

INTERNATIONAL BUSINESS

Putting Up Walls

A troubling report on protectionism in the G20

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Peter M. Robinson, President and CEO, USCIB

Many groups represent business in Washington and internationally, but few can match USCIB's experience, geographic reach and credibility.

Opening the World for Business

People often ask me to explain how USCIB can help their company, and what distinguishes us from other business associations. Even our members sometimes ask us how best to articulate USCIB's value to colleagues who are not as familiar with us.

USCIB does something no other business group does: we represent our members' business interests around the world. We provide access and influence to regulatory bodies and policy makers at the national and international levels. We work to open markets, foster innovation and fair competition, and secure the free flow of information so our member companies can succeed wherever they do business.

Our role is essential because business is increasingly international. We understand that the success of our member companies increasingly depends on the ability to proactively shape the rules and regulations that will influence the way they do business in the years ahead.

Our approach is built upon our commitment to the core values of open markets, competitiveness and innovation, sustainable development and corporate responsibility. Those values support our key objectives of open trade and investment and job creation, in order to create a better world for our children. We see these values and objectives as best supported through international engagement and prudent regulation.

Many organizations represent U.S. business interests in Washington, D.C., and others do so internationally. But few, if any, can match USCIB's experience and geographic reach, or the credibility we have earned in successfully advocating on behalf of members from all sectors and industries, in an increasingly complex global regulatory environment.

We could not do this without the global platform provided by our network of business affiliates – including the International Chamber of Commerce, the International Organization of Employers, and the Business and Industry Advisory Committee to the OECD. These groups open doors overseas, provide a “seat at the table” with key international bodies and allow us to rally foreign business opinion in support of our members' views. Working through this unmatched network, USCIB is a proven, trusted and credible partner with foreign governments and international regulatory bodies at all levels.

The breadth of issues we cover is remarkable – ranging from climate change to Internet governance, from human rights to the conditions and rules affecting overseas investment, from tax policy to customs and trade facilitation,

to name but a few. Our comprehensive policy agenda and our flexible structure give us a unique ability to work on cross-cutting and complex business issues.

Influencing policy and regulatory outcomes on a global scale requires proactivity and sustained commitment. USCIB's consensus-based approach ensures that our views and positions represent the broadest possible range of companies across all affected industries. And our long-term outlook allows us to “see around corners,” effectively helping our members tackle tomorrow's business challenges today.

Another thing that sets USCIB apart is our working relationship with organized labor and civil society groups. With the urgent need for job creation high on the international agenda, our work in the tripartite International Labor Organization, as well as in the OECD, where labor also has a voice, gives us a platform for pursuing shared interests in promoting growth and employment.

Finally, when distinguishing USCIB from other U.S. trade associations and business organizations, I emphasize that this not an either/or proposition. As a broad-based, globally engaged, consensus-driven and “outside the beltway” organization, we frequently complement and leverage positions taken by our member companies in their vertically oriented industry associations and other business groups. We also work collaboratively with these groups in numerous coalition efforts.

Think of us an “amplifier.” Where an industry's policy positions in Washington touch international issues and fit with USCIB's core values, we can help create a broad international consensus in support of these positions through our global platforms.

In a nutshell, USCIB's mission is to open the world for American business. We welcome your support, and if you're not already a member of USCIB, please consider joining. (Call 212.703.5064 or e-mail membership@uscib.org.) Working together, we can ensure business leadership and engagement in building a better, more prosperous world.

Contact Peter Robinson at (212) 703-5046 or probinson@uscib.org. ■

Rise in G20 Protectionism Denounced



Participants at the G20 Business Summit last year in Seoul. Business is gearing up for a similar gathering in France prior to this fall's G20 Summit in France.

After a worrying report indicated that major economies are turning increasingly protectionist, USCIB's affiliate the International Chamber of Commerce (ICC) in May urged G20 leaders to keep markets open to trade.

The joint report by the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD) and UN Conference on Trade and Development (UNCTAD) on G20 trade and investment measures found that more new trade-restrictive measures were implemented in the previous six months than in any previously reported period. From October 2010 to April 2011 alone, G20 members implemented 30 new export restrictions.

This occurred despite the G20's reaffirmation at the 2010 Seoul Summit to resist protectionism. G20 leaders had agreed at their earlier Toronto Summit to withdraw any protectionist measures in the pipeline, including export restrictions and WTO-inconsistent measures for stimulating exports. The WTO-OECD-UNCTAD report reveals that the exact opposite is taking place.

The joint report reinforces the findings of an earlier ICC-commissioned study, released by the Peterson Institute for International Economics in 2010, which noted that all G20 countries had implemented protectionist trade measures since 2008.

Concerns in the global business community about this trend have prompted ICC to put into place its own indicator to monitor market openness. The Open Market Index will provide an annual ranking of the 50 top-trading countries by order of their openness to trade and investment. This private-sector indicator to monitor protectionism will be launched ahead of this year's G20 Summit – to be held November 3-4 in Cannes, France.

Business groups are gearing up, under the ICC umbrella, to provide input to G20 leaders in the lead-up to the Cannes summit. At ICC's World Chambers Congress in Mexico City (see page 13), the recently launched ICC G20 Advisory Group consulted with global companies to consolidate business positions on a host of issues. Participants at the meeting included USCIB Chairman **Harold McGraw III** of The McGraw-Hill Companies and Mexican Undersecretary of Foreign Affairs **Maria de Lourdes Aranda Bezaury**, along with other CEOs and chambers of commerce leaders representing businesses large and small.

