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

As Congress begins its debate over the 2012 farm bill many agricultural commodity programs will come up for reform in an effort to curb federal spending and save billions over the next ten years. However, one commodity that has for years eluded reform has been the U.S. sugar program. A program that started off with best of intentions, to ensure that American sugar producers could compete with international markets, has since become one of the most destructive and counterproductive protectionist policies to date.

In the most recent incarnation of the farm bill in 2008, Congress expanded the previous sugar program by adding a feedstock flexibility program, import quota date restrictions, higher loan price supports and an 85 percent allotment quantity. These additions made sugar the only commodity program that uses import restrictions to keep domestic prices high and mandates marketing allotments that are aimed at maintaining domestic production.

The NFTC, in cooperation with the Coalition for Sugar Reform, has continuously advocated for the reform of the sugar program. If we look at the sugar program as it stands, it sets artificially low import quotas and applies high tariffs on imports exceeding those limits. These restrictions increase the cost to American consumers and producers of sugar-containing products. In 2000, the General Accounting Office estimated that the sugar program cost American refiners, consumers and manufacturers approximately $1.9 billion each year, and a more recent study by Iowa State researchers now pegs the cost at up to $3.5 billion annually.

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NFTC Welcomes Senate Bill for Permanent Normal Trade Relations with Russia

The NFTC welcomed the June 12 introduction by a bipartisan group of Senators of a bill to extend Permanent Normal Trade Relations (PNTR) to Russia, which is poised to join the World Trade Organization in August. Without PNTR American exporters will be seriously disadvantaged in a promising market for exports of American service providers, farmers and manufacturers.

The NFTC has lobbied extensively for PNTR as part of the Coalition for U.S.-Russia Trade. With Russia's WTO accession, the United States must exempt the country from a Cold War statute, the Jackson-Vanik amendment to the *Trade Act of 1974*, which denies Russia most-favored-nation status. While the measure has been waived since 1991, it must be repealed for American companies to receive the benefits of Russian accession. PNTR means that Russia's commitments regarding services, trade-related investment measures, intellectual property rights and sanitary and phytosanitary measures, as well as access to WTO dispute resolution, will apply to U.S. companies, as well as to the other 153 WTO member nations.

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A Word From the President

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Equally important, maintaining these restrictions carries a high price in our trade negotiations. They bind the hands of our trade negotiators and place them at disadvantage with our foreign counterparts in the negotiating process. The result has often led to less market access for other U.S. agricultural goods such as beef, rice and soybeans, as well as countries excluding sensitive markets entirely in trade negotiations. The result of U.S. exclusion of sugar in the US..-Australia FTA, for example, encouraged Korean insistence on exclusion of rice in its FTA with the United States.

In order for the United States' agricultural sector to continue to compete aggressively in foreign markets it is imperative that we arm our negotiators with the tools necessary to effectively negotiate for what is best for all stakeholders, including consumers, manufacturers, service providers, and producers. Reform of the current sugar program would allow trade negotiators to have both a competitive edge and leeway at the negotiating table.

Furthermore, the sugar program has played a major role in the loss of thousands of jobs in sugar-using industries. For every sugar growing job in the United States saved through artificially high U.S. sugar prices approximately three American manufacturing jobs are lost.

As the sugar program's counterproductive policies become more and more apparent, support for reform has continued to grow. Senators Mark Kirk (R-IL) and Jeanne Shaheen (D-NH) have done an exceptional job of leading the charge on sugar reform in the Senate, and the Coalition for Sugar Reform has worked closely with both of them. Senator Shaheen's amendment to S. 3240, the *Agriculture Reform, Food and Jobs Act*, would reform the current sugar program and repeal harmful add-ons made in the 2008 farm bill. Although not a complete removal of the program, it is an important step in the right direction. The NFTC recently wrote all senators expressing our support for Senator Shaheen's amendment. That said, we are up against one of the most powerful lobbies in town, and this is not going to be an easy battle. However, winning is important both to save jobs and to rid the farm bill of one of its most protectionist policies.

