

Council Highlights



October 2001

NATIONAL FOREIGN TRADE COUNCIL

A Word From the President

As I was closing down the office early in the afternoon on September 11, in the wake of the horrible events of that morning, I got a phone call I had anticipated but had not expected so soon. It was from a reporter asking the question, "What effect will today's events have on sanctions legislation?" It didn't take any particular prescience to anticipate the question - it comes up after every terrorist attack - but I was surprised at how quickly at least one reporter had turned to it.

One would think that since the question is a familiar one, there would be an equally familiar answer ready to go. To a degree that is so, but the unprecedented magnitude of the terrorist attacks means many things are going to be different now, and predictions about what Congress will do are particularly risky. But that same magnitude may, ironically, lead to more multilateral support for an aggressive anti-terrorism campaign that could lessen the need for unilateral sanctions.

The familiar part of the answer, however, is still true. In the short run, there is always a sharp negative reaction against the assumed perpetrators, including Congressional calls for sanctions, if not military action. Those calls deal with the politics of the situation, but the economics remain unchanged. Unilateral sanctions are "feel good" actions that rarely achieve their objectives and almost always end up hurting American businesses instead of their intended targets.

That is especially true if the targets are not governments but individuals or trans-national organizations. Economic sanctions by their nature are designed for countries. They are instruments of state used against states. If we are trying to keep things out (our exports or capital) or in (imports from them), the easiest way to do it is by identifying the "there" we seek to interdict. If there is no "there" - because individuals move around - or if there are multiple "theres" wherein terrorists operate, economic sanctions rapidly become unenforceable. If, for example, it turns out that some of the perpetrators of the September 11 attacks were citizens or residents of friendly governments, what are we to do? We can sanction individuals - after all we administer export controls that way - but individuals can easily change their names or locations, while countries and even factories tend to stay put. Unilateral economic sanctions try to interrupt the exchange of goods, services and technology between the US and the target nation, but that is an exceedingly blunt instrument for constraining individuals who engage in terrorist acts. In addition, their impact is inherently long-term by attempting to diminish the resources available to the target nation. For both of these reasons unilateral economic sanctions can only be a symbolic reaction to the September 11 attacks. That does not mean, of course, that Congress won't try, which will once again put the NFTC in its familiar position of the lone voice advocating a rational, rather than emotional, approach to sanctions.

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"NFTC opposes provisions in the House-passed Sudan Peace Act that would increase disclosure requirements and de-list firms that invest in Sudan from US securities markets.

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"He challenged his audience to 'tell the truth to the American people about the benefits of trade and openness' and thank that NFTC and its members for the support it has given to the President..."

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Sometimes, however, horrible tragedies can leave some seeds of hope in their wake, and we can all hope that will be the case this time in two respects. First, if the homelands of the perpetrators and organizers turn out to be numerous and varied, that might, by itself, highlight the case for a more surgical approach rather than the sledgehammer of sanctions. Second, as noted above, the magnitude of what the terrorists have done may finally persuade others to join us in our efforts to rid the world of this scourge. There is always someplace to hide, but multilateral action can be more effective in making that more difficult and significantly raising the costs of assisting or harboring these evil people than any unilateral sanctions we can impose.

Veterans of these battles may regard that as grasping at straws or searching for the proverbial pony, and they may well be right - that we are doomed to more episodes of sanctions that don't work and which leave our businesses and our country worse off in the long run. On the other hand, as many people have said after September 11, everything is going to be different. We can hope a more surgical approach to sanctions will be one of those differences, but we shouldn't hold our collective breath.

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Message to Members:

NFTC Dues and Budget Cycles

Many of our member companies are finalizing their internal 2002 budgets. As you plan, we encourage you to make provision for NFTC-related expenditures such as dues and special events in your budget calculations.

While ongoing Committee and Working Group activities are included your annual dues, additional participation fees to consider in your annual budgeting include the NFTC Annual World Trade Dinner, our Tax & Trade Luncheon Series, Human Resource Conferences, Trade Policy Missions (such as the successful Mission to the WTO), the Tax Golf Outing and our Embassy Series networking events (presently in planning). The cost of these outside events can vary from the price of lunch to \$5,000 above standard dues.

Finally, we welcome those members who are committed to our mission to consider application to the NFTC Board of Directors. NFTC Directors have the opportunity to sponsor major events and increase their access and role in advocating responsible progressive US trade and tax policy and setting our international human resources research and activity agenda.