Policy position papers on six key themes for the G20 process are to be reviewed, drawing on feedback from CEOs in the advisory group, as well as experts and ICC national committees. Once finalized, ICC and its network will deliver the positions to G20 governments, and unveil them in the media. In parallel to these efforts, the advisory group is working with the World Economic Forum and the French employers body MEDEF, which is organizing this year's G20 Business Summit, in order to ensure delivery of consistent messages on behalf of global business. ■

UN Ramps Up Action on Non-Communicable Diseases

The United Nations plans to hold a high-level meeting this September in New York on combating non-communicable diseases like cancer and diabetes. In preparation, USCIB and the International Chamber of Commerce hosted a luncheon briefing at the UN in June on "Multi-Stakeholder Solutions Addressing Non-Communicable Diseases." The event was attended by some 80 representatives of UN member states, industry and civil society.

Speakers at the luncheon came from across the spectrum of health policy and business, and included:

- **Alexander Alimov**, senior counselor with the Russian mission to the UN
- **Dr. Karen Sealey**, special advisor to the Pan-American Health Organization
- **Donna Hrinak**, co-chair of the International Food and Beverage Alliance and vice president of global public policy with PepsiCo
- **Dr. Scott Ratzan**, chair of the International Federation of Pharmaceutical Manufacturers and Associations and vice president of global health with Johnson & Johnson
- **Erica Whinston**, senior manager with Qualcomm.

The panel was moderated by **Louise Kantrow**, ICC's permanent representative to the UN. Earlier in the day, USCIB and ICC submitted a joint statement to an interactive hearing for civil society. The statement focused on the importance of tailored, local solutions as part of a broader global effort in addressing non-communicable diseases (NCDs), the importance of involving the private sector and the need to take a broad, societal approach.

"NCDs are a societal matter and therefore require whole-of-society and whole-of-government solutions," the statement said, noting that "all companies have an interest in ensuring they have a healthy and resilient workforce to maintain their competitive edge."

OECD Ministerial Marks 50 Years of Progress

Secretary of State **Hillary Clinton** was among the many top officials and business executives who convened in Paris in May to celebrate the 50th birthday of the Organization for Economic Cooperation and Development, which began as an outgrowth of the Marshall Plan and has grown to encompass 34 leading industrialized democracies, and to lay out a vision for the organization's future growth.



At the signing of the revised OECD Guidelines for Multinational Enterprises: L-R: Joris Oldenziel (OECD Watch), TUAC Chairman Richard Trumka (AFL-CIO), OECD Secretary General Angel Gurría, Secretary of State Hillary Clinton, BIAC Chairman Charles Heeter (Deloitte).

"For all of its changes, the OECD remains as it was in those earliest days, a community of shared values, open and effective markets, human rights, freedoms, and the rule of law," Secretary Clinton stated. "This is a place where leaders and technocrats, business, labor, and civil society can find common ground and produce tangible benefits for our fellow citizens."

On an issue USCIB has championed, Secretary Clinton also spoke of the need for governments to develop policies to address the role of state-owned enterprises in the global economy.

"As the OECD enhances its engagement with emerging economies, it must also continue its groundbreaking work to develop multidisciplinary guidelines for the treatment of state-owned and state-controlled enterprises," she said. "Whether they are owned by shareholders or states, all companies should operate on a level playing field consistent with the principles of competitive neutrality. And these companies should be solely commercial, not political actors."

USCIB members who played a leading role in the ministerial and surrounding events included USCIB Chairman **Harold McGraw III**, who is chairman, president and CEO of The McGraw-Hill Companies, and board member **Charles Heeter**, principal with Deloitte LLP and chairman of the Business and Industry Advisory Committee to the OECD (BIAC), USCIB's affiliate through which we provide input to the OECD policy process.

Mr. McGraw took part in a panel discussion on the topic of "Bringing People Back to Work." Among his key messages:

- Job creation requires taking concrete steps to improve the world's economy, for example by opening markets through multilateral agreements such as the WTO's Doha Round and through regional agreements like the Trans-Pacific Partnership.
- We need to narrow the skills gap, making sure graduates from our education systems are prepared to enter the workforce, and we must ensure everyone has the opportunity for life-long education.
- We need to make sure our education systems are providing quality, relevant education and training, so graduates have the necessary skills to succeed in today's – and tomorrow's – economy.
- Technology is a great enabler and equalizer, letting individuals use online courses to obtain degrees and certifications, and facilitating delivery of educational material via a variety of devices, providing "anytime, anywhere" learning.

In April, USCIB and BIAC organized a reception at the State Department to mark the OECD's 50th anniversary, bringing together business, government and other stakeholders.



USCIB Chairman Harold McGraw III speaks at a panel on putting people back to work.

Guidelines for multinationals

Also at the OECD ministerial, governments agreed on revisions to the OECD Guidelines for Multinational Enterprises, an issue in which USCIB has been closely involved. Secretary Clinton delivered remarks reflecting on the importance of the Guidelines, which were first introduced in the 1970s and remain one of the few corporate responsibility instruments with formal government imprimatur. In the context of the latest revision, business is seeking better understanding and application of the voluntary Guidelines in non-OECD countries, in order to create a level playing field for companies around the world.

