COUNCIL HIGHLIGHTS

NATIONAL FOREIGN TRADE COUNCIL

"ADVANCING GLOBAL COMMERCE FOR NEARLY A CENTURY "

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

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A Word From the President

Trade reorganization has reared its ugly head again in Washington, for at least the fourth time since I've been working on these issues. It has become a nearly perennial item on every Administration's list of reforms, put there by the reality that we have a lot of different agencies working on trade issues and the conclusion from that is there must be overlap and duplication in there somewhere.

In truth there probably is overlap, and I would never argue that it's impossible to find a better way to do things no matter how happy one might be with the status quo. I also doubt anybody is really that happy with the current structure. While the bottom line is that I wish the Administration well in its reorganization efforts, there are a few things I hope they'll think about along the way.

First, reorganization is either something you do when you don't know what else to do or when there's a compelling national priority at stake. Two of the biggest reorganizations our government has undertaken were the creation of the Department of Energy in the Carter Administration and the Department of Homeland Security in the Bush Administration. Both were a direct response to a rearrangement of national priorities stimulated in significant part by external events. The events, the oil crisis in the first case and 9/11 in the second, stimulated a national demand for far-reaching policy responses, and it was easy to conclude in each case that the government was ill-equipped structurally to meet that demand. That realization made it possible to sell reorganization not only to Congress and the public but also to the career bureaucracy, which always has the most at stake.

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The Doha Round

The Doha Development Round, begun in November 2001, is presently the longest-running multilateral trade negotiation. Talks stalled after a developed/developing countries split on major issues, such as agriculture, industrial tariffs, market access, services, non-tariff barriers, and trade remedies. For the latest information, we spoke with Ambassador Stuart Harbison, the NFTC's Senior Advisor to its Special Project on the WTO. His firm, Sidley Austin LLP, represents the NFTC in Geneva, where he is based.

Q. What is really happening with the Doha Round? Will it ever be concluded? Is there more reason to be optimistic about progress in 2011 than there was last year?

A. Yes, absolutely there is cause for optimism. There are no guarantees, of course, but a new sense of urgency is evident . Many negotiators are saying that in 2011 it is "now or never". This echoes the communiqué of the G-20 Leaders at their November 2010 Summit in Seoul which said: **"2011 is a critical window of opportunity, albeit narrow"; and that "We now need to complete the end game."**

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A Word From the President

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The current situation is a bit different. While the National Export Initiative creates a policy imperative that is important to American companies – as well as trade geeks like me - it is not exactly a national crisis, and I suspect that will make it that much harder to sell.

Something else that will make it hard to sell is the mixed record of previous efforts, both general and trade-specific. Looking at reorganizations in general, it is hard to find one that in the end did not involve hiring more people and spending more money than the status quo ante. That was true of both the DOE and DHS reorganizations. That was never the intention – reorganizations are always touted as money savers – but it was invariably the result, to the point where I would expect skepticism in the Congress that this one will be any different.

More important, as I said in the beginning, trade reorganization has come up frequently in the past, usually in the form of proposals to create a Department of Trade (or Trade and Competitiveness) or in proposals to abolish or combine some government functions, as in the case of the House Republicans' proposal to abolish the Commerce Department in 1995. It has always failed, largely because relevant players could not agree on how to rearrange the deck chairs. What do you put into whatever new entity you are going to create? What do you leave out? "Exports" is not just a function of the U.S. Trade Representative's office and the Department of Commerce and smaller agencies such as the Ex-Im Bank and OPIC. The Departments of State, Agriculture, Energy, Treasury, Defense, Justice, and Transportation all have pieces of the pie of varying size relating to export promotion, trade compliance, investment policy, and trade policy. The easy conclusion that these are duplicative programs may be correct, but try telling that to the people running the programs and you will get a lengthy dissertation on the critical differences between their program and all the others.

That means bureaucratic resistance is usually inevitable, but Congressional resistance for the same reason is likely to be decisive. Consolidating functions in the executive branch means changes of jurisdiction to the Congress. For example, if the Ex-Im Bank were folded into some other entity, that could well mean the Banking and Financial Services Committees would no longer have jurisdiction over it, a move they can be expected to resist. One of the biggest fights, which may not really be finished, in the creation of the Department of Homeland Security was over the disposition of the Customs Service. The two trade committees, Ways and Means and Finance, perceived the agency as more closely related to trade and commerce than to security and believed their continued jurisdiction was essential to preserving that tilt. The result was an awkward jurisdictional compromise that has not made anybody happy.