Directorship is at the election of the Board and any active member interested in increasing its role and voice in advocating for open global trade should contact Anne Alonzo, Senior Vice President, at aalonzo@nftc.org to discuss board opportunities.

National Foreign Trade Council

*1625 K Street, NW, Suite 200
Washington, DC 20006*

phone: 202.887.0278

fax: 202.452.8160

www.nftc.org

email: nftcinformation@nftc.org



NFTC Members Respond to Emergency

One of the things that helps us all deal with great tragedies is the realization that they often bring out the best in Americans by calling on us to display our courage, commitment, resolve, and generosity. In that regard, NFTC Board members, both large and small, have led the way. Following is only a partial listing of the remarkable steps our Board members have taken following September 11.

Citigroup has created a \$15 million relief fund for scholarships for children of the victims.

Dupont is donating \$5 million in cash to the relief effort in addition to products like Kevlar and Nomex that are essential for firefighters and rescuers.

Motorola immediately delivered more than 72 truckloads and seven charter jets full of communications equipment to the affected areas, including radio systems for the crash sites, over 9500 portable radios, 16,000 batteries, and 700 Iridium satellite phones. Motorola donated over 1,000 cell phones to a major insurance company for its policyholders in the affected areas and 10,000 multi-function phones to federal, state, and local government agencies. Finally, the Motorola Foundation is donating \$1 million to a number of relief funds.

Rockwell Automation is donating \$100,000 from its Automation Trust Fund to The September 11th Fund, which was established to coordinate disaster relief.

Bechtel sent safety, telecommunications, construction engineering, and rigging specialists to provide on-site assistance in New York City. Bechtel is helping manage on-site health and safety issues and has developed a comprehensive safety plan for the overall operation, with particular attention to the significant asbestos problem.

Pfizer is donating more than \$10 million to relief efforts in New York City, including \$5 million for a relief fund being established by Mayor Giuliani and other city officials. Pfizer is contributing medicinal products and Pfizer physicians are working with area hospitals to assess where company volunteers may be of use.

BP is donating \$5 million to relief efforts, including \$2 million to an emergency services relief fund in New York City, which serves the members and families of the police and fire departments and \$1 million to the Red Cross. BP is continuing to contribute free fuel to emergency and New York City vehicles.

Gillette has made a cash contribution to the American Red Cross for rescue teams and victims' families, and it has donated hundreds of cases of Duracell batteries and flashlights, disposable razors, shave preps and toothbrushes to relief organizations.

ExxonMobil and its employees will contribute up to \$20 million in individual and corporate matching contributions. The company has donated \$5 million and will match employee, retiree, dealer, and distributor contributions around the world on a 3-1 basis. *

Mars donated funds to several organizations, including the American Red Cross and the September 11th Fund. Mars donated hot meals, snack foods, coffee and dog food (for canine units) to many organizations in Washington DC, New York and New Jersey.

Chase Manhattan Bank is contributing \$10 million to the relief effort.

Microsoft, according to published reports, has also contributed \$10 million.

PepsiCo Foundation will contribute \$5 million to assist those affected by the disasters of September 11. PepsiCo contributed \$100,000 to the Salvation Army and is making ongoing donations of food and drinks to relief workers in New York, Washington, and Pennsylvania.

*Many companies are multiplying the effect of their efforts by matching employee contributions. Our readers who are part of these companies can contact their management to find out how to contribute.



Trade and Export Finance

The NFTC Meets with Chairman Robson and Submits Comments on Ex-Im Bank's Proposed Revisions to Its Economic Impact Procedures

On August 17, the NFTC formally submitted its written comments on Ex-Im Bank's proposal for revising its procedures for analyzing the economic impact of potential transactions. The bank, which has been under significant political pressure from the steel industry, has proposed several changes to address industry concerns regarding potential transactions related to competitors overseas. Potential legislative amendments to Ex-Im Bank's Charter go even further than what Ex-Im Bank has proposed.

In a meeting with Chairman Robson, the NFTC stressed that the overriding factor in any economic impact analysis should be the overall impact of a transaction on the US economy. A key concern expressed was that transactions not be disqualified or made uncompetitive based on pending trade cases before the Commerce Department and the International Trade Commission under US antidumping, countervailing duty and Section 201 safeguards laws. Ex-Im Bank is expected to finalize its proposal by mid-to-late September.

