November 2, 2009

The Global Regulatory Cooperation (GRC) Project works to align trade, regulatory and competition policies within governments around the world towards open and competitive markets. This newsletter summarizes recent activities, upcoming events and noteworthy articles.

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UPCOMING EVENTS...

U.S. Chamber, BUSINESSEUROPE Cohost Competition Policy Event in Brussels, Nov 19

On November 19, the U.S. Chamber and BUSINESSEUROPE will host "Towards Further Convergence of Competition Policy Worldwide? A Comparison of the EU and US Experiences". Registration will commence at 1:30 pm at BUSINESSEUROPE’s headquarters in
Brussels, and the event will close with a cocktail reception at 6:00 pm.

To register, contact Nathalie Dejong, n.dejong@businessEUROPE.eu.

Keynote Speech: Philip Lowe, Director General DG Competition

Panel One: Collective Actions- Learning From the U.S. Experience to Avoid Creating a Transatlantic Lawsuit Market
Moderator: Lisa Rickard, President of the U.S. Chamber Institute for Legal Reform
Panelists: Andreas Schwab, Member of the European Parliament (EPP-ED, DE) Carles Esteva Mosso, Director at DG Competition Andrea Benassi, Secretary General, UEAPME Anders Stenlund (SN), Vice-Chair of BUSINESSEUROPE Legal Affairs Committee John Beisner, Partner, Skadden LLP

Panel Two: Procedural fairness - Due Process Issues in Antitrust Investigations
Moderator: Joelle Simon (MEDEF), Chair of BUSINESSEUROPE Legal Affairs Committee
Introductory remarks: Lowri Evans, Deputy Director General, DG Competition, and Randy Tritell, Director of International Affairs, Federal Trade Commission
Panelists: Klaus Becher (Daimler), Chair of BUSINESSEUROPE Competition Working Group Ian Forrester, Partner, White & Case LLP Ron Stern, Legal Counsel, GE (tbc) David Stewart, partner, Howrey LLP

SIGNIFICANT DEVELOPMENTS...

Chamber Conference on Transatlantic Cooperation

On October 26, the U.S. Chamber of Commerce and BUSINESSEUROPE hosted an Afternoon Devoted to the Transatlantic Partnership in partnership with the European American Business Council. The event featured a panel discussion on the Transatlantic Economic Council's October 26 government-to-government session moderated by the Chamber's VP for Europe, Gary Litman. Heinz Zurick of DG Enterprise, providing insights on the EU side and Michael Fitzpatrick, OIRA Associate Administrator, providing U.S. perspectives. Both representatives highlighted areas that had been identified for greater cooperation, including energy efficiency, labeling and nanotechnology. The role of science in standards setting and regulation was raised several times, and Zurick noted the EU's concern over a trend toward a pure hazard-based approach in lieu of the risk-based approach preferred by the scientific community.

Sean Heather, Executive Director of the Chamber’s Global Regulatory Cooperation Project, moderated a lively panel discussion on voluntary standards in support of regulation. Panel members included Norbert Anselmann of DG Enterprise, Ileana Martinez of NIST, Gary Kushnier of ANSI and Donald Mays of the Consumers Union. Panelists debated the pros and cons of the differing approaches to standards setting taken by EU and U.S. regulators, the advantages and disadvantages of privately developed standards for consumer access, consumer choice and consumer safety, the best means of accounting for the full range of stakeholders in the private standards development process, the pitfalls of design-based standards and the challenges of...
EU Trade Commissioner Catherine Ashton Speaks at U.S. Chamber

EU Trade Commissioner Catherine Ashton gave the keynote address at the Transatlantic Partnership Event on October 26. Lady Ashton stressed the long-standing importance of the Transatlantic relationship, our high level of economic integration and the opportunity and responsibility for Europe and America to jointly shoulder the responsibilities of global leadership as the world navigates through the economic crisis.