Secretary Clinton also chaired a high-level session on development that featured a discussion of women's economic empowerment. In addition, Russia signed the OECD's anti-corruption treaty, one of a host of requirements to move the country's application to join the OECD toward actual accession. Russia must first complete its accession to the World Trade Organization. ■

With U.S. Tax Reform Looming, Global Experts Meet in Washington

With tax reform high on the agenda in Washington, what are the implications for multinational companies? To help executives and policy makers keep up in this fast-moving area, USCIB convened its fifth annual tax conference in June in Washington, D.C., focusing again on the work of the 34-nation Organization for Economic Cooperation and Development (OECD).

This 2011 OECD International Tax Conference provided a unique opportunity for the U.S. business community to interact with key representatives from the OECD Center for Tax Policy and Administration, as well as senior tax officials from the U.S. and other OECD countries. The OECD and its Business and Industry Advisory Committee (BIAC), part of USCIB's global network, joined in organizing the event.

"As the volume, speed and complexity of international business continues to grow, global firms need clear, consistent and stable tax rules more than ever," said Bill Sample, corporate vice president for worldwide taxation with Microsoft Corp. and chair of USCIB's Taxation Committee. "The OECD is the recognized leader in promoting a tax system to facilitate multinational business and dispute resolution."

Key topics addressed at the sold-out event included: the latest developments affecting permanent establishments, transfer pricing and intangibles; how countries are working together to improve tax compliance and cooperation; the relevance of the recent revision of the OECD's Guidelines for Multinational Enterprises for tax planning; and how the OECD works with new members and non-members on tax matters.

Speakers at the event included: **Jeffrey Owens**, head of the OECD's Center for Tax Policy and Administration; **Steven Miller**, deputy commissioner of the IRS



L-R: Steven Miller, deputy commissioner for services and enforcement at the Internal Revenue Service, and Bill Sample, corporate vice president of worldwide tax at Microsoft Corp. and chair of USCIB's Taxation Committee. Mr. Miller told the conference the IRS would move "in the next month or so" against foreign banks that refused to hand over details on American clients suspected of tax evasion.

for services and enforcement; Pamela Olson, a partner with Skadden Arps and former assistant secretary of the Treasury for tax policy; **Thomas Barthold**, chief of staff of the Joint Congressional Committee on Taxation; **Manal Corwin**, deputy assistant secretary of the Treasury for international tax affairs; and **Masatsugu Asakawa** of the Japanese finance ministry, incoming chair of the OECD Committee on Fiscal Affairs.

"Informed, ongoing dialogue with the OECD secretariat and with OECD member states is crucial for global companies," according to **Carol Doran Klein**, USCIB's vice president and international tax counsel. "The fact that this year's conference took place against the backdrop of potentially far-reaching tax reform in the United States only adds to its importance."

Attendees applauded the substance and organization of this year's tax conference. "As always, the event was interesting, well-organized and flawlessly executed," said **Linda H. Fernandez** of Eli Lilly.

Conference supporting organizations included the International Fiscal Association – USA Branch, the International Tax Policy Forum, the National Foreign Trade Council, the Organization for International Investment, the Tax Council Policy Institute, the Tax Executives Institute and the Tax Foundation. ■



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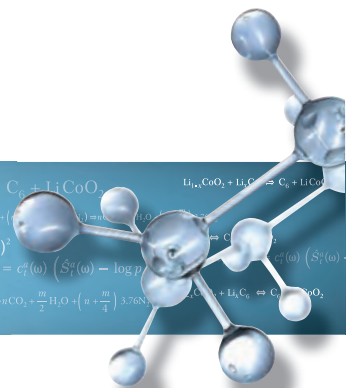
Creating a Smarter, Better World



U SCIB Executive Vice President **Ronnie Goldberg** was re-elected to the Governing Body of the International Labor Organization (ILO) in a vote conducted in Geneva in June . The Governing Body is the executive council of the ILO and meets three times annually in Geneva. It takes decisions on policy and establishes the program and budget of the 183 member states of the ILO.

The ILO Governing Body election took place during the annual International Labor Conference, at which a new international labor standard aimed at improving conditions for domestic workers was adopted. The U.S. employers' delegation to this year's ILO conference was headed by **Edward E. Potter**, director of global workplace rights with The Coca-Cola Company and chair of USCIB's Labor and Employment Policy Committee. In addition to Ms. Goldberg and Mr. Greene, the delegation included **John Kloosterman** (Littler Mendelson), **Kent McVay** (Coca-Cola), **John Oswalt** (Procter and Gamble) and **Kevin Sullivan** (IBM).

In a related development, **Adam Greene**, USCIB's vice president for labor and corporate responsibility, was recently named by Secretary of Labor **Hilda Solis** to the National Advisory Committee for the Labor Provisions of U.S. Trade Agreements, which provides advice on the implementation of labor chapters of U.S. free trade agreements as well as the North American Agreement on Labor Cooperation. ■

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Consumer Awareness Campaign: "Fakes Cost More"

National and international organizations involved in the fight against counterfeit products recognized World Anti-Counterfeiting Day in June with the launch of a consumer education and awareness program that has consumers around the world declaring "Fakes Cost More – I Buy Real."

World Anti-Counterfeiting Day calls attention to the growing global problem of counterfeit and pirated goods. The goal is to increase consumer awareness of the risks and costs associated with buying fakes, and to encourage consumers to take the problem seriously.