The concept of "trade" itself is diffuse. Export promotion is not exactly the same as export finance, though the two are not unrelated. Both are very different from trade compliance, which has a great deal to do with enforcement. Trade policy involves negotiation with foreigners, but it also involves figuring out what do about Congressional Buy America amendments, sanctions on Iran and what to do about agricultural subsidies in the farm bill. Drawing lines and deciding what function goes into which basket is complicated and, as noted, highly vulnerable to resistance from affected parties.

The best path to success begins with a clear and compelling central vision. 9/11 and the need to have a more coherent government response to that kind of tragedy framed the DHS debate and compelled the solution. In the absence of that kind of imperative, it will be up to the Administration to provide the vision and rationale for its proposal. Experience suggests that "efficiency" and "eliminating duplication" will not be enough to make the sale. It will be interesting to see where the Administration tries to take the debate.

The Doha Round

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Ambassador Stuart Harbison

More concretely, the Leaders also said that***: "We direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress achieved***."

Q. This is positive news, but haven't the G-20 Leaders been officially supportive before? What makes this year different?

A. First of all, the negotiating calendar is absolutely packed well into April. That really is a good sign, a strong indicator of intent to get down to business. A new feeling of determination is evident in Geneva. Partly, this comes from the realization that major negotiating breakthroughs are unlikely in 2012, an election year in the US. Realistically, if 2012 isn't going to be a good year to negotiate, it means it must get done in 2011 or be pushed to 2013 and beyond. The Doha Round will already be a decade old in November. Prolonging it two, three or more years would result in a complete loss of momentum, political credibility and private sector commitment. I don't think the Doha Round, at least in its present configuration, would survive and it would also be very damaging for the WTO as an institution. People realize that the stakes are high now and the deadline is real.

Not only are negotiators in Geneva getting down to serious business, but there is continuing political involvement. The United States and China are the key participants in the Round. The recent visit of President Hu to Washington has resulted in intensified dialogue on Doha between the two countries and some signs of progress. Of course, The U.S. and China can't deliver the Round on their own (the WTO has over 150 members) but they can impart serious momentum. Trade ministers of all the key countries are also now heavily engaged.

Q. So, what can we expect for the rest of this year?

A. Working backwards from a deadline of December 2011 (when coincidentally there will be a WTO Ministerial Conference in Geneva) helps us to understand the path toward agreement, if there is to be one. These are complicated and lengthy texts, so it might take six months for countries to draw up their detailed commitments based on them, and to get legal drafts in shape for formal ministerial agreement . With this in mind, we are likely to see revised draft texts in most areas of the negotiations emerging in the next two to three months. The real crunch point may well come in July. By that time, countries will need not only to reach agreement on the draft texts but also to complete their negotiations on the market access components of the Round in industrial goods, services and agriculture.

Q. Is there any link between U.S. Congressional action on trade and progress in the Doha Round?

A. What the U.S. does on KORUS--and to some extent the FTAs with Colombia and Panama--will be interpreted as evidence of the seriousness of its intent regarding trade policy. Early approval of KORUS will help to energize the negotiations, though it won't guarantee a good outcome.

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The Doha Round

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The message that what has been on the table so far in the Round is insufficient to attract Congressional approval has gradually, and in some cases grudgingly, got through to the U.S.'s trading partners. But there isn't yet a clear enough understanding in Geneva of the specifics of what the U.S. really needs to reach agreement in the Round or if the Obama Administration has worked this out with the Congress. Whether that's right or not, the perception makes other countries cautious and needs to be dealt with.

Q. What can NFTC members do to support conclusion of the Round?

A. There is a feeling here in Geneva that the private sector has lost interest in the Doha Round, though I suppose that the private sector might retort that the negotiators seem to have lost interest in concluding it!

