

THE STATE OF AMERICAN BUSINESS

2007



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The State of American Business 2007

A Special Message From the U.S. Chamber of Commerce:

The state of American business is fundamentally strong. Whether business remains strong will depend on the decisions and actions of the government and private sector leaders who drive the world's most successful economy.

Our economy faces changes and challenges we have never seen before. It would be a serious mistake to take current growth for granted and wait until the problems we can identify today become crises tomorrow.

We must act now to reform and modernize the policies and practices that drive some jobs, capital, and companies out of our country.

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We must commit ourselves today to equipping our young people with the education and training they need to succeed in a competitive worldwide economy.

We can no longer afford to ignore urgently needed improvements in our infrastructure or the compelling need to expand energy from all sources.

And with 77 million baby boomers starting to retire, we must squarely confront the realities of changing demographics—welcoming law-abiding immigrants, competing for global talent,

opening markets at home and abroad, and securing our health care, pension, and entitlement systems.

**We will advance
a clear mission
to build a more
competitive economy
that creates jobs,
opportunities, and
economic security
for all Americans.**

In 2007, the U.S. Chamber of Commerce will appeal to governments at all levels, elected officials across the political spectrum, companies and chambers of all sizes, and institutions across society to join us in advancing a clear mission—to build a more competitive economy that creates jobs, opportunities, and economic security for all Americans.

We understand that the political and legislative environment in Washington has changed. This may alter our tactics and, in some respects, our expectations, but not the ambition of our goals.

The Chamber will pursue a three-part strategy to get things done:

First, we will ask Congress and the administration to enact pro-growth proposals—including reforming immigration and visa policies; reauthorizing tax, trade, education, and terrorism insurance laws; addressing long-term problems such as access to affordable health care and the mass tort liability crisis; expanding energy supplies and our infrastructure; and modernizing the rules governing pensions, patents, the workplace, the environment, and entitlements.

We will build coalitions around these issues and reach out to members of both parties to pass legislation. While enacting pro-business legislation may be more challenging than in the last Congress, we will not fail simply because we have not tried.

Second, the Chamber will mount an effective defense— pushing back at members of Congress of either party who advocate policies that would damage our ability to create jobs and compete across the globe. Legislators who use their positions to unfairly malign or harass good companies will not go unchallenged.

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With many business-friendly lawmakers sitting on both sides of the aisle, and with an administration that supports the business viewpoint on many issues, we believe the prospects for a successful defense of the free enterprise system are good.

Third, the Chamber will advance far-reaching competitive reforms that extend well beyond the corridors of Capitol Hill— working in the regulatory agencies and in the courts, going to the states and to international bodies, reaching into communities and educational institutions, and appealing to the court of public opinion. The Chamber has worked hard to build an organization with a global reach and a grassroots depth. We will apply these assets to ongoing work and new initiatives in the following areas:

- **Legal Reform**—The Chamber’s Institute for Legal Reform (ILR) and National Chamber Litigation Center (NCLC) will work in the states, in the courts, and in regulatory agencies as well as in Congress to repair broken legal systems, rein in punitive damage rewards, stop regulatory overreach, and change America’s litigation culture. ILR will also extend its reach overseas to stop the export of U.S. litigation practices.
- **Education and Workforce Initiative**—In February 2007, the Chamber will issue a comprehensive state-by-state report card

on America's public schools and propose major reforms to cut the nation's alarming high school dropout rate and better prepare students for college and the workplace.

- **Energy Security and Global Warming**—We will create a new organization within the Chamber that is dedicated to ensuring honest debate and sound decision making on energy and climate change issues. We are making this commitment because of energy's fundamental importance to our economy, security, and way of life.
- **Defense of Global Trade and Engagement**—Advocates of open markets and free trade have fallen short on efforts to communicate the benefits of global engagement to American workers, families, and consumers. The Chamber intends to change this in 2007 with a vigorous and proactive nationwide program.
- **U.S. Capital Markets and the Impact of Sarbanes-Oxley**—In spring 2007, the Chamber's independent, bipartisan Commission on the Regulation of U.S. Capital Markets in the 21st Century will issue its ideas to strengthen U.S. capital markets and address the unintended consequences of Sarbanes-Oxley.
- **Addressing Global Regulatory Divergence**—An underappreciated and increasing threat to American companies and workers is the proliferation of divergent regulatory frameworks, particularly in Europe and China. The Chamber will launch a targeted program of work to achieve greater regulatory cooperation around the world.

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- **Fighting Counterfeiting, Piracy, and the Theft of Intellectual Property**—The Chamber will expand its successful initiative to fight counterfeiting and piracy at home and abroad through a global strategy of education, detection, and enforcement. Our mission is to make the world a miserable place for counterfeiters and pirates.

