipment from the embargo, to establish regular banking relationships so that travelers can use their Visa and American Express cards, and to permit private financing for exports to Cuba.

President Obama has also moved to engage diplomatically with the Cuban government and make clear that everything is on the table. Encouraging regular diplomatic contact between U.S. and Cuban counterparts on common interests like migration and counternarcotics is one way to help to develop relationships and lay the groundwork for discussions of other issues. President Obama should also test recent statements from Cuban President Castro, who indicated a willingness "to discuss everything -- human rights, freedom of press, political prisoners, everything."

If Cuba is willing to make clear reforms on the issues that Castro identified, the United States ought to be prepared to discuss property claims, trademark issues, Cuba's inclusion on the State Department's list of countries that sponsor terrorism and the entire embargo. Ultimately, normalizing U.S.-Cuba relations will require diplomatic negotiations.

President Obama has rightly suggested that, "a relationship that effectively has been frozen for 50 years is not going to thaw overnight." At the same time, the United States can start chipping away large chunks of ice.

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.

Adventures in State Divestment

Last month, the House Financial Services Committee approved Chairman Barney Frank's (D-MA) "Iran Sanctions Enabling Act" (HR 1327) by voice vote. Inevitably the bill has gathered hundreds of co-sponsors. The press release that accompanied the bill declared that ten states had passed divestment legislation. Georgios Tembrios, an aspiring lawyer who is interning at the NFTC, has just concluded a comprehensive review of state divestment legislation. Eight states – Arizona, California, Florida, Georgia, Illinois, Maryland, Michigan and Utah – have passed divestment legislation. The Sudan Accountability and Divestment Act (2007), that exempts state divestment from federal pre-emption, as does HR 1327, has increased the appetite of state lawmakers for such legislation.

(Interestingly, Andrew Natsios, the former Special Envoi to Sudan and one architect of the Sudan sanctions has publicly and repeatedly repudiated them as both misguided and counter-productive.)

In Pennsylvania, HB1085, introduced in 2007 but yet to pass the state Senate, has been championed by its author, state representative Josh Shapiro, as his "top priority" this year. USA*ENGAGE has contacted Gene Barr of the Pennsylvania Chamber of Business and Industry to offer whatever assistance may be useful in arguing against the bill's passage. Barr sees no sign of legislative movement, but will keep USA*ENGAGE in the loop.

Perhaps the *reduction ad absurdum* of the U.S. Congress's repeal of federal pre-emption in the interests of state involvement in foreign policymaking is a bill in the California Assembly, AB 961, introduced as a follow on to the state's Sudan legislation that "prohibits a scrutinized company, as defined, that is, involved in specified activities in Sudan, from entering into a contract with a state agency for goods or services."

AB 961 would extend the prohibition to companies that did business with agents of "genocide." Genocide is then defined, in the first place as "the atrocities committed by the Ottoman and Turkish governments against Armenians from 1915 to 1923, inclusive, which constituted the Armenian Genocide, and the massacres of Armenians committed by the Ottoman Empire from 1894 to 1909, inclusive." The bill was introduced by Assemblyman Paul Kerkorian (D-Burbank).

This is a prime example of the slippery slope of divestment legislation. Once we start down this road, there are numerous countries against which groups of Americans have grievances, historical or contemporary, that become targets. The United States has extensive trading relationships with many of them, and some of them are allies. If nothing else, these state bills remind us of the wisdom of the founding fathers who clearly established in the Constitution the President's authority to conduct foreign relations. The Supreme Court reaffirmed that principle as recently as 2000 in *Crosby v. NFTC*, but it appears state legislators have short memories – or little regard for the court.

The bill died, however, when the chairman of the Appropriations Committee held it. The Committee Counsel's report noted that lawsuits would inevitably follow were it to become law , at real costs to the state, and cited the NFTC Illinois case as precedent.

NFTC Hosts OECD Conference with USCIB: "The Global Tax Environment for U.S. Business"

On June 1-2, the NFTC co-hosted, with the USCIB, and many other organizations the Organization for Economic Cooperation and Development ("OECD") conference on "The OECD's Evolving Role in Shaping International Tax Policy."