NFTC members need to counter that perception, both in their discussions with policy makers in Washington and in their meetings in Geneva and elsewhere. There are multiple opportunities to do this, some of them under NFTC auspices and some via member companies' individual contacts with negotiators in Geneva, in capitals around the world, and with policy makers in Washington. Governments need to appreciate that a successful conclusion to the Round is a business priority and to understand why.

One excellent opportunity will be the NFTC delegation visit to Geneva planned for April 11th to 14th. I really believe that, by explaining the business imperatives, this visit can make a significant contribution to getting the negotiators across the finishing line.

Stuart Harbinson is the senior trade policy advisor in Sidley Austin's Geneva office, is a highly regarded former WTO official. A non-lawyer, Mr. Harbinson provides strategic advice to the firm's clients and assists the firm's trade lawyers on international trade policy and cases involving the World Trade Organization and other international organizations based in Geneva.

Mr. Harbinson joined the firm after gaining extensive trade experience in several high-level positions in the United Nations, World Trade Organization, and Hong Kong government. Mr. Harbinson served as senior adviser to the Secretary-General of the United Nations Conference on Trade and Development. In that leadership role, he provided strategic advice on trade and economic policy issues and on improving the organization's effectiveness and its cooperation with the WTO.

Prior to serving with the United Nations, Mr. Harbinson was a senior official for a number of years at the WTO. He served as special adviser to Director-General Pascal Lamy and as chief of staff to Director-General Supachai Panitchpakdi. He also represented Hong Kong and the Hong Kong Special Administrative Region of China at ambassadorial level in the WTO in Geneva. While representing Hong Kong, Mr. Harbinson was elected at various times as chairman of the WTO's overarching General Council (successfully overseeing preparation for the launch of the Doha round of negotiations), chair of the negotiating group responsible for the formative Doha negotiations on agriculture, chair of the Dispute Settlement Body, chair of the TRIPs Council, and chair of the Council on Trade in Services. In addition, Mr. Harbinson chaired a number of WTO dispute settlement panels.

Mr. Harbinson also served for three years as chairman of the International Textiles and Clothing Bureau, an intergovernmental organization composed of developing countries with exporting interests in the textile and clothing fields.

In the late 1980s and early 1990s, Mr. Harbinson served as a senior official in the Hong Kong Government, including as deputy secretary for trade and industry and deputy secretary for the civil service.

Free Trade Agreement Update: Administration Prepares Korea for Submission to Congress

USTR Ron Kirk and Korean Minister for Trade Kim Jong-hoon hammered out a resolution in early December 2010 to outstanding auto issues on Korea FTA, paving the way for the Administration to send the agreement to Congress. Final text reflecting the compromise agreement was exchanged on February 10, on day after Ambassador Kirk testified for the first time before the House Ways and Means Committee and announced that Congress should expect to receive the KORUS in "a matter of weeks."

Support for KORUS 2.0 has reached critical mass, with both House Ways and Means Chairman Camp and Ranking Member Levin welcoming the agreement and offering their support. In a rare move, two major unions, the United Auto Workers and the United Food and Commercial Workers International Union (UFCWU) also threw their support behind the agreement. The notable holdout to support remains Senate Finance Committee Chairman Max Baucus who continues to oppose moving forward on KORUS because of a lack of progress in opening the Korean market to beef over 30 months of age. Baucus is increasingly alone given estimates KORUS will create over 20,000 U.S. jobs in the U.S. meat export producing sectors.

Frustration and Uncertainty Prevail over Administration Commitment to Panama and Colombia FTA

In contrast to tangible progress in moving the KORUS toward ratification, the Administration's signals on Colombia and Panama have caused widespread frustration for their ambiguity and lack of commitment. The return of the House to Republican control has solidified a full court press by Congressional supporters, the business community and in a more diplomatic fashion, the governments of Panama and Colombia to keep pressure on the White House to clearly define and resolve any outstanding issues holding back submissions of these agreements to Congress.

After the signing of a bilateral Tax Information Exchange Agreement between Panama and the United States in November, 2010, a steady stream of senior Panamanian officials have come to Washington to engage the Administration on any outstanding issues, which admittedly are dwindling. In his opening statement at the February 9th House Ways and Means hearing with Ambassador Kirk, Rep. Levin acknowledged the work of the Administration to resolve remaining issues with Panama, stating that the TIEA and labor law changes were now in front of the Panamanian parliament for passage.