Americans can compete and win in the worldwide economy if we have the tools, training, and freedom to succeed.

- **Rebuilding America Initiative**—The Chamber will launch an infrastructure capacity initiative that will define, quantify, and illustrate the compelling need for new investments to create superior transportation, logistics, energy, and telecommunications systems. Growth and competitiveness cannot be sustained on our existing infrastructure platform.

With the rise of new competitors abroad and an aging population at home, our nation faces a challenging future. Americans will continue to compete and win in the worldwide economy if we have the tools, training, and freedom to succeed. Our nation was built on the simple, powerful idea that in this country the future is always better than the past. The Chamber is dedicated to helping America affirm this proud legacy in 2007 and beyond.

Thomas J. Donohue
President & CEO
U.S. Chamber of Commerce

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The Economy in 2007

In 2006, the U.S. economy endured high energy and raw materials prices, increasing interest rates, and a sagging housing market.

Amid these headwinds, the economy managed to grow 2.2% in the third quarter and should average about 3.3% for 2006 as a whole.

In 2007, we expect growth to range between 2.5% and 3.0% in the first half and 2.4% for the entire year. Growth will be relatively well balanced with less reliance on consumption, a greater contribution from investment, and continued, but modest, improvement in the trade balance.

We expect continued moderation in overall inflation and in core prices. The core consumer price index (excluding food and energy) was up 2.8% from a year ago in the third quarter of 2006. We expect it to average about 2.7% for all of 2007. The Federal Reserve has pushed its fed funds target rate to 5.25%, and we believe they will keep it there for most of 2007.

Overall, the Chamber is optimistic about the U.S. economy in 2007.

Housing markets will remain weak over the first half of 2007 but should stabilize during the latter part of the year.

Personal consumption expenditures will grow 3.0% over 2007, while growth in business investment in equipment and software should average about 6.0% for the year.

The latest revisions to the employment figures indicate that the economy has generated nearly 3 million jobs over the last year and about 6.3 million since the end of 2003. The unemployment rate dropped to 4.4% last October but should rise back to around 5% in

2007, with monthly job gains expected to average about 130,000.

The trade deficit, the housing market, and energy prices remain areas of concern, but overall the Chamber is optimistic about the U.S. economy in 2007.

Business in the New Washington: A Three-Part Strategy

During the 2006 election cycle, the Chamber endorsed 277 congressional candidates from both parties—and 222 were successful. A majority of pro-legal reform candidates won races in which the Chamber’s Institute for Legal Reform (ILR) worked to educate the public. Still, it was a difficult political environment dominated by the war in Iraq and corruption scandals—not by economic issues. The business community lost a number of its strong supporters in the House and Senate.



**We will work for
pro-growth legislative
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Although majority control has shifted and with it the key committee chairs, the Chamber’s strong election support for pivotal Democrats, our relationships across the aisle, and the close margins between the parties will serve us well going forward.

In 2007, the Chamber will pursue a three-part strategy that includes (1) working for pro-growth legislation to support economic prosperity, (2) challenging anti-business proposals that would hurt growth and cost jobs, and (3) reaching beyond Congress to advance competitive reforms across the American economy and society.

Working for Pro-Growth Legislation

The Chamber's legislative priorities in the new Congress include the following:

Immigration reform and visa policies

The Chamber will work for passage of comprehensive immigration reform that (1) provides for better control of our nation's borders and an effective employee verification system; (2) creates an efficient guest worker program; and (3) allows for earned legal status leading to permanent residency for qualified, screened undocumented immigrants now in the country. We will push for the continuation and expansion of both temporary and permanent visa programs including the L-1 and H-1B and programs that give employers as well as the education and medical communities the ability to access needed talent.

Education reform and workforce development

As part of our broader initiative to improve America's schools and workforce training, the Chamber will work to reauthorize and strengthen the No Child Left Behind Act (K-12), the Higher Education Act, and the Workforce Investment Act. We will urge Congress to pass President Bush's American Competitiveness Initiative to expand our supply of well-trained engineers and scientists.

We will support positive energy proposals to expand domestic oil, gas, and coal production.

Energy security

We will support positive energy proposals to expand domestic oil, gas, and coal production; invest in alternative and clean energy technologies; boost U.S. refinery capacity; and improve our energy infrastructure. We will seek approval of the Yucca Mountain nuclear waste repository's implementation plan and the expansion of clean, safe nuclear power.

Affordable health care

The Chamber seeks solutions to lower health care costs for employers and consumers while expanding access to the best health care. We support initiatives to expand the use of information technology in the health sector. We will also continue to support improvements to health savings accounts; tax deductibility of premiums for individuals and the self-employed; tying future physician reimbursement for Medicare to performance-driven benchmarks; small business health savings plans; and modifications of the current use-it-or-lose-it provisions for flexible spending accounts. The Chamber will also oppose the removal of the noninterference provisions from Medicare Part D.