The two day event was held in the Ronald Regan Building and International Trade Center in Washington, DC and included presentations from OECD officials, including Jeffrey Owens, the OECD Director of Center for Tax Policy and Administration (CTPA), Caroline Silberztein, Dead of the Transfer Pricing Unit of the OECD, Jaques Sasseville, Head of the Tax Treaty Unit, OECD, Mary Bennett, Head of the Tax Treaty, Transfer Pricing and Financial Transactions Division of the OECD, and Grace Perez-Navarro, Deputy Director of the CPTA, OECD. The panels discussed transfer pricing, permanent establishments, business restructuring, dispute resolution and the OECD tax agenda. Representatives from the Treasury Department and the private sector also participated in the panel discussions.

The conference highlighted the OECD's varied tax activities and provided an opportunity for NFTC members to obtain first hand knowledge of current OECD undertakings. The conference opened with remarks from Angel Gurria, Secretary-General of the OECD. The keynote address on the second day of the conference was provided by IRS Commissioner Doug Shulman. House Ways and Means Committee Chairman, Charles Rangel was the closing keynote speaker.

The U.S. Tax System Needs to be More Competitive

The U.S. practice of taxing the foreign income of U.S. based multinationals is very unusual in the world today. If the Obama international tax proposals are adopted, the U.S. will move even further away from the trend of the rest of the OECD countries who have been working to lower their corporate rates and make their companies more competitive. The U.S. will become more of an outlier country than it currently is.

When a company expands its operations into other countries it creates a question as to how its foreign profits should be taxed. There are two broad ways to approach this question. Most countries tax each company operating within their borders on all profits earned in the country, regardless of the actual "home" of the company, and ignore profits earned abroad by companies based in the country. Such a system is called territorial taxation; ideally, it results in each dollar of corporate income being taxed only once, in the jurisdiction where it was earned, and each dollar earned in a particular country being taxed at the same rate, regardless of where the company is based. After 2009, almost every other member of the Organization for Economic Cooperation and Development (OECD)—except for the United States—will have some version of territorial taxation.

The United States, unlike the many countries that have a territorial tax regime, levies taxes upon the worldwide profits of domestic companies, regardless of where the company earns the profits. The goal of this system is to tax each dollar earned by a company based in the United States the same regardless of whether the dollar is earned here or in a foreign country. U.S. based multinationals operate in a global economy and must compete with foreign-based companies that do not face the additional imposition of taxes from their home governments when they operate in other markets. The U.S. has provided for a level playing field for U.S. based multinationals through the use of deferral and foreign tax credits. Under the current system, U.S. based multinationals are able to compete internationally because they are able to defer taxes on overseas profits until they repatriate that money back into the U.S., and receive foreign tax credits for the taxes that they pay to the foreign jurisdictions in which they operate. This means that profits earned abroad are subject only to the typically lower corporate tax rate of the country in which the company is operating, at least for a while. Unfortunately, the proposed Obama international tax provisions would eliminate this level playing field and make it more difficult for U.S. based companies to compete in the global marketplace.

The U.S. Tax System Needs to be More Competitive

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The U.S. has not engaged in tax reform since 1986, and has not lowered the corporate tax rate since that time. The other OECD countries have been reforming their tax systems and have enabled their companies and their economies to become more competitive. (Please see chart below)

Since the United States currently has the second-highest corporate tax rate in the OECD, U.S. companies operating abroad already face a higher tax rate than most of the companies they are competing against in foreign markets. The U.S. should be moving toward the enactment of a more competitive international corporate tax system, not one that will penalize U.S. based multinational corporations. U.S. corporations are the most innovative and resourceful in the world; they should be allowed to compete openly for new market opportunities without the government penalizing them with additional tax burdens, effectively eliminating their abilities to compete fairly.