After a January 25 House Ways and Means hearings on the pending FTAs, Panamanian President Ricardo Martinelli weighed in as well, saying "I strongly urge Congress and the president to follow-up on this important hearing by passing the U.S.-Panama Trade Promotion Agreement as soon as possible. As a longstanding friend, ally and trading partner of the United States, we believe doing so would be a vital tool for saving and creating jobs in both countries." In the February 9 hearing, Ambassador Kirk stated that President Obama has directed him to "immediately intensify engagement" with Colombia and Panama with the objective of resolving the outstanding issues relating to trade agreements with those countries "as soon as possible this year." However, in an earlier speech at the U.S. Chamber of Commerce, President Obama declined to give a timeframe for movement on either Panama or Colombia.

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Free Trade Agreement Update: Administration Prepares Korea for Submission to Congress

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While outstanding issues with Panama have been largely articulated and addressed, the government of Colombia is still in the dark over what exactly the Administration or Congressional opponents specifically want it to do to reduce violence against trade unionists. Most recently in the February 9 hearings, House Ways and Means Members were increasingly frustrated in their attempts to draw out Ambassador Kirk to clearly articulate benchmarks and milestones for consideration of the Colombia FTA. Rep. Kirk indicated that a USTR team will go to Colombia the week of February 14 to discuss a way forward on resolving outstanding issues, but when pressed by Committee Members, indicated that he would not be part of that delegation.

Meanwhile, senior Colombian officials, including Vice President Angelino Garzon have travelled to Washington to discuss initiatives of the Santos Administration on a range of topics. With the Vice President at her side, Secretary of State Hillary Clinton announced on January 28 that the Administration would send the Colombia FTA to Congress this year, but her remarks were subsequently disavowed by USTR as not representing inter-agency consensus.

HWM Ranking Member Sander Levin also travelled to Colombia in January, spending 5 days meeting with a diverse group of citizens and government leaders, and expressed hope that there is opportunity to resolve outstanding issues with the new Administration in Colombia. He said of his visit that "Throughout my discussions, there seemed to be wide agreement that the new Colombian Government was expressing a different approach than its predecessor on these critical issues. I believe there is now an opportunity for the two governments to work together mutually to achieve real progress on the ground."

NFTC has consistently called on the Administration to immediately submit all three pending FTAs to Congress. For further information or questions on the pending FTAs, contact Chuck Dittrich at cdittrich@nftc.org.

Administration (Finally) Loosens Travel Restrictions to Cuba

The Obama Administration made a long-awaited announcement which will allow more U.S. citizens to travel to Cuba provided they have a cultural, religious or educational purpose.

On January 14, the Administration announced that it would change the rules governing travel and remittances to Cuba, which had been rumored since the summer. The changes include permitting travel under general license for academic and religious travel, which is a significant departure even from the Clinton administration, and which should increase the numbers of students and churches traveling to Cuba. Other changes included permitting "people-to-people exchanges" under rules similar to what existed under the Clinton Administration, allowing all Americans to send remittances to Cuba, and expanding the number of airports that can serve Cuba. Regulations implementing the changes were published in the Federal Register on January 28.

NFTC and USA*Engage applauded the announcement as "a welcome and long-overdue step in the right direction for U.S. Cuba policy" and released a timeline of recent activity on Cuba highlighting increasing momentum to change policy. At the same time, these changes were months in the making, and do not completely return policy to the rules that existed during the Clinton Administration. While NFTC and USA*Engage will continue to advocate for further changes to policy, given the amount of time it took the White House to announce these changes, it is unlikely to make any new announcements in the near future. It will also be a challenge to move significant policy changes through the U.S. House of Representatives, given the strong support of new House Foreign Affairs Committee Chair Ileana Ros-Lehtinen for strict sanctions against Cuba.

Trans-Pacific Partnership (TPP) Agreement Negotiations Continues Accelerated Pace of Negotiation

Following a negotiating round in Auckland, New Zealand in December of 2010, U.S. negotiators in late January exchanged goods market access offers with TPP partner countries with which we currently do not already have a bilateral free trade agreement in effect, Malaysia, New Zealand, Brunei and Vietnam. However, it is possible that the U.S. will indirectly receive offers from FTA partners, as some countries, such as Australia, will submit a plurilateral offer, making the same concessions to all TPP partners. Services market access offers are slated to be tabled in March, giving more time for countries who have never compiled a negative list to prepare.

