

**President's Export Council Meeting  
June 8, 2016  
10:00 am EDT**

Coordinator: Welcome and thank you for standing by. Please be advised that your lines are on a listen-only mode for the duration of the call, and today's call is being recorded. If you have any objections you may disconnect at this time. I would now like to turn your call over to Ursula Burns. You may begin.

Ursula Burns: Good morning, everyone. This is Ursula Burns and I am the Chair of the President's Export Council. And I want to open today's telephonic meeting, firstly, by thanking the members of the PEC for their flexibility in scheduling today's call.

With me on the line is the Vice Chair Arne Sorenson, whom I'll turn the meeting over to in a moment, as well as Deputy Secretary Bruce Andrews for the Commerce Department.

Our purpose today is to consider a set of recommendations to the president with respect to the U.S. economic policies toward Cuba. At Secretary of Commerce Penny Pritzker's invitation, Arne and I traveled to Cuba in conjunction with President Obama's historic visit there in March.

Arne and I engaged in fact-finding in Havana, and I'll have more to say about that during the course of this meeting. I want to begin by thanking the many staff who provided logistical support in putting this trip together on such short notice.

The fact is that we had been planning to accompany Secretary Pritzker on a fact-finding trip to Asia, but when the president called upon Penny to join his trip to Cuba and Argentina, she answered. And we answered in turn, even though we only had about one week to make the necessary arrangements.

Secretary Pritzker has an excellent staff, and I am grateful for their support. In particular, (Tom Wiler) on the secretary's personnel staff; Shannon Roche, the Director of the Office of Business Liaison, they were both significant help to us in navigating the hurdles that we faced under this short time constraint.

I would also like to single out Executive Secretary and Staff Director of the President's Export Council Tricia Van Orden, who had her tremendous dedication to the council over time, but during this time as well has been invaluable.

Our trip afforded us many valuable insights on a number of levels. I look forward to discussing them during today's call. But first, I will turn the phone over to Arne for his opening remarks.

Arne Sorenson: Great. Thank you, Ursula, and good morning, everybody. This trip that we took to Cuba with President Obama and a number of others was my second trip to Cuba. And in the second trip, I'm even more fascinated than I was after the first by the potential that Cuba represents.

For American business, of course, for trade between the two countries, but also for the people on the ground in Cuba who are, I think, eagerly anticipating next changes.

I think, like business people in all sectors, we see a country which is rich in history, rich with natural beauty and rich with potential, building on strengths that it has in education system and in other aspects of its society.

But still looking for economic and job growth opportunities in many sectors including, obviously, travel and tourism. But beyond that, strong needs for infrastructure spending and for other development of a country which has clearly been starved for capital in the decades past.

From the hotel perspective, Marriott has - right before we went to the trip we had approval from the Office of Foreign Assets Control to have a brand presence in Cuba. We are in the process of acquiring Starwood Hotels.

Starwood, we understand, has also gotten approval from OFAC to move forward and actually has signed preliminary management agreements with (Gavriota), a Cuban company, for two hotels in Havana.

Obviously the steps that President Obama has already made have been powerful to lay a preliminary foundation for moving forward, but there is a great deal of work to be done to continue to seize the opportunities that are available for the Cubans and for American business.

On my first trip to Cuba I met with one of the cabinet secretaries of the Cuban government. And he described the future relationship between Cuba and America in this sense. He said, "Cuba feels a little bit like the blade of grass and the elephants."

And I said, "Well what do you mean?" He said, "Well whether the elephants are making love or making war, the result is about the same." And in a sense that captures the - little bit of the trepidation which is still on the ground in Cuba.

I think they are very eager for the economic growth, but they are also worried about the power of the United States, its economy, its businesses, its political system in some respects. And those are things that we're going to have to work through together.

I think when we listen to the entrepreneurs on the ground in Cuba, when we listen to the voices of other American business who were part of the trip, I think all are eager for the opportunities that lay ahead of us. But all are a little bit - they have some trepidation about how do we move forward? How quickly can we move forward?

