

THE PRESIDENT'S EXPORT COUNCIL

Eisenhower Executive Office Building
Room 350
Washington, DC

Thursday,

September 19, 2013

The meeting was convened, pursuant to notice,
at 9:33 a.m., Mr. James McNerney, Jr., Chairman,
presiding.

APPEARANCES:

PRIVATE SECTOR APPOINTEES

JAMES McNERNEY, Jr.
Chairman
The Boeing Company

URSULA BURNS
Vice Chair
Xerox Corporation

MARY ANDRINGA
Vermeer

SCOTT DAVIS
UPS

KEN FRAZIER
Merck & Co., Inc.

DICK FRIEDMAN
Carpenter & Company, Inc.

ANDRES GLUSKI
AES Corporation

GENE HALE
G&C Equipment Corporation

MARILYN HEWSON
Lockheed Martin Corporation

BOB IGER
The Walt Disney Company

VANESSA KEITGES
Columbia Green

ANDREW N. LIVERIS
The Dow Chemical Company

DENISE MORRISON
Campbell Soup Company

RAUL PEDRAZA
Magno International, L.P.

ARNE SORENSON
Marriott International, Inc.

PATRICIA WOERTZ
Archer Daniels Midland Company

ROBERT WOLF
32 Advisors, LLC

UNITED STATES SENATE

SENATOR MARK BEGICH
D-Alaska

SENATOR AMY KLOBUCHAR
D-Minnesota

UNITED STATES HOUSE OF REPRESENTATIVES

REPRESENTATIVE DAVE REICHERT
R-Washington

NATIONAL GOVERNORS ASSOCIATION:

MARY FALLIN
Governor of Oklahoma

U.S. CONFERENCE OF MAYORS:

SCOTT SMITH
Mayor of Mesa, Arizona

ALVIN BROWN
Mayor of Jacksonville, Florida

ADMINISTRATION OFFICIALS

TOM VILSACK
Secretary of Agriculture

PENNY PRITZKER
Secretary of Commerce

THOMAS PEREZ
Secretary of Labor

ANTHONY FOXX
Secretary of Transportation

ERNIST MONIZ
Secretary of Energy

AMBASSADOR MIKE FROMAN
U.S. Trade Representative

JOHN PORCARI
Deputy Secretary of Transportation

VALERIE JARRETT
Senior Advisor and Assistant to the President
for Public Engagement and Intergovernmental
Affairs

GENE SPERLING
Assistant to the President for Economic
Policy and Director of the National
Economic Council

CAROLINE ATKINSON
Deputy Assistant to the President and
Deputy National Security Adviser for
International Economic Affairs

JEANNE HULIT
Acting Administrator
Small Business Administration

LAEL BRAINARD
Under Secretary for International Affairs
Department of the Treasury

FRANCISCO SANCHEZ
Under Secretary for International Trade
Department of Commerce

ERIC HIRSCHHORN
Under Secretary for Industry and Security
Department of Commerce

FRED P. HOCHBERG
President and Chairman
Export-Import Bank of the U.S.

LEOCADIA I. ZAK
Director
U.S. Trade and Development Agency

ELIZABETH LITTLEFIELD
President
Overseas Private Investment Corporation

JASON FURMAN
Chairman
Council of Economic Advisers

BRIAN DEESE
Deputy Director
Office of Management and Budget

WILLIAM CRAFT
Acting Principal Deputy Assistant Secretary
Bureau of Economic and Business Affairs
Department of State

MICHAEL STROUD
Acting Deputy Assistant Secretary for the
Private Sector
Bureau of Economic and Business Affairs
Department of Homeland Security

I N D E X

	<u>PAGE</u>
I. WELCOME & OPENING REMARKS.....	6
II. STATE AND LOCAL GOVERNMENT BRIEFING....	28
III. ECONOMIC BRIEFING.....	61
IV. AGENCY UPDATES.....	67
V. DISCUSSION OF LETTERS OF RECOMMENDATION	76
i. Trade Promotion Authority	
ii. Priorities for the Ninth World Trade Organization Ministerial Conference	
iii. Localization Barriers to Trade and Investment	
iv. Intellectual Property Protections in the Trans-Pacific Partnership	
v. Expansion of the Information Technology Agreement	
vi. Global Procurement Initiative: Understanding Best Value	
vii. De Minimis Reform	
viii. Export Control Reform	
VI. SMALL BUSINESS UPDATE.....	84
VII. PRESIDENTIAL REMARKS.....	92
VIII. ADJOURNMENT.....	102

P R O C E E D I N G S

I. WELCOME & OPENING REMARKS

CHAIRMAN McNERNEY: Why don't we get going? Welcome to the President's Export Council. It's nice to see all the old stalwarts and some of the new ones.