NFTC Highlights Economic Importance of the Internet at Google Conference

On May 23 and 24, the NFTC led a discussion at the Newseum among academics and Internet entrepreneurs from around the world on the economic importance of the internet at Google's Internet at Liberty conference. NFTC Vice President Jake Colvin directed a workshop featuring experts from the Boston Consulting Group (BCG), Brookings Institution and the University of California Davis to highlight how the information revolution has fundamentally changed business and commerce.

Colvin explained how the ability to access and transmit data reliably and securely across borders is increasingly critical to the success of companies and individuals and to economic growth across countries, particularly for entrepreneurs and small businesses. He suggested that interrupting legitimate flows of information is a barrier to trade and economic growth, and that businesses, individuals and governments all have an economic stake in having a framework that permits access to and transmission of legitimate information freely.

Carl Kalapesi of the Boston Consulting Group detailed a recent BCG report that flagged the important contribution of the Internet to GDP growth across countries, and presented data that suggests small businesses that use the Internet extensively grow faster than companies which use the Web less. In China, SMEs that use the web have grown nearly three times as fast as those that do not over the past three years, according to BCG.

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NFTC Highlights Economic Importance of the Internet at Google Conference

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Josh Meltzer from the Brookings Institution spoke about the potential to negotiate new commitments in trade agreements that would guarantee legitimate flows of information between countries, focusing on the ongoing Trans Pacific Partnership talks. Anupam Chander of the University of California Davis, whose research focuses on the regulation of globalization and digitization, discussed legal constraints and other challenges to doing business across borders when information is involved, emphasizing the challenges that regulations from data center location to privacy regimes pose to commercial flows of information.

The Internet at Liberty 2012 convened by Google gathered "global activists and representatives of academic centers, corporations, governments, the media and NGOs" to "explore creative ways to expand the free flow of information online."

For more information, contact Jake Colvin at jcolvin@nftc.org.

NFTC Welcomes Senate Bill for Permanent Normal Trade Relations

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Within five years after PNTR U.S. exports to Russia are expected to double from $10 billion in 2010 to $20 billion, adding jobs in services, agriculture, manufacturing and high-tech. Russia's growing middle class will be a market for U.S. consumer goods, as Russian infrastructure development will be a market for U.S. engineering and construction products. Failure to enact PNTR will enable America's European and Asian competitors to gain market share in Russia that will be very difficult to overcome.

The NFTC and USA*Engage have expressed their opposition to several provisions in the *Sergei Magnitsky Rule of Law Accountability Act*, which has been introduced in both houses of Congress as a substitute for the Jackson-Vanik amendment. The NFTC and USA*Engage wrote the House Foreign Affairs Committee on June 7 prior to their markup citing the ambiguities and unintended consequences of the Magnitsky bill. The House committee approved a bill that would impose an asset freeze and visa ban on a list of persons and entities alleged to have committed violations of human rights in Russia, as well as on their "agents," a term undefined in the bill. The Senate version expands the scope of the sanctions beyond Russia to alleged human rights violators in all countries. Both versions allow the chairperson and ranking member of ten congressional committees to propose persons and entities to be listed and require the Secretary of State to justify to the Congress in writing a decision not to include a person or entity proposed by a Member of Congress. The NFTC and USA*Engage have opposed linking PNTR to sanctions legislation and are actively lobbying Congress to make changes to these provisions.

PNTR and the Magnitsky legislation will be marked up in the Senate Finance and Foreign Relations Committees and the House Ways and Means Committee in July. Additional committee hearings are likely. The NFTC is urging approval of PNTR by both houses prior to the August congressional recess. For additional information, contact Dan O'Flaherty at doflaherty@nftc.org and Richard Sawaya at rsawaya@nftc.org.

NFTC Helps Convene Salzburg Seminar on the Future of the WTO

In mid-May, the NFTC helped convene a discussion under the Salzburg Global Seminar in Austria on "The Future of the Multilateral Trading System and the WTO." The conference brought together leading experts and officials to discuss the multilateral trading system in light of the stalled Doha Round and new initiatives in Geneva on services and other issues.