IPR continues to be a source of concern to the business community, but a recent positive signal reported in the press is that USTR is leaning toward using higher standards found in the Korea FTA rather than basing its text on the May 10 agreement with Congress which dilutes IPR protection in some areas. It is not clear however, when the U.S. will table full text on IPR, with uncertainty that consensus will be achieved by the next round taking place in Santiago Chile the week of February 14, 2011.

Meanwhile, with the full participation of Vietnam and the addition of Malaysia, Japan continues its courtship of TPP partner countries, as it undertakes its own internal deliberations on whether to officially request admission to the TPP negotiations. Timing is a critical issue with Japan, as the TPP goal of concluding significant aspects of the agreement by the November APEC Ministerial clash with Japan's slower approach. Japan is targeting June as a date to hammer out reforms to its domestic agricultural policies, the success of which will be a key indicator of its readiness to engage in the TPP. As negotiations proceed, the NFTC joined with other members of the U.S. Business Coalition for TPP in a letter to Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy, urging the United States to pursue a high-standard Trans-Pacific Partnership (TPP) agreement. The letter and common business principles for the negotiation of the TPP may be found at NFTC's website. For further information on TPP, please contact Chuck Dittrich at cdittrich@nftc.org.

NFTC Files Amicus Brief in Environmental Lawsuit

On January 20 the NFTC, along with the Organization for International Investment, the U.S. Council for International Business, the National Association of Manufacturers and USA*Engage filed an amicus brief with the U.S. Court of Appeals for the Ninth Circuit in the case of Carijano v. Occidental Petroleum. The case involves to a California lawsuit by Achuar indigenous communities in Peru charging that that between 1970 and 2000 Occidental had discharged millions of toxic oil byproducts into waterways which caused environmental injuries to their lands and population. In 2008 a U.S. District Court in California granted Occidental's motion to transfer the case to Peru under the *forum non conveniens* doctrine, since the facts arose in Peru and all the plaintiffs allegedly injured were in Peru, whose judiciary was deemed adequate to hear the case. In an effort to keep the suit from being moved from California to Peru, the Achuars added a U.S. NGO, Amazon Watch, as a plaintiff to their complaint, although Amazon Watch had only begun its activity with the Achuars a year after Occidental had ceased operations in Peru. The addition of a U.S.-based NGO is seen as an effort to have the case heard in the most favorable venue. In December of 2010, a three-judge panel of the Ninth Circuit reversed the District Court in part on the grounds that Amazon Watch is a U.S. plaintiff as well as their belief that Peruvian courts are corrupt, while other U.S. courts have ruled that they are perfectly competent for *forum non conveniens* transfer purposes. The panel's ruling sets a severely damaging precedent by allowing the addition of a U.S. NGO as a plaintiff to defeat efforts by U.S. and foreign companies to have cases heard in by courts in the country where all the relevant events took place and all the plaintiffs are resident. The NFTC-led amicus urges the full Ninth Circuit to review the panel's decision and to allow the case to be transferred to Peruvian courts.

Trade Preferences and Trade Adjustment Assistance Fall Victim to Stalemate

For decades, Congress has found a bipartisan way forward to rise above partisan horse trading and narrow interests standing in the way of renewal of the Generalized System of Preferences (GSP), a program which provides duty free treatment of selected goods not widely available in the U.S., from more than 130 developing countries, Andean Trade Preferences, which provides job alternatives to narco trafficking in Andean nations, especially Colombia through a targeted set of tariff reductions, and Trade Adjustment Assistance, a program which was modernized in 2009, to provide retraining to U.S. workers who have lost jobs due to trade.

All three programs faced critical renewal votes at the end of 2010. GSP was not renewed due to a standoff by Alabama Senator Jeff Sessions, who represented a manufacturer of sleeping bags in his state that claimed injury from Bangladeshi imports under GSP. Any attempt to mitigate the issue through Administrative compromise was thwarted by Kentucky Senator Mitch McConnell, who took up the case of a constituent which benefitted from sleeping bag imports under GSP. This narrow issue caused the expiration of GSP for the first time in ten years. This three decade old program now is in suspension, as thousands of U.S. importers are faced with increased duties on a broad range of imported inputs to their manufactured goods.