We are always time challenged. Today could set a new precedent, but we will get through it. We have eight letters to consider. We think we have a streamlined process to get through it.

Of course, we have the President who will join us in about an hour and a half, around 11:00, I believe. I think our stretch goal should be to get through our business by 11:00 so that we're not, obviously, stretched beyond the President's visit.

Just a couple of housekeeping items. Since we last met in March, we've had some transitions, a couple of CEO departures. A big thanks to Stephanie Burns of Dow Corning, Glenn Tilton, and Chip Kaye; Glenn used to run United Airlines and is now with JP Morgan Bank in the Midwest; and, Chip Kaye of Warburg Pincus. We thank the three of them for their service.

(Applause)

CHAIRMAN McNERNEY: Of course, we have some new members to welcome, the foremost of which, Penny

1 Pritzker, who is going to make some comments to us. We
2 just had a great breakfast with her this morning. And
3 this is going to be a fun ride with Secretary Pritzker.

4 (Laughter)

5 CHAIRMAN McNERNEY: You'll get a sense of that
6 as you hear more from her.

7 We are very pleased to have Oklahoma Governor
8 Mary Fallin -- she is here with us today -- the new
9 Chair of the National Governors Association.

10 (Applause)

11 CHAIRMAN McNERNEY: We also have Mayor Scott
12 Smith of Mesa, Arizona, a town I happen to know a
13 little bit.

14 Mayor Smith, great to have you here.

15 (Applause)

16 CHAIRMAN McNERNEY: He, of course, is the
17 President of the U.S. Conference of Mayors.

18 So we have more local representation than we
19 can stand after not having enough for a long period of
20 time.

21 And we are pleased that you both could join
22 us, Governor Fallin and Mayor Smith, and we look
23 forward to hearing a couple of comments from you a
24 little bit later in the meeting on what is going on at
25 the state and local level.

1 We also have several new CEOs joining us.
2 Robert Wolf of 32 Advisors. Robert, we saw you at
3 breakfast this morning. There he is. Robert, don't be
4 shy; just stick your hand up.

5 Arne Sorenson of Marriott. Arne, saw you
6 earlier. There you go. Welcome. Good to have you
7 here.

8 Andre Gluski of AES.

9 Hold your applause until we get to the end.

10 Marilyn Hewson of Lockheed Martin. Marilyn,
11 where are you? Marilyn, it's great to have you here.

12 Vanessa Keitges of Columbia Green. There she
13 is.

14 And Ken Frazier of Merck.

15 Now we applaud.

16 (Applause)

17 CHAIRMAN McNERNEY: Also joining the PEC, but
18 not able to be with us today, Ginni Rometty of IBM, and
19 Ian Read of Pfizer. So we'll welcome them at a
20 subsequent meeting.

21 We look forward to working with all the new
22 members.

23 So let me stop for a second. And our Vice
24 Chair, the estimable Ursula Burns, do you have any
25 comments?

1 VICE CHAIR BURNS: I'm always actually rushed
2 and I'm pleased to follow you, Jim. So thank you for
3 that.

4 I want to add my welcome to all of the new
5 members, to the Governor of Oklahoma, and to the Mayor.
6 Thank you for being here. And to all the additional
7 addees here.

8 This meeting comes at a really important time
9 for us. As most of you know, we are well on our way to
10 doubling exports, but we have some wind in our face and
11 we have to actually keep our heads down and keep
12 pushing, and that's what this organization is all
13 about. TPP, WTO, ITA, and the WTO, all important items
14 that we'll talk about today. So just head down, keep
15 working.