OECD Country	**2008 Corporate Tax Rate**
Australia	30.00
Austria	25.00
Belgium	33.99
Canada	33.50
Czech Republic	21.00
Denmark	25.00
Finland	26.00
France	34.43
Germany	30.18
Greece	25.00
Hungary	20.00
Iceland	15.00
Ireland	12.50
Italy	27.50
Japan	39.54
Korea	27.50
Luxembourg	30.38
Mexico	28.00
Netherlands	25.50
New Zealand	30.00
Norway	28.00
Poland	19.00
Portugal	26.50
Slovak Republic	19.00
Spain	30.00
Sweden	28.00
Switzerland	21.17
Turkey	20.00
United Kingdom	28.00
United States	39.25

The U.S. Tax System Needs to be More Competitive

There are 3 main provisions in the international tax area that will have a significant impact on NFTC members who are U.S.-based multinationals:

1) **Deferral**
The administration intends to restrict the ability of companies to take current U.S. deductions for expenses – such as interest or general and administrative costs – associated with foreign income until that income is repatriated. This is similar to legislation (H.R. 3970) introduced in October 2007 by Ways and Means Committee Chairman Charles Rangel, D-N.Y., as part of his tax reform plan. However, the administration's proposal would exempt R&E expenses.

Under the administration's proposal, taxpayers would defer deductions for expenses that are allocated and apportioned to foreign-source income to the extent the foreign income is not currently subject to U.S. tax. According to the Treasury explanation, the allocation and apportionment of expenses to foreign-source income would be determined under current regulations.

Because interest expenses could make up a large portion of deferred deductions, the proposal could have a significant impact on capital-intensive or highly leveraged industries, such as construction, heavy manufacturing, and financial services.

The administration's proposal would be effective beginning in 2011 and is estimated to raise about $60 billion from 2011-2019.

2) **Repeal of check-the-box rules**
The administration's proposal would reform the business entity classification ("check-the-box") rules for foreign entities. These rules allow a foreign business entity with a single owner to elect treatment as a corporation or as a "disregarded entity" for U.S. tax purposes.

Under the proposal, a disregarded entity election would be available only if the foreign entity has an owner that is not disregarded for U.S. tax purposes. Further, the owner must be organized under the laws of the same foreign country as the foreign entity is organized. The proposal specifically would not apply to a first-tier foreign entity wholly owned by a United States person, unless U.S. tax avoidance is involved.

Specifics about the tax treatment of a conversion by a foreign disregarded entity to a corporation are not set forth in the proposal. Reference is only made to following Treasury regulations and relevant tax principles. These proposed changes would, in effect, overturn "check-the-box" regulations issued during the Clinton administration that were intended to simplify and add certainty to the complex challenge of classifying entity form under foreign laws for U.S. tax law purposes.

The proposal would be effective for taxable years beginning after December 31, 2010, and is estimated to raise $86.5 billion from 2011-2019.

3) **Foreign tax credits**
The administration has also provided more detail on its proposal to modify the foreign tax credit rules, and has divided it into two parts – one dealing with deemed paid foreign tax credits and the other creating a matching rule. Claiming that the reduction in tax credit baskets to two has enhanced taxpayers' ability to reduce U.S. taxes on foreign-source income through cross-crediting, the administration proposes requiring taxpayers to determine their deemed-paid foreign tax credits on a consolidated basis. The taxpayer would have to calculate aggregate foreign
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The U.S. Tax System Needs to be More Competitive

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taxes and earnings and profits of all foreign subsidiaries (including lower-tier subsidiaries) for which the taxpayer can claim a deemed foreign tax credit, and the deemed foreign tax credit would then be calculated on the basis of the amount of the consolidated earnings and profits of the foreign subs that is repatriated to the taxpayer in the current taxable year.

The administration also claims that current law allows taxpayers to inappropriately separate "creditable foreign taxes from the associated foreign income in certain cases such as those involving hybrid arrangements."
In response, the administration proposes the adoption of a matching rule that would prevent the separation of foreign taxes from associated income. However, the administration gives no further detail.
The two tax credit components would be effective in 2011 and would raise an estimated $43 billion from 2011-2019.

Legislative Possibilities
Now that the Obama international tax proposals have been put on the table, query where they go from here. There are several provisions included in the package that were designed to tighten up on individual tax haven and bank secrecy abuse. These provisions have broad bipartisan and bicameral support and are likely to be the first of the Obama provisions adopted by Congress. Chairman Baucus will be putting out his own proposal, as will Rep. Neal. Speaker of the House Pelosi and Ways and Means Chairman Rangel have both indicated that they would be willing to use the international tax proposals as one of the offsets for the health care reform package. Although Chairman Rangel would prefer to look at these provisions as part of international tax reform, he has been candid that he would follow the will of the President and the Speaker on using these provisions as revenue offsets.
Senate Finance Committee Chairman Baucus has been equally clear in his position that he would like to review the international tax proposals in the context of greater international corporate reform. Chairman Baucus would like to offset the revenue loss associated with health care reform from revenues raised from the health care provisions.
It is unclear where this entire debate will come out. The NFTC is a founding member of the PACE Coalition—Promote America's Competitive Edge, and we will continue to work to not have the international provisions included as a revenue raiser on any legislative package currently in play. We would like to not have the provisions discussed outside of the parameters of overall tax reform, which will not be dealt with in Congress for at least another year, or possibly even later.