Ashton said regulatory divergence is the biggest hurdle in the transatlantic relationship, and called for the Transatlantic Economic Council (TEC) to lead efforts to resolve this challenge through the creation of a transatlantic "market for regulation". Such a "regulatory market" would facilitate critical exchange about our respective regulatory approaches and encourage competition for best practice definitions. This communicative competition, Ashton argued, would empower the U.S. and the EU to efficiently identify and share the best regulatory tools.

Commissioner Ashton touched on the negative impact on trade during the global economic downturn, reiterating the need to resist protectionism and stressing that the current economic climate made successful conclusion of the Doha Round more critical than ever to increasing global market access and encouraging a rules-based trading system. The Commissioner concluded that U.S.-EU willingness to work together on Doha and undertake regulatory convergence is essential to encouraging sound international standards and cooperation.

(Commissioner Ashton's remarks)

TEC Announcement

On October 26-27, the Transatlantic Economic Council (TEC) held it's fourth meeting in Washington, D.C., the first since President Obama took office. The U.S. and the EU pledged to reduce regulatory barriers that impede trade, and agreed to identify in advance of their next meeting key sectors for increased regulatory cooperation, including labeling energy efficiency and nanotechnology. Participants also announced plans to create a U.S.-EU Energy Council and to establish an "innovation dialogue" for creating jobs in sectors such as information and communication technologies, health information and clean energy.

(TEC Joint Statement)

REGULATIONS AND STANDARDS...

Kroes: Companies Should be More Open About Standards, Nasdaq, October 30 -- Companies should formally disclose when they want to include patented technologies in new industry standards, said the European Commissioner for Competition Neelie Kroes Thursday. Concerned that useful industry standards can sometimes be hijacked by companies who are secretive about existing patents in a specific technology area, Kroes is suggesting that some type of formal disclosure process should be put in place. This is to stop companies from engaging in a "patent ambush," to the detriment of the standard.

Nanotechnologies...Challenges for the Future, Remarks by Stavros Dimas, European Environment Commissioner, European Commission, October 9 -- There is no doubt that nanotechnology is an exciting new area of science with promising benefits for manufacturers,
consumers, employers, patients and the environment. As Commissioner for the environment, I believe that any technology that can help us respond to the many environmental pressures we face must be embraced and become part of our toolbox. Nanotechnology may help us reduce energy consumption, increase the effectiveness of renewable energy sources and treat polluted water, air and soil. However, and as any other new technology, this may also bring potential new risks. Nanomaterials have specific characteristics and novel properties, which need to be considered carefully in order to minimise any potential risk, notably to health and the environment. The regulatory challenge is to ensure that society benefits from novel applications of nanotechnologies, while ensuring a high level of protection of health, safety and the environment. Today the EU has by far the most advanced chemicals legislation in the world - REACH.....

**How Technology Can Aid in the Relationship Between Society, Regulators and the Life Sciences Industry** , Life Science Leader, November 09 -- A global regulatory framework, typically operated via state/national governmental agencies, each with its own degree of autonomy, enforcement power, and scope, is a unifying thread. However, the extent to which each society's regulatory expectations will be met tends to be a function of where one lives in the world. The diversity within this framework has persisted even with the emergence over the years of genuine internationally accepted guidelines, such as those of ICH (International Conference on Harmonization). For example, although China's GCP (good clinical practice) standards are essentially the same as those in the ICH E6 guideline, there are some differences. Through more effective utilization of information technology, the opportunity exists for the relationships among society, the life sciences industry, and regulatory agencies to be redefined. All parties can benefit from the greater designation of technology-related standards at the global level to achieve their goals of bringing safe, new products to market in an efficient and timely way.