Similarly, the Andean Trade Preference Act (ATPA), along with Trade Adjustment Assistance succeeded in gaining only a 6 week extension by Congress, despite a bipartisan bill introduced by Representatives Levin and Camp to extend all three programs for 18 months. ATPA has largely fallen victim to "guilt by association" being packaged with extension of modernized components of TAA, originally passed in early 2009 as part of a bipartisan crafting of improvements to the program to make it more flexible and responsive to a range of issues. This 2009 improvement passed as part of the stimulus package, and has been taken hostage by a variety of opposing issues. Among them are Senate Republicans led by Arizona Senator Jon Kyl who blocked extension at the end of the last Congress as a signal to the Administration that they had broken an implied bargain to improve TAA in return for submission of the pending FTA's. Senator Kyl has held firm in his blocking TAA until the Colombia FTA is sent forward.

Adding to the opposition are Republican fiscal conservatives who oppose spending on TAA, citing a range of objections. They believe that the expanded version was a stimulus measure that should not be renewed. Others cite it as "picking winners and losers" among dislocated workers, and others simply object to the overall cost of the program. Representatives Camp and Levin came together once again in the week prior to the latest February 12 expiration of both programs, to submit a combined TAA/ATPA extension, but House Leadership pulled the bill at the last minute in the face of opposition.

The expiration deadline of February 12 has come and gone, with Rep. Camp suggesting that the two programs be separated, freeing ATPA from the political baggage of TAA, but Democrats vow to fight that effort, especially in the Senate where they retain the majority, under the presumption that voting for a measure to support South American workers while abandoning support for U.S. workers is not an option.

TAA was even further in jeopardy early this year when it was realized that a drafting error in the legislation permitting the 6 week extension, contained language that technically ended the basic TAA entitlement program originally enacted in 2002. This inadvertent technical glitch was overcome at the last moment when the Department of Labor issued an interpretation of legislative intent, preserving the basic elements of TAA that existed before its modernization and expansion in 2009.

NFTC has led the call for Congress to rise above political maneuvering and exert bipartisan leadership to extend all three programs on their individual merits. For further information on GSP, ATPA, or TAA, contact Chuck Dittrich at cdittrich@nftc.org.

USA*Engage

Much chatter has been devoted to how the Obama administration will deal (or not) with a strengthened Senate Republican minority, as well as an energized House Republican majority and truculent Democratic minority across a range of policy issues. When it comes to the maintenance and proliferation of unilateral U.S. economic sanctions, however, the usual partisan yardsticks don't apply. Support for such sanctions will remain massively bipartisan, and, arguably, will be exacerbated by a Republican House majority.

Cuba, of course, is the veritable apex of unilateral embargoes. The Administration's recently announced modest steps to increase licensed "people to people" exchange was met with severe criticism by House Foreign Affairs chair Representative Ileana Ros-Lehtinen.

As for Iran, notwithstanding the broad support for the Administration's "multilateralization" of the principal sanctions on investment in Iran's energy sector contained in CISADA (2010), it is reported that members in both the House and Senate are developing legislation targeting any company for U.S. sanctions that purchases crude oil from Iran. To the degree that any extraterritorial sanction would remove Iranian production from the world oil market, the consequences would soon be borne by U.S. drivers at the pump. Similarly, efforts to widen the extraterritorial provisions of CISADA to prohibit any involvement anywhere in the world with any entity that is part of Iran's energy sector can be expected. All of this, notwithstanding the demonstrable failure of such measures to change the Iranian regime's conduct regarding uranium enrichment. And, in the wake of a New York Times report on the amount of U.S. trade with Iran still taking place under license from the Treasury Department's Office of Foreign Asset Control, an effort to revoke the 2000 Trade Sanctions Reform Act humanitarian exception for trade in agricultural and medical products can be expected.