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Trade expansion

The Chamber believes that progress on trade can be made in the 110th Congress. We will work to modernize CFIUS (Committee on Foreign Investments in the United States) rules governing foreign investments and acquisitions in the United States, keeping the welcome mat out while protecting national security.

If a good Doha Development agreement is reached among the 150 member countries of the World Trade Organization, we will work with pro-trade members of both parties to gather the necessary votes for approval.

We will push for approval of additional free trade agreements now in the negotiating pipeline as well as long-term or temporary extension of presidential Trade Promotion Authority.

Small business relief

With members of Congress of both parties proclaiming their support for small business, the Chamber will seek permanent extension of expensing allowances (Section 179) and death tax reform. We will support legislation that would allow small businesses to be

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reimbursed for attorneys' fees when successfully challenging government's regulatory actions in court, and a Small Business Administration reauthorization bill that would support strong and stable SBA 7(a) and 504 lending programs.

Lawsuit abuse and insurance

As part of our broader legal reform program, the Chamber will work with Congress to find a comprehensive legislative solution to the problem of mass tort litigation. We will also seek renewal of the federal terrorism risk insurance backstop so that companies, municipalities, and public facilities can find affordable coverage during the war on terror.

Due process rights and capital markets regulation

While supporting tough laws to root out fraud in business and other institutions, the Chamber will tap the strong bipartisan consensus in Congress for upholding due process rights and ending the practice of forcing waivers of attorney-client privilege during prosecutions and sentencings. As needed, we will seek congressional support for reducing unnecessary compliance costs under Securities and Exchange Commission (SEC) regulations and accounting rules.

Transportation and telecommunications

The Chamber is poised to take a lead role in the Federal Aviation Administration reauthorization this year. We will call on Congress to pass the Water Resources Development Act (WRDA) and work to ensure that the funding commitments made in the nation's core surface transportation program (SAFETEA-LU) are kept.

The Chamber is poised to take a lead role in the Federal Aviation Administration reauthorization this year.

We will also advocate updated federal telecommunications laws and seek the elimination of federal policies that hinder investment in technology, while opposing net neutrality legislation. The Chamber will also back meaningful data security legislation that includes a unified national breach notification standard.

Challenging Anti-Business Proposals

While advancing a proactive legislative agenda, the Chamber is also prepared to vigorously oppose measures that we believe would damage our economy and hurt companies and workers alike. These measures could include the following:

- Union-backed efforts requiring workers to decide whether to recognize a union in front of organizers rather than through secret ballot elections; imposing binding contract arbitration; raising the minimum wage; lifting caps on damages and increasing criminal penalties; expanding the Family and Medical Leave Act; and mandating paid leave.
- Protectionist “Buy America” provisions in government procurement and measures designed to punish and restrict companies that choose to source and invest around the world in order to survive and compete globally.

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- Punitive tax measures and other changes in laws that would hurt key industries and undercut investment, research, innovation, and the development of new products and resources.
 - Environmental and climate change rules that are not based on sound science, good data, or where the costs outweigh the benefits to American workers and our society.
 - Homeland security and border control measures that fail to strike a commonsense balance between safety, mobility, and global commerce—such as inspection of all 11 million–12 million cargo containers entering the United States each year before we have the technologies and systems in place to handle this undertaking.
 - Overregulation of retirement plan design and policies that would eliminate employer flexibility in providing retirement benefits and managing the workforce.

We will work to persuade a majority of pro-growth, pro-business members of Congress in both parties to do the right thing in turning back these often well-intentioned but damaging ideas.

Advancing Competitive Reforms

While pursuing timely legislative priorities and defending business from unfair attacks, the Chamber will also work for broad reforms across government, business, and society. These reforms are critical to our nation's ability to compete, create jobs, and prosper in the years ahead. In 2007, the Chamber will organize people, programs, and resources around the following new and ongoing initiatives:

Legal Reform

America's litigation system is the world's most expensive, costing the average family more than \$3,500 per year. The Chamber's Institute

for Legal Reform (ILR) and National Chamber Litigation Center (NCLC) are determined to change this.

There has been substantial progress. We worked successfully with the 109th Congress to pass the Class Action Fairness Act, which reduces venue shopping and frivolous cases by moving many state class actions to federal courts.

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Reforms have also been enacted in states such as Florida, Georgia, Mississippi, Missouri, Ohio, Texas, and West Virginia—spurred by the Chamber's intensive lobbying. ILR's educational efforts in the states during key state Supreme Court and attorney general elections have contributed to changes in the composition of the courts and an improved legal climate in a number of states.