**COMPETITION POLICY AND ANTITRUST...**

**EU**

**UK: Competition Commissioner's Speech on International Cooperation in the Fight Against Cartels**, Mondaq, October 28 -- Last week, European Competition Commissioner Neelie Kroes (the "Commissioner"), gave a speech in Brazil about recent developments in prosecuting cartels both in Europe and internationally. The Commissioner made it clear that since modern cartels are increasingly global in nature, it is imperative that national and international authorities work in conjunction with one another in their efforts to put an end to such anti-competitive practices....

**EU's Kroes Wants Courts to Tackle Illegal State Aid**, Reuters, October 19 -- The European Union's antitrust chief urged national courts on Monday to play a bigger role in combating illegal state aid from EU governments to companies. European Competition Commissioner Neelie Kroes, who polices state aid in the 27-country bloc and is reviewing cases including financial aid promised by the German government to carmaker Opel, said courts could be strong allies. The European Commission, the EU executive, can ask national governments to claw back aid if it decides such assistance does not comply with EU state aid and internal market rules. But it would welcome the support of national courts, which can also review whether aid is illegal."Courts have a special place in all this, they could in fact be our strongest allies ... And because they are close to home, they can sometimes do this better and faster than we could," she told a conference.

**Oracle, Sun, Russia Antitrust Hitch Adds to Challenges**, The Wall Street Journal, October 30 -- Oracle Corp. (ORCL) has had to withdraw its application to get antitrust clearance in Russia for its $7.4 billion acquisition of Sun Microsystems Inc. (JAVA) due to timing issues, people familiar with the deal said Friday. The latest hitch for the database and software giant in buying hardware maker Sun comes alongside a separate probe by European antitrust authorities into the acquisition. Oracle, which requires European clearance to close the deal, has warned the delay is costing money and Sun has said it plans to lay off thousands of workers. A growing number of hurdles to the deal's closing appear to be weighing on investors in Sun's stock. By mid-afternoon Eastern Daylight Time Friday, Sun's stock was trading at $8.23, a 14% discount to the $9.50 offer
While unclear whether the Russian antitrust issue will impact Oracle's more significant challenge of clearing the deal in Europe, it adds to the uncertainty.

**Oracle's Sun Buy Faces Brussels Hurdle**, CIOL, October 26 -- "Oracle has failed to diminish worries that the purchase would hurt competition and the company could be forced to divest Sun's MySQL database." EU Competition Commissioner Neelie Kroes is expected to approve Oracle Corp's acquisition of Sun Microsystems Inc but only when concerns over competition have eased. Kroes told Oracle last week it has failed to diminish worries that the purchase would hurt competition and Oracle could be forced to divest Sun's MySQL database, something it has said it does not plan to do. Following are the key scenarios for the EU competition review, which is due Jan. 19, 2010.

**Stalman Calls on EU to Set MySQL Free**, The Register, October 21 -- Richard Stallman demanded the EU cut MySQL loose from Oracle yesterday in an open letter to Brussels' competition supremo Neelie Kroes. The self-described software freedom activist's intervention came just a day after MySQL founder Monty Widenius made a similar call, saying that Oracle could offset the EU's go-slow examination of its purchase of Sun by simply putting MySQL on the block. In yesterday's letter, also signed by James Love and Malini Aisola of Knowledge Ecology International and Jim Killock of the Open Rights Group Stallman says that Oracle's objective in borging MySQL is to prevent further market share erosion and "to protect the high prices now charged for its proprietary database software licenses and services". "If Oracle is allowed to acquire MySQL, it will predictably limit the development of the functionality and performance of the MySQL software platform, leading to profound harm to those who use MySQL software to power applications," he claims.

**UK Investigates Online Pricing, Behavioral Advertising**, PC World, October 15 -- The U.K.'s competition authority launched two studies on Thursday that will probe behavioral-advertising pricing strategies and if some pricing practices could potentially mislead consumers. The aim of the studies is to give the Office of Fair Trading (OFT) a view of how pricing strategies and techniques are changing in e-commerce, the agency said. The first study, due to be completed next spring, will look at behavioral advertising and customized pricing, where the prices fluctuate depending on information about a person's Internet use.