And obviously we're teeing up a letter this morning which will help to intensify that dialogue and intensify that progress so that this can be done as quickly and as constructively as possible.

And with that, it was of course a great pleasure to be in Cuba, not just with the president, but with Ursula our fearless leader. We not only did serious and deliberate fact-finding, but we enjoyed our time in Cuba. So back to you, Ursula.

Ursula Burns: Thank you, Arne. We really did enjoy our time in Cuba and we mixed in some work there as well. Now I'd like to turn the phone over to Deputy Secretary Andrews for his opening remarks.

Bruce Andrews: Great. Well thank you so much, Ursula, and thanks to everyone for joining the call today and for your interest in the evolving commercial relationship with Cuba.

First, we want to thank both Ursula and Arne for participating and coming to Cuba and traveling to Havana with Penny and the president on that historic trip. We thought it was very exciting, the opportunity to have the PEC leadership as part of that trip, and we appreciate your contributions.

This administration has taken a number of steps to make it easier to do business with Cuba to support Cuba's growing private sector. Regulatory changes have made it permissible in certain areas for U.S. businesses to engage with their Cuban counterparts, and to provide resources and share information to help the Cuban private sector continue to grow.

I want to ensure that the Commerce Department is providing up-to-date information so that the American public and business community know about these changes, and we have asked the PEC for advice on this topic.

The changes in Cuba also herald a new era of commercial cooperation across Latin America and the Caribbean. And we're interested to learn from the PEC what you think the biggest opportunities for commercial engagement with the growing Cuban private sector will be in this new regulatory environment.

So we look forward to hearing your recommendation on this topic and others, and thank you again for taking the time to join the call today.

Ursula Burns: Thank you, Bruce. The first item on our agenda is to discuss the findings of the chair and the vice chair. In December of 2014, President Obama

announced that the United States would change its relationship with the Cuban people.

Since then, the administration has promulgated a number of regulatory changes intended to provide support for the Cuban people through equal bilateral engagement. Our goal in traveling to Cuba in March was to get a deeper understanding of the potential impact of these regulatory changes.

In the process we also gained insight into Cuban perspectives on their economic development. For example, we learned that Cuba has examined the experiences of other countries -- such as China, Singapore and Vietnam -- but concluded that no single country offered a direct model for its own development.

So Cuba is pursuing an individual path of reform, one that looks to balance the roles of the public and private sectors in driving economic growth in a manner appropriate to its own needs.

Government reforms now allow substantial numbers of self-employed persons to operate profit-driven businesses in a number of sectors in Cuba. These include agriculture cooperatives, taxi drivers, hairstylists, repair technicians and, most notably, private restaurants and private accommodations.

Still, the private sector is only just gaining widespread recognition and acceptance among the Cuban society. For our part, we were able to share a couple of things. First, some perspectives on how businesses evaluate trade and investment opportunities.

And some general expectations that American firms have with doing business in foreign markets. For example, the ability to directly evaluate potential

employees, directly hire workers and directly incentivize their workforce is a key priority for many companies. Yet that direct engagement is not submitted in Cuba yet.

In addition, regulatory transparency and legal predictability are key criteria for businesses in gauging the potential of foreign markets. Such guarantees are significant factors that invite increased trade and investment flows.

Another important consideration is the extent to which financial flows may be impeded. For example, the dual exchange rate maintained by the Cuban government certainly complicates efforts to conduct business in Cuba. Cuban government officials recognize this and have begun taking steps to address it. But until the currency is unified, this will remain a big issue.

Separately, the extra 10% fee on foreign exchange transactions involving U.S. dollars is a significant burden and impediment to Americans seeking to do business in Cuba.

For its part, the Cuban government repeatedly made clear that processing financial transactions involving Cuban persons through the U.S. financial systems is a key priority. These are so-called U-turn transactions, and the Obama Administration authorized such transactions just prior to the president's trip to Cuba in March.