In 2007, this legal reform agenda will be expanded in a variety of areas:

Securities class action litigation—We are leading a comprehensive examination of securities class action lawsuits, both the economics of the system and the rules for litigating cases, with a long-term goal of reducing this significant burden on American competitiveness.

Fraudulent and abusive practices—ILR will promote legislation to end the most egregious tactics used by the plaintiffs' bar to exert unfair leverage on businesses, including medical screenings designed solely to generate mass tort claimants and abusive discovery “fishing expeditions.”

The Chamber will continue to spotlight the actions of some state attorneys general who seek changes in public policy through litigation.

Voter education—ILR will conduct voter education efforts in important off-year elections for state Supreme Court judges and attorneys general.

State legal reform—We will support legislative efforts to further improve the legal climate in Mississippi and West Virginia; work for improvements in other problem

states such as California, Illinois, Louisiana, Texas, and Wisconsin; and protect past legislative gains in Georgia, Missouri, and Ohio.

State attorneys general—The Chamber will gather data and publish information on the offices of the state attorneys general for fairness and ethical conduct. We will spotlight the actions of some state attorneys general who retain contingent-fee plaintiffs' lawyers, often using secret no-bid contracts to seek changes in public policy through litigation that would be better resolved in the legislative or regulatory arenas.

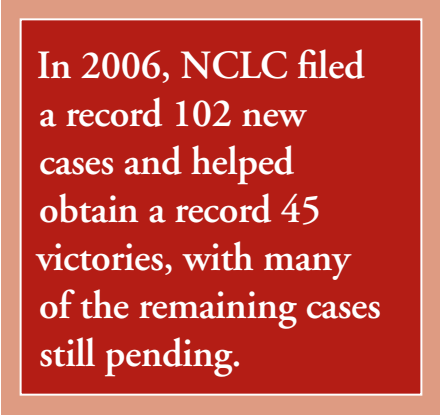
Asbestos—We will continue to work toward a comprehensive legislative solution to the problem of asbestos-related litigation.

Global forum shopping—We will vigorously develop international coalitions to halt global forum shopping and prevent the export of the U.S. tort system.

National Chamber Litigation Center—Since its inception in 1977, the National Chamber Litigation Center (NCLC), our public interest law firm, has participated in more than 1,000 cases as the voice of business in the courts and regulatory agencies.

In 2006, our Litigation Center filed a record 102 new cases and helped obtain a record 45 victories, with many of the remaining cases still pending.

In 2007, NCLC will expand its role as the go-to place for advocating the business point of view in the courts on issues of national significance to the business community, including abusive class actions, excessive punitive damages, regulatory overreach, securities litigation, and unfair state competition laws—particularly in California and other problem states.



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Education and Workforce Initiative

The United States is home to many dedicated teachers, superior public and private schools, and the best system of colleges and universities in the world. Yet, on the whole, we are woefully failing to equip our young people and our workforce with the skills they need to succeed personally and support a competitive economy.

The danger signs are everywhere.

Our K–12 public education system has not been updated in at least 100 years. Thirty percent or more of our students don't graduate from high school. Many of those who do graduate are not prepared for college or the workplace.

At least 40% of our students enrolling in college have to take one or more remedial courses when they get there—at a cost of more than \$1 billion annually. We beat most countries when it comes to college

enrollment, but we fall into the bottom half of developed countries when it comes to college completion. And the business community spends billions teaching new hires basic skills.

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America is producing 140,000 graduates in engineering compared with 350,000 in Asia. Falling short to such a degree hinders American innovation and puts the United States at a competitive disadvantage, particularly in some technology and defense sectors, where key employees must be U.S. citizens.

With 77 million baby boomers already starting to retire and with today's jobs requiring an increasing level of education and training, we will be committing national economic suicide if we fail to improve our schools and our commitment to lifelong training. Above all else, the worldwide competition in which we will be engaged throughout the 21st century will be a global race for talent and workers.

The Chamber intends to lead the business community response to this growing crisis.

In 2006, we reorganized and expanded our institutional assets focused on educating and training a superior workforce by combining two existing programs to form the Institute for a Competitive Workforce (ICW).

ICW is working closely with the Chamber's government affairs and lobbying shops and our member-based Education, Employment, and Training Committee to reauthorize and strengthen the No Child Left Behind Act, the Higher Education Act, and the Workforce Investment Act and to enact the American Competitiveness Initiative.

In February 2007, the Chamber will issue a report card on school performance state by state. States' school systems will be graded A through F on such factors as academic achievement, rigor of academic standards, postsecondary workforce readiness, and return on investment. The report card will be accompanied by a reform agenda.