**Microsoft Near Agreement with EU Commission**, Redorbit, October 7 -- Negotiations between software giant Microsoft and the European Union may be near settlement after Microsoft made concessions to address antitrust concerns. The EU's competition commissioner, Neelie Kroes, said Wednesday that she had "good grounds for thinking we are moving towards a very satisfactory resolution."

**United States**

**Boeing Backers Press Obama on $35B Tanker Contract**, Associated Press, November 2 -- A bipartisan group of lawmakers who support Boeing in its bid for a $35 billion tanker contract want President Barack Obama to force the Air Force to include a recent World Trade Organization ruling against Airbus in its decision. The WTO in September issued an interim ruling that found Airbus received illegal launch aid from European governments to build its aircraft. Los Angeles-based Northrop Grumman Corp. and Airbus parent European Aeronautic Defense and Space Co. NV are competing against Chicago-based Boeing for the third time to replace 179 aging Air Force refueling tankers. In a letter Monday, Reps. Jay Inslee, D-Wash., Todd Tiahrt, R-Kan., and 37 other Boeing supporters pressed Obama to find a way for the Air Force to account for the WTO ruling. A separate ruling on a European Union counter-complaint against the U.S. is expected in a few months. "It is clear that the illegal subsidies Airbus received gives it an unacceptable advantage in the tanker competition, and we would be remiss if we did not address this inequity," Inslee said in a statement.

**Sony, Toshiba, Hitachi Face U.S. Antitrust Probe**, USA Today, October 27 -- Japanese electronics giants Sony, Toshiba and Hitachi said Tuesday that their optical disc drive operations are under investigation by U.S. authorities for possible antitrust violations.

**The Global Antitrust Battle Over Google's Library**, Time, October 30 -- Who knew there was so much fight in those dusty books? When Google announced plans in 2004 to scan millions of tomes tucked into library stacks across the country, admirers embraced the ambitious project as a digital undertaking as visionary as Magellan's setting sail around the world. The project would throw open musty archives everywhere, putting
China Domestic Court Throws Out First AML Case. ChinaCourt, October 23 -- A Shanghai court today threw out the country’s first known antitrust lawsuit ever heard by a domestic court. The Shanghai No 1 Intermediate People's Court today rejected an “abuse of dominance” case filed by a domestic online digital book website operator against the operators of another website. Beijing Shusheng Electronic Technical Support Co., which operates digital book and reading website of du8.com, starting from May 2008 carried a popular novel serial called “Star Change - the Sequel” by two authors using the penname “No Tomato Eating.” However, qidian.com - another digital book website operated by online game operator, NASDAQ-listed Shanda Interactive Entertainment Ltd. and Shanghai Hongting Entertainment Co. - had contracted author Zhu Zhihong to write and publish under the penname of “I Eat Tomato” an online noble serial called “Star Change” with Shanghai Hongting holding its copyright. For six month in 2008, “Star Change” topped the list of the most searched word at the top search engine Baidu and it was on the top ten popular online novel list. The two authors of its sequel were both avid fans of the novel and felt disappointed by its ending. As a remedy, they started writing the sequel using the same characters, scenes etc. and published the sequel on du8.com. Shanda and Hongting subsequently threatened the sequel authors and Shusheng for copyright violation. The authors issued a public apology on qidian.com on January 1 with a promise to cease all writing of the hugely popular sequel to the disappointment of its fans. The tussle provoked a huge domestic debate about the nature of the so-called “Shanzhai culture” - whether it is creativity or simply piracy. Meanwhile Shusheng filed an anti-monopoly lawsuit accusing Shanda and Hongting of abusing their dominance in the “China online literature market.” The suit demanded 16,820 in legal fees and damage. The Shanghai court ruled that it could not determine that defendants have a dominant market position based on the plaintiff’s submission and the evidence submitted could not prove that the two defendants forced the sequel authors to cease publication. Instead the court found the defendants actions in protecting their IP rights as “justified.” (ChinaCourt)