16 This is a real group. We do real work.

17 CHAIRMAN McNERNEY: Thank you, Ursula. And
18 you do a lot of it and I appreciate that, Ursula, very
19 much.

20 Secretary Pritzker, we'd love to hear from
21 you.

22 SECRETARY PRITZKER: Thank you, Jim. Thank
23 you, Ursula. And a special welcome to the new CEO
24 members of the PEC.

25 I also want to acknowledge Mary Andringa. I

1 had the pleasure of visiting her, as well as Vanessa,
2 on my listening tour over the last couple of weeks. So
3 it's great to see some familiar faces in the room who
4 I've just seen most recently.

5 As you know, we've seen tremendous export
6 growth under the NEI and exports have helped drive our
7 recovery. The U.S. exported more in the first half of
8 2013 than the entire year of 2003. So we now have
9 30,000 more businesses exporting than in 2009 and we're
10 on track to break an annual export record for the third
11 consecutive year.

12 So this is a seismic shift in exporting, and
13 that has helped to catalyze a jump of \$600 billion of
14 more exports from 2009 to 2012.

15 So let's put that in dimension or give you
16 something to equate that to. \$600 billion equates to
17 the combined GDP of Israel, New Zealand, and Ireland.
18 So given these facts, it's no surprise that supporting
19 U.S. exports will remain a priority for the Department
20 of Commerce and for me as Secretary.

21 But, clearly, we have more work to do. For
22 starters we definitely need to continue to inform
23 businesses about what tools are already available.
24 I've heard over the last couple of months from too many
25 CEOs on my listening tour that they were unaware about

1 our commercial service officers or their customized
2 gold key service or our advocacy center, which just had
3 a record year of \$74 billion in U.S. export content.
4 So we need to continue to get the word out.

5 More broadly, though, I think it's time to
6 look at what has worked and what has not worked and how
7 we measure our progress given the global macro
8 environment. So I have asked my team to develop a
9 framework and to assess the NEI's impact so far. What
10 are the efforts that have been most impactful? What is
11 working? How can we do a better job? How do we focus
12 our limited resources?

13 My hope is that the PEC will advise us on this
14 assessment and help us both scope the assessment, as
15 well as look at the data and help us draw conclusions
16 from that.

17 So from there I think we can refocus our
18 energy on the areas that make the biggest difference
19 and have the greatest impact.

20 So before I conclude, I want to just pause for
21 a minute and acknowledge a very special thank you to
22 Francisco Sanchez, the Under Secretary for ITA, as
23 today is his last meeting.

24 (Applause)

25 SECRETARY PRITZKER: I think we're all aware

1 of Francisco's great -- he's been a great asset to this
2 country during his service at the Department of
3 Commerce, and I know I, for one, will miss him
4 terribly. He has been a great -- he has been of great
5 assistance to me over the last 10 weeks.

6 I will end with that and say thank you very
7 much. I look forward to working with all of you.

8 CHAIRMAN McNERNEY: Thank you very much. We
9 look forward to working with you, and, furthermore, we
10 look forward to making recommendations that can help
11 you in your mission, which is a very important one for
12 our country. So it's wonderful to have you.

13 We have Valerie Jarrett here, Senior Adviser
14 to President Obama. Do you have any comments?

15 MS. JARRETT: Just good morning, everyone.
16 Welcome. Delighted to be here. For the new members, I
17 think the message is that this actually works. It's
18 bipartisan. We have a public-private partnership. We
19 take all of your advice and counsel very seriously, and
20 we look forward to working not only with Penny
21 Pritzker, the new Secretary of Commerce, who has really
22 hit the ground running, but I also want to mention that
23 Anthony Foxx, our Secretary of Transportation, is new
24 here.

25 Put your hand up so everyone knows where you

1 are.

2 (Applause)

3 MS. JARRETT: Also, Tom Perez, our new
4 Secretary of Labor. Tom, welcome.

5 (Applause)

6 MS. JARRETT: And even though you all know
7 him, we want to welcome Mike Froman as U.S. Trade
8 Ambassador. Mike?

9 (Applause)

10 MS. JARRETT: That's it.

11 CHAIRMAN McNERNEY: Secretary Vilsack, I
12 understand that you have a little bit of a time
13 challenge. So would you care to make some comments
14 before you have to go?