The International Chamber of Commerce (ICC), USCIB's affiliate, has found that by 2015, the total impact of the trade in counterfeits and pirated goods – including the value of domestically sold fakes, those traded on the internet and the added costs to society through lost taxes and jobs – will exceed \$1 trillion annually.

Business Action to Stop Counterfeiting and Piracy (BASCAP), an ICC initiative, has launched this consumer awareness campaign to help show that "fakes cost more" not less, despite the lower shelf price of some counterfeits. Fakes cost more because:

- They can carry significant health and safety risks, even endangering lives in the case of counterfeit medicines, auto and airplane parts, as well as many other types of products;



- Workers for legitimate manufacturers lose their jobs to counterfeit producers;
- Pirated software, music and movies can cause computers to crash or be attacked;
- The money from the sale of counterfeits goes to organized criminal networks through which it is used to fund other illegal activities;
- Governments are deprived of tax revenues and incur increased costs for enforcement and other activities.

BASCAP is asking consumers to declare "I Buy Real," and has launched a website, www.ibuyreal.org, to give consumers more information of the costs of buying fake goods and what every individual can do to stop this growing problem. BASCAP is enrolling a global network of anti-counterfeiting organizations and individual consumers in the campaign. ■

Get Ready for New Top-Level Internet Domains

In June, board members from the Internet Corporation for Assigned Names and Numbers (ICANN), the organization that coordinates the Internet addressing system, authorized the implementation of a new generic top-level domains (gTLDs) program, allowing companies and organizations located anywhere in the world to apply to operate an Internet domain name ending. The new program will dramatically increase the number of gTLDs from the current 22, with important implications for business, calling for a large-scale expansion of the domain name space (DNS) beyond the familiar .com, .net, .org, and country code designations.

"Whenever and however a program for new TLDs is approved, it is incumbent on ICANN to ensure that it is done in a transparent and accountable manner," according to **Chris Martin**, USCIB's manager for marketing & advertising policy, ICT and banking. "On the broader question of Internet policymaking, many eyes are watching ICANN in its stewardship of the DNS. It is important that it get it right, so that policymakers, wherever they may reside, have confidence in the private-sector model of Internet governance that ICANN embodies and which USCIB supports."

USCIB has participated in a number of discus-

sions around new gTLDs and has stated that any program for their introduction should enhance innovation, competition, the protection of consumers and intellectual property rights, and preserve the security and stability of the DNS. USCIB has also said that it is vital that ICANN work diligently with stakeholders to address remaining key concerns of the initiative with the Internet community.

To help companies better understand the implications of this significant new development, the International Chamber of Commerce is organizing a seminar on the "Changing Domain Name Landscape and New gTLDs," September 30 in Paris.



**International Chamber
of Commerce**
www.iccwbo.org



**Business and Industry Advisory
Committee to the OECD**
www.biac.org



**International Organization
of Employers**
www.ioe-emp.org

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212-703-5044

ICC Books USA
212-703-5066

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Reining in Health Care Costs

Speaking in June to over 100 senior policymakers, business figures and academics gathered in Paris for the OECD 50th Anniversary Health Conference on meeting the challenges of aging and multiple morbidities, co-sponsored by BIAC, **Nicole Denjoy**, chair of the Task Force on Health Care Policy at BIAC and the secretary general of COCIR (European Coordination Committee of the Radiological, Electromedical and Healthcare IT Industry), highlighted the business case for greater collaboration with governments to generate improved health outcomes and greater efficiency in the future. She said businesses, as contributors to health budgets, employers of older workers, and providers of goods and services, have a vested interest in reducing the overall cost burden, while increasing efficiency and quality of health care.

McGraw Re-elected ICC Vice Chair

ICC has re-appointed **Gerard Worms** as chairman for a two-year term starting July 1, with ICC Vice Chairman **Harold McGraw III**, set to succeed him in 2013. Mr. McGraw, the chairman, president and CEO of The McGraw-Hill Companies, currently serves as chairman of USCIB. The ICC World Council made the decision in a meeting following the 7th World Chambers Congress, June 8-10 in Mexico City. ICC Honorary Chairman **Victor K. Fung** has also been re-appointed for a further one-year term.

BIAC Supports OECD Principles for Internet Policy-Making

Business executives played a prominent role in a June OECD "High Level Meeting on the Internet Economy: Generating Innovation and Growth," which highlighted that the strength and dynamism of the Internet depends on its ease of access to high speed networks, openness and on user confidence. Panels focused on key policy issues for the Internet including broadband access and the role of broadband in innovation; economic growth and social development; and policy directions to support the ongoing development of an open Internet.

UN endorses ICC Demand Guarantee Rules

The most recent revision of the ICC Uniform Rules for Demand Guarantees (URDG 758), the main international standards for demand guarantee practice used by bankers and traders worldwide, was officially endorsed by the UN Commission on International Trade Law (UNCITRAL) at its 44th annual session in Vienna, which concluded in early July. Comprising 60 member states elected by the UN General Assembly, UNCITRAL represents the world's principal geographic regions and economic and legal systems. A new *ICC Guide to Uniform Rules for Demand Guarantees* is now available at the **ICC Books USA** online store (www.ICCBooksUSA.com).