China’s Antitrust Laws Challenged. Finance Asia, October 30 -- Two recent high-profile legal decisions have put China’s antitrust laws under the spotlight. In August 2008, China revamped its competition laws, which cover merger control, monopolistic and cartel behaviour, and discriminatory practices. While merger control decisions, such as Coca Cola/Huiyuan, InBev/Anheuser Busch, GM/Delphi and Pfizer/Wyeth, have dominated headlines until now, two recent high-profile legal decisions and settlements have raised the profile of other antitrust areas. China Mobile, the world’s largest mobile phone group, agreed to pay $146 (the cost of refunding a charge on the plaintiff’s bill) to settle a lawsuit filed by a customer who claimed it had abused its monopoly position in order to gain unfair revenue from subscribers. And a Shanghai court threw out a case against Nasdaq-listed Shanda Interactive Entertainment stating that the plaintiff had insufficient evidence to prove its allegations. We talk to Beijing counsel Ninette Dodoo of Clifford Chance about the implications of these cases on competition law in China.

Legal Alert for Foreign Companies in China. Financial Times, October 18 -- Foreign companies in China should pay close attention to pioneering court cases involving Chinese groups accused of monopolistic behaviour, international law firms have warned. Freshfields told the Financial Times that since the introduction of a new antitrust regime in 2008, cases had been filed against big Chinese companies including China Mobile, China Netcom, Baidu, Shanda Interactive Entertainment and Sinopec. While non-Chinese groups are unlikely to have monopolies in China, the laws could affect them because of measures targeting practices such as discriminatory pricing. Freshfields learned of the cases, which have received little or no publicity, through discussions with Chinese law firms. While it is unclear what stage the cases have reached, legal experts said they were significant as the first examples of suits brought under the new anti-monopoly regime.

Panasonic: Expect China Antitrust Decision on Sanyo Tender Review by November 3. The Wall Street Journal, October 28 -- Panasonic Corp. (6752.TO) said Thursday it expects China antitrust regulators to
make a decision on whether to approve its tender offer to acquire Sanyo Electric Co. (6764.TO) by Nov. 3. The Osaka-based electronics giant also said in a statement that it has proposed steps to U.S. antitrust authorities to resolve the regulatory issues.

**Japan's ANA Warned by S. Korea Antitrust Watchdog**, Reuters, October 29 -- All Nippon Airways (9202.T), Japan's second-largest airline, said it has been informed by South Korea's fair trade commission of a potential violation of competition law in its cargo operations.

**Competition Authority Refuses Acquisition of Port Moresby Aviation Business**, Yahoo News, October 16 -- InterOil Corporation (NYSE: IOC - News; POMSoX:IOC), today announced it has received notification from Papua New Guinea's competition authority advising that the application by InterOil's subsidiary for authorisation of the purchase of Shell Oil Products (PNG) Limited, the owner and operator of an aviation fuelling business located at the Jackson International Airport, in Port Moresby, Papua New Guinea announced on July 22nd 2009, has not been approved. The refusal to authorise the transaction was based on the authority's view that it could have the effect of substantially lessening competition in the relevant market. InterOil intends to explore alternative structures and means by which to deal with the authority's concerns.

**INVESTMENT, STATE-OWNED ENTERPRISES & SOVEREIGN WEALTH FUNDS...**

**Emerging Economies Beating Out Developed Economies for FDI**, The Independent, November 2 -- The Economist has reported a 50% decline since 2007 in global Foreign Direct Investment due to the recession. This in itself is not surprising, but a closer look shows an altogether unexpected statistic: For the first time ever, emerging economies are attracting more foreign direct investment than developed countries. While capital flows to developed countries have fallen sharply, investment in emerging economies has increased since the start of the recession in 2007. At the height of the recession, most Western experts warned that it would be developing countries that would feel the worst of the economic crisis. The following is from a New York Times article published just last year: It turns out however, that emerging economies are much more resilient than was previously thought. Emerging economies have barely felt the global economic decline.