15 SECRETARY VILSACK: Well, I appreciate the
16 opportunity, and welcome to all the new members.

17 I'll just give a brief report on farm exports,
18 which is a positive story and continues to be a
19 positive story. We have experienced record farm income
20 this year, in large part, because we have had record
21 farm exports. This has been the five best years for
22 farm exports in the history of the country.

23 One of the reasons why we have had record farm
24 income is that 25 to 30 percent of all farm income is
25 directly related to exports. So it's serious business

1 for us at USDA.

2 And I think we've had a great cooperative
3 relationship with USTR in trying to promote the free
4 trade agreements that have recently been passed. We've
5 seen a significant uptick in activity in Colombia as a
6 result of the free trade agreement. We will continue
7 to work in Korea and Panama, as well.

8 I think we have also worked very hard to
9 reopen markets. I know that the Governor of Oklahoma
10 would be interested in beef, as I am. In Japan, Korea,
11 and soon, I believe, Mexico and Brazil, you're going to
12 see a reopening of the beef market, which is going to
13 be good for American agriculture.

14 Our Foreign Ag Service does a great job of
15 batting down barriers. Last year we basically batted
16 down 300 different barriers that oftentimes are created
17 to make it more difficult for American agricultural
18 products to access markets. And we are, obviously,
19 working very hard with USTR on trade promotion, as well
20 as the trade agreements that are being negotiated and
21 discussed both on the Trans-Pacific Partnership and the
22 EU trade agreement, which are very high priorities for
23 this Administration and for the President.

24 I will not underestimate the difficulties,
25 from an agricultural perspective, in both of those

1 areas. Market access in TPP is a concern, and I think
2 some of the resistance to technology, biotechnology in
3 particular, in the EU presents unique challenges with
4 reference to that trade agreement.

5 But we are looking forward to continuing to
6 work hard. We will continue to promote American
7 agriculture, which is the finest and greatest in the
8 world.

9 (Applause)

10 CHAIRMAN McNERNEY: Thank you. A very
11 encouraging report, actually. And I know -- I think,
12 Mike, you are going to talk about some of this later,
13 but your engagement there is critical. Thank you for
14 that.

15 I just wanted to add my welcome to Secretary
16 Perez and ask if he would like to make a remark or two.

17 SECRETARY PEREZ: Thank you, Jim. And thank
18 you to all of the CEOs that I have been in contact
19 with, Andrew and others.

20 It is day 60 on the job.

21 (Laughter)

22 SECRETARY PEREZ: And it has been a remarkable
23 experience. What is interesting to me is I've had the
24 privilege of spending time with many of you in this
25 room -- and I'm still working through the list, so

1 there are others that I will be in contact with -- and
2 what I continue to hear -- I was out in Denver
3 yesterday releasing -- announcing the latest round of
4 our TAACCCT grants. These are grants that relate to
5 our partnership with community colleges to build that
6 pipeline of tomorrow's workers.

7 The beauty of these grants is that they are
8 very, very aligned with the needs of industry. And so
9 the grants in Michigan, I spoke to Congressman Levin
10 yesterday, he is very excited about that.

11 But what I keep hearing, Jim, I heard it from
12 you, I hear it from others, is that the paradox is we
13 have this unacceptably high unemployment rate, and, at
14 the same time -- just yesterday, I was with a small
15 medical device manufacturer at the Front Range
16 Community College. He wants to double the size of his
17 workforce, but he doesn't have the workers.

18 And so where we believe that we add the most
19 value to the Department of Labor is in making sure that
20 we have that skilled workforce for tomorrow.

21 I applaud Governor Fallin. I spoke yesterday
22 at the National Association of State Workforce
23 Professionals with Governor Hickenlooper in Denver, and
24 your focus on skills as part of your chairmanship of
25 NGA is exceedingly exciting to that group and I applaud

1 your efforts.

2 So the President's announcement yesterday on
3 the latest round of TAACCCT is another indication of
4 our investment in skills in a demand-driven structure.
5 The days of train-and-pray are over.