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For many years, the Chamber weighed in on national education policy while leaving the principal responsibility for K–12 educational improvements to the states and localities. Not anymore. This is a matter of critical national urgency. What's at stake is the continued success and competitiveness of the American economy—and the continued viability and credibility of the American dream.

Energy Security and Global Warming

Energy is the single most important resource underpinning America's economy, national security, global competitiveness, and our way of life. We must not allow complacency, ignorance, contradiction, and politics to shape energy policy. Yet that is what we have witnessed for too many years.

There is an urgent need for both greater public understanding about our energy needs and choices and an honest, fact-based dialogue to drive sound policymaking. To accomplish this critical mission, we are announcing the creation of a new organization in the Chamber—the Institute for Energy Security, Jobs, and Competitiveness.

This new group will lead a comprehensive strategy of education, communications, lobbying, legal advocacy, and grassroots action to foster commonsense energy and environmental policies nationally, globally, and in the states.

Energy is the single most important resource underpinning America's economy, national security, global competitiveness, and our way of life.

We also recognize that energy policy is intertwined with issues of climate change and environmental quality. The Chamber believes that our nation should work at home and in the global arena to reduce carbon emissions that are thought to contribute to global warming. America's greatest contribution to this important and necessary mission is to develop and apply technological solutions that strengthen environmental protections without sacrificing jobs, prosperity, or a good quality of life.

Providing fuel and power to 300 million Americans safely and affordably in a growing economy is a massive undertaking. We must not trifle with our energy future by embracing sound-bite solutions that are simple, easy, and wrong. There is hard work to be done and there are tough choices to be made. We must allow America's best companies, experts, and inventors the freedom, flexibility, and tools they need to develop more energy from all sources at home and abroad.

The Chamber and our new Institute will support a diverse job-creating energy program that expands domestic production of oil, gas, coal, and nuclear power; strengthens refinery capacity and our energy infrastructure; develops viable alternatives and new technologies; and improves efficiency.

Defense of Global Trade and Engagement

America has the most open economy and society in the world. Our nation has benefited greatly from global engagement.

Total trade is now equivalent to 27% of the nation's gross domestic product. Our exports alone directly support 12 million good-paying jobs and indirectly support millions of additional jobs. Recent tariff reductions have increased the typical U.S. family's purchasing power by \$1,300 to \$2,000 per year.

Our nation has benefited greatly from global engagement.

Foreign companies directly employ 5.1 million Americans and millions more indirectly. Global capital helps finance our deficit and contributes to affordable interest rates and home mortgages.

Immigrants now supply up to 22% of our workforce in highly skilled occupations like medicine, engineering, the physical sciences, and computers and mathematics. Foreign-born workers also hold 25% of the jobs in construction, 33% in building cleaning and maintenance, and 44% in agriculture.

Fifty million legal visitors enter our country each year, spending an estimated \$100 billion in our critical travel and tourism sector. More than 500,000 foreign students and the world's leading researchers, scientists, and professors attend or are employed by our universities.

Despite these facts, global engagement is under attack. Business must aggressively respond to these attacks and work for the positive reforms Americans need to win and prosper in the worldwide economy.

In the coming year, the Chamber plans a major expansion of our programs, strategies, and staff dedicated to building support for policies that create and sustain American jobs by opening markets at home and abroad. We will conduct opinion research, develop educational materials geared to states and localities, and recruit a cadre of trade supporters among small businesses, chambers, and consumers.

The Chamber will advance a comprehensive program abroad to open markets and level the playing field in key economies.

As we engage in this important task at home, the Chamber's International Division will advance a comprehensive program abroad to open markets and level the playing field in key economies from China to the European Union (EU). Specifically, our International team will work on the following:

- Press for high-standard free trade agreements with Colombia, Korea, Malaysia, and Peru while ensuring that our current free trade agreements are duly enforced.
- At the World Trade Organization, push for an ambitious global trade deal and for Russia's accession.
- Oppose barriers to international business that needlessly curtail global sourcing, international investment, and U.S. exports of widely available technology products.
- Lay the foundations for market-oriented reform and private enterprise in emerging markets through the Center for International Private Enterprise.

Strengthening U.S. Capital Markets and Addressing the Impact of Sarbanes-Oxley

U.S. capital markets have been the most powerful engine of wealth creation in world history. They provide the seed corn for new businesses and innovations, allow the nation's 57 million investors to build secure retirement savings, and enable companies to expand and create jobs.

In recent years, we haven't been very good stewards of our capital markets system, and we risk losing our edge. Foreign markets are becoming deeper, quicker, and more attractive to investors. At the same time, we are falling backward in terms of modern regulation, technology, and a fair legal environment. Our capital markets are governed by laws enacted in the 1930s—a patchwork of federal and state rules enforced by numerous agencies that often have overlapping and conflicting jurisdictions.

