

COUNCIL HIGHLIGHTS

NATIONAL FOREIGN TRADE COUNCIL

"SERVING AMERICA'S INTERNATIONAL BUSINESSES SINCE 1914"

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



March 2014
Vol 14, Issue 2

View from the NFTC Chair

The NFTC's Second Century

Our second century is off to a great start. The trade agenda is more robust than anything experienced in the last few decades. As Amb. Froman told us at the Woodrow Wilson House at our recent centenary kick-off event, the United States and its trading partners are close to conclusion of the Trans-Pacific Partnership (TPP); they have entered the implementation phase of the WTO trade facilitation agreement (rescuing the WTO from near irrelevancy in the sphere of trade negotiations); serious negotiations are beginning on the Transatlantic Trade and Investment Partnership (TTIP); there is a current struggle to get the Information Technology Agreement expanded (China willing); and the WTO International Services (ISA) agreement is beginning to take shape. And since that event, a WTO negotiation on reduction and elimination of tariffs on environmental goods has been announced.

(Continued on page 3)

A Word From the President

As the National Foreign Trade Council (NFTC) begins its second century, I would like to spend a few moments looking forward rather than backward. We'll be doing plenty of the latter throughout the year, and I hope you will be able to join us at some of the many events we have planned.

For 100 years, the NFTC has carried the torch for an open, rules-based trading system, and there is no question we will continue to do so. That said, there is no question that the trading system currently faces unique challenges. This was no doubt true in the past as well—my predecessors who guided the organization through two world wars and the Depression faced grave difficulties, as did those who helped design new international institutions after the second world war, and I would not want to claim that today's challenges are harder than those.

(Continued on page 2)



Centennial Kickoff Reception at President Woodrow Wilson's House

On January 14, the NFTC's year-long centennial celebration kicked off at the President Woodrow Wilson House in Washington, DC. More than 75 guests were entertained by "President Woodrow Wilson in Person" (re-enactor Judd Bankert), listened to reflective remarks by NFTC President Bill



USTR Ambassador Mike Froman

Reinsch and Chairman Alan Wolff, and heard U.S. Trade Representative (USTR) Mike Froman give an upbeat assessment on prospects for the two ongoing trade negotiations (TPP and TTIP), passage of trade promotion authority, and the continued expansion of global trade – and with it, the American economy – well into the 21st Century. The evening culminated with the unveiling of "The NFTC Story", a unique three-dimensional commemorative artwork by local artist Lawrence Romorini, specially commissioned by the NFTC to convey the story of our first 100 years, and the issues propelling us into our new century. *(Photo of artwork appears on page 15 of this special issue of Council Highlights.)*

(Continued on page 12)

Inside this Issue:

View from the NFTC Chair	1, 3-4
A Word From the President	1-2
International Trade & Export Finance	5-7
USA*Engage	8-9
Tax Policy	10
International Human Resources	11
Centennial Celebration News	12-15

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News for Our Members

A Word From the President

(Continued from page 1)

Those old challenges were classic protectionism, largely high tariffs, war, and then the effort to design post-war structures that would stimulate recovery and at the same time prevent the same thing from happening all over again.

In many ways, our predecessors succeeded, and the trading system is more open than ever. At the same time, we have learned over the years that dealing with trade barriers is like pushing on a balloon – if you shrink it in one place, it only pops out in another. Tariffs are no longer the biggest problem in the trading system, though some significant ones remain. Instead our negotiators are focused on other barriers to market access and, increasingly, to new problems caused by the rapid transition to global supply chains and the development of a digital economy, two developments that were inconceivable in 1948 when the GATT began.

We do not yet fully understand these new developments, and many governments – and businesses – are feeling their way in what is very uncertain territory. Uncertainty, of course, breeds insecurity, and the rapid pace of change only makes that worse.

Some countries are responding to these changes with a new economic model that is a variation of what Chalmers Johnson called “state developmental capitalism.” It is a model based on much greater government involvement in the economy – directing development by means of identifying sectors for growth and expansion, funneling capital to them at subsidized rates, protecting them with access barriers or standards that foreign competitors find difficult to penetrate, and relying on them to produce export led growth, which, in effect, transfers the cost of the policy to other countries. The fact that some of these countries couple this economic model with a political model that rejects democracy and the rule of law, poses a broader challenge for the United States, but I won’t get into that here.

These differences show up in multilateral trade negotiations, because it is those same countries that reject market opening trade liberalization, often using the excuse that they are defending the least developed countries. Ironically, it’s those very countries that have the most to gain from trade liberalization, particularly in agriculture, and one of the challenges for the U.S. and EU is to encourage those nations to speak for themselves rather than to let others speak for them.

In short, we have moved into an era where the developed countries, faced with their own economic problems, have begun to insist that the rapidly emerging economies take on a greater share of the cost of maintaining the international trading system, and the latter have declined to do so. This impasse is the reason why the Doha Round failed and why producing an outcome at Bali was so difficult. It is also why developing a post-Bali agenda is going to be difficult. I think it’s going to take five to 10 years to work through this. The developed countries will need to adjust to a more complicated world where they can no longer make the decisions. The emerging economies will have to learn to take more responsibility for maintaining the system from which they have benefited, even if they were not involved in its original design. Eventually they will, but not without a lot of drama along the way.