If you would like more information on this, please contact Catherine Schultz at cschultz@nftc.org.

The Obama Administration's International Tax Provisions

When the Obama Administration first released its budget proposals in March, they included a placeholder provision that said the Administration intended to raise $210 billion from provisions to "implement international enforcement, reform deferral and other tax reform policies". Although the Administration released some information on the proposals on May 4, the Administration finally released the details of the proposal on May 11 when they issued the *General Explanations of the Administration's Fiscal Year 2010 Revenue Proposals, which is generally referred to as the Green Book.* The Administration has proposed substantial changes to the U.S. international tax regime that, if enacted as proposed, would expand the reach of the federal tax code and raise the cost of doing business in the United States. These proposals generally would become effective in 2011 and would raise the originally promised revenue of $210 billion over 10 years. Taken together, these provisions will make it very difficult for U.S.-based multinationals to compete in the global marketplace. The Administration did not propose any reduction in the corporate tax rate, and did not include these provisions as part of an overall international tax reform proposal. These provisions are used to raise revenue to offset other spending programs outlined in other areas of the budget.

Global Workforce Management

H1N1 – Awareness, Preventive Measures and Emergency Preparedness

The Novel influenza A (H1N1) – a new flu virus of swine origin – has been infecting people around the world causing multinational employers to be concerned about the prospect of this form of influenza which could adversely affect employee safety and business continuity.

NFTC President Bill Reinsch said, "During a public health emergency, it is critical to separate fact from fiction." To assist our member companies in their need for awareness, preventive measures and emergency preparedness, the NFTC has been helping its members identify reliable sources of information to assist in managing the impact on workforce management; these sources include: The Centers for Disease Control and Prevention, World Health Organization, and International SOS.

The **Centers for Disease Control and Prevention** [(CDC) **www.cdc.gov**], a major component of the Department of Health and Human Services (HHS) which '...is the United States government's principal agency for protecting the health of all Americans…' provides the following description of H1N1.

A New Influenza Virus

> Novel influenza A (H1N1) is a new flu virus of swine origin that was first detected in April, 2009. The virus is infecting people and is spreading from person-to-person, sparking a growing outbreak of illness in the United States. An increasing number of cases are being reported internationally as well.
>
> It's thought that novel influenza A (H1N1) flu spreads in the same way that regular seasonal influenza viruses spread; mainly through the coughs and sneezes of people who are sick with the virus.
>
> It's uncertain at this time how severe this novel H1N1 outbreak will be in terms of illness and death compared with other influenza viruses. Because this is a new virus, most people will not have immunity to it, and illness may be more severe and widespread as a result. In addition, currently there is no vaccine to protect against this novel H1N1 virus. CDC anticipates that there will be more cases, more hospitalizations and more deaths associated with this new virus in the coming days and weeks.
>
> Novel influenza A (H1N1) activity is now being detected through CDC's routine influenza surveillance systems and reported weekly in FluView. CDC tracks U.S. influenza activity through multiple systems across five categories. The fact that novel H1N1 activity is now detected through seasonal surveillance systems is an indication that there are higher levels of influenza-like illness in the United States than is normal for this time of year. Most of the influenza viruses being detected now are novel H1N1 viruses.

The CDC's information pertaining specifically to H1N1 may be sourced at **www.cdc.gov/h1n1flu.** In addition to a daily update on confirmed cases and related deaths by country, information and resource links provided include:

H1N1 Flu (Swine Flu): Information for Specific Groups

Parents and Caregivers
Pregnant Women
Child Care Programs, Schools, Colleges and Universities
Travelers and Travel Industry
Clinicians
Laboratorians
Adults with HIV Infection
Preparing Tribal Nations to Receive Strategic National Stockpile Assets [PDF 163KB]
Businesses and Employers

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Annual International Human Resources Management Forum—New York City –July 15-16, 2009

The NFTC's annual international human resources management forum will be held at The University Club in New York City on July 15-16, 2009. This year's keynote speaker will be Jose-Angel Gallegos, Senior Vice President-Human Resources, Wal-Mart International. We look forward to his presentation on Wal-Mart's experience and success in growing internationally.