Coordinated Action Sought to Curb Maritime Piracy

In June, against the backdrop of ever-more aggressive forays by Somali pirates against shipping in the Indian Ocean, USCIB President and CEO **Peter M. Robinson** wrote to Secretary of State **Hillary Clinton** and other top administration officials involved in national security to draw attention to a global Call for Action on Piracy, issued by ICC at the May International Transport Forum in Leipzig, Germany. ICC calls on governments to take immediate action to improve the rules of engagement given to the navies present in the Indian Ocean, to refocus the efforts of the United Nations and other international bodies to ensure that required institutions in south-central Somalia are established to maintain economic and social standards, and to hold pirates accountable for their conduct. ■

UN Report on Business and Human Rights

In May, the three pillars of USCIB's global business network – ICC, IOE and BIAC – joined together in welcoming the final report of Professor **John Ruggie**, UN Secretary General **Ban Ki-moon's** special representative on business and human rights.

After six years of study and consultation, Professor Ruggie released his final report, entitled "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework."

In their joint statement to the UN Human Rights Council, the three business bodies thanked Professor Ruggie for "his dedication and tireless effort over the past six years to develop open communication and consensus among all stakeholders, which has been a significant part of his contribution to the way in which these issues are addressed."

They continued: "Our organizations have actively engaged with [Professor Ruggie] throughout his mandate by participating directly in numerous consultations, submitting joint comments or statements on various reports produced by the mandate, and engaging in ongoing communication with [him] and his team during the entire mandate."

The groups endorsed the report's "Protect, Respect, Remedy" framework, which clearly distinguishes the roles of national governments and third parties, including business enterprises, in upholding human rights.

The joint statement said: "Business is committed to meeting its responsibility to respect human rights and we fully expect that states and other stakeholders will do the same within their respective duties and responsibilities." ■

Progress on Trade Agreements

USCIB welcomed progress in July toward Congressional approval of pending U.S. free trade agreements with Colombia, Panama and Korea. "Approving these agreements as soon as possible will provide a big boost to our economy as we seek to ensure sustained growth and a jobs-based recovery," stated USCIB President and CEO **Peter M. Robinson**. "We need the tools to compete and win in the world economy. What's more, failure to move quickly on the three trade agreements will damage American leadership and credibility on the world stage. American business will do its utmost to ensure Congressional passage." The draft implementing bill for the Korea FTA was expected to include an extension of Trade Adjustment Assistance. "We believe that Trade Adjustment Assistance plays an important role in advancing a bipartisan trade agenda," Mr. Robinson stated. Earlier this year, USCIB joined other leading industry associations in signing a joint letter on the importance of TAA.

Business Presses for Multilateral Action on China's Currency

USCIB and an array of other business groups urged the House and Senate leadership that China's undervalued currency be addressed in the context of multilateral pressure rather than unilateral U.S. punitive measures. There are a number of proposals in Congress that would seek to compel a revaluation of the yuan through the imposition of new trade barriers to Chinese goods. "Like Congress and the Administration, we agree that China needs a yuan exchange rate that responds to trade flows and that China should move steadily towards a market-determined exchange rate," the business groups wrote. "In addition to continuing U.S. government efforts, our organizations support strong, coordinated

and enhanced multilateral pressure through multiple international organizations such as the G-20 and APEC to achieve concrete progress on China's currency and exchange rate policies."

Closer Cooperation Needed on Air Cargo Security

In June, USCIB urged the heads of U.S. Customs and Border Protection and the Transportation Security Administration to work more closely to improve air cargo security, including taking other countries' rules and regulations into account when implementing new air cargo security rules. In a letter to Customs chief **Alan Bersin** and TSA Administrator **John Pistole**, USCIB commended the two agencies for working with the private sector to implement protocols and rules of engagement for the air cargo security program, and expressed hope that heightened interagency cooperation would continue to ensure a streamlined program.

Recommendations on Improving Customs "Trusted Trader" Program

In May, following up on a promise made at a March 15 meeting with U.S. Customs and Border Protection (CBP) Commissioner **Alan Bersin** (see the *Spring issue of International Business*), USCIB and the American Association of Exporters and Importers provided a detailed list of 18 benefits envisioned for participants in CBP's trusted trader program, the Customs-Trade Partnership Against Terrorism (C-TPAT). The business groups encouraged CBP to strengthen C-TPAT, to focus its core benefits on the pre-trade and post-trade events of the supply chain, and to develop substantial commercial benefits for Tier 2 and Tier 3 C-TPAT participants. ■

Expert Analysis:

Trade Finance Outlook for 2011

By Michael F. Quinn

Managing Director, JP Morgan Global Trade and Chair of USCIB's Banking Committee

As 2009 ended, we viewed the global economy – and its lifeblood, trade – through the prism of cautious optimism. The limited trade finance available from strong providers had been supplemented by central banks and international finance organizations. To keep the wheels of commerce turning, central banks had also injected liquidity into local economies and assisted in deleveraging bloated balance sheets. In markets where local action was weak or nonexistent, massive trade finance initiatives by various regional and global development banks had delivered much-needed liquidity. For all these reasons, we saw 2010 as the year in which the global economy would receive a strong push along its road to recovery.

Throughout 2010, this proved to be the case. Economies in Asia and Latin America stayed strong as intra-Asia and South-South trade continued to show growth and vitality, although the rebound in Western Europe and the United States was slower, and some regions – Africa, Central Asia and Central America – continued to lag behind. Throughout 2010, demand for manufactured and finished goods increased. The voracious appetite of China and India for raw materials to support their internal infrastructure and increased production capacity continued unabated, keeping commodity flows strong as well.

