

# Council Highlights



June 2001

NATIONAL FOREIGN TRADE COUNCIL

## A Word From the President

One day in a new job there usually comes a time after the moving in, where one rocks back in the new chair and thinks, "Well, now what do I do?" At that point reality begins to sink in.

Three weeks into my position as President, I'm still waiting for that moment, since all of us have been running at full speed for some time. This, of course, is the busy season. The WTO panel report on the FSC will likely emerge next month, so we need to be ready. The Administration's proposed budget cut for Eximbank has forced us into a battle we did not expect but which is critical to the country's exporters.

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*"Those of us who want to give ILSA a decent burial and move on must gear up to take on the well-organized forces of extension."*

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This is the part of the Congressional cycle when bills are introduced, so our work on tax simplification, sanctions reform, and the Eximbank reauthorization, to name a few, is urgent. The Iran-Libya Sanctions Act (ILSA) expires in early August. Those of us who want to give ILSA a decent burial and move on must gear up to take on the well-organized forces of extension. As the Administration moves on from Quebec and the Summit of the

*(continued on page 2)*

## TOP COUNCIL NEWS

### **NFTC Launches Major Proposal Calling for Global Elimination of Industrial Tariffs...**

In late March, the NFTC launched a major proposal calling for the progressive elimination of industrial tariffs as a centerpiece of a new WTO Round. *(Article on Page 6)*

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### **WTO Brief Filed Defending FSC Replacement Legislation...**

On February 7th the USTR filed its brief defending the FSC replacement legislation, the Extraterritorial Income Exclusion Act (ETI), as WTO compliant. *(Article on Page 10)*

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### **NFTC Releases Report on Supplier Trade Benefits in Support of Ex-Im Bank's Reauthorization...**

As part of the NFTC's lobbying campaign to reauthorize Ex-Im Bank this year, the NFTC issued jointly with the Coalition for Import through exports (CEE) listing primary suppliers used by 13 major NFTC members companies. *(Article on Page 6)*

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### **Sanctions Reform 2001**

*(Articles on Page 4)*

## **William A. Reinsch is New Council President**

On April 1 William A. Reinsch succeeded Frank D. Kittredge as president of the NFTC. Bill Reinsch has long been a highly regarded voice on U.S. trade policy, having served for the past 7 years as Undersecretary of Commerce for Export Trade Finance and before that as a senior staff member to Senators Jay Rockefeller and Chief Legislative Assistant to Senator John Heinz. Prior to his work in the Senate, he served on the staff of Representatives Richard Ottinger and Gilbert Gude. NFTC Board Chairman Dick Swift said of the Reinsch appointment, "We have found the right person for the job. As Undersecretary and head of the Bureau of Export Administration, Bill dealt with some of the toughest issues of the day. His extensive experience will serve our members well."

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# Council Highlights



America's to the US-EU Summit and the G-8 meeting, starting a new WTO round takes top priority, which means "fast track" or "trade promotion authority" moves to the front burner, as it has every year for the past six.

Following up Art Downey's excellent testimony before the Judicial Review Commission on Foreign Asset Control last year, we have already begun an OFAC reform project.

*"The new WTO round is inevitable, and we should be getting ready now to develop our priorities..."*

Based on my previous work as Under Secretary of Commerce for Export Administration, I believe there is a critical mass developing in the policy community for munitions export control reform affecting not only military prime contractors but the many parts and components manufacturers as well. The new WTO round is inevitable, and we should be getting ready now to develop our priorities for it in developing NFTC's zero trade tariffs proposal. (One near possibility is a late May early June trip to Geneva to lay out our agenda. Interested? Call Mary Irace, 202-887-0278 or email [mlrace@nftc.org](mailto:mlrace@nftc.org).)

At the same time, both Seattle, and now Quebec, should teach us that further globalization and freer trade, while arguably inevitable, will not proceed without controversy. Those of us who believe in the promise they offer the world's peoples cannot simply assume everyone else gets the message.