Meanwhile, the world is not going to stand still. Economists predict China will surpass us as the world’s largest economy in a few years. Their efforts to internationalize the RMB will ultimately succeed, and by the next decade it will rival the dollar as a basis for international transactions. In the same time period, we can expect a number of African economies to finally take off. If TPP and TTIP are successfully concluded, they will further transform the trading system by both facilitating the further integration of global supply chains and by establishing a network of rules and standards that will help the EU and the U.S. counter the alternative economic model I described earlier. Finally, we can expect but never adequately prepare for additional transforming technology changes like those we’ve experienced over the past 20 years.

In other words, one thing that is certain is more change. What is also certain is that the NFTC will still be here to forecast it, interpret it and help you cope with it.

“A Word From the President” is written by NFTC President Bill Reinsch. If you have questions or comments, please forward them to breinsch@nftc.org.

News for Our Members

View from the NFTC Chair – *The NFTC's Second Century*

(Continued from page 1)

Looking forward beyond a few years is a bit more of a challenge. Where we are now compared to where our NFTC founders were a century ago gives some pause to anyone attempting to peer into the future.

In 1913, the average U.S. tariff was 44 percent, but President Wilson in a rare event (not since John Adams) appeared before Congress himself to plead for reform, and the tariff was reduced to an average of 26 percent (with backsliding on some products due to the Sugar Lobby and others). For you libertarian readers, it is interesting that, in effect, the “pay-for” was imposition of the first income tax (at 2 percent – you may have noticed that the rate has gone up some since then).

In April 1914, the world was shrinking, as the first ship passed through the Panama Canal. The United States had a \$500 million trade surplus, including a lot of silver exports. It had experienced a long period of sustained peace, globalization and waves of migration. Technology moved easily and quickly (particularly for ship building, iron and steel, telegraph and telephones; being diffused to wherever entrepreneurial activity flourished). Multinationals emerged: by 1911 International Harvester was producing harvesting machines in France, Germany, Russia and Sweden as a result of those countries’ protectionist policies; Ericsson, a Swedish firm, and Western Electric, an American firm, both had to establish overseas branch plants in order to win telephone contracts in various European countries.¹ Even with high tariffs, compared with today, to a very large degree the tariff was not the key determinant of trade.

A century ago the desire for revenue was a primary motive for levying of tariffs. That is no longer the case. Going forward beyond the near term, the key factors governing trade priorities that I would identify are the following:

Geopolitics

While the main factors shaping U.S. trade policy are likely to be different in most respects in the next NFTC century than they were in the last, one constant is geo-politics. A century ago, in August, the British and Germans reversed their close trading relationship. Britain imposed a blockade on all contraband destined for Germany, and that included food. Nine months later the Lusitania, six days out of New York bound for Liverpool, was sunk by a German submarine as pay-back. Going forward, sanctions will likely always play a role, though they should not be a dominant sustained condition of world trade.

Innovation and technology

Pope Francis has declared that the Internet is a blessing from God. Our NFTC second century will certainly be shaped by changes in the technological context in which trade takes place – more blessings. What is traded, where it is invented, produced and consumed, will determine to a large extent where we face trade policy challenges and where agreements must focus. We are concerned now with cross-border data flow, a subject that was in its infancy a few decades ago (the French customs authorities wished to value for tariff purposes the content that was on a disk, rather than the piece of plastic itself). Biotechnology is just coming into its own, as well as new materials. Technology has permitted the creation of supply chains. 3-D printing and other inventions that are yet to come will certainly be a determinative factor in where items are produced. Where things are invented will depend to a large degree on where investments – in people and in productive facilities, as well as consumption – are promoted by governments. (Industrial policy writ large).

(Continued on page 4)

¹ <http://dev3.cepr.org/meets/wkcn/1/1679/papers/Daudin-Morys-O'Rourke-Chapter.pdf>

News for Our Members

View from the NFTC Chair – *The NFTC's Second Century*

(Continued from page 3)

People

Demographics will also determine where production and consumption take place. The freer movement of human capital across Europe, our own future immigration policies, the differences in countries in terms of average age – each will change patterns of supply and demand. Will the increase in our Spanish heritage population change our priorities in trade agreements to look more toward Latin America? Possibly.

Finance

The level of trade and what is traded depends to a large extent on macro-economic factors – fiscal and monetary policies among others. The level of economic activity in whole countries, and for that matter, much of the world's demand, in both developed (think Ireland, Spain and Greece) and developing countries (too many to name) will determine the levels of production and consumption. Imbalances have been glancingly dealt with in the GATT. The location of production has certainly been influenced since World War II by whether a country relied more on direct (income) taxation than indirect taxes (such as the VAT). Finance ministers and trade ministers still don't speak the same language. Going forward, one would think they will have to do so. Leading economists such as Martin Feldstein have said recently that the world has not yet seen the end of financial crises. And nearly 50 years ago, an import surcharge cleared the way for a new international exchange rate system. This is not to predict that that sort of event will recur, but economic factors, from quantitative easing or austerity to interest rate levels will be strong factors shaping the flows of international trade.