**Sovereign Wealth Funds to Focus on Commodities, Emerging Markets in 2010, While Financial Stocks Will Take a Back Seat**, Mineweb, October 29 -- Sovereign wealth funds will focus their buying on natural resources and emerging markets in 2010, after picking commodities over financials for most of their $94 billion investments this year, a senior Barclays banker said. Sovereign funds, managing as estimated $3 trillion (1.8 trillion pounds) in assets, had their fingers burnt in their bold investments in Western banks such as Citigroup and UBS during the early phase of the global crisis. The funds are returning to markets cautiously after portfolio losses last year forced them to rethink their strategy and risk management, said Gay Huey Evans, vice chairman for investment banking and investment management at Barclays. "People are going back into the market, but they are going back quietly, gently, thoughtfully, not with a bang," Evans, Barclays' leading banker for state funds, told Reuters on Wednesday.

**The New Rules: When Contractors Fill America's Foreign Policy Gap**, World Politics Review, November 2 -- When intervening governments find themselves turning to private corporations to advance national interests -- such as political stability, safer business climates and regional integration schemes -- they are often accused of "outsourcing" their sovereign functions. But isn't it more accurate to say that they are adapting themselves logically to new forms of public-private partnerships in order to fill in capability gaps? Gaps that, in the past, would have seen them resort to overt political ownership -- namely, colonization? (And no, I'm not just talking about America here. In my mind, the Chinese are, by far, the most pervasive and cynical practitioners of this soft-power craft.) In other words, aren't we actually seeing the insourcing of sovereign functions by weak or failed states that otherwise lack the counter-party capacity to successfully negotiate globalization's connectivity, with the intervening great powers simply footing the bill up front?
Asia

**Foreign Cash Fuels Canadian Miner in Mongolia**, *Financial Post, October 26* -- When Alexander Molyneux went looking for a large financing for SouthGobi Energy Resources Ltd., he quickly found that sovereign wealth funds were offering better terms than anyone else. "Typical institutions are a little too short-term focused," said Mr. Molyneux, chief executive of SouthGobi, which is 80% owned by Robert Friedland's Ivanhoe Mines Ltd. "If you try and do a large-scale placement, you find that the sovereign wealth funds have a longer-term attitude to investment, and that's really what suits us," he said in an interview. Of all the funds that expressed interest, it was the one with the highest profile in the fastest-growing major economy, China Investment Corp. (CIC), that emerged with the best proposal for the Vancouver-based company.

**The Truth About Asian Integration**, *The Wall Street Journal, October 28* -- It's time to distinguish Asian hype from Asian reality. Regional-integration proponents argue that the global economic crisis has accelerated the United States's decline and the rise of emerging powers, notably China. The severe contraction of export demand in the West and the probability that it will not soon return to precrisis growth rates strengthens the argument that Asian economies should "rebalance" to exploit domestic consumption or export markets closer to home. But regional integration still is no substitute for Western markets as a driver of growth. A big chunk of intraregional trade and FDI, centered on information and communications technology (ICT) products, is in the form of production-sharing arrangements for the export of final goods to the West. In other economic sectors-swathes of manufacturing, and the bulk of services and agriculture-East Asia remains highly fragmented, with high protectionist barriers still in place.