The discussion included keynote remarks by Peter Sutherland, Chairman, Goldman Sachs International and a former WTO Director General, as well as participation by Angelos Pangratis, Ambassador of the Permanent Mission of the EU to the WTO, Ambassador Stuart Harbinson, and representatives from the WTO, International Chamber of Commerce and the International Centre for Trade and Sustainable Development.

Jake Colvin, who participated in the conference for the NFTC, suggested there is a negotiating malaise surrounding the WTO and emphasized that U.S. businesses are struggling with the question about how to make sure the institution is relevant and vibrant in a world that has changed dramatically in the decade since the Doha Round was set forth. He pointed to the NFTC's recent paper on a "21st Century Work Program for the Multilateral Trading System" and said that the multilateral trading system would benefit from a refresh of the negotiating agenda that focuses on incremental results. Pursuing a trade facilitation agreement and services plurilateral while revitalizing the WTO committee system to deal with new issues such as modernizing trade rules and understandings to ensure the free international flows of information through the e-commerce work program, would allow members to demonstrate the relevance of the WTO and reenergize it as a negotiating forum.

For more information about the Salzburg Global Seminar, see www.salzburgglobal.org.

CEE, NFTC Welcome Congressional Passage of H.R. 2072

The Coalition for Employment through Exports (CEE) and NFTC applauds last month's passage of H.R. 2072, the Securing American Jobs Through Exports Act of 2011, reauthorizing the Export-Import (Ex-Im) Bank of the United States. This critical piece of legislation ensures Ex-Im's continued support of U.S. export sales and manufacturing jobs. CEE and NFTC welcome the bipartisan effort to provide the Bank with a reauthorization of extended duration, as it recognizes the important role Ex-Im Bank plays in leveling the playing field for U.S. exporters at a time when exports are increasingly critical to U.S. economic recovery and job creation.

CEE and NFTC welcomed the hard work of House and Senate for their bipartisan effort to provide the Bank with a reauthorization of extended duration and which recognizes the important role Ex-Im Bank plays in leveling the playing field for U.S. exporters at a time when exports are increasingly critical to the U.S. economic recovery and job creation.

John Hardy, President of CEE, said, "We are grateful to for their bipartisan work providing the Bank with the authority needed for it to continue its critical role supporting small and large exporters. With the extension of the Charter expiring at the end of May, we are very hopeful that both Chambers will quickly pass the bill to be sent to the President for his signature. H.R. 2072, with its three-year extension and healthy increase in lending level, sends the right message to our foreign competitors – American companies that export have the support of their government to level the playing field and help make those sales."

The legislation also contains language that ensures support for the textile industry, tightens auditing rules, looks to broaden content requirements to support even more U.S. industries, and provides a more transparency regarding transactions the Bank is considering.

For more information contact John Hardy, at john.hardy@usaexport.org.

USA*Engage Sanctions Update

Congress is reliably unproductive in this election year – except for unilateral sanctions of course. The Senate passed the *Iran Sanctions Accountability and Human Rights Act of 2012* under unanimous consent. Staff indicates no formal conference is expected; rather staff-to-staff work to produce a House/Senate bill for final passage. Of note: Senate Banking Committee Chairman Tim Johnson (D-IA) made a statement for the record that the Treasury Department should issue a statement clarifying that third-country banking transactions pursuant to OFAC licensed humanitarian trade with Iran will not be sanctioned under U.S. law.

The House Foreign Affairs Committee predictably passed H.R. 4405, the *Sergei Magnitsky Rule of Law Accountability Act of 2012*. The bill would deny visas and impose U.S. asset freezes on “gross human rights violators” and their “agents” in Russia, as identified by members of Congress. The bill is seen by some in Congress as a complement to passage of Russia PNTR and the necessary repeal of Jackson-Vanik. Senate proponents of the legislation, yet to be considered in the Foreign Relations Committee, reportedly would made the legislation global; that is, violators and agents to be identified anywhere in the world. Evidently proponents do not believe any collateral damage to U.S. commercial interests in Russia or elsewhere will result.