In 2010, letters of credit usage continued to remain flat to the '09 exit rate, with volume concentrated in support of Small and Medium sized Enterprises and smaller economies. Dollar values tended to increase, tracking the rising costs of commodities as well as consumer goods and electronics orders that were the largest seen since early 2008. J.P. Morgan's correspondent bank customers increased their demand for dollar-based financing to support the needs of their local customers, but from all appearances the transactions financed were open account. Supply chain finance demand continued its growth trajectory as major buyers continued to strengthen their supply chains while negotiating more favorable terms. As sellers showed more appetite for their counterparty's paper, previously constrained liquidity sources began freeing up capacity. Highly structured trade finance transactions re-emerged, but with greater transparency and fortified documentation. The credit insurance market also saw improvement as overall trade flows grew and underwriting became more viable.

In 2011, with mostly good news on a macroeconomic front, Trade Finance pricing continues to fall. In many markets, prices are now at or near pre-crisis levels. Secondary markets have been restored, with investor appetite continuing to increase and ramping to near pre-crisis capacity through a combination of direct participation in deals and continued utilization of development bank support programs. Market participation has also expanded to pre-crisis levels as banks that withdrew during the crisis returned. Unfortunately, some are now demonstrating the bad behavior that was in evidence before the crisis and taking risk without reasonable and rational return.

A repercussion of the economic crisis for the banking community has been intensified scrutiny by the local and global regulators working to prevent a reoccurrence of the '08 debacle. Basel III emerged in 2010, sending shock waves through the



banking industry. The proposed requirements for trade transactions – increased capital, higher risk premiums – are causing banks to seriously reconsider their involvement in the trade finance arena. Especially troubling are proposals to dramatically increase the capital required to support off-balance sheet documentary credits. The Asset Value Correlation factor, which impacts credit exposure to other financial institutions, and the Liquidity Ratio, which implies that Export Credit Agency lending will be considered illiquid, promise to raise the cost of trade loans significantly.

Despite challenges and complexities, our global trade outlook for 2011 and beyond is bullish. Major trading partners are expected to continue their rebound or growth trajectories. Trade finance will remain in demand, but capacity in most markets will continue to improve, reducing prices even further. Initial forecasts indicate that by early 2012, global trade will have recouped its losses and will resume its traditional growth rates. Other than in credit constrained markets, the expectation is that the multilateral financing vehicles will diminish in importance in the primary and secondary markets, but will remain as a safety net in the event of a double dip recession.

A “wild card” to the trajectory of global trade growth is the seismic shift in governments in North Africa and the Middle East. Immediate and obvious impact will be on the price of oil which has implications for the almost every country but could be particularly harmful to economies that are still struggling to regain momentum. Austerity measures taken in the United Kingdom and contemplated in other markets could adversely impact global economic growth and have a knock-on effect among trading partners. But whatever bumps we encounter on the road to recovery, we remain optimistic about this year's prospects for global trade and trade finance.

Read an expanded version of this article at www.uscib.org/index.asp?DocumentID=4096. ■

Countries Opt Not to Ramp Up Disclosure of Product Information

Timely work by USCIB and other business groups around an intergovernmental conference paid off when parties to the Aarhus Convention rebuffed efforts to widen possible public environmental disclosure rules to include proprietary product information.

The scene was the fourth meeting of parties to the convention, which took place June 27 to July 1 in the Moldovan capital Chisinau. Attending on behalf of business and industry were **Helen**



USCIB's Helen Medina at the conference in Chisinau, Moldova

Medina, USCIB's director of life sciences and product policy, who also represented our affiliate the International Chamber of Commerce and was joined by **Alessandra Salamini** (Monsanto), **Michelle Orfei** (Croplife International) and **Robbie Schreiber** (European Crop Protection Association).

Formally known as the *UN Economic Commission for Europe Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters*, and named after the Danish city where it was signed in 1998, the Aarhus Convention links environmental protection and human rights, laying out procedures for public access to information, participation and redress in local, national and cross-border environmental matters. Some 40 European and other countries are party to the convention.

"The Aarhus Convention is not just an environmental agreement," noted Ms. Medina. "It is also about government accountability, transparency and responsiveness. It grants the rights to the public, and it imposes obligations on countries and public authorities regarding access to information, public participation and access to justice."

Industry representatives were interested in how the convention work program for 2012-2014 would be implemented, especially the work plan for a task force aimed at widening the range of information – including privately held product information – made available to the public. In the end, parties to the convention opted to delete the reference to product information.

"This was a win for us, brought about largely because, prior to the conference, industry did a lot of work on educating the European Union about the slippery slope of giving the public direct access to product information from the private sector," Ms. Medina said. "In the end, it was the EU that changed the language."

USCIB and other industry groups will continue to monitor future discussions to see how this language in the work program translates into practice.

Business also sought to learn how Aarhus Convention principles are being promoted at the global level and in other international environmental discussions. Stakeholders at the Chisinau meeting issued a declaration, "Rio Plus Aarhus – 20 Years On," which highlights the importance of promoting Aarhus principles of openness, transparency, wide participation and accountability in international environmental decision-making in preparation for the Rio+ 20 Conference in 2012. In this context, the business delegation delivered an intervention that highlighted the need for wide stakeholder engagement in matters relating to sustainable development.