In recent years, we haven't been very good stewards of our capital markets system, and we risk losing our edge.

The Chamber's goal is to ensure that our nation has the fairest, most efficient, transparent, and attractive capital markets in the world.

A bipartisan Commission on the Regulation of U.S. Capital Markets in the 21st Century was established by the Chamber to examine these issues, and in March 2007 will make specific recommendations in four major areas:

- The global marketplace—and the international competitiveness of our capital markets.
- Improving opportunities for—and protection of—individual investors.
- Reforming the regulation of the financial services industry.
- Addressing the challenges faced by issuers and auditors.

With the commission's final report as a catalyst, we will appeal to the Securities and Exchange Commission (SEC) and other market regulators, as well as Congress and the states, to strike the appropriate

balance between protecting investors' rights and ensuring an efficient system that produces more wealth and greater returns for *all* investors.

The commission's work is a crucial component of our broader capital markets initiative, which has included challenging certain SEC policies, pushing back on the unintended excesses of Sarbanes-Oxley, exposing the hidden agendas of some shareholder activists, and addressing the challenges facing the accounting profession and its clients. The SEC has recently taken some positive steps at our urging.

We will continue to work with the U.S. Department of Justice, the SEC, and Congress to complete major revisions of the Thompson Memorandum, under which companies being investigated are essentially forced to waive their right to attorney-client privilege to avoid being deemed uncooperative. Thanks to a broad-based coalition, including the Chamber, substantial progress has been made.

Addressing Global Regulatory Divergence

While there has been an intense focus on the flow of trade and the movement of people across borders, comparatively little attention has been paid to the extraordinary exchange of job-creating capital and investments between nations.

The Chamber sees a compelling need to reduce and prevent regulatory divergence.


The transatlantic marketplace offers the best illustration of how beneficial the free flow of capital can be to workers, business, and society. Investment between the United States and Europe dwarfs trade in goods and services. These mutual investments create a combined 14 million jobs. The affiliates

of U.S. companies operating in Europe earn more than \$100 billion per year, which creates jobs and shareholder value back home.

Yet businesses operating in this and other major markets face different sets of laws, regulations, and standards. Companies must work around these differences to remain competitive and successful. In some cases, what are purported to be philosophical differences in regulatory approaches are, in fact, thinly disguised efforts to deny competitors fair and equal access to markets.

The Chamber sees a compelling need to reduce existing, and prevent future, regulatory divergence. We are initiating a targeted program to spur regulatory cooperation among the world's largest economies and to fight nontariff trade barriers at home and abroad.

Our program of work will include discussions with major economic players including Europe, China, India, Japan, Brazil, and Korea. The Chamber's initiative would also target regulations in the United States and abroad that, intentionally or unintentionally, favor domestic participants and squeeze out foreign competitors. We will fight the rise of economic nationalism as manifested by the increasing number of investment restrictions and hurdles under consideration in our country as well as in both developing and developed economies.



We will fight the rise of economic nationalism and the increasing number of investment restrictions.

Fighting Counterfeiting, Piracy, and IP Theft

Counterfeiting and piracy cost the U.S. economy between \$200 billion and \$250 billion per year and a total of 750,000 American jobs. With more than 20 staff dedicated to the issue and a 228 member Coalition Against Counterfeiting and Piracy (CACAP), the Chamber is leading an aggressive effort to fight this growing threat.

We will expand the scope and intensity of this multimillion-dollar program in the coming year through a three-part strategy of education, detection, and enforcement. Our objectives include the following:

Conduct Research—The Chamber will conduct research both in the United States and abroad to measure the scope of the problem. Research includes a U.S. consumer study in targeted congressional districts, a study in India to measure the effects of piracy on Bollywood, a study on the overall impact of piracy on the copyright industry, and an expansion of our successful Brazil study to other countries in the Western Hemisphere.

Educate Congress, Businesses, Consumers, and the Media—In 2007, we will continue our education programs with IP weeks, educational road shows in targeted congressional districts, and Capitol Hill outreach. In addition to our annual summit in Washington, the Chamber will hold a global summit in Beijing, China, on intellectual property and innovation.

Build Coalitions—Our goal for 2007 is to double the size of our coalition. Internationally, the Chamber will expand the reach of the China IPR Working Group, continue to work with U.S. and EU government officials, build on the Security and Prosperity Partnership with Mexico and Canada, and expand programs with the Brazilian National Anti-Piracy Council.

The Chamber is partnering with Interpol on a global IP database and global enforcement efforts.