Those are just some of my observations in what is clearly a complicated relationship. Let me finish by looking ahead. First, it's clear that there is substantial potential for increased trade and investment, as Arne said, between the United States and Cuba.

Second, Cuba has a number of competitive strengths that can drive its success in global commerce. These begin with its well-educated population and extends to the expertise that Cuba has developed in areas such as healthcare and biopharmaceuticals.

Third, American exporters will not be able to realize the full potential of normal trade relationships with Cuba until Congress lifts the embargo. I'll stop there and turn now to the vice chair for his views.

Arne Sorenson: Okay. So we - there are a number of different issues that, obviously, are laid out in this letter. I think one that I'd like to speak about first is the importance of having a continuing dialogue between U.S. and Cuba with, obviously, participation of businesses so that we can continue to move this forward.

And so we are recommending that we have an established regulatory dialogue between the countries so that we can address things like what Ursula has referred to in the employment process and other logistics issues as the relationship evolves.

It's obviously important for individual companies that are pursuing their individual opportunities in Cuba to have not just connections to the Cuban government, but to have a platform in which they can compare notes with other businesses and with representatives of the U.S. government so that, I think, practical solutions to the issues that have already surfaced and issues that will certainly surface can be addressed through a regular dialogue platform, if you will.

We think that collaboration will support the implementation of the administration's policies. And we also think that it will help us identify what



additional policies might be needed and what areas the two governments can help to facilitate growth.

Ursula Burns: Thank you, Arne. The second item on our agenda is to discuss the draft letter of recommendations to the president. So I'd like us to discuss through the draft recommendations in sequence, and I'll invite other members of the PEC to comment as we discuss each.

The first recommendation recognizes that the move toward normal trade relations with Cuba will likely drive further development in regional logistics and supply chains. Cuba itself is preparing for such developments by investing in the capabilities of its deep water port at Mariel and the adjoining special economic development zone.

We therefore recommend that the administration takes steps to put an assessment of the opportunities and consequences of changes in supply chains on the agenda for the next Summit of the Americas, which is taking place in Peru in 2018. Do any private sector members of the PEC want to address this recommendation?

Raul Pedraza: This is Raul Pedraza. I'd just like to support that recommendation.

Ursula Burns: Thank you. Thank you. Do any government representatives want to address this recommendation? If not, moving on.

The second recommendation takes note of the administration's authorization of the so-called U-turn financial transactions involving Cuban parties. As noted in discussing our findings, this is an issue that Cuban government officials raised repeatedly during our visit in March.

We therefore recommend that the administration redouble its outreach to U.S. financial institutions to ensure that they are aware of what is now legally permissible.

At the same time, I want to underscore that the additional 10% fee imposed on foreign exchange transactions involving U.S. dollars by the Cuban government is a significant impediment to deepening our bilateral economic relations.

Do any private sector members of the PEC want to address this recommendation? If not, do any government representatives want to address this recommendation?

Andrea Gacki: Ursula, this is Andrea Gacki. I'm the Deputy Director of the Treasury Department's Office of Foreign Assets Control.

Ursula Burns: Hey, Andrea.

Andrea Gacki: Hi. And I'd just like to note that, since OFAC introduced this change of establishing the U-turn transaction in March 2016, we have engaged in outreach both directly to the Cuban government to explain the change, but also to U.S. financial institutions and more widely to explain this change.

While we have heard anecdotal evidence that some financial institutions have begun to process U-turn transactions, we are still awaiting official confirmation of this. And we will continue to engage in outreach to explain this change and to educate the financial sector on what is authorized now with respect to financial transactions in Cuba. Thank you.

Ursula Burns: Thank you. It's a definite enabler, including the removal of this 10% tariff. These are both good steps forward. All right.