For more information, please contact Mary Irace at 202/887-0278.

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.

NFTC Letter to House Members Urging Action on TPA This Year -- Outlook This Year Uncertain

In a September 6th letter to every member of the House, NFTC President Bill Reinsch urged Congress to approve new Trade Promotion Authority (TPA) this year. The letter underscored the role of TPA in forging major trade agreements to open markets to US goods and services, and cited three critical reasons for enacting new TPA: 1) restarting the US and global economy through new trade liberalization; 2) helping small- and medium-sized businesses expand their trade globally; and 3) renewing US economic leadership to seize the benefits from trade agreements and launch a new WTO round.

The letter was sent in anticipation of House action on a bipartisan TPA bill that is being drafted by the chairman of the Ways and Means Committee, Congressman Thomas (R-CA), and Congressman Cal Dooley (D-CA). While the legislation has not been finalized yet, the goal is to find common ground on the issue of the relationship of trade to environment and labor and to break the logjam on these issues. Senators Graham (D-FL) and Murkowski (R-AK) have led a similar effort in the Senate.

The NFTC and the broader TPA coalition are supporting efforts to move a bipartisan bill through the Ways and Means Committee and the House floor as soon as possible. The ranking member of the Ways and Means Committee will play an important role in determining its ultimate fate. The successful House passage of TPA will require the votes of about forty Democrats.

While momentum is building in support of TPA, it remains a tough legislative battle. Ultimate passage of TPA is critically important to US economic leadership and an effective US trade policy. The NFTC will continue to work closely with the Administration and key allies in Congress in support of enacting TPA as soon as practicable. For background materials, please check the US Trade website at www.us-trade.org.



Trade and Export Finance



Chinese Top Trade Official, Madame Ma, Briefs Members on China's Changing Investment Rules

At an NFTC breakfast briefing on July 18, Madame Ma Xiuhong, Assistant Minister for Foreign Investment, and a delegation of MOFTEC officials described changes in China's investment rules in light of China's WTO accession. NFTC President Bill Reinsch moderated the discussion with the delegation and over 20 NFTC members about streamlining of various approval processes, clarifying provincial versus national requirements and US business' interest in modernizing the Chinese tax code. We are especially grateful to NFTC board member Bank of America for their generous hosting of this event at their Washington office. Questions regarding Madame Ma's remarks or foreign investment issues in China may be directed to Gao Wenfand, Commercial Attaché for the Embassy of the People's Republic of China at telephone (202) 625-3358.

NFTC Lobbies Against Weakening US Investment Provisions in Trade Agreements.

During August, the NFTC participated in a series of meetings with key US officials involved in developing the Bush Administration's policy on investment in ongoing and future trade negotiations. Largely due to NGO activist concerns, a battle has been raging since the last years of the Clinton Administration on whether to roll back the high standards of investment protection for US investors in bilateral investment treaties (BIT's) and NAFTA. The regulatory agencies have been the major proponents of adopting substantive changes in US international investment policy. Proposed changes include modifying the current standards for "fair and equitable treatment" and "full protection and security" protections, narrowing the constraints on compensation for expropriation, politicizing the investor-to-state process, and requiring exhaustion of local remedies.

The NFTC, along with other business organizations, has strongly opposed changes that would weaken the long-standing high standards of investment protection found in BITs and proposed for future trade agreements. In letters to and meetings with senior officials at the USTR, the White House National Economic Council, the Council on Environmental Quality, and the Departments of Commerce, State, Justice and Interior, the NFTC stressed the importance of US foreign investment to US economic growth and trade expansion, and urged that the administration not reverse longstanding substantive standards on investment protection. We recommended that procedural mechanisms be adopted as a way to address the political concerns that have been raised. The council has advocated seeking obligations to arbitrate exclusively through the World Bank's International Centre for Settlement of Investment Disputes (ICSID) which would provide a mechanism for filtering our frivolous cases and an opportunity to challenge aberrant awards.



Trade and Export Finance

Senate Passes New Export Administration Act

For the first time in years substantive reform of the US dual use export control system appears to be a possibility. On September 6, the Senate passed its long pending Export Administration Act (EAA) reform bill – the first Senate vote on EAA reform since 1992. The current Act has not been substantively changed since 1987 and is badly out of date, given the many international developments of the past 14 years.