Toughen Laws—We will work to set the global standard and push for passage of a comprehensive enforcement package at the state and federal levels and increased resources for U.S. law enforcement. We will expand our investigations

programs to three cities in 2007. Finally, the Chamber is partnering with Interpol on a global IP database and global enforcement efforts.

Train Law Enforcement Officials—In an effort to increase domestic prosecutions of IP criminals, we will work to educate prosecutors and the judiciary on the effects of counterfeiting and piracy. Abroad, the Chamber will conduct China criminal case transfer seminars and a criminal code initiative, Western Hemisphere customs training programs, Southeast Asia IP training conferences, Indian IP law training programs, and expanded efforts in Chinese provinces.

Patent Reform—Patent reform is critical to the nation’s continued global leadership in invention, innovation, and research. The Chamber will organize and lead a coalition of interests to build a consensus approach to patent reform that addresses the concerns of all industry sectors.

Rebuilding America Initiative

Business needs to get back to the basics. Along with reliable and affordable energy, open markets, and a well-educated workforce, this must include a superior infrastructure.

America’s transportation system, once a marvel of the modern world, is being stretched beyond its capacity and is falling into disrepair. Economic growth and prosperity cannot be sustained on our existing transportation platform.



**Economic growth
and prosperity
cannot be sustained
on our existing
transportation
platform.**

Nationwide, the decaying surface transportation system costs our economy \$63 billion annually in lost time and fuel. Congestion adds significant pollution to our air, and substandard roads claim thousands of lives every year.

In 2007, the Chamber will launch Rebuilding America: An Infrastructure Capacity Initiative that will define, quantify, and illustrate both the magnitude and urgency of the problem as well as the benefits the nation can realize if we substantially boost infrastructure investment.

We will organize a high-level coalition of senior executives of major transportation users and begin a comprehensive education and communications program to convince the public and policymakers about the potentially crippling impact should America fail to act.

The Chamber and our partners will seek to invest in and grow our surface transportation systems and the capacity of our waterways, ports, aviation systems, and telecommunications networks. To galvanize attention and support, we will rate state and local infrastructure systems, explore a range of innovative funding and building strategies, and enlist broad-based community and labor backing for our efforts.

The Chamber in 2006—Growth and Accomplishments

Strengthening the Chamber and Securing Its Future

In 2006, the U.S. Chamber of Commerce continued to expand its membership base of large companies, small businesses, and business associations. More than 250,000 small businesses across the country have recently been added to our membership rolls through a new Federation Partnership.

Financially, the Chamber is growing as well—with revenues continuing to increase at a double-digit pace. Together with the Institute for Legal Reform, the Chamber ranked as the top lobbying spender in Washington in 2005 and again in the first half of 2006. A successful capital campaign has already raised tens of millions of additional dollars to underpin the most important projects of this institution, as well as its physical infrastructure and resources, for years to come.

Together with the Institute for Legal Reform, the Chamber ranked as the top lobbying spender in 2005 and again in the first half of 2006.

In 2006, Chamber headquarters hosted thousands of events and meetings, welcoming hundreds of politicians and policymakers and dozens of heads of state and senior ministers to our building. We also opened a new Capitol Hill facility, which represents another expansion of our profile and influence.

In addition to expanding this physical presence, the Chamber is continually adding key personnel: the best lobbyists, lawyers, international specialists, and communications experts in both full-time capacities and as Chamber fellows. In December 2006, a Harris Interactive® poll ranked the U.S. Chamber among the top four most trusted and recognized organizations in and around the nation's capital.

Our expanded Communications Division organized dozens of press conferences and briefings, both in Washington and around the country, to support the Chamber's policy initiatives and political program.

Winning for Business in Congress

Working with many organizations, companies, coalitions, and legislators, the Chamber helped win passage of major business legislation in the 109th Congress, including the following:

The Class Action Fairness Act—Moves many class actions to federal courts from state courts, where the potential for abuse is greater, and discourages frivolous litigation.

Energy Legislation—Increases energy efficiency and conservation, expands domestic production, and encourages investment in infrastructure and new energy technologies.

Bankruptcy Reform—Restores fairness to the bankruptcy system by making it harder for upper-income filers to walk away from their debts.

The Stop Counterfeiting in Manufactured Goods Act—Strengthens laws against counterfeit labels and packaging and closes loopholes that have allowed counterfeiters to avoid prosecution.

U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)—Opens important markets to U.S. products while strengthening the prospects for economic progress and democracy in the Americas.

Tax Relief Reconciliation Legislation—Extends several important tax measures, such as dividend and capital gains tax relief, enhanced Section 179 small business asset expensing, alternative minimum tax relief, and exceptions to allow U.S.-based multinational businesses to better compete internationally.