Energy

The position and outlook of the United States today differ markedly from our mid-first NFTC century – of oil embargoes and trying to make energy policy “the moral equivalent of war.” We have a stake in the economic, trade and environmental impact of shifts in energy sources and availability. (Ask Californians whether they have concerns over the kind of coal burning that is affecting their air supply coming across the Pacific). Energy demand, supply and composition will also determine where things are made and consumed and the levels of production and consumption.

Climate Change

This subject is moving from talking about the weather to taking actions because of it. In the case of Nike, who is considering moving plants out of places that are more likely to be flooded. Coca Cola is considering where there is adequate water supply and what the price of sugar might look like in the future. And then there is the opening of the Northwest passage through the Arctic, without the help of de Lesseps. Where goods are produced and where they are consumed will also be shaped by climate. This determinant of trade is more than about agriculture, although the investment in vineyards in England is an interesting development. Conservative economists as well as liberals are recognizing the need to think about the impact of climate change, as are businesses.

* * * * *

All of this is to say that we can consciously make decisions about trade policy for the relatively near term, but there are major contextual factors that will shape our future trade priorities. The priority we give to which nations we feel we need agreements with and what those agreements should address is going to change. We need to think more openly and across not only geographies but across disciplines to assess where the NFTC's efforts should eventually be directed. The future in many respects may remain opaque and will hold many surprises, but there are elements that are discernible already. We have a very rich and valuable resource in the NFTC – in our members and in our staff – to think about the future and continue to lead in crafting policy solutions to meet emerging challenges and opportunities.

Ambassador Alan Wm. Wolff is a Senior Counsel of the International Trade Practice at McKenna Long & Aldridge LLP and is the Chairman of the NFTC Board of Directors.

International Trade & Export Finance

NFTC Supports Launch of Environmental Goods Initiative at the WTO

On the sidelines of the annual meeting of the World Economic Forum in Davos, Switzerland, a group of economies, including the United States, European Union and China, announced plans to negotiate a plurilateral agreement under the umbrella of the World Trade Organization to eliminate tariffs on a set of environmentally friendly goods. Such an agreement would build upon prior efforts to cap tariffs on a set of environmental goods under the Asia Pacific Economic Cooperation forum, as well as work identifying and discussing environmental goods done at the WTO and by organizations including the World Bank.

The launch is potentially significant for two reasons. First, this type of plurilateral agreement is likely the wave of the future for the WTO. It will remain difficult, if not impossible, to get the entire membership of the WTO moving towards any trade liberalization in the near future that requires unanimity, so the alternative is likely be these plurilateral clusters. Second, this particular agreement would help demonstrate the ability of trade policy to address the global challenges of addressing climate change and protecting the environment. Through its Global Innovation Forum, NFTC has been promoting the idea that trade liberalization can benefit society more broadly, and the Council is encouraged by efforts among countries to frame trade as in ways that help address global challenges.

NFTC welcomed the launch, releasing a statement congratulating Ambassador Michael Froman and other negotiating countries and highlighting its importance in building on the momentum generated by the recent Bali agreement. NFTC will continue to work with its members and negotiators to achieve an expeditious and ambitious outcome that includes a critical mass of trade of key environmental goods.

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

NASBITE International Honors NFTC with 2014 Advancing International Trade Award

On January 30, 2014, the National Association of Small Business International Trade Educators International (NASBITE International) announced that the NFTC will receive the 2014 Advancing International Trade Award on April 4, 2014, during the NASBITE International annual conference in Memphis, TN. The Advancing International Trade Award is given to organizations or individuals who have contributed to the advancement of international trade for four or more years. For the NFTC, the legacy of advancing international trade goes back 100 years. It is the oldest and largest American organization dedicated solely to international business issues.

“The NFTC is honored to receive this award,” said NFTC President Bill Reinsch. “Now in our centennial year, the NFTC has long been an advocate for an open, rules-based global trading system, and has worked to advance critical trade agreements that have boosted U.S. economic growth and increased American jobs. We greatly appreciate NASBITE International’s recognition of our work, and we will continue to push on in our efforts to expand U.S. trade.”

“We want to thank NASBITE International, an organization run for and by fellow global business professionals, for this prestigious honor,” said NFTC Vice President James Wilkinson. “Since our inception, the NFTC’s mission has been to advance and expand U.S. trade by helping America’s international businesses gain new markets. The NFTC is grateful for NASBITE International’s acknowledgment of our century of efforts through this award.”

This year the NFTC will celebrate its 100th year. In commemoration of its centennial, the NFTC is convening a nationwide series of activities and programs to examine the future of trade in the context of key industries, regions and issues.