On the last day of the meeting, USCIB's Ms. Medina delivered a business statement highlighting the positive role companies can play in providing practical solutions to complex global environmental challenges. She stressed the need for improved governance and policymaking, as well as a multi-stakeholder approach, in tackling such environmental challenges as climate change, energy security, waste management, water scarcity and population growth. ■

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Mexico Now Accepting “Merchandise Passports” for Temporary Imports

Business travelers to Mexico can now take advantage of a new tool to expedite and reduce the cost of taking goods temporarily into the country. In May, the country began accepting ATA Carnets, the “merchandise passports” honored in some 80 countries and customs territories. USCIB issues and guarantees the internationally recognized customs documents in the United States.

Mexico will accept Carnets for professional equipment, demonstration samples and goods for trade shows. A single Carnet can be used to take goods to any accepting country for up to one year, duty-free and tax-free, so long as the goods are not sold and leave the country in the same condition in which they were brought in. More information is available at www.merchandisepassport.org.

“For years, Carnet users have told us that the biggest gap in the system was Mexico,” said Cynthia Duncan, USCIB’s senior vice president for Carnet services. “Now, that gap has been filled. It should mean a big boost for business travel and sales in the country and throughout Latin America.”

Mexico is the United States’ second-largest export market and third-largest trading partner overall. Top U.S. exports to Mexico include electrical machinery, vehicles, auto parts, plastics, aircrafts and airplane parts.

Until recently, Mexico and other Latin American countries were outliers in the international Carnet system, which had its origins in Europe a half-century ago. But Chile’s decision a few years ago to accept Carnets, coupled with Mexico’s move, opens the region to this innovative and valuable service.

Worldwide, more than 160,000 Carnets are issued every year, accounting for hundreds of thousands of customs declarations and covering goods with a total value of over \$20 billion (U.S.). The Carnet system is overseen by the International Chamber of Commerce, USCIB’s affiliate, and the World Customs Organization.

Joining Mexico as the newest members of the ATA Carnet system are Bosnia and Herzegovina, which joined on April 18, and the United Arab Emirates, which began accepting Carnets on April 1. ■



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Mexico City Welcomes Chambers of Commerce

In June, some 1,200 participants from chambers of commerce and other business groups in over 100 countries gathered in Mexico City for the 7th World Chambers Congress, organized by USCIB's affiliate the International Chamber of Commerce, its World Chambers Federation and the Mexico City National Chamber of Commerce.

Under the theme of "Enterprise – Network – Prosperity," the congress comprised plenary sessions and an array of practical workshops relevant to the chamber and business community. It also provided plentiful networking opportunities to position the congress as the most important event of the year on the chamber calendar.

Major addresses were given by Mexican President **Felipe Calderon**, ICC Chairman **Gerard Worms**, USCIB Chairman and ICC Vice Chairman **Harold McGraw III** and CANACO President **Arturo Mendicutti Narro**. The congress also featured world-renowned speakers including **Muhtar Kent**, CEO of The Coca-Cola Company, and environmental researcher **Rajendra Pachauri**, the chair of the Intergovernmental Panel on Climate Change.

Delegates had the chance to develop new business opportunities and interact with the region's leading companies from the oil, agriculture, trade and services sectors. Among the many developments at the congress, ICC and the Inter-American Development Bank signed an agreement to work together across a wide number of projects encompassing trade and investment, banking and sustainable development.

At a meeting on the sidelines of the congress, the recently launched ICC G20 Advisory Group consulted with global companies to consolidate business positions on a host of issues for delivery at this fall's G20 summit in France. Participants at the meeting included USCIB Chairman McGraw, who is also

chairman, president and CEO of The McGraw-Hill Companies, and Mexican Undersecretary of Foreign Affairs **Maria de Lourdes Aranda Bezaury**, along with other CEOs and chambers of commerce leaders representing businesses large and small.

Launched in May, the ICC G20 Advisory Group will hold similar meetings which will focus on G20 issues including trade, investment and development to name a few, in Doha, Hong Kong and Zurich in the coming months, bringing together business leaders and CEOs from major global corporations and SMEs worldwide.

In addition to Mr. McGraw, USCIB was represented at the congress by President and CEO **Peter Robinson**, Senior Vice President for Carnet Operations **Cynthia Duncan** and Carnet Development Manager **Amanda Barlow**.

Also at the congress, a workshop on ATA Carnet brought together representatives of potential member countries to learn more about the practical operation of the system. Kenya, Philippines, Brazil and Honduras were all present while Carnet member-country representatives, including USCIB's Ms. Duncan, presented their experiences. ATA Carnets are international customs documents which permit duty- and tax-free temporary export/import of commercial samples, professional equipment and goods for exhibitions and fairs.