Education about trade and the interconnectedness of our world is sadly lacking, and organizations like the NFTC are well equipped to provide it, through direct teaching and curriculum development like Open Trade Education Project, lest we have to fight the same battles every generation, if not every year.

Now comes the hard part. Of course, all these efforts - those that are already underway and those we dream about - require the support of our membership. That means not only moral support and energy in attending meetings, testifying, etc., but financial support as well. Those of you, who have paid your dues, bless you! Those of you who have not, please send them in. It is true that much of our work is a "free" good; that is, when we win, as we did on the FSC and on the Constitutional Challenge to Massachusetts' sanctions law last year, everyone wins, whether they paid us or not.

But the corollary is also true - if no one pays, we cannot do our work, and no one will win. Right now, our ability to keep on doing our work supporting the cause of open trade and fighting on behalf of Americans doing business abroad depends directly on our ability to make our budget. And that depends on you. Your support has been magnificent over the long history of this proud institution, and I hope it will continue as we move into a new century and a new presidency.

- William A. Reinsch  
President

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## NFTC FINANCIAL OPERATIONS CHANGE OF ADDRESS

The NFTC is moving its financial operations from New York to the Washington office, effective immediately.

Please send all remittances, bills, and membership inquiries to the Washington office:

**1625 K St., NW  
Washington, D.C. 20006**

*The National Foreign Trade Council is a leading business organization advocating an open rules-based world economy. Founded in 1914 by a group of American companies that supported an open world trading system, the NFTC now serves more than 500 member companies through its offices in Washington and New York.*



# *U.S. South Africa Business Council*



## **NFTC–sponsored U.S. South Africa Business Council Meets New Administration Officials**

The Business Council is establishing links with the new Bush Administration and beginning a dialogue with them on policy toward South Africa. Business Council chairman Lewis Booth of Ford Motor Company and vice-chair, former Congressman Ron Dellums, wrote Secretary Powell in March urging the continuation of a special relationship with South Africa as a new mechanism is devised to replace the Binational Commission. The Assistant Secretary of State for Africa-designate, Walter Kansteiner, is a long-standing member of the Business Council and will meet with us once he is confirmed. At our March meeting we were briefed by career officials from the State and Commerce Departments and the USTR. On May 16, the Business Council met with the new National Security Council Assistant to the President for Africa, Jendayi Frazier. Following the April 18 settlement of the pharmaceutical lawsuit, the HIV/AIDS pandemic has become a priority concern for the Business Council. There are multiple proposals in Congress and international institutions for multilateral and private /public funding. For more information contact Dan O’Flaherty at (202) 887-0278 or [doflaherty@nftc.org](mailto:doflaherty@nftc.org); or contact Emily Solomon at [ussabc@ziplink.net](mailto:ussabc@ziplink.net).

### *Farewell Reception/Dinner*

*Honoring NFTC*

*Retired President*

*Frank Kittredge*

*Monday, June 4, 2001*

*The Club at Franklin Square*

*1300 Eye Street, NW*

*Washington, D.C.*

*Reception: 5:30 - 7:00 p.m.*

*If you wish to participate contact*

*NFTC Senior Vice President*

*Anne Alonzo*

*(202) 887-0278*



# Sanctions Reform



## Sanctions Reform in 2001

The NFTC-led USA\*Engage coalition opposing unilateral economic sanctions has renewed its efforts to enact sanctions reform legislation. Don Deline of Halliburton is chairing the effort this year, taking over from Bill Lane of Caterpillar, who led USA\*Engage from its inception in 1997.

Sanctions reform legislation, sponsored once again by Senators Lugar and Chairman Crane, along with Senator Hagel, Chairman Crane and Congressman Dooley is expected to be reintroduced into the House and the Senate in mid-May. Initial USA\*Engage contacts have been encouraging and are consistent with Secretary Powell's confirmation testimony and public statements by Vice President Cheney. For further information please contact Dan O'Flaherty at (202) 887-0278 or doflaherty@nftc.org.