**FACTBOX-U.S.-China Interdependence Transcends Trade**, *Reuters, October 28* -- U.S. and Chinese officials meet in Hangzhou this week at the annual Joint Commission on Commerce and Trade, a few weeks before U.S. President Barack Obama makes his first official trip to China. With the two giant economies joined at the hip, the U.S.-China relationship is strained by issues like the value of the yuan, but is unlikely to unravel over any single dispute. "Made in China" products accounted for less than 1 percent of U.S. imports a quarter of a century ago. Now, China's high rate of savings is used to buy U.S. treasuries, allowing Americans to buy Chinese exports. That has driven economic growth in China and lifted hundreds of millions out of poverty. *Article outlines roles of TRADE, DEBT, PEOPLE, FDI, DIPLOMACY in the bilateral relationship.*

**China Reports 19% Increase in Foreign Direct Investment**, *Wall Street Journal, October 16* -- Foreign direct investment into China rose 19% in September compared with the year-earlier month, suggesting appetite from abroad for investing in China is picking up as the country's economy recovers. Foreign investment in the first nine months of the year was down 14% from a year earlier. September's rise was the second consecutive monthly increase in China's foreign investment on a year-on-year basis, after 10 months of investment declines amid the global financial crisis. China attracted $7.899 billion of foreign direct investment in September, the Ministry of Commerce said Thursday. Ministry of Commerce spokesman Yao Jian reiterated that China will continue to reform its foreign exchange rate system gradually despite overseas pressure on the yuan to appreciate.

**Korea Fails to Persuade Foreign Investors to Stay**, *The Chosun Ilbo, November 3* -- Foreign manufacturers are leaving Korea in a situation where every job is vital. An increasing number of foreign manufacturers are closing plants in Korea to cut costs because labor expenses are high here. Foreign companies took as much as US$1 billion (US$1=W1,183) abroad when they sold their plants or stakes in the first half of this year. Why are they leaving? The aftereffects of the global financial crisis are one reason, but experts put the chief blame on militant unions, red tape and lack of incentives.

**China Urges Australia to be Open to Its Investment**, *The Associated Press, October 30* -- Chinese Vice Premier Li Keqiang started a fence-mending visit to Australia on Friday by urging the government not to discriminate against Chinese investment. Li's first visit here in 13 years comes amid strained relations over alleged Australian government restrictions on Chinese investment in mining and the arrest of an Australian mining executive in China. Opposition lawmakers in Australia have warned against state-controlled Chinese companies gaining a strategic stake in the Australian minerals and energy industry that feeds China's
manufacturing growth.

**Americas**

**Brazil Says New Tax on Foreign Investment is to Avoid Bubble, Brazil Magazine, October 21 --** Dilma Rousseff, chief of staff of Brazilian president Luiz Inácio Lula da Silva and his hand-picked candidate to succeed him, told reporters that the government of Brazil's decision of creating an additional 2% rate for the Tax on Financial Operations (IOF) to be levied on foreign investment geared at the country should not affect Foreign Direct Investment (FDI). That is, there should be no additional tax on multinational investment in the productive chain of the Brazilian economy. With the IOF, the government understands that there should be no reduction in the flow of investment by multinational companies. FDI includes funds turned to investment in the productive side of the economy, like the establishment of factories.

**Citigroup Might Lose Mexican Subsidiary, Financial Times, October 18 --** Mexico's Supreme Court is this week set to probe a case that could potentially force Citigroup, the troubled US bank, to sell its profitable and highly prized Mexican subsidiary. A group of opposition senators has pointed out that the US government bail-out of Citi last year placed its Mexican subsidiary, Banamex, in breach of national law, which bans foreign governments from owning a stake in domestic banks. For Citi, the case is of vital importance. Banamex is one of the brightest jewels in the group's damaged crown, and today accounts for roughly 15 per cent of global profits. By some estimates, it is thought to be worth at least $20bn.

***The Global Regulatory Cooperation (GRC) Project issues a regular report of recent and planned activities as well as interesting links to important articles. This report reflects the work that the GRC Project has underway in partnership with other divisions across the U.S. Chamber of Commerce. If you have any questions about what is contained in this report or to be added/removed from this distribution list contact us at grc@uschamber.com.***