Passage of the Senate bill is largely good news for the business community, but a good number of concerns remain. The bill itself, while supported by the NFTC and virtually every other business organization concerned with the issue, is hardly a "slam dunk" for exporters. It is a carefully crafted, exceptionally well-balanced bill that contains a bit of something for everyone. For exporters it beefs up the existing foreign availability system (and adds mass-market provisions) that provides for decontrol of items if the foreign availability or mass-market criteria are met, and it essentially codifies the existing licensing process, which was a major accomplishment of the previous administration's streamlining efforts. For the computer industry, the bill removes the outdated export control by MTOPS provision that the administration had supported repealing. For enforcers, it significantly increases penalties and clearly establishes their authorities. From a national security point of view, it cleans up outdated Cold War-related language, provides ample discretion for the Executive Branch, and clarifies the significant roles of the State and Defense Departments in the licensing process.

One particular piece of good news was the debate over the bill on the Senate floor. The major challenge of the bill has been from the national security right wing that believes the bill is too favorable to exporters, a view exporters strongly reject. On a key test vote, Senator Fred Thompson's (R-TN) amendment that would have effectively crippled the licensing process was rejected 74-19. This overwhelming bipartisan vote discouraged further attacks on the bill, and the Senate subsequently passed it by a vote of 85-14. This entire effort is a tribute to nearly three years of patient work by a bipartisan group of senators – Mike Enzi (R-WY), Phil Gramm (R-TX), Paul Sarbanes (D-MD), and Tim Johnson (D-SD) who mastered the details of a complex subject, listened closely to the advice of exporters, stuck together, and defended the bill from sustained attack by a small group of senators.

The bill now goes to the House, where exporter interests are much more in jeopardy. The House International Relations Committee has already approved its version of the same bill with nearly 40 amendments, most of them harmful to exporters. (Two exceptions – an amendment to improve OFAC procedures that the NFTC was responsible for getting in, and an amendment to move jurisdiction over commercial communications satellite exports back to the Commerce Department.) The House bill is now being reviewed by other committees, but our expectation is that it will not improve during that process, and a difficult battle lies ahead. Fortunately, there is the nucleus of a bipartisan coalition similar to that in the Senate, and our efforts in the coming weeks will be to mobilize it in support of the Senate bill. For further information about the bills, the various amendments or what lies ahead, contact Bill Reinsch at breinsch@nftc.org.



Trade and Export Finance

NFTC opposes financial market sanctions legislation on Sudan; urges SEC not to broaden "materiality" standard to include non-financial issues

The NFTC opposes provisions in the House-passed Sudan Peace Act that would increase disclosure requirements and de-list firms that invest in Sudan from US securities markets. The version of the bill passed by the House on June 13 by a vote of 422-2 includes both of these provisions; the provisions are absent from the Senate bill that passed on July 19 by unanimous voice vote. The two provisions of the House bill that the NFTC opposes both involve using financial markets to achieve non-financial objectives and represent a new kind of unilateral sanction: one would require firms listed on US financial markets to disclose business in Sudan on pain of being delisted from US financial markets if they fail to disclose; the other simply delists firms that are engaged in business in the Sudan. The precedent this bill would set could clearly be extended to other countries and to other issues not previously regarded as material to companies' profitability and financial condition. The NFTC will ask the House-Senate conference committee to eliminate both provisions. The conference has now been postponed without members having been appointed. The NFTC will lobby the conferees once they are named and make a strong argument that now is not the time to undermine US financial markets with this sort of measure.

An exchange of letters between Congressman Frank Wolf and acting SEC chair Laura Unger earlier in the year raised concerns about the SEC's interpretation of what information is material to investors and should be disclosed by firms to investors. NFTC president Bill Reinsch wrote SEC chairman Harvey Pitt on August 16 expressing opposition to Congressman Wolf's demand that non-financial issues be disclosed to the SEC and requesting a meeting with him on the subject. An NFTC meeting with senior SEC staff took place on September 14 as a precursor to a meeting with Chairman Pitt. On August 20 Reinsch wrote to Deputy Secretary of the Treasury Kenneth Dam urging strong opposition by the administration to the House-passed Sudan Peace Act and requesting a meeting with him (Questions about Sudan can be addressed to Bill Reinsch at breinsch@nftc.org or Dan O'Flaherty at doflaherty@nftc.org).