### Mexican Minister of Economia Addresses NFTC Membership on First Official Visit to U.S.

On March 6, Mexico's new Minister of Economia addressed a large gathering of NFTC members, including press, in New York City. Minister Derbez was given expanded jurisdiction by President Fox to have authority for the Mexican equivalents of the Ex-Im Bank, the USTR, the Commerce Department and the Small Business Administration. Derbez acknowledged the role played by the NFTC in the approval of NAFTA and stressed the importance of U.S. investment in Mexico, and cited the beneficial impact of NAFTA.

### NFTC leads effort to block Iran sanctions extension

The NFTC and USA\*Engage are leading a business community effort to prevent the Iran-Libya Sanctions Act (ILSA) of 1996 from being extended when it expires on August 5. Reinsch and Deline have written Members of Congress urging them not to renew ILSA, especially given the ongoing review of U.S. policy by the new Bush administration and the Iranian presidential election of June 8. The NFTC is organizing and leading meetings with Members of Congress and their staff to discuss how ILSA has failed to achieve its objective of halting foreign investment in Iran's oil and gas sector and achieved none of the foreign policy goals intended by the legislation. Also discussed are the two 1995 Executive Orders that prohibit U.S. trade with, and investment in, Iran, which have effectively ceded the market to foreign competitors.

NFTC president William Reinsch testified against ILSA renewal on May 9 before the House International Relations Subcommittee on the Middle East. For further information please contact Dan O'Flaherty at (202) 887-0278 or doflaherty@nftc.org.



# Council Highlights



## NFTC President Sends Letters to Ex-Im Bank, OPIC and TDA on NFTC 2001 Priorities

After a very successful effort last year to achieve major changes in Ex-Im Bank's policies and procedures on foreign content, local cost, and co-financing, the NFTC's Export and Project Committee's 2001 priorities include achieving additional policy and procedural changes at Ex-Im Bank. The Committee has expanded this effort to OPIC and TDA. The Committee finalized its list of policy priorities and set up separate teams to be in charge of different agencies and issues. NFTC President Bill Reinsch sent letters to each of future heads of the agencies informing them of the NFTC's key priorities this year and requesting meetings with them after their respective confirmations.

Issues include:

- Calling for an effective U.S. government response to the growing use of market windows by other export finance agencies;
- The development of a long-term insurance product at Ex-Im Bank.

For more information, please contact Mary Irace at [mirace@nftc.org](mailto:mirace@nftc.org).

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### OFAC Reform

The Council is accelerating its efforts to reform and improve the transparency of Treasury's Office of Foreign Assets Control in the wake of recommendations issued by the Judicial Review Commission on Foreign Asset Control in January. A number of the Commission's recommendations dealing with process reforms were the direct result of testimony on behalf of the NFTC by Art Downey of Baker Hughes. Commission recommendations included:

- Congress should require OFAC to make certain revisions to its licensing procedures so that house procedures are more responsive to the legitimate needs of U.S. persons affected by the blocking of assets of foreign persons.
- OFAC should promulgate regulations that both reflect current internal policies regarding civil penalties and establish 'safe harbors.'
- OFAC should publish proposed sanctions regulations for public notice and comment unless exigent circumstances are present.
- OFAC should take steps to expand and enhance the 'transparency' of its operations and decision-making standards in order to facilitate greater understanding of, and compliance with, the sanctions laws it administers.
- Congress should establish an advisory committee to provide a forum for dialogue between OFAC and the U.S. business community affected by sanctions laws.

The Council's next step is to make sure that nominees to relevant enforcement positions at Treasury are aware of these recommendations and to encourage them to implement them. We are also working to Congressional interest in legislation on OFAC reform.



# Trade and Export Finance



## WTO Doha Ministerial

The NFTC plans to submit written comments on the goals and objectives for a new WTO Round in response to the USTR's formal request for comments in preparation for the upcoming WTO Ministerial Conference in Doha, Qatar this November. In preparing the submission, the NFTC is planning to update its earlier 1999 submission to the USTR, which was recently circulated by e-mail to the NFTC's Trade and Investment Committee for member input. In addition to updating this 1999 submission, the NFTC will focus on its recent tariff elimination proposal as a central negotiating objective for a new WTO Round.