As was the case with Iraq and Libya, events in-country can sometimes trump the power of inertia in government policy. With respect to Sudan, the U.S. has devoted much effort to enabling the successful conduct of the referendum that began in January on Southern Sudan's independence, as stipulated in the Comprehensive Peace Agreement. Once the referendum in South Sudan is concluded, and assuming it results in a vote for independence, USA*Engage and the NFTC plan to engage the Administration on removing the sanctions that prevent American companies from doing business and investing in this new country. Identifying and cataloguing the existing network of sanctions and other obstacles to such activity and then working with the Administration and the Congress to surmount them may align U.S. foreign policy goals and American business opportunities.

State divestment legislation continues to multiply. Already, Sudan divestment bills have been introduced in Kentucky and New Hampshire; Iran divestment bills in Alaska, New York, Utah and Connecticut. A Sudan-Iran anti-procurement bill has been put forward in Florida. USA*Engage continues to work with its members to point out the counterproductive aspects of such legislation. For more information contact Richard Sawaya at rsawaya@nftc.org.

A policy wish list from America's innovation leaders

By Jake Colvin & John Stubbs, as printed in the January 24, 2011 edition of The Hill newspaper.
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America's innovation leaders have a lengthy wish list for policymakers returning to Washington.

Last year, the National Foreign Trade Council's Global Innovation Forum convened a series of workshops in innovation centers around the country. We asked small business CEOs, innovators from large companies such as General Electric and Procter &Gamble, entrepreneurs and educators in Detroit, Palo Alto and Research Triangle Park about their biggest obstacles to growing innovative businesses in the United States and how Washington could help.

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A policy wish list from America's innovation leaders

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Obstacles to U.S. Innovation

Among the common problems they identified, the most frequently-mentioned is that U.S. immigration and visa policies are harming our ability to compete globally. “Access to global talent is one of the biggest issues facing the American video game industry,” said the president of Cary, North Carolina-based Epic Games. Our cumbersome system is driving jobs and research facilities to Canada, Europe and Asia.

Participants also suggested the U.S. education system needs work. University of Michigan President Mary Sue Coleman was blunt: “Science and math education in this country is in crisis.” From encouraging home-grown engineers to providing training to workers who have lost their jobs, the United States needs to do more to prepare students for knowledge-based careers.

Innovators identified a series of problems that uniquely affect small businesses. Smaller companies and entrepreneurs continue to face a real credit crunch that began with the global financial crisis. Even successful companies are finding it difficult to access sufficient capital to grow their businesses, which is limiting overall economic growth. Smaller businesses also find it more difficult to access global markets, overcome barriers to entry into new countries, and address counterfeiting and piracy abroad.

Many companies, big and small, worry about the ability of U.S. companies and workers to compete globally on an uneven playing field. Foreign governments continue to take aim at American jobs through a range of protectionist practices that block American sales to their markets, such as non-transparent standards, price controls, censorship of American content and massive subsidies for local firms.

How Washington Can Encourage U.S. Innovation

Happily, these are all issues that can be addressed through smart public policy. Based on the feedback from our conference, Congress should focus on five critical areas to create an enabling environment for America’s innovative businesses and workers in the global marketplace:

1. Create a more open, rules-based, competitive trading environment through the conclusion and passage of new and innovative trade agreements. These binding commitments with our trading partners create win-win opportunities for economic growth and development of new innovations to address common global challenges. The pending U.S. trade agreements with Korea, Panama and Colombia would be excellent places to start.

2. Ensure that value is being delivered back home for U.S. innovation. In particular, lack of protection in foreign markets for U.S. innovation chills investment, reduces opportunities for transnational technology and knowledge collaboration and removes opportunities for exports of American products and services.

3. Continue to improve access to capital, particularly for innovative small businesses and entrepreneurs, through federal incentive programs designed to expand access to credit markets, attract investment in research and development and lower barriers to entry for businesses seeking to export abroad.

4. Improve incentives for American students to pursue careers in engineering, mathematics and science and highlight the importance of those careers to the nation.

5. Overhaul U.S. immigration and visa policies to enable the United States to attract and retain the brightest entrepreneurs, educators and workers from around the world. There was near-universal agreement that Congress ought to staple a green card to the diplomas of highly-skilled foreign graduates of American universities so that they can pursue careers and lives in the United States.