At a special award ceremony held on the closing day of the ceremony, winners of the 2011 World Chambers Competition were announced. The Congress concluded with a gala dinner featuring a video presentation of Qatar, destination of the 8th World Chambers Congress in 2013. ■

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New Co-Chairs of China Committee

We welcome **Jianmei Feng** of General Electric and **Tad Ferris** of Holland and Knight as co-chairs of USCIB's China Committee. Previously vice chairs of the committee, Ms. Feng, senior counsel for public policy at GE China, and Mr. Ferris, a partner in Holland and Knight's China team, succeed **Clarence Kwan**, national managing partner for Chinese services at Deloitte. We are extremely grateful for Mr. Kwan's longstanding support and dedication to our China work. His leadership of the committee over the past eight years has helped shape USCIB's positions on Chinese trade policy, and he has also served as the chair of the BIAC China Task Force. ■

Amanda Barlow, USCIB's Carnet development manager, presented at FedEx's Irving, Texas center in May to over 100 individuals gathered to successfully kickoff "Trade Texas Style," a public-private partnership that supports **President Obama's** National Export initiative. This state-wide trade initiative – composed of 37 private- and public-sector organizations including USCIB, the U.S. Commercial Service, Reed Exhibitions, JPMorgan Chase and FedEx – came together to present the value of expanding trade to small and medium-sized businesses in Texas. **Fred Schardt**, CEO of FedEx Trade Networks, and Mayor **Herbert Gears** of Irving both spoke at the event. Following the kickoff, over 500 first-round invitations went out asking Texas companies to consider joining and receiving the benefits from the counseling and planning support offered by the supporters of "Trade Texas Style." Both USCIB and Carnet service provider Roanoke Trade Services exhibited at the event, drawing attention to the value of ATA Carnets as well as ICC Incoterms® 2010 for Texas business. ■



USCIB's Amanda Barlow

New USCIB Members

We are delighted to welcome the following companies and organizations as the latest additions to USCIB's diverse membership:

American Council of Life Insurers

Talecris Biotherapeutics, Inc.

To learn more about how USCIB membership can benefit your organization, contact **Alison Hoiem** (202-682-1291 or ahoiem@uscib.org).

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Green Economies in Globalized Markets

September 21-23, 2011

Boston University School of Management
Boston, MA

In cooperation with The United States Council Foundation

As entire industries transform and restructure to embrace sustainability, the implications for corporations are significant and will impact decisions across products and processes, technologies and research, as well as distribution and sourcing strategies.

The United States Council Foundation, in partnership with Boston University's School of Management, is pleased to offer USCIB members a three-day Executive Leadership Program that goes beyond compliance and embraces sustainability as the new frontier in corporate strategy. Led by renowned experts including USCIB's **Norine Kennedy**, the program is designed to introduce participants to current topics in international governance and regulatory structures, provide insight into the dynamics of disruptive industry transformation and introduce frameworks for developing innovative business models and strategic platforms for seizing opportunities in the coming green economy. Register at <http://management.bu.edu/exec/elc>.

For additional information, call 617-353-4248 or e-mail elc@management.bu.edu, or contact USCIB's **Abby Shapiro** (ashapiro@uscib.org). ■



USCIB International Leadership Award Dinner

November 16, 2011

The Waldorf-Astoria
New York City

Join us as we celebrate the accomplishments of an outstanding leader who exemplifies the qualities required to lead in challenging times. The dinner's theme, *Leadership in a Changing Global Landscape*, puts the focus on USCIB's mission and provides members and

friends with an opportunity to honor this year's International Leadership Award recipient, **Andrew N. Liveris**, chairman and CEO of the Dow Chemical Company. Mr. Liveris is being recognized for his ability to stay ahead of trends and anticipate new realities by laying a path for future innovation and growth in overseas markets. Invitations will be mailed in September. For information on sponsorship opportunities, contact **Abby Shapiro** (ashapiro@uscib.org). To learn more, please visit www.uscibgala.com. ■

A promotional banner for the CNN show 'Quest on CNN'. On the left is a portrait of host Richard Quest. The background is blue with a world map. The text 'QUEST ON CNN' is in large white letters. Below it, a dark blue box contains the text 'Quest Means Business' in a stylized font, with a line graph and an upward arrow. Below this box, a paragraph describes the show as 'the definitive word on how we earn and spend our money'. At the bottom, the website 'cnn.com/qmb' is listed, along with contact information for Kate McVeigh and the CNN logo with a globe.

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calendar

september 2011

6	New York	ICC Commission on Competition
12-20	San Francisco	APEC Senior Officials Meeting
12-15	Istanbul	World Congress on Safety and Health at Work
21-23	Boston	Executive Leadership Program: Green Economies in Globalized Markets (in cooperation with Boston University)
23	Paris	ICC Corporate Responsibility and Anti-Corruption
26-27	Paris	G20 Labor Ministerial
27-30	Nairobi	UN Internet Governance Forum
29	Paris	ICC Commission on Intellectual Property
30	Paris	ICC Commission on Trade and Investment Policy

october 2011

13	Washington, DC	USCIB Corporate Responsibility Committee
14	Washington, DC	USCIB Labor & Employment Policy Committee
20	Rio de Janeiro	ICC Commission on Taxation
24	Mountain View, CA	USCIB Intellectual Property Committee
24-28	Beijing	ICC Banking Commission
29	Dubai	ICC Commission on Arbitration

november 2011

1-3	Paris	3rd ICC Young Arbitrators Forum (YAF)
3-4	Cannes, France	G20 Summit
7-8	Paris	ICC E-Business, IT & Telecoms (EBITT) Commission
12-13	Honolulu	APEC Leaders Meeting
16	New York	USCIB Executive Committee
16	New York	USCIB International Leadership Award Gala
16-17	Qatar	ICC Commercial Law & Practice Commission

ICC Incoterms® 2010 Seminars nationwide through December 2011

To view dates and locations, visit <http://www.uscib.org/calendar.asp?cat=Incoterms>

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