Our next recommendation addresses Cuba's pressing need for investment in infrastructure. We recommend that the administration seek a bilateral agreement with Cuba that allows exchanges between the Cuban government officials, relevant experts and other stakeholders to discuss capacity building for infrastructure projects in Cuba.

I'll turn to Andres Gluski from AES to speak to this recommendation. Andres?

Andres Gluski: Yes. Thanks, Ursula. And I happened to make a visit to Cuba at the end of May, sort of, following up as Chairman of the Americas Society/Council of the Americas.

And I just want to convey the very favorable impression that I felt that the Cuban officials had of the PEC visit -- you were mentioned in several of the meetings I had with the officials -- and how favorably I saw the Cuban people reacting to Obama's visit as well.

Regarding infrastructure, I want to very much support the third item of the letter of recommendation, specifically in terms of renewable energy and sustainable development. A lot of Cuba's electricity grid dates back to the '60s. It's very - it's basically a U.S. type of design.

And these are areas where a dialogue with U.S. experts can be very beneficial to recuperating the grid after years of disinvestment. So I want to recommend that we adopt this in terms of having the exchanges of the experts.

They also have an ambitious investment program to invite foreign investors into the renewable and infrastructure space as well, which is, you know - would be a second step. But right now I really think this U.S. expertise could really help advance their sector and open up opportunities for U.S. business.

Ursula Burns: Thank you very much. I believe that Mary Andringa from Vermeer also wants to say something on this recommendation? You on the line, Mary?

Mary Andringa: Yes. Thank you very much, Ursula. And I definitely also support the statements that have already been made about how we can really, I think, bring some expertise and experience from American companies and institutions.

With the expertise we have in - whether it be green building codes, utility systems management, water resources, road infrastructure -- really every type of infrastructure where, if we are able to engage with Cuba and help build that capacity and understanding of available technology, that can really help Cuba build a long-term sustainable infrastructure, as well as energy efficiency and resource-wise for the Cuban people.

And just last week when the Cuban Minister of Agricultural was in D.C., but also in Iowa, he specifically mentioned the need for information exchange with the U.S., focusing on technology and equipment. So I definitely support this recommendation.

Ursula Burns: Wonderful, wonderful. Thank you. Do any other private sector members of the PEC want to address this recommendation? If not, any government representatives want to speak about this recommendation?

Let's move onto the fourth recommendation. It's for the administration to ensure that our bilateral economic engagements with Cuba regularly provide opportunities for private sector input. This is a little bit what Arne was speaking about earlier.

This would include the existing bilateral regulatory dialogue, which has already provided one such opportunity. We would like to see such invitations extended to the private sector each time there is a bilateral economic dialogue with Cuba.

We believe that real world input from the private sector will best support the effective implementation and successful administration of ongoing government reforms in Cuba. Do any private sector members of the PEC want to address this recommendation?

Arne Sorenson: I did, sort of, jump - this is Arne. I did, sort of, jump the gun earlier and we'll (unintelligible) all those comments. But the - as explained then, we think a platform for this, kind of, conversation is essential to move this along as constructively and quickly as possible.

Ursula Burns: Agreed. And jumping the gun is good on this one. Do any government representatives want to address this recommendation?

If not, next, our fifth recommendation recognizes that, if American exporters are going to realize the full potential of normal trade relations with Cuba, it is essential that Congress lift the trade embargo.

Therefore, we recommend that the administration engage Congress to identify a timeline for legislative actions, beginning this year, that will culminate in a full repeal of the embargo and the elimination of travel restrictions as soon as

possible. I'll turn to Raul Pedraza from Mango (sic) International to speak on this recommendation. Raul, are you still on the line?

Raul Pedraza: Yes I am, Ursula. By the way, the name of my company is Magno, not Mango, although...

Ursula Burns: I'm sorry. Magno.

Raul Pedraza: ...since I am a Cuban - no problem. Since I am a Cuban, you're not the first...

Ursula Burns: That's right. Mango works.