On a brighter note, Members of Congress, notably Senators Jim Webb (D-VA) and John McCain (R-AZ) have joined Secretary of State Hillary Clinton with public statements of support for her announcement that the United States will comprehensively suspend investment and financial sanctions on Burma, aka Myanmar. Evidently the Secretary’s announcement got ahead of the staff-level interagency process – to date no general license of suspension has been issued by the Office of Foreign Asset Control (OFAC) in the Treasury Department. Reportedly, “the lawyers are working on it” and hope to have a product before the Secretary July 14 trip to Burma. One can only wonder, given the fact that the EU, Canada, Australia and Japan have all lifted restrictions on business with Burma, what can be percolating as fine print. Again, it’s U.S. companies that lose competitive position while the bureaucracy grinds on.

For information or to join USA*Engage, contact Richard Sawaya at rsawaya@nftc.org.

NFTC Welcomes Implementation of U.S.-Colombia FTA

Last month The NFTC welcomed the implementation of the U.S.-Colombia Free Trade Agreement (FTA). The NFTC released the following statement:

"We welcome today's implementation of the Colombia FTA, an agreement that will increase U.S. competitiveness, boost U.S. exports and job growth, and further strengthen the economic and diplomatic relationship between the United States and Colombia.

"Colombia has seen significant economic growth in the past few years, and has grown to be a leading economic force in not only Latin America, but also the world. With the trade agreement now in place, U.S. companies and agricultural producers will have greater access to this dynamic market, ensuring the United States remains competitive there and providing more opportunities for economic growth and job creation here at home.

"With both the Colombian and South Korean trade agreements now implemented, we urge the Administration to work with the Panamanian government to implement the U.S.-Panama FTA as soon as possible."

For question on the U.S.-Colombia FTA, contact Chuck Dittrich at cdittrich@nftc.org.

Indian Finance Bill Could Create Problems for American Companies

The Indian Parliament recently adopted the Finance Bill 2012 as part of the Union Budget that was introduced on March 16, 2012 by Indian Minister of Finance Pranab Mukherjee. Prior to Parliamentary action on the Finance bill, Mr. Mukherjee issued a statement along with an amendment that delays the effective date of the General Anti-Avoidance Rule (GAAR) for one year. Unfortunately, Mr. Mukherjee also made other statements, about the retroactive provisions included in the legislation that were not accompanied by amendments. There are several areas of concern to NFTC members:

1) Substantial periods of retroactive application—over two dozen provisions would rewrite the law with retroactive effect, in some cases up to 50 years. Mr. Mukherjee's assurances that there will be no retroactive opening of cases older than six years do not alleviate concerns, since no change to the underlying provision was adopted by Parliament.

2) Discretion granted to India's Central Board of Direct Taxes (CBDT) to define tax treaty terms unilaterally, with effect to the date of entry into force of the tax treaty. Mr. Mukherjee has said that the indirect transfer provisions of the Finance bill will not be applied to override the provisions of any Double Taxation Avoidance Agreements that India currently has in place with other countries. He did not state that other provisions would not override existing tax treaties.

3) Tax collection and refund provisions—purporting to legitimize against any challenge all assessments and collections of Indian tax on indirect share transfers, notwithstanding any judicial judgments or orders.

4) Withholding agent obligations—granting authority to require payor of any sum to a nonresident to withhold Indian tax, regardless of whether the sum is actually taxable in India under law.

5) Treaty certification requirements—conditioning all tax treaty relief on obtaining a certificate from the residence country tax authorities, containing whatever information India chooses to require.

6) Expansion of the definition of royalty on software—characterizing income from any transaction in computer software (including sales of "shrink wrap" software products) as royalty income subject to withholding, and applying this new definition retroactively to 1976.