International Trade & Export Finance

Will the NSA Revelations Jeopardize the U.S.-EU Trade Talks?

The documents leaked by former NSA contractor Edward Snowden have had a serious impact in the United States. However, during a recent speech at a [CSIS event](#) on the “Transatlantic Cybersecurity Dialogue,” Deputy Head of the European Union Delegation to the United States François Rivasseau noted that the reaction in Europe to these revelations has been stronger than what Americans can even imagine.

While this may not be the case in every EU member state, in some it has become a real political issue, especially in Germany. German Chancellor Angela Merkel has denounced the NSA spying several times, including most recently on January 29 during her inaugural speech for the new parliamentary term before the Bundestag.

The reaction has also been strong at the EU level, particularly from EU Justice Commissioner Viviane Reding. Just last week, Reding [called](#) for changing the “Safe Harbor” framework – an agreement allowing U.S. companies to access EU citizens’ data, in spite of the differences between the EU and U.S. regulatory systems. If changes are not made to the framework by the summer, some in the European Union are threatening to suspend the “Safe Harbor” agreement. This would be very bad news for transatlantic businesses.

But what does it all mean for Transatlantic Trade and Investment Partnership (TTIP) negotiations? With EU Parliament elections taking place in May, this strong public reaction could lead the newly elected Parliament to be skeptical of TTIP if members are elected on a platform backing data protection. Indeed, there are already efforts today in the EU Parliament to roll back transatlantic cooperation because of the NSA revelations; moreover, the Parliament has already rejected an international agreement on intellectual property rights – the Anti-Counterfeiting Trade Agreement (ACTA).

However, while the NSA revelations have complicated the discussion between the United States and European Union on cybersecurity and data protection, both have a shared interest in ensuring a stable environment for the online marketplace. Both also want to work closely on these issues together – the [EU-U.S. Working Group on Cybersecurity and Cyber Crime](#) launched in 2010 is proof of that – and have expressed a shared interest in improving the global digital marketplace through efforts such as a joint statement of principles on ICT.

So, will the NSA revelations complicate the TTIP talks? Yes they will, but they need not stall the agreement so long as both sides come together and work constructively on a set of commercial issues relevant to both sides, while separately addressing national security-related concerns through appropriate diplomatic channels. As Chancellor Merkel [stated](#), breaking off the TTIP talks because of the NSA leaks would not be “very helpful” and “the German-American and the transatlantic partnership [...] remain of paramount importance” for Germany, the European Union and the United States.

For questions and comments, contact Chuck Dittrich at cdittrich@nftc.org or Sophie Bolla at sbolla@nftc.org.

International Trade & Export Finance

NFTC Testifies on AGOA at the International Trade Commission

On January 14, NFTC Vice President Dan O’Flaherty testified before the International Trade Commission (ITC) on renewal of the Africa Growth and Opportunity Act (AGOA). Although the law expires in 2015, the NFTC advocated renewing AGOA earlier for a period of two years during which time the Executive Branch and Congress could review the findings of the ITC, the Government Accountability Office and private-sector organizations to make considered changes in the scope and coverage of AGOA.

The NFTC testimony pointed to the benefits of AGOA to U.S. companies that source from Africa and argued that while the ultimate goal of AGOA should be reciprocal trade agreements with individual African countries, or blocs of them, reciprocity should remain a long-term goal. The testimony pointed to the defects of the European Union’s economic partnership agreements with several African countries. The ITC had identified the EU-South Africa free trade agreement and its impact on U.S. exports to South Africa as a subject of the hearing, specifically whether South Africa should be graduated from the program. The NFTC argued that, despite the fact that South Africa is a middle-income developing country, the radical maldistribution of income in South Africa is adequate reason for continued South African AGOA eligibility. The NFTC supports enabling Africa’s regional economic communities, in addition to individual countries, to be designated as eligible for AGOA benefits. The NFTC also advocates reducing the AGOA’s rule of origin that requires 35 percent of a product originate in the eligible country be reduced, thereby enhancing the ability U.S. companies’ supply chains to source in AGOA eligible countries.

For additional information, contact Dan O’Flaherty at doflaherty@nftc.org.

NFTC Files Amicus Brief with the Supreme Court in Alien Tort Statute Case

On January 21, the NFTC filed an amicus brief with the Supreme Court in *John Doe vs. Nestle, USA, Archer Daniels Midland and Cargill*, a case brought under the Alien Tort Statute (ATS). The brief, which was filed jointly with the U.S. Chamber of Commerce, argued that a ruling by a panel of the Ninth Circuit Court of Appeals to vacate a District Court’s dismissal of the case, thereby allowing it to proceed, will deepen confusion about the proper interpretation of the ATS. The Supreme Court held in an April 2013 ruling in *Kiobel vs. Royal Dutch Petroleum* that the ATS does not apply to acts that occurred outside of the United States. The *Kiobel* decision, along with a previous Supreme Court ruling in *Sosa v. Alvarez-Machain*, significantly limit the application of the ATS to the overseas operations of U.S. companies.