Raul Pedraza: Way it works. And since I'm Cuban-American, it triple works. Thank you for the opportunity to speak on this subject. I also traveled to Cuba in March as part of - because I'm a minority owner of the Houston Nationals baseball team, I did attend the game.

And I was also able to conduct some - what I would call face-to-face down-and-dirty on-the-ground due diligence about this subject. I can state unequivocally that I strongly and fully support the repeal of the embargo. There are generational differences amongst my people, and - but the trend is very, very strong towards repealing the embargo.

And I'm positive that the benefit of the repeal will flow directly to our companies, and I'm also an owner of a small and medium business member of the PEC. But it will flow to our companies and to the Cuban people, and so for those reasons, I strongly and unequivocally support the lifting.

Ursula Burns: So thank you, Raul Pedraza, from Magno International. Sorry for that mistake. Arne, would you like to make any comments on this as well?

Arne Sorenson: Yes. Let me make a comment on travel to Cuba. I think most of you probably know this, but Cuba is the only country on Earth that we prohibit Americans to visit.

Think about that. All of these other countries we read about in the newspaper, many of whom have extraordinarily antagonistic relationships with the United States, and travel to those markets is not prohibited.

Now the administration has taken significant steps already to liberalize the exceptions to that prohibition so that we are seeing more Americans visit Cuba through one of the exceptions, which is in the regulatory framework which exists today.

And because they can now, in effect, self-certify that they fit within those exceptions, the volume of American visitors to Cuba, notwithstanding the prohibition, is increasing. But it is still dramatically less than its potential.

I was interested in Raul's comments. Part of this is, of course, a question about the Cuban-American community and its point of view, both politically and in other respects.

In my first visit to Cuba, I talked with a Cuban-American roughly 30 years of age who had come from Miami. He was the first member of his family to visit Cuba in 50 years or so. A bit more. And I asked him what his family felt about it, and he had, sort of, reflected Raul's comments.

He said, "One of my grandparents is angry as can be that I'm here, but if you took a vote of the 20 or so members of my extended family in the United States, overwhelmingly they would support my being here. And even my

grandparent who is somewhat angry about my visit is very intrigued by what I find."

And, of course, that's just a perspective from that - the Cuban-American community, which obviously has the most intense feelings about this. When you look more broadly across the United States, I think what you see is an American public that is fascinated by Cuba. In part fascinated because of that complicated history that we've had.

And they want to go and see this place. They want to see Havana. They want to see the old cars. They want to touch the music and the architecture and the art and the cuisine and the natural beauty which is in Cuba.

And I think they also want to start to create human bridges and human connections between the United States and this other country which is so close and has been such a complicating part.

Obviously by opening up travel, we will make it easier for people to take those kinds of trips. We will also make it easier for businesses in Cuba and in the United States to do business together and pursue opportunities together.

Obviously the president needs Congress to move with him on this. And so we'd encourage the obvious, which is to engage with Congress and to move as quickly as we can towards a constructive lifting of this travel prohibition to allow people to people to lead us to the next phase of our history.

Ursula Burns: Thank you, Arne. Very well said. Do any other private sector members of the PEC want to address this recommendation? If not, do any government representatives want to address this recommendation? Okay. All right.



Our final recommendation recognizes the good work and exceptional coordination between the Commerce and Treasury Departments to inform the public of the many regulatory changes promulgated by the administration since December of 2014.

We recommend that the administration build on these efforts by scheduling a series of sector-specific Webinars to allow interested businesses the opportunity of in-depth discussions to better understand what these changes mean for their sectors.

This will be of particular benefit to small- and medium-sized enterprises to help them better understand how to take advantage of the commercial opportunities created by these regulatory changes. I'll ask Mary Andringa of Vermeer Corporation to address this recommendation.

Mary Andringa: Oh thank you very much, Ursula. And yes, the Bureau of Industry and Security as well as the Office of Foreign Assets Control have already been conducting several calls this year.