In addition to subject matter experts from Brookfield Global Relocation Services (the co-sponsor of the NFTC's annual global relocation trends survey); Cigna International Expatriate Benefits, Fragomen LLP and KPMG LLP there will be corporate speakers from American Express, BNP Paribas, Bunge, Computer Associates, Dell, Johnson & Johnson, New York Life and PepsiCo.

The theme of this year's forum is: "Global Workforce Management: Optimizing Human Capital Assets-Right People! Right Place! Right Cost!"

For more information on the agenda and registration visit the NFTC website www.nftc.org or contact Sandra Rodriguez at srodriguez@nftc.org.

NFTC Kicks-Off 95th Anniversary Celebration in New York On June 24th and You're Invited

You are cordially invited to help launch the celebration of the 95th anniversary of the founding of NFTC. The current Chairman and CEO of U.S. Steel, John Surma, has accepted our invitation to be the keynote speaker at a celebration luncheon to be held at India House, One Hanover Square in New York City on June 24th, 2009. The luncheon will begin at 12:30pm. The luncheon will occur immediately after our summer Board of Directors meeting which will also be held at India House.

The NFTC was established in 1914, by a resolution of the first National Foreign Trade Convention, during its proceedings in Washington D.C. In this resolution, the convention called for the creation of a national organization to coordinate the foreign trade activities of the nation. The convention appointed 35 delegates to serve as charter members of the NFTC, with James A. Farrell, then-President of U.S. Steel, the new organizations first chairman. The location Mr. Farrell chose for its initial meeting was India House in New York.

We hope you will attend. We need sponsors for this luncheon. A contribution of $2000 (with appropriate recognition at the event) would help us make sure this is a successful event.

Otherwise, if you wish to attend, the cost for an individual is $100 per person.

If you would like to become a sponsor or come as an individual please complete and return the attached RSVP form or you may contact Bob Ragan at rragan@nftc.org or 202-464-2021.

Global Workforce Management

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Related Links

State Health Department Websites
PandemicFlu.gov
World Health Organization (WHO)
FDA: 2009 H1N1 (Swine) Flu Virus
FDA: FDA Authorizes Emergency Use of Influenza Medicines, Diagnostic Test in Response to Swine Flu Outbreak in Humans
GenBank Influenza Virus Resource (swine influenza A [H1N1] sequences)
WHO: Reducing excess mortality from common illnesses during severe pandemic
WHO: Pandemic flu preparedness & mitigation in refugee & displaced populations
WHO: Protocol for antiviral susceptibility testing by pyrosequencing
WHO: Sequencing primers & protocol
WHO: CDC protocol of real-time RTPCR for swine influenza A(H1N1)
WHO: Additional Guidance
U.S. Department of Veterans Affairs

"The **World Health Organization (WHO)** is the directing and coordinating authority for health within the United Nations system. It is responsible for providing leadership on global health matters, shaping the health research agenda, setting norms and standards, articulating evidence-based policy options, providing technical support to countries and monitoring and assessing health trends…"

The WHO headquarters' web site (**www.who.int)** is a valuable resource for accessing the latest news, information, and resources pertaining to H1N1. WHO 'full coverage' of H1N1 may be found at **http://www.who.int/csr/disease/swineflu/en/index.html** including links to the WHO regional web sites as shown below.

WHO REGIONAL INFORMATION ON INFLUENZA A (H1N1)

WHO African Region - www.afro.who.int
WHO Region of the Americas - http://new.paho.org/hq/index.php?option=com_content&task=blogcategory&id=805&Itemid=569
WHO Eastern Mediterranean Region - www.emro.who.int/csr/h1n1
WHO European Region - www.euro.who.int/influenza/ah1n1
WHO South-East Asia Region - www.searo.who.int/EN/Section10/Section2562
WHO Western Pacific Region - www.wpro.who.int/health_topics/h1n1

International SOS (www.internationalsos.com) is a recognized expert in disease outbreaks and pandemic preparedness. With more than 300 doctors on staff in more than 70 countries, International SOS helps companies manage the health and safety risks facing their global workforces.