Since the alleged conduct in the Nestle case occurred in Cote d’Ivoire, the NFTC/U.S. Chamber amicus brief argued that it is in clear conflict with *Kiobel* and “ignores the Supreme Court’s “unambiguous admonition to limit the sweep of the ATS...which does not support jurisdiction over claims where the underlying conduct giving rise to the tort occurred abroad.” The brief posed three main arguments: (1) the plaintiffs, case effectively makes United States companies liable for their mere commercial relationships with foreign partners; (2) such liability places U.S. companies at a competitive disadvantage; and (3) allowing such suits directed at corporations lawful commercial activities overseas ensnares them in costly and damaging attacks on their reputations.

The NFTC/U.S. Chamber brief concluded that “the combination of deliberately dramatic public relations campaigns, complex discovery, and the unclear standards announced in the panel opinion create a recipe for protracted litigation.” The NFTC has submitted numerous amicus briefs on behalf of defendants in ATS cases and will continue to do so as long as the statute is used to bring claims against U.S. companies that are outside the parameters laid down by the Supreme Court.

For additional information, contact Dan O’Flaherty at doflaherty@nftc.org.

On S. 1881 the “Nuclear Weapon Free Iran Act of 2013”

“Hear, Imlac, what thou wilt not without difficulty credit. I have possessed for five years the regulation of the weather and the distribution of the seasons. The sun has listened to my dictates, and passed from tropic to tropic by my direction; the clouds at my call have poured their waters, and the Nile has overflowed at my command. I have restrained the rage of the dog-star, and mitigated the fervours of the crab. The winds alone, of all the elemental powers, have hitherto refused my authority, and multitudes have perished by equinoctial tempests which I found myself unable to prohibit or restrain. I have administered this great office with exact justice, and made to the different nations of the earth an impartial dividend of rain and sunshine.” Samuel Johnson. *Rasselas*.

Reading S. 1881, the “Nuclear Weapon Free Iran Act of 2013,” now reportedly supported by 59 senators, calls to mind Dr. Johnson’s dramatization of the astronomer in *Rasselas*, an Enlightenment meditation on the limit of reason and the virtue of humility. Just like the astronomer, advocates of more financial warfare on Iran make a remarkable judgment about their ability to direct outcomes, as a reading of the bill text reveals.

The “Findings” section asserts, “Strict sanctions on Iran, imposed by the United States and the international community, are responsible for bringing Iran to the negotiating table.” No mention made, or account taken, of (1) the surprising, arguably transformational, election of Rouhani as president in 2013, and (2) the fact that, despite the plethora of sanctions implemented and the undeniable economic harm done to Iran’s macro-economy, Iran’s mastery of the nuclear fuel cycle has nonetheless occurred. This is not to argue that the sanctions don’t matter; only that the sanctions are part of a complex web of actions and negotiations that have brought both sides to the present point.

Like the bill passed by the House last year, S. 1881 would mandate a virtual global boycott of Iranian petroleum exports, which if successful would remove an additional 1 million barrels a day from the world oil market. (Note that world oil prices have not dropped over the past few years, despite the major increase in U.S. production. Apparently, the bill’s supporters believe that Iran’s regional competitor, Saudi Arabia, will make up the difference, and that continued high oil prices will not remain a drag on the U.S. economy.) The bill would also extend the reach of financial sanctions to all “strategic” sectors of Iran’s economy.

Against the common sense understanding of the interim agreement to engage in comprehensive negotiations – that for the duration of negotiations Iran will curtail or stop specified nuclear-related activities in return for modest, specified sanctions relief and the guarantee that no new sanctions will be implemented – the proponents of S. 1881 assert that the additional sanctions proposed are merely contingent on Iran’s keeping its end of the bargain. And, because sanctions have forced the Iranians to bargain, the prospect of more crippling sanctions will motivate them to negotiate away their entire nuclear capability. On its face, this warrants comparison to Johnson’s astronomer: our sanctions caused the change; therefore, more of our sanctions will lead to our desired outcome.

Much discourse has already occurred on this point. The Administration has been candid in its statements that S. 1881 would blow up the negotiations; hence, the President’s declaration of a veto in the event the bill reaches his desk.

But the bill’s true intent resides in Section 301, titled “Suspense of Sanctions to Facilitate a Diplomatic Solution” (sic), which sets forth the conditions under which the new sanctions would be suspended. Not merely are compliance with the terms of the interim agreement, the Joint Plan of Action, and good faith negotiation of a comprehensive agreement required; but also that the United States is “working towards a final agreement that will dismantle Iran’s illicit nuclear infrastructure to prevent Iran from acquiring a nuclear capability.” Given Iran’s mastery of the nuclear fuel cycle, how to verify that Iran will not implement that ability in a nuclear weapon is precisely what is to be negotiated, not capability *per se*.