The business community wrote to the Indian Prime Minister and the Minister of Finance after the Finance bill was introduced expressing our concerns with the provisions of the legislation. We met with the U.S. Treasury Department and urged Secretary Geithner to raise the budget issues with the Minister of Finance while he was in Washington for the IMF/World Bank meetings. Secretary Geithner did raise the issues, but received assurances that the Indian Finance changes were only "clarificatory" in nature. We wrote again to both Secretary Geithner and to Michael Froman, Deputy Assistant to the President and Deputy National Security Advisor on International Economics asking that they continue to press India on the Finance bill changes and the affect those changes could have on U.S. business in India. We also sent a final letter to Minister Mukherjee asking for further clarification of the provisions we are most concerned about. Mr. Mukherjee continues to insist that the legislation is merely clarifying existing Indian law, and he has said that he believes it will have no effect on foreign direct investment into India. The focus now will turn to the CBDT, who now has the authority to implement the legislation.

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

NFTCF Sets Annual Strategic Global Workforce Management Forum New York City July 11 -12, 2012

Connecting the Right Talent Model to the Business

On July 11-12, 2012 the NFTC will host its annual strategic global workforce forum at the New York Athletic Club. This year's agenda will include sessions on:

- Human Resources as the strategic business partner
- Cross-Border mergers and acquisitions-HR's critical role
- Emerging Markets (Africa, Latin America, Southeast Asia): Meeting global mobility and talent challenges
- Leveraging global mobility to develop talent and expand growth
- Creating a 21st century global mobility identity and model
- Global HR governance: avoiding pitfalls amid changing national regulations
- We're in a Defined Contribution (DC) world now: What does it mean for employees? Employers?
- Leveraging global diversity and leadership development
- Tax updates in key countries
- Africa: understanding regulatory and tax issues in key growth markets
- Global wellness solutions: Improving health, mitigating risk, and reducing cost
- Inside employees minds: reconciling the needs and aspirations of geographically and generationally diverse workforces
- Managing short-term assignments

In addition to subject matter experts from Cartus, Mercer Marsh Benefits, Pricewaterhouse Coopers, Prudential Insurance and Zurich Insurance the forum will include senior international human resource colleagues from such companies as: GE, P&G, PepsiCo, Prudential Insurance, SAIC, UBS, UTC and Zurich Insurance.

To register or view the agenda, follow the URLs below:

http://www.nftc.org/default/hr/AIHRMC/NY 2012/Agenda.pdf
http://www.nftc.org/default/hr/AIHRMC/NY 2012/NYC 2012 Registration Form.pdf

If you are attending from outside New York City, note there is a block of rooms held by the NFTC at the New York Athletic Club.

If you have any questions, contact the New York office of the NFTC at either 212-399-7128, or send via e-mail to Sandra Rodriguez at srodriguez@nftc.org.

News for Our Members

2012 World Trade Dinner and Award Ceremony, Scheduled for Wednesday, October 3rd

Clear your calendars . . .take an evening off from campaign news . . . and plan an elegant night of fun, camaraderie and networking with friends, colleagues and business associates. The NFTC Foundation's Annual World Trade Dinner and Award Ceremony will take place on Wednesday, October 3, 2012. The dinner is a black tie event and the venue is the elegant and historic Organization of American States, 17th Street & Constitution Avenue, NW, Washington, DC. Please save the date and plan to attend!

The 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. Our 2011 speaker was President Obama's then Chief of Staff, Bill Daley. Past speakers have included such respected figures as Dave Camp, Chairman of the House Ways & Means Committee; House Majority Leader Steny Hoyer; United States Trade Representative, Ambassador Susan Schwab; Secretary General of the United Nations, Kofi Annan; UN Ambassador John Negroponte, as well as several Heads of State. We will be announcing the 2012 dinner speaker this summer. Company sponsorship opportunities for the dinner are still available, as are a limited number of individual reservations. Contact the NFTC at 202-887-0278 or nftcinformation@nftc.org for details.