In response to the H1N1 outbreak, International SOS encourages employers to review their pandemic preparedness plans to ensure they are set to act promptly should the outbreak escalate.

International SOS has also launched a new website: **www.internationalsos.com/pandemicpreparedness.** Some of the important topics covered include:

Flu News: Important flu news relevant to pandemic planning

H1N1 Map and Country Updates: The latest situation updates for specific countries

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Global Workforce Management

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H1N1 FAQ: Frequently Asked Questions

H1N1 Clinical Info: Characteristics of the virus, including basics", clinical, vaccine and efficacy of antiviral medication.

Travel Recommendations: General preventive measures and travel recommendations

H1N1 Country Case Count: Table showing confirmed and probable cases in affected countries

Public Health Restrictions: Initiatives implemented by Public Health authorities, including closures and quarantine, airport screening and travel restrictions.

Pandemic Preparedness: General information on preparing for a pandemic, including the WHO Phases, useful links, and educational sheets.

International SOS Capability: Statements on the medical evacuation and other capabilities of International SOS during the current situation. *International SOS Members only*

Pandemic Influenza Online Learning: International SOS online training course for employees, covering general pandemic preparedness; also includes a module specifically addressing Influenza H1N1.

Pandemic Information Service (PIS): International SOS recommendations on pandemic planning measures for companies, in light of the current situation. Includes advice on activating your plan, a list of affected areas, and guidelines on risk based response. This section also includes more detailed information on the use of PPE, antivirals, traveler management, HR issues and downloadable resources (such as employee briefings and door screening posters). *PIS subscribers only*

International SOS will continue to monitor the situation and provide updates on their web site as new information is released.

Sources:

About CDC. 27 May 2009. Centers for Disease Control and Prevention (CDC). 27 May 2009. http://www.cdc.gov

About HHS. 22 May 2009. U.S. Department of Health and Human Services (HHS). 22 May 2009. http://www.hhs.gov/about

A New Influenza Virus. 27 May 2009. Centers for Disease Control and Prevention (CDC). 27 May 2009. http://www.cdc.gov/h1n1flu

H1N1 Flu. 27 May 2009. Centers for Disease Control and Prevention (CDC). 27 May 2009. http://www.cdc.gov/h1n1flu

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World Health Assembly Opens Amid Concerns About Flu Pandemic. 18 May 2009. World Health Organization. 18 May 2009 http://www.who.int/mediacentre/news/releases/2009/world_health_assembly_20090518/en/index.html

Epidemic and Pandemic Alert and Response (EPR) - Influenza A (H1N1). 22 May 2009. World Health Organization (WHO). 22 May 2009 http://who.int/csr/disease/swineflu/en/index.html

Pandemic Preparedness – Influenza H1N1 ("swine flu"). 26 May 2009. International SOS. 26 May 2009 http://www.internationalsos.com/pandemicpreparedness

Calendar of Events

Date	Event	Location
June 9, 2009	Global Payroll Seminar	Washington, DC
June 10, 2009	Tax Breakfast Forum - Speaker: David Olander, Chief Tax Counsel House Ways and Means Minority	Washington, DC
June 24, 2009	Board of Directors Meeting	New York City
June 24, 2009	NFTC's 95th Anniversary Celebratory Luncheon	New York City
July 15, 2009	Tax Lunch Forum - Speaker TBA	Washington, DC
July 15-16	Annual International Human Resources Management Conference	New York City
October 1-2, 2009	Fall Tax Meeting	Washington, DC
October 14, 2009	Annual Meeting	Washington, DC
October 14, 2009	Annual World Trade Dinner and Award Ceremony	Washington, DC
October 14, 2009	Board of Directors Meeting	Washington, DC
October 20, 2009	International Benefits Committee*	New York City
November 10, 2009	Tax Lunch Forum - Speaker TBA	Washington, DC
December 9, 2009	Tax Lunch Forum - Speaker TBA	Washington, DC

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

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U.S.-Middle East Free Trade Coalition

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