(Continued on page 9)

On S. 1881 the “Nuclear Weapon Free Iran Act of 2013”

(Continued from page 8)

Even that presumption to set the outcome of a final agreement, however, is insufficient to justify suspension. Section 301 also requires that “Iran has not directly or through a proxy, supported, planned, or otherwise carried out an act of terrorism against the United States or United States persons or property anywhere in the world.” This, despite the fact that of course Iran holds pride of place on the State Department’s State Sponsor of Terror list. And to complete the trifecta, “Iran has not conducted any tests for ballistic missiles with a range exceeding 500 kilometers.” The thing speaks for itself indeed.

In other words, the bill quietly moves the goalposts far beyond the original intention of addressing Iran's nuclear ambitions, thus virtually guaranteeing the failure of the talks and the imposition of the bill's additional sanctions. Also, needless to say, nowhere in the bill is there any stipulation that in the event of a successful negotiation between the P5+1 and Iran, the existing sanctions would be repealed. One might be hard pressed to find in the annals of diplomacy among sovereign nations a more artfully designed boobytrap.

A comprehensive agreement that results in an empirically-based mechanism to guarantee that Iran will not stand up a nuclear weapon may or may not come to pass. But with the decomposition of the post World War I colonial division of “the Middle East” gathering speed, it is unquestionably worth the effort to try.

In the event of failure, Congress, as the Administration has stated, can double down on financial warfare quickly, but legislation to effectively force the issue now would be an historic mistake.

For more information, contact Richard Sawaya at rsawaya@nftc.org.

NFTC: Record Export Growth Over Four Consecutive Years Underscores Importance of Advancing U.S. Trade Agenda

On February 6 the NFTC welcomed the announcement by the Department of Commerce that U.S. exports set a new record, reaching \$2.3 trillion in 2013 and marking the fourth consecutive year of export growth. The NFTC also welcomed the news that the U.S. trade deficit decreased by more than \$63 billion.

NFTC President Bill Reinsch released the following statement.

“We are encouraged that for the fourth year in a row the United States has achieved record growth in U.S. goods and services exports. More exports mean more American jobs and economic growth nationwide, all of which are critical to driving sustained economic recovery.

“To continue maximizing U.S. export growth, we must further expand market access through trade agreements, such as the Trans-Pacific Partnership, Transatlantic Trade and Investment Partnership, Trade in Services Agreement and negotiations to eliminate tariffs on environmental goods. These initiatives will give the United States greater access to some of the largest economies in the world, benefiting the U.S. economy and American business- and workers.

“Modernized Trade Promotion Authority (TPA) legislation is essential to ensuring that our negotiators can deliver the most economically beneficial results in these and future trade deals. We urge Congress and the Administration to work together to take action on TPA as soon possible this year.”

Tax Committee Leadership Change Coming

The Second Session of the 113th Congress will be dominated by political posturing ahead of the November elections. Senate Finance Committee Chairman Baucus has been nominated to be the U.S. Ambassador to China, and once his nomination has cleared the Senate, Senator Wyden will become the Chairman of the Senate Finance Committee.

When Senate Finance Committee Chairman Baucus released several discussion drafts at the end of 2013, it was with the hope that his Committee would be drafting a markup document in early 2014. Senator Wyden has not made any comments on the details of the Baucus drafts. Senator Wyden is likely to have a different agenda from Chairman Baucus, but will not discuss it publically until he assumes the Chair.

Senator Wyden has introduced a tax reform package with Republican Senator Dan Coats. The Wyden/Coats package differs significantly from the discussion drafts proposed by Senator Baucus. The Wyden/Coats package, the "Bipartisan Tax Fairness and Simplification Act of 2011," would lower the corporate tax rate to 24 percent, and among other items would repeal the AMT, deferral for CFCs, the active financing exception, Section 199, the deduction for punitive damages, the reduced tax rates on the first \$10 million on corporate taxable income, completed contract rules, dual capacity, and the lower of cost or market valuation method for inventory accounting. The legislation also eliminates the exclusions for income earned abroad by U.S. citizens, the exclusion for meals and lodging, exclusions for health benefits under cafeteria plans and the exclusion for premiums under group term life insurance plans. Senator Wyden rejected the move to a territorial tax system in his tax reform proposal, but has said that he is still open to discussing it.

In comparison, the Baucus international discussion draft proposes to end deferral, such that the foreign earnings of foreign subsidiaries of U.S.-based multinational corporations would be taxed immediately or not at all. The draft proposes two options for a minimum tax that would subject a significant portion of a foreign subsidiary's foreign earnings to U.S. tax. Under Option Y of the Baucus draft, income from sales in foreign markets would be exempt from U.S. tax only to the extent that it has been subject to foreign tax equal to at least 80 percent of the U.S. corporate tax rate. Under Option Z, income from sales in foreign markets would be taxable at 60 percent of the top U.S. corporate rate if the income is attributable to economically significant activities of the foreign subsidiary that constitute active foreign market income. Under both options, income from sales into the United States and passive income would be taxed at the full U.S. rate, and interest deductions would be disallowed if allocable to the tax-exempt income of a controlled foreign corporation (CFC).