Human Resources

Global Mobility Studies

In 2001-2002, the NFTC will co-sponsor two global mobility surveys: the seventh annual Global Relocation Trends Survey with GMAC Global Relocation Services and the Society of Human Resource Management Global Forum; and the second annual survey on Maximizing Expatriate Investment with CIGNA International and World at Work.

The upcoming surveys will add elements that address the impact of the economic downturns in the US and other economies on global mobility; challenges of emerging markets, and immigration law barriers.

Both of these studies continue to identify issues of concern to multinational employers. The NFTC utilizes the results of the studies to explore possible solutions to the challenges of maximizing return on investment and of improving policy, process management and manpower utilization and retention.

Our Global Human Resources Advisory Board is convinced that from a strategic business perspective the two continuing challenges are sourcing and developing corporate talent and facilitating cross-border experience for future business leaders.



Trade and Export Finance

NFTC Lobbying Actively for Passage of Clean Five-Year Reauthorization of Ex-Im Bank

NFTC continues to make progress to reauthorize Ex-Im Bank before its Charter expires on September 30. The Senate Banking Committee unanimously approved a clean five-year bill, S.1372, just before the August recess. The one hurdle to Senate floor action remains a potential floor amendment by Senator Bayh (D-IN) to impose burdensome new requirements and limitations on Ex-Im transactions involving entities subject to investigation under US antidumping, countervailing duty and Section 201 safeguard laws. The NFTC opposes the amendment in its current form and has recommended that Congress not impose new mandates on Ex-Im's economic impact process on the grounds that Ex-Im Bank is in the midst of revising its current economic impact procedures (see other article) which will more than adequately address the underlying concerns in the Bayh amendment.

The key House authorizing subcommittee -- the International Monetary and Trade Policy Subcommittee -- Chaired by Congressman Bereuter (R-NE), will mark up its reauthorization bill on September 21. Despite exporter opposition, controversial amendments are expected, including one similar to Senator Bayh's amendment. The NFTC will continue to lobby against these amendments and push for final positive action on Ex-Im's reauthorization before Ex-Im's Charter expires on September 30.

NFTC Meets with USTR on Prospects for Launching a New WTO Round at the Doha Ministerial

On September 6, Assistant United States Trade Representative, Dorothy Dvoskin, briefed members of the NFTC Trade and Investment Committee on current prospects for launching a new WTO round of multi-lateral trade negotiations at the Doha Ministerial this November. According to Dvoskin, several positive developments have occurred recently favoring a successful launch. She pointed to a trade ministers meeting in Mexico that produced a further narrowing of differences on a new round agenda and indicated that there is a willingness among key governments to work together to address political concerns in a pragmatic manner so that the common strategic objective of a new round can be met.

The NFTC plans to follow up with key embassies in Washington, DC to help build support for a successful launch of new trade talks. The NFTC also plans to formally participate in the ministerial meeting as an NGO, with Board member and Pfizer Vice President Catherine Bennett representing us. The terrorist attacks, however, may result in postponement or a different location for the ministerial meeting. The NFTC believes that launching a round at this time takes on added importance in terms of demonstrating worldwide commitment to advancing peaceful international economic cooperation, engagement, and growth.



US - South Africa Business Council



US-South Africa Business Council hosts new Assistant Secretary of State for Africa, opposes steel 201 and will participate in AGOA Forum -

The US-South Africa Business Council hosted a luncheon in Washington on September 14 for the new Assistant Secretary of State for Africa, Walter Kansteiner, a long-standing member of the Business Council (not sure the abbreviated name should be capitalized - up to you) during his time at the Scowcroft Group. Kansteiner told the group of 40 Business Council member companies that while he was facilitating African cooperation with the US response to the September 11 terrorist attacks, the administration's priorities remained in the areas of encouraging private sector growth and development, HIV/AIDS programs, environmental protection and regional stability.

The Business Council has begun efforts to oppose the self-initiated "Section 201" case brought by the Administration on steel exports to the US from several countries, including South Africa. Major reductions in steel exports to the US would cost South Africa hundreds, if not thousands, of jobs. The International Trade Commission held a hearing on the 201 case on September 17 to determine if there was injury from the imported steel and there follows a process under which the White House ultimately will decide the remedy. The Business Council will actively oppose imposing damaging duties on South African steel exports following the ITC's ruling.