## Mission to Geneva

The NFTC is planning a member mission to the WTO in late June. The purpose of the mission will be to:

- Demonstrate U.S. business support for launching a WTO round of multilateral trade liberalization negotiations at the WTO ministerial conference;
- Build support for the NFTC's industrial tariff elimination proposal as a centerpiece of a new round;
- Increase support for other key U.S. business positions;
- Strengthen NFTC member relationships with the WTO.

The mission will entail several meetings and briefings with key WTO officials and member delegations. For more information please contact Mary Irace at (202) 887-0278.

## NFTC Launches Major Call for Global Elimination of Industrial Tariffs

The NFTC has launched a major proposal calling for the progressive elimination of industrial tariffs as a centerpiece of a new WTO Round. The proposal demonstrates that industrial tariffs remain a major barrier to trade, representing the WTO's most obvious piece of unfinished business. The NFTC estimates that its proposal would save \$64 billion in unnecessary added costs to trade globally, providing significant bottom line benefits to NFTC member companies. Some \$21 billion of these estimated costs are related to trade between developed countries. With the rapid proliferation of regional and bilateral free trade agreements, multilateral industrial tariff elimination would be a next logical step. If enacted, the growing costs of tariff/customs compliance and increasing complexity in tariff regimes that have resulted from the 130 or so existing FTAs would be eliminated.

### The Four Major Principles of the Proposal:

- **Comprehensive coverage by all WTO members;**
- **Progressive elimination to ensure that each WTO member reduces tariffs by some amount each year;**
- **Differential phasing to take into account developing country and sensitive import concerns;**
- **Early duty-free treatment for least less developed countries (LLDC's)**

The proposal also recognizes that non-tariff barriers will have to be addressed in tandem to achieve meaningful trade liberalization for NFTC member companies.

The NFTC has sent letters to Ambassador Zoellick, WTO Director-General Mike Moore, and several embassies urging their support. The NFTC's Tariff Working Group briefed a U.S. interagency team on the merits of the proposal, and has an action plan in place for building broader support for it. Please contact Mary Irace for further information.



# Trade and Export Finance

## Bush Administration Proposes Four-Year Extension of Ex-Im Bank's Charter

The Bush Administration submitted to Congress legislation seeking a clean four-year reauthorization of Ex-Im Bank. In Congressional testimony, the NFTC urged that one more year be added to that request so that in the future, Ex-Im Bank's reauthorization does not fall within the first year of a new presidential Administration. The NFTC is also calling for limited changes to Ex-Im's Charter addressing key competitive challenges facing U.S. exporters, such as the growing use of market windows. These and other issues were included in the NFTC's testimony on May 8 and 17 before the House and Senate authorizing committees.

## NFTC Report on Supplier Trade Benefits

As part of the NFTC's lobbying campaign to reauthorize Ex-Im Bank this year, the NFTC issued jointly with another business group (CEE) a report listing primary suppliers used by 13 major NFTC member companies. Broken down by state and congressional district, the list highlights over 35,000 first tier suppliers -- so-called "invisible exporters". All 13 companies participating in the report are major users of Ex-Im Bank. The report demonstrates the widespread benefits of Ex-Im Bank and trade, to small and medium-sized companies. The NFTC will be using the report's findings in its lobbying activities in support of Ex-Im Bank's reauthorization this year. It also will serve as a useful educational tool on broader NFTC trade initiatives, including efforts to approve new TPA.

## Re-Building Bipartisan Consensus on Trade

As one of its top trade priorities this year, the NFTC is working to rebuild a bipartisan consensus on trade. Earlier in the year, the NFTC met with key Hill staff to discuss:

- The importance of granting the President new trade negotiating authority, now called Trade Promotion Authority;
- Bilateral free trade agreements with Singapore and Chile, the FTAA, and a new WTO Round of multi lateral trade liberalization;
- Non-trade restrictive approaches to resolving the labor and environment concerns that have been a major stumbling block to securing TPA.