House Ways and Means Chairman Camp has said that he will only move forward with a comprehensive tax reform package. The majority of small business is organized as pass-through entities, and they will oppose any tax reform measure that does not include individual reforms. The House and Senate have different goals for tax reform. The Republicans would like tax reform to be revenue neutral, whereas Senate Majority Leader Reid has said that tax reform needs to raise close to one trillion dollars for deficit reduction. There is a very wide gap between zero and one trillion.

The fact that Chairman Camp was term-limited and Senator Baucus was retiring at the end of 2014, had been the driving influence in their quest to complete a reform of the tax code in the 113th Congress. Senator Baucus is leaving the Senate earlier than anticipated, and the era of a new Chairman will begin. Even with a strong supporter of tax reform as the new Finance Committee Chairman, the continuing divergent House and Senate goals and the pending midterm elections, mean that the hopes for tax reform in 2014 seem remote.

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

International Human Resources

13th Annual International Human Resources Forum-Houston- March 4 -5, 2014

The NFTC will be hosting its 13th annual International Human Resource Management Forum in Houston on March 4-5, 2014. The central theme will be “Managing Opportunities and Realities in Frontier Markets: Three Steps Ahead.”

The forum will include sessions on:

- “Frontier Markets” – Expectations and Realities
- Talent and Mobility Management in Multi-National Corporations
- Africa: Preparing for the Unexpected
- Developing Leaders for the Global Enterprise
- Protecting International Travelers & Expatriates Against Health Risks in the Middle East and Africa
- Best Practices in Global Mobility in the Oil and Gas Industry
- Women’s Health Access in Emerging Markets
- Canada-U.S. Border Crossings: Issues and Answers
- Technology Supporting Global Mobility
- Health Management and Productivity in Russia and Eastern Europe
- Managing the Challenge of Expatriate and Global Compensation Data

In addition to subject matter experts from Aon Hewitt, Berry Appleman & Leiden LLP, KPMG LLP, MetLife International, NetExpat and Paragon Relocation, the faculty will include speakers from Airinc, Black & Veatch, the Canadian Employee Relocation Council, ConocoPhillips, Dell, Diamond Offshore Drilling, Global Guardian, Halliburton, Living Abroad, New York University, Schlumberger and Worley Parsons.

For information on the agenda and registration, go to the NFTC’s Calendar of Events for March 4-5, 2014, or contact Sandra Rodriguez at srodriguez@nftc.org.

Centennial Celebration News

Centennial Kickoff Reception at President Woodrow Wilson's House

(Continued from page 1)

What would Woodrow say?

Re-enactor Judd Bankert did a stellar job impersonating President Wilson, greeting arrivals, posing for photographs, mingling and talking substantively with guests about the 28th President's expansionist views on trade. But we had no idea how impressive and inspiring his remarks from the podium would be, which Mr. Bankert pulled from various speeches by President Wilson:



President Woodrow Wilson in Person" (actor Judd Bankert) speaks to guests at the Centennial Kickoff Reception

"When Commerce Secretary Redfield and your delegation led by Edward Hurley came to meet with me in the White House back in May of 1914 and told me what they and others like James Farrell of U.S. Steel and Alba Johnson of Baldwin Locomotive had in mind, I was delighted to give them my full support, for like you I believe our country and the world will be best served by

"...the removal, so far as possible, of all economic barriers and the establishment of equality of trade conditions among all the nations."

"There is nothing in which I am more interested than the fullest development of the trade of this country and its righteous conquest of foreign markets." "To conquer with arms is to make only a temporary conquest; to conquer the world by earning its esteem is to make permanent conquest. I am confident that the nations that have learned the discipline of freedom and that have settled with self-possession to its ordered practice are about to make conquest of the world by the sheer power of example and of friendly helpfulness."

"One nation is distinguished from another nation not by its possessions, but by its ideals, by what it believes in; by what it lives by; by what it intends, by the visions its young men and women dream and the achievements which its men and women of maturity attempt."

"This, then, my friends, is the simple message that I bring to you. Lift your eyes to the horizon of business. Do not look too close at the little processes with which you are concerned, but let your thoughts and your imaginations run abroad throughout the whole world. And, with the inspiration of the thought that you are Americans and are meant to carry liberty and justice and the principles of humanity wherever you go, go out and sell goods to the citizens of the world."

So just what did Woodrow Wilson say to the first National Foreign Trade Convention in May of 1914? How close was Mr. Bankert's "Woodrow Wilson in Person" to the real Wilson? According the official report of the first Convention, President Wilson addressed the delegates gathered in the East Room of the White House as follows:

"I had hoped that Secretary Redfield would put into my ear what I should say to you, for I cannot claim to be an expert on the subjects you are discussing. I am sure he expressed the feeling which I would wish to express, which is the feeling of encouragement that is given by the gathering of a body like this for such a purpose. There is nothing in which I am more interested than the fullest development of the trade of this country and its righteous conquest of foreign markets."