And to your point, these calls are extremely helpful to SMEs for the opportunity to ask questions directly and agencies about writing rules, et cetera. Larger organizations probably have their own people in D.C., but that's not the case with SMEs. And so to have this direct access is very helpful.

Our company, Vermeer, has participated on these calls and will continue to. I believe there's one next week on the 14th. And I have to say, BIS and OFAC staff do a phenomenal job of explaining rules, giving examples, fielding questions, walking through the process for license applications, et cetera.

And so I would definitely like to urge the administration to continue holding these very helpful calls and then, as you mentioned, Webinars, et cetera, if possible expanding that.

But for the SMEs and - that's been a big focus of our President's Export Council, is how to help SMEs have more access to markets and to opportunities, and preparing ahead for, hopefully, the opportunities in Cuba. These calls are extremely important.

Ursula Burns: Thank you. And Arne's point about elephants dancing. I think SMEs could help to ease some of that impact as well on the Cuban people. Thank you. I believe that Arne - is there anything you want to say about this recommendation?

Arne Sorenson: No. I'm prepared to either make the motion or second the motion. Whichever you prefer, Ursula.

Ursula Burns: First let me ask if there's anybody else on the call -- any government reps or anybody else -- who wants to speak about this or any of the other recommendations that we've made?

Bruce Andrews: Yes Ursula. This is Bruce. I just wanted to, first of all, thank all of you for these insightful recommendations. And going to the last one, launching sector-specific Webinars about the recent regulatory changes is a natural step to build off the administration's current business outreach activities. So we appreciate that suggestion.

The Bureau of Industry and Security in the Commerce Department has actually reached over 6500 stakeholders in meetings that range from one-on-one discussions with individual companies to major meetings with industry

groups like the Chamber of Commerce, the U.S.-Cuba Business Council and the National Foreign Trade Council.

We also offer a monthly telephone series during which the Bureau of Industry and Security and Treasury officials field questions from the public. So anyone with a regulatory question may dial into those. And over 1500 individuals have participated in the past calls.

And for the members of the public on today's call, the next call is actually scheduled for Tuesday, June 14. And you can get the call-in information from the BIS Web site, which is just [bis.doc.gov](http://bis.doc.gov).

Ursula Burns: Thank you very much, Bruce. If there are no other comments, I propose that we vote to adopt the full letter of recommendations to the president. Is there a second? I think Arne...

Arne Sorenson: I second it.

Ursula Burns: Are there - please anybody - everybody else who is in agreement please say "yes," PEC members...

Group: Yes.

Ursula Burns: ...or "nay." Any nays? Thank you. I hereby announce that the letter of recommendation is adopted by the council. I want to thank the members and their staffs for their contributions in putting together a - what I think is a very strong set of actionable recommendations to the president. Arne, do you have anything to add before we close it down?

Arne Sorenson: No. Just thank you, everybody -- Ursula, the staff team for our companies and, of course, our great government servants. We're making great progress here. This will change for the better thousands of lives in Cuba, and it's so exciting to see them change.

Ursula Burns: I agree. I agree. Thank you. Deputy Secretary Andrews, do you want to add anything?

Bruce Andrews: No. I just want to thank all of you for these recommendations. And we're looking forward to seeing everybody in the PEC in person for our final meeting on September 14.

Ursula Burns: Great. Thank you. Before we end the meeting, I'd like to note, as Secretary Andrews said, that the next meeting is our final meeting. It's planned for Wednesday, September 14. We will consider a final report and we'll - we have invited the president, and I am so hoping that he will attend to join our final meeting.

I want to thank everyone for taking the time to join today's call. And with that, this meeting is adjourned. I don't have a gavel in front of me, but I will gavel it. Thank you all.

(Group): Thank you.

Raul Pedraza: Muchas gracias.

Ursula Burns: Muchas gracias.

Man: Bye-bye.

Coordinator: This concludes today's call. You may disconnect at this time.

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