NFTC Tax Lunch Forum Welcomes Lisa Wolski, Chief of Staff to Senate Minority Whip Jon Kyl

The NFTC welcomed Lisa Wolski, Chief of Staff to Senate Minority Leader Kyl to the February 9, 2011 luncheon. Ms. Wolski gave an insightful overview of the December 2010 back-room discussions that lead to the extension of the Bush tax cuts and the expired tax provisions. This unusual experience in negotiating with the Administration shows that the Republicans are able to work with the White House on critical issues. Ms. Wolski said that the discussions also lead many of the participants in the meetings to the conclusion that tax reform is essential. The Senate Finance Committee will hold 30-40 hearings over the next year or two into many of the tax reform issues. It is unclear whether Congress will focus on corporate reform only, or whether it will be a more comprehensive reform of both the individual and corporate tax systems. Tax reform will be the dominant tax issue in 2011, but until the Administration introduces a tax reform proposal, further action on tax reform is unlikely until after the 2012 elections.

Congress has many other issues to work on in 2011 including job creation, deficit reduction, extending the debt limit, unemployment insurance reform, and energy taxes. Ms. Wolski did not know what specifically the Senate would do on job creation, but expected that any initiatives would be hard to accomplish while tax reform discussions are taking place.

The continuing resolution funding the federal government expires on March 4. Ms. Wolski expects there to be many negotiations between the House and the Senate on the size of the spending cuts that will be included in the appropriations process. There might be several short term CRs that are necessary until a final resolution is reached.

The debt ceiling will have to be raised this year, and Republicans and several Democrats would like to see budget reforms and serious spending restraints adopted before the debt ceiling is raised. According to the Administration, the debt ceiling might have to be raised in May, but this date could slip if additional revenues are received before that date. Ms. Wolski understands the concerns of the business community about needing certainty that the debt ceiling will be raised and that the federal government will honor all outstanding bonds. Congress will work to reduce spending so that the government will not shut down. Republicans would like to reduce the size of the federal government, and they feel the appropriations process and the necessity to raise the debt ceiling will give them opportunities to get spending better under control.

For more information contact Catherine Schultz at cschultz@nftc.org.

We've Moved: NFTC Relocates New York Office

Effective immediately the National Foreign Trade Council, International Human Resources team, located in New York, has relocated to **60 East 42nd Street, Suite 920, New York, NY 10165-0015**. The telephone number remains at 212-399-7128 as does the fax number 212-399-7144. If you have any questions please feel free to direct them to Sandra Rodriguez at srodriguez@nftc.org.

Calendar of Events

March 1	NFTC Board of Directors Meeting – Washington, DC
March 2-3	[Annual International Human Resource Management Forum - Houston, TX]()
March 15	International Benefits Committee* - New York City
March 15	Tax Lunch Forum - Speaker: TBA - Washington, DC
March 30-April 1	International Assignment Management Committee* - Minneapolis, MN
April 5	Talent Management, Immigration & Workforce Deployment Trends: What Lies Ahead - New York City
April 7	Global Talent Management Committee* - New York City (By invitation)
April 13	Tax Lunch Forum - Speaker: TBA - Washington, DC
April 27-29	Expatriate Management Committee* - New Orleans, LA
April 13	Tax Lunch Forum - Speaker: TBA - Washington, DC
May 11	Tax Lunch Forum - Speaker: TBA - Washington, DC
June 7	International Benefits Committee* - New York City
June 8	Tax Lunch Forum - Speaker: TBA (OECD/USCIB meeting is June 6-7) - Washington, DC
July 13	Tax Lunch Forum - Speaker: TBA - Washington, DC
September 20-22	Expatriate Management Committee* - San Jose, CA
October 6-7	Fall Tax Meeting - Washington, DC
November 9	Tax Lunch Forum - Speaker: TBA - Washington, DC
December 7	Tax Lunch Forum - Speaker: TBA - Washington, DC
Fall 2011	National Foreign Trade Council Foundation's World Trade Dinner & Award Ceremony - TBA
Fall 2011	National Foreign Trade Council's Annual Meeting - TBA

**Note: The WTO Committee Meetings, Trade 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*

This issue of Council Highlights brought to you by:

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NATIONAL FOREIGN TRADE COUNCIL

"ADVANCING GLOBAL COMMERCE FOR NEARLY A CENTURY "

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.

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