NFTC is working with key Administration officials on the TPA strategy and how the business community can be supportive. The NFTC plans to work actively with other business groups to ensure a coordinated and effective business community effort on TPA.



# Human Resources



## 2001 EXPATRIATION STUDY

In February 2001 the NFTC, CIGNA International and World at Work completed a study related to maximizing corporate expatriate investment.

The study covered:

- Business reasons for sending employees on cross-border assignments;
- The selection process;
- Support the assignees;
- Process management;
- And connection to career management planning.

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## INTERNATIONAL HUMAN RESOURCES ACTIVITIES

The NFTC hosted its' third annual international symposium in San Jose California on March 26-27. The theme was "Globalization - Business and Human Resource Issues and Answers".

The program covered a wide range of topics including: global staffing and leadership development, coping with employee retention during a period of depressed stock prices, an update on China, immigration

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## CALENDAR OF EVENTS

May 15	Global Compensation Committee	New York City
May 16	International Benefits Committee	New York City
May 23	Brazilian Ambassador to U.S., Rubens Barbosa Briefing on FTAA/Upcoming WTO Ministerial	Washington, D.C.
May 23-24	Symposium: "Globalization - Business And Human Resources Issues and Answers"	Chicago
June 5	Seminar: "The \$1.0 Million Expatriate Investment: Achieving True Value"	New York City
June 21-22	Symposium: "Globalization - Business And Human Resources Issues and Answers"	New York City

For information, contact Bill Sheridan at 212/399-7128 or e-mail at wsheridan@nftc.org



# Human Resources



## 2001 Expat Study

(continued from page 8)

The study included 110 multinational corporations (of which 2/3 were U.S. headquartered) and 460 expatriates and found that employer overhead costs relating to these assignments average \$200-\$300,000 per expatriate per year.

While employers generally believe they are doing a good job, the expatriates have quite a different view. This disconnect between employers and assignees is heightened when the individual repatriates, the study found. Over 25% of the expatriates voluntarily leave their employer within two years of repatriation - a very poor ROI.

## International HR Activities

(continued from page 8)

and employment law, the challenges of worldwide demographic trends in government and employer-sponsored pension and welfare programs.

Brian Schipper, the head of human resources for Double Click was the keynote speaker. Other presenters or speakers were from Baker & McKenzie, Chevron, CIGNA International, Cisco, Commerce One, Craighead.com, Deloitte & Touche, HR Toolbox, Intel, Microsoft, Prudential, Charles Schwab, Synopsis, Warner Brothers and World at Work. The topics covered in the San José symposium will be covered in Chicago (May 23-24) and in New York (June 21-22). For further information contact Bill Sheridan at 212/399-7128 or wsheridan@nftc.org.

## MANAGING AND PROTECTING THE \$1.0 MILLION EXPATRIATE

The NFTC hosted this seminar in Boston on April 25, 2001.

The faculty included senior professionals from AIRINC, CIGNA International, Deloitte & Touché, ExpatSpouse.com, HTH Worldwide and Raytheon.

This seminar will be repeated in New York City on June 5, 2001.

## EXPATRIATE MANAGEMENT COMMITTEE

The Spring meeting of the EMC was held in Detroit April 4-6, 2001, co-hosted by Ford and General Motors.

The agenda included:

- Case studies on assignment cost projections;
- Communications;
- Intranet usage;
- Service centers;
- Policy revisions;
- Offshore payrolls and short-term assignment policies.

The EMC welcomes Kellogg's, Shell Oil, and United Technologies Corporation as new EMC members. The next meeting will be September 13-15, 2001. For copies of meeting minutes contact Bill Sheridan at 212/399-7128 or wsheridan@nftc.org.



## *Treaty Update*

### **United Kingdom**

The renegotiated tax treaty between the U.S. and the U.K. should be signed before summer begins and hopefully ratified by the Senate this fall. For the first time in a U.S. tax treaty, the renegotiated treaty with the U.K. is expected to include zero percent withholding on inter-corporate dividends.

### **The Americas**

Significant progress has been made in the treaty negotiations with Canada and Chile. It is our hope that these important treaties will be completed and ratified this year.