The Business Council is participating in setting up a private sector meeting that will parallel the governmental meetings mandated by the African Growth and Opportunity Act. This all day session, which may now take place in late October or early November, will provide a forum for US and African firms to discuss commercial issues. The Business Council is working with the South African embassy to ensure that South Africa-specific issues are appropriately addressed. Questions about the Business Council should be addressed to Dan O'Flaherty at doflaherty@nftc.org or Emily Solomon at ussabc@ziplink.net.



Our New York office has moved! The new address is 2 W. 45th Street, Suite 1602, New York, NY 10036. The phone number remains the same: 212-399-7128. Please also keep in mind that our finance and accounting functions have moved to the Washington office. All payments and bills should be sent to the NFTC at 1625 K St. N.W., Suite 200, Washington, DC 20006.



US and Japan announce formal treaty negotiations

On August 10th, the United States and Japan announced the commencement of formal negotiations on their nearly 30 year-old tax treaty. The first round of formal negotiations is scheduled for this October in Tokyo. Some of the key issues that are on the table are:

- Elimination or substantial reduction in the high 10% withholding tax rates on dividends, interest and royalties
- Inclusion of an "other income" provision
- Reciprocal recognition of pension plans
- Retention of the current treaty's source rule
- Improvements to the competent authority process

The effort to get this important treaty renegotiated has come a long way in the past two years. If you are not active in this effort and would like to be, please contact Gregory Nickerson at (202) 887-0278 or by email at gnickerson@nftc.org.

WTO Panel Rules Against United States

On June 22, 2001, the WTO Dispute Settlement Body issued its preliminary report finding that the Extraterritorial Income Exclusion Act of 2000 constitutes a prohibited export subsidy. On August 20, 2001, the panel issued its final report, which adopted the findings of the preliminary report in all significant respects. The United States must appeal the panel's decision or face a possible \$4 billion in retaliatory measures as early as December 3rd of this year.

The Administration has not yet decided whether to appeal. In an effort to convince the administration to appeal, the NFTC sent President Bush a letter signed by seventy-four CEO's from many of the largest companies in the US urging appeal of this important case. The NFTC and its coalition will continue to meet with Congress, USTR, Treasury and the White House in an effort to ensure that this case is appealed. If you are interested in participating in the coalition, please contact Fred Murray at (202) 887-0278.



UK Tax Treaty Signed

On July 24, 2001, Treasury Secretary Paul O'Neill and UK Chancellor of the Exchequer Gordon Brown signed a new US-UK tax treaty. Once ratified, the new treaty will replace the existing treaty that has been in force since 1980. The new treaty contains many new and modified provisions, many of which are outlined below. (For a more detailed analysis of the new treaty, please see Mary Bennett and Gregory Nickerson's article in the August 6, 2001 edition of the BNA Daily Tax Report.)

Zero withholding tax on parent-subsidary dividends. The most important provision in the Treaty provides for zero withholding tax on dividends from 80% owned subsidiaries to their parent companies. This is the first US treaty to contain a zero rate on dividends. It is hoped that this provision will be included in all future US tax treaties.

Zero rate on dividends from pension funds. The new treaty reduces withholding tax on dividends paid from one country to qualifying pension funds of the other country from 15% to zero. This provision recognizes the tax-exempt nature of such funds.

Capital gains provision. The new treaty follows the US and OECD Model Treaties and generally restricts taxing rights over capital gains to the taxpayer's country of residence.

Reciprocal treatment of pension plans. The new treaty requires that each country grant reciprocal benefits in connection with pension plans established in the other country. For example, neither country may tax an individual living there on his share of the appreciation in a pension plan established in the other country. The country where the individual is working must allow him a deduction for his contributions to a pension plan established in the other country and must not tax him on his employer's contributions to that plan on his behalf.

Credibility of the UK petroleum revenue tax. The new treaty preserves US taxpayer rights to claim a foreign tax credit for UK petroleum taxes paid.

Limitation on Benefits Provision. The new treaty contains comprehensive LOB provisions that are similar to the provisions in the US Model and in recent US treaties with other EU countries.

Anti-conduit rule. In addition to the LOB provisions, the new treaty contains a special anti-abuse rule aimed at conduit arrangements. The rule is a significantly narrowed version of the so-called "main purpose" provisions that appears in many UK treaties and is the subject of 1999 Senate reservations when it appeared in the US treaties with Italy and Slovenia.