Calendar of Events

Date	Event and Location
June 28	WITA: "Arab Summer: What's Next for Trade in Egypt and the Middle East?" - Washington DC
July 14-15	Annual International Human Resource Management Forum - New York City
July 18	Tax Lunch Forum - Speaker TBA, Washington
September 19-21	Expatriate Management Committee Meeting* - Montreal, Canada
October 3	2012 World Trade Dinner and Award Ceremony - Washington
October 3	Board of Directors Meeting - Washington
October 3	NFTC Annual Meeting - Washington
October 4	International Benefit Committee Meetings - New York City
October 10-12	International Assignment Management Committee Meeting * - Englewood, CO
November 7	Tax Lunch Forum - Speaker TBA, Washington
November 8	International Compensation & Benefits Committee Houston
December 5	Tax Lunch Forum - Speaker TBA, Washington

**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*

In Case You Missed It...

NFTC Urges Senate Foreign Relations Committee to Vote Against Sergei Magnitsky Rule of Law Accountability Act

On June 15th, the NFTC President Bill Reinsch sent a letter to the Senate Foreign Relations Committee urging the Senators to vote against S. 1039, the Sergei Magnitsky Rule of Law Accountability Act, when the committee marks up the bill next June 19th.

Reinsch wrote:

> "*We understand that on June 19 the Senate Foreign Relations Committee will mark up S. 1039. While we share the indignation over the murder of Mr. Magnitsky, we believe that the bill as it has been publicly discussed, is seriously flawed.*
>
> *"…The NFTC and USA*Engage share the desire of Members of Congress that the United States take a clear position on human rights violations in Russia and anywhere else in the world. We urge Congress in its consideration of this legislation to limit its scope to measures already taken by the Executive Branch to deny visas to Russian persons with a direct involvement in the death of Sergei Magnitsky and support its authority to do so anywhere else."*

Click here to read the full letter.
http://www.nftc.org/default/Publications/Trade_Policy/S1039 SFRC Ltr 120615.pdf

NFTC Joins With Leading Business Organizations in Urging Congress to Renew AGOA Third Country Fabric Provision

The NFTC joined with leading business organizations on June 13th in sending a letter to Members of the Senate Finance and House Ways and Means Committees urging support for legislation to renew the African Growth and Opportunity Act (AGOA) Third Country Fabric provision and enact the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) technical fixes without further delay.

The groups wrote:

> "*As you know, the Third Country Fabric provision of the African Growth and Opportunity Act (AGOA) is due to expire on September 30, 2012. In addition, the technical fixes approved by the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) trade ministers more than a year ago have yet to be enacted. Given the broad bipartisan support for both of these measures, the undersigned business organizations urge you to support legislation to renew the AGOA Third Country Fabric provision and enact the CAFTA-DR technical fixes without further delay.*
>
> *"The negative consequences of the looming expiration of AGOA's Third Country Fabric provision could be devastating for numerous African countries. Moreover, the impact is by no means limited to sub-Saharan Africa. In fact, the delay in renewing this non-controversial measure, which is at the core of the AGOA apparel provisions, has already forced many U.S. companies to shift their 3rd and 4th quarter 2012 orders to other countries to avoid uncertainties.*
>
> *"The delay in renewing this provision is increasingly sending the wrong message to African countries on the eve of the largest annual U.S.-Africa summit — the AGOA Forum, which will be held in Washington on June 14-15. Inaction is difficult to justify given that the Third Country Fabric provision has proven beneficial to U.S. businesses and non-controversial in both Congress and in the U.S. business community. Regardless, as uncertainty grows over renewal, African apparel producing countries have already experienced a 30% drop in apparel orders since January 2012. This decline in orders has already led to the loss of thousands of jobs in Africa, with hundreds of thousands more hanging in the balance."*

Click here to read the full letter.
http://www.nftc.org/default/Publications/Trade_Policy/120613_MultiIndustry_ThirdCountryFabricCAFTA.pdf

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