### **Japan**

Aided by Treasury Secretary O'Neill's urging, the U.S. and Japanese negotiators have made advances in renegotiations of the nearly 30-year-old treaty. We believe that a basis for resolution has been reached on most of the technical issues and the real hold-up, withholding tax rates, is being seriously discussed. Many thanks to each of the companies for their contributions to the treaty efforts. Persistence, particularly with respect to the Japanese Treaty, may finally be paying "less" dividends.

## **WTO Brief Defends FSC Replacement Legislation**

On February 7, the USTR filed its brief defending the FSC replacement legislation, the Extraterritorial Income Exclusion Act (ETI), as WTO compliant. NFTC's coalition provided USTR with a tremendous amount of technical and drafting support in the preparation of the USTR brief. From March 13-15, the WTO Panel heard oral arguments from both the E.U. and the U.S.

The coalition is briefing administration officials from the USTR, and the Commerce, State, and Treasury Departments, on the importance of settling this dispute to prevent the further deterioration of U.S.-EU relations. The coalition is also making preliminary contacts with members of Congress, updating them on the status of the case and preparing them for the possibility that the WTO's current review of the ETI may call for some additional legislation. If you are interested in participating in this important project, please contact Fred Murray at (202) 887-0278 or by email [ffmurray@nftc.org](mailto:ffmurray@nftc.org).

## **NFTC Presents Mandatory Arbitration Paper to Joint Tax**

On April 11th, NFTC met with Lindy Paull, Chief of Staff for the Joint Committee on Taxation, and several of her staff to present and discuss NFTC's paper advocating the inclusion of mandatory arbitration provisions in U.S. income tax treaties. The importance of mandatory arbitration provisions to resolve double taxation disputes has been heightened in recent years by the increased reluctance of foreign nations to resolve double taxation disputes. The NFTC paper advocates that, with the taxpayer's consent, mandatory arbitration proceedings are initiated in Competent Authority cases that go unresolved for more than two years. NFTC presented its paper to the Foreign Relations Committee staff in early May. For a copy of the paper, please contact Greg Nickerson at (202) 887-0278 or [gnickerson@nftc.org](mailto:gnickerson@nftc.org).



## Dividend Gross-up Controversy

The Mexican dividend gross-up controversy nears a successful resolution. In 1999, Mexico passed an internal law, and clarifying regulations requiring the gross-up of dividends paid by a Mexican company before the application of the withholding tax rate. This results in an effective withholding tax of 7.7% for U.S. companies, well in excess of the 5% rate contained in the U.S.–Mexican Tax Treaty. Over the past several months, the NFTC has been meeting with Treasury, the U.S. Competent Authority, and the Mexican Embassy urging the elimination of the Mexican gross-up policy that violates both the U.S.–Mexican Treaty and OECD principles. In March, the Fox Administration introduced its tax reform package that included the repeal of withholding tax on dividends. Although the passage of the legislation is uncertain, the NFTC has received confirmation that Mexico is issuing rulings confirming that the gross-up provisions do not apply when there is a tax treaty in place. If you have any treaty related questions, please feel free to contact Greg Nickerson.

## International Tax Simplification Bill

Senators Hatch and Baucus and Congressmen Houghton and Levin plan to introduce their respective identical versions of the International Tax Simplification Bill. The NFTC met with the staff from each office and requested the inclusion of many significant provisions including:

- Elimination of the 90% AMT limitation;
- Recharacterization of overall domestic losses;
- Interest allocation revisions;
- The elimination of the "Super" foreign credit basket.



# Council Highlights



## Current Member?

Update your contact information or add a colleague from your company who doesn't currently participate in NFTC activities.

Join us in securing an Open Global Trading System for U.S. Business!  
If you know of a company that we may contact to join the NFTC or you are not a member and would like information on how to become involved, let us know:

Company: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

NFTC Area of Interest (check all that apply):

International Trade & Investment

Export & Project Finance

International Human Resources

International Taxation

Please mail or fax to:  
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