Prospects for Ratification. Prospects for a Senate ratification hearing this fall are good. Treasury has delivered the treaty's technical explanation (I removed the caps – put 'em back if that's a proper title) to the Joint Tax Committee and to the State Department. The Senate Foreign Relations Committee has indicated that it is hopeful a hearing can be scheduled shortly after the treaty is delivered to the Senate. NFTC is closely monitoring this issue and will be scheduling meetings with Foreign Relations Committee members' respective staffs in the upcoming weeks.



NFITC Calendar of Events



2001

World Trade Dinner	October 10	New York
Board of Directors Meeting	October 11	New York
Tax Committee Fall Meeting	October 15-16	Washington
Managing the \$1.0 Million Expatriate Investment Achieving True Value	October 30	Detroit/ Southfield
Understanding, Managing and Maximizing Global Benefits and Compensation	October 31	Detroit/ Southfield
Annual Joint Meeting - Global Compensation/ International Benefits Committee	November (TBA)	New York

2002

Annual Global HR Symposium	January 22-23	Houston
International Benefits Committee Meeting	February 5	New York City
Global Compensation Committee Meeting	February 6	New York City
Annual Global HR Symposium	February 13-14	San Jose
Expatriate Management Committee	March 13-15	Wilmington
Annual Global HR Symposium	April 17-18	New York City
Annual Global HR Symposium	May 15-16	Chicago
International Benefits Committee Meeting	June 4	New York City
Global Compensation Committee Meeting	June 5	New York City



NFTC News and Events



US Trade Representative Zoellick Addresses NFTC

On July 26, 2001, US Trade Representative Ambassador Robert Zoellick addressed an NFTC Trade and Tax luncheon in Washington. He challenged his audience to "tell the truth to the American people about the benefits of trade and openness" and thanked the NFTC and its members for the support it has given to the President and to him in our mutual effort to regain momentum for America's trade agenda. Zoellick's remarks centered on setting the record straight on the success and accomplishments of NAFTA as a model for US engagement, mutually advantageous North-South trade, and as a lynchpin in the successful economic and political development of Mexico.

Among the issues addressed by Ambassador Zoellick were the likelihood of the launch of a new WTO round in Doha in November, the need for the Japanese to assume leadership in support of the New Round and discussion of US and EU efforts to generate developing country support for the Round. Zoellick assured the audience that no US decision on how best to respond to the WTO ruling on the FSC had yet been made and promised to work closely with industry in formulating the US position. The NFTC event received wide press coverage and Zoellick's remarks have been quoted extensively around the world.

NFTC members American Home Products, Boeing, Caterpillar, DaimlerChrysler, Honeywell, Microsoft, and Pepsico sponsored Zoellick's appearance at the luncheon. In attendance were the ambassadors of Mexico and Canada, as well as key tax and trade staff from Capital Hill. NFTC Chairman Richard Swift, Chairman and CEO of Foster Wheeler Corporation provided the introduction and NFTC President Bill Reinsch moderated. Ambassador Zoellick's remarks may be found on the NFTC website, www.nftc.org, in the "News and Events" section.

NFTC members are assured priority access at NFTC organized events. If you would like information about membership or would like to be included in our non-member mailing list for upcoming events, simply email your contact information including fax number to cdittrich@nftc.org.



Tax Committee Fall Meeting Set for October 15 and 16

The NFTC Tax Committee will be holding its annual fall meeting at the Hay Adams Hotel in Washington, DC on October 15th and 16th. The program will feature speakers Treasury Department Assistant Secretary for Tax Policy Mark Weinberger and Senator Jeff Bingaman (D-NM) (invited). The agenda will also include a legislative update and a presentation on NFTC's Foreign Income Project. If you would like to attend the meeting, please contact Vivian Myers at (202) 887-0278.



National Foreign Trade Council



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)::

- | | |
|---|---|
| <input type="checkbox"/> International Trade & Investment | <input type="checkbox"/> Export & Project Finance |
| <input type="checkbox"/> International Human Resources | <input type="checkbox"/> International Taxation |

Please mail or fax to:
Chuck Dittrich, NFTC, 1625 K Street, NW, Washington, DC 20006
Fax #: 202.452.8160



National Foreign Trade Council
1625 K Street, NW
Suite 200
Washington, DC 20006