Pension Bill—Provides certainty in pension funding rules and helps businesses make long-term decisions concerning their retirement plans; offers a permanent interest rate assumption replacement;

implements vital reforms to the multiemployer funding rules; makes permanent retirement savings provisions due to expire in 2010; and provides some legal certainty for cash balance and hybrid plans.

Transportation Bill—Provides a record \$286.5 billion in funding over five years for the nation’s core surface transportation program.

Terrorism Risk Insurance Act (TRIA) Extension—Extends the terrorism insurance backstop for two years.

Junk Fax Prevention Act—Restores an established business relationship exception to the general rule against sending unsolicited advertising faxes and eliminates costly paperwork burdens on small businesses.

U.S.-Bahrain and U.S.-Oman Free Trade Agreements—Establishes a free trade foothold in a region that is critical to U.S. and global security.

Permanent Normal Trade Relations With Vietnam—Ensures that U.S. companies can benefit from the market-opening measures that this fast-growing market agreed to as the newest member of the World Trade Organization.

The U.S.-India Civilian Nuclear Cooperation Agreement—Opens extraordinary new commercial opportunities for U.S. companies and workers in the energy, technology, and construction sectors in the world’s second most populous nation.

Expanding Offshore Energy Exploration and Development—For the first time in a generation, Congress is on record supporting a partial unlocking of the tremendous energy resources that exist off American shores.

Renewing Expiring Tax Relief—Continues important business tax incentives such as the Research & Experimentation, Work Opportunity, and Welfare-to-Work tax credits.

Winning for Business in the Courts

The Chamber's law firm, the National Chamber Litigation Center (NCLC), continues to save companies hundreds of millions of dollars through its aggressive litigation program of filing amicus briefs and direct party challenges. In 2006, NCLC entered a record 102 new cases of significance to the business community and has secured 45 victories, with many more cases still outstanding.

Advancing Critical Business Initiatives

Many of the Chamber's broader initiatives—and accomplishments—cannot be defined in legislative terms alone.

In 2006, under the leadership of the **National Chamber Foundation** (NCF), we significantly expanded the activities of our global program to fight intellectual property theft, counterfeiting, and piracy and our initiative to strengthen U.S. capital markets. In addition to conducting more than 50 public events and many smaller gatherings to focus on key public policy issues, NCF recently developed a new capacity to identify, research, and develop policy options on emerging and future issues facing business and society.

Our Homeland Security Program works directly with companies and government agencies daily to strike the proper balance between security and the needs of commerce and has solved many potentially serious problems for our members.

TradeRoots, our grassroots program dedicated to building community and small business support for trade, conducted dozens

of hands-on programs across the country and in emerging foreign markets such as Turkey and Central America.

The Business Civic Leadership Center (BCLC) galvanizes the business community's voluntary philanthropy and empowerment programs, helping people and communities in distress and showing the true face of American business to the world.

The newly formed **Institute for a Competitive Workforce (ICW)** is now developing a major assessment of public education in the United States along with an agenda for change and reform.

The Institute for Legal Reform (ILR) is working at all levels of government, in the courts, and in the court of public opinion to challenge lawsuit abuse.

The **International Division**, made up of more than 65 trade and international experts covering all trading regions of the world, continued expanding its expertise, effectiveness, and network of affiliates and partner organizations across the globe. The division also manages a number of bilateral business councils and task forces, maintains close relations with more than 100 American Chambers abroad, and helps Chamber members advance their commercial interests overseas.

The **Center for International Private Enterprise (CIPE)** is a critical component of the Chamber's international program, working in dozens of emerging markets to build private sector capacity, fight corruption, train the economic leaders of the future, and instill good governance practices across public and private sector institutions.

The **Federation Relations Team** continues to expand and strengthen our business network through the Federation Partnership Program, as well as the Association Committee of 100 and the Chamber of Commerce Committee of 100, our main association and chamber of commerce committees.

About the U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business federation. Our federation includes the following:

- 3 million businesses
- Thousands of state and local chambers of commerce
- Hundreds of business associations
- 104 American Chambers of Commerce in 91 countries

Members include businesses of all sizes, sectors, and regions. Many of the nation's largest companies are active Chamber members, and more than 96% of our members are small businesses with 100 employees or fewer.

Chamber headquarters is located directly across Lafayette Park from the White House, with an additional facility on Capitol Hill. We maintain a professional staff of more than 500 policy experts, lobbyists, lawyers, and communicators.

We have eight regional offices around the country, offices in New York and Brussels, and on-the-ground presence in China, and a network of grassroots business activists.

The Chamber's core mission is to fight for business and free enterprise before Congress, the White House, regulatory agencies, the courts, the court of public opinion, and governments around the world.

To learn more, visit us at *uschamber.com*.



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