(Continued on page 13)

Centennial Celebration News

Centennial Kickoff Reception at President Woodrow Wilson’s House

(Continued from page 12)

“I think that you will realize from what Mr. Redfield has said to you that it is one of the things that we hold nearest to our heart that the government and you should co-operate in the most intimate manner in accomplishing our common object. One of your members just now said something in my ear about the merchant marine, and I am sure that I speak the conviction of all of you when I say that one of our chief needs is to have a merchant marine, because if we have to deliver our goods in other people’s delivery wagons, their goods are delivered first and our goods are delivered incidentally on their routes. This is a matter I have had near my own heart for a great many years. It was only by authority of my parents that I was prevented from going to sea, and I only hope that it is not a universal regret that I did not.

“I hope this is only the first series of conferences of this sort with you gentleman, and I thank you for this opportunity.”

So there you have it: the trade agenda of 1914 as set forth by President Wilson. He calls for expansion of U.S. exports and global trade generally; and adds a brief soliloquy on the need for a merchant marine that seems almost quaint today.

Most importantly, he calls for future trade conventions. It was this call by President Wilson that inspired the Convention delegates to create a standing body of trade experts to convene annual foreign trade conventions, and to “coordinate the foreign trade activities of the nation” in conjunction with the government and other business organizations. This standing body of trade experts, as we all know, was dubbed the National Foreign Trade Council.

While President Wilson’s remarks in 1914 contain an almost-mercantilist call for ‘righteous conquest of foreign markets’ and need for a U.S. Merchant Marine, Mr. Bankert’s Wilson, culled together from several Wilson speeches, focused on the expansion of trade as a means of exporting American values, as opposed to temporary conquests by force of arms. Bankert’s Wilson argues that it is the inspiring and timeless ideals of liberty and justice, and that lasting power of example that commerce provides, which will gain America the esteem of the world. Bankert’s inspired delivery of Wilson’s vision reminded NFTC members and guests of the critical role of commercial diplomacy in advancing American and democratic values, and of the importance of commercial ties in securing a more peaceful world. Bravo, President Wilson. And well done, Mr. Bankert.



NFTC Team—Dan O’Flaherty, Richard Sawaya and Catherine Schultz signing NFTC Centennial Card.



Woodrow Wilson in Person and Catherine P. Bennett of Tyco



Ambassador Alan Wolff, McKenna Long & Aldridge LLP and Chairman NFTC

Centennial Celebration News

Join NFTC as We Celebrate Our New Century!

A Centennial Celebration is literally a once-in-a-lifetime event. At NFTC, we are not content to merely celebrate our rich history. In the spirit of the first National Foreign Trade Convention, we want to seize this unique moment to examine critically the world trade landscape, analyze the mega-trends in force, and envision what the future of international trade will hold for our companies, industries and America as a whole.

In 2014, NFTC will convene a nationwide series of activities and programs to examine the future of trade in the context of key industries, regions and issues. Now, as in 1914, the strength of NFTC rests in the community of our members.

We invite all our member companies to partner with us as we seek to update the vision of Secretary Redfield a century ago: Beyond the endless talks and disputes—*What is the future of American trade in the global economy?*

Please join us in the many opportunities we have organized to Celebrate our New Century!

Here is a list of some of the activities we have planned:

- February 27 - Board of Directors Meeting hosted by Google
Dinner at the Embassy of New Zealand
- March 4-5 - Centennial observances at the NFTC 13th Annual International Human Resources Conference. Houston TX.
- March 20 - *The Future of Transatlantic Trade*. Hosted by British-American Tobacco. London, England.
- April 4 - NASBITE Awards Ceremony, Memphis TN
- April 24 - *The Future of Trade in Energy*. Sponsored by ExxonMobil, Washington, DC
- December 3 - NFTC Centennial Celebration World Trade Dinner

Corporate members are encouraged to join the celebrations and donate to the 100th Anniversary Fund to help fund these events and activities. In return, they will be recognized on what is perhaps most unique of all the 100th Anniversary tributes: a major commemorative artwork has been commissioned to visually transmit the wonderful history and influence of the organization over its 100 years, as well as its critical role going forward.

Please contact NFTC Vice President for Strategy and Growth James Wilkinson at jwilkinson@nftc.org for more details and for ways you can chip in and join the fun!



SAVE THE DATE!

Wednesday, December 3, 2014
The Centennial NFTC World Trade Dinner

Andrew W. Mellon Auditorium
1301 Constitution Ave NW Washington, DC

For Sponsorship or event information
Please Contact James Wilkinson at jwilkinson@nftc.org or 202-464-2022

“The NFTC Story”
3-Dimensional Commemorative Artwork Unveiling
Designed by: Lawrence Romorini of One of a Kind Studio, Inc.



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NATIONAL FOREIGN TRADE COUNCIL

"SERVING AMERICA'S INTERNATIONAL BUSINESSES SINCE 1914"

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.*