6 (Laughter)

7 SECRETARY PEREZ: Everything we are giving out
8 is related to jobs that are going to be out there. The
9 curricula that is being designed is being designed in
10 partnership with industry. So the certificates they
11 get when they walk into your door applying for a job is
12 a certificate that will be familiar to you, because you
13 helped create it, and that is the essence of demand-
14 driven sector strategies.

15 I really enjoyed spending time with Secretary
16 Pritzker. We were in Anne Arundel Community College
17 last week. We're taking the road show across the
18 country so that we can address the skills gap, and I
19 think that's the biggest value-added that we can bring
20 to the table at the Department of Labor.

21 I want to close simply by saying thank you to
22 so many folks in this room who have invested so much
23 time in hiring veterans. I was speaking with our
24 friends at Disney. They are putting a program together
25 in November to educate small businesses about how to

1 hire veterans. And the way in which folks have stepped
2 up has been really remarkable and we've accomplished a
3 lot.

4 We've got more to do. We have an office that
5 is exclusively dedicated to that and they will continue
6 to do that work in partnership with you.

7 Thank you.

8 CHAIRMAN McNERNEY: That sounds more like a
9 360-day report than a 60-day report.

10 (Laughter)

11 CHAIRMAN McNERNEY: That's impressive. We
12 look forward to working with you.

13 Secretary Foxx, our new Transportation
14 Secretary, would you like to make a few comments?

15 SECRETARY FOXX: Yes. Thank you, Mr. Chairman
16 and Madam Vice Chair. I want to, first of all,
17 acknowledge Governor Fallin, who hosted me in Oklahoma
18 City recently, and, also, give a shout out to my fellow
19 former Mayor Scott Smith from Mesa, Arizona, who was a
20 colleague of mine before becoming Secretary of
21 Transportation.

22 You know that we can't export without having
23 the ability to move our goods overseas. And over the
24 last several years, the DOT has been working very hard
25 with the President's vision to try to advance our

1 ability to do that.

2 Forty-eight million tons of goods move across
3 our country every single day and they move in a variety
4 of ways, and we know that we can do better and create
5 more capacity for export activity to happen.

6 But I just want to update you on a couple of
7 things. The first is that under MAP-21, the most
8 recent surface transportation bill, there is a
9 requirement that we develop a national freight plan.
10 And to do that, we have populated a National Freight
11 Council that is composed of public and private sector
12 leaders across the country to help us forge that.

13 To be very candid with you, one of the
14 challenges with the national freight plan is that it
15 focuses exclusively on highways, by congressional
16 mandate, when we know that we have rail access needs,
17 we have port access needs. And so we're trying to work
18 with our leaders in Congress to develop a multimodal
19 piece of that vision.

20 The second point that I'd like to make is that
21 we also have 111 Open Skies agreements, which is very
22 vital to another way that we move goods around the
23 world. And in this most recent round of TIGER,
24 cumulatively, we have put about \$1 billion of
25 investment in our port access. We think that that is

1 going to be an increasingly important part of our
2 strategy as a country in terms of exports.

3 Finally, the President is very focused on
4 this. I was with him in Jacksonville, Florida
5 recently; also, this week, was with Vice President
6 Biden in Charleston, South Carolina and Savannah,
7 Georgia. With the widening of the Panama Canal, there
8 is an enormous opportunity for us in this country to
9 capture global markets. We expect exports to double
10 around the globe over the next 12 years, and we want to
11 capture as much of that in the United States as
12 possible. So we'll keep working at it.

13 One other thing is that as Congress continues
14 to debate these issues on infrastructure, it is very
15 important for our business community to raise their
16 voices on these issues, because we need you as
17 advocates on what is a nonpartisan issue.

18 Thank you.

19 CHAIRMAN McNERNEY: Thank you, Mr. Secretary.

20 Your comments on the multimodal access are very
21 encouraging. We've had a couple of letters over the
22 years that focused on that. So we very much appreciate
23 your early focus on that. I think it can unlock a lot,
24 as we've stated a couple of times.

25 Secretary Moniz, I think we had an opportunity

1 to meet earlier and greet you, and it is great to have
2 you here. Do you have a comment or two?

3 SECRETARY MONIZ: I do.

4 MS. JARRETT: I apologize, Ernie. I didn't
5 see you there. I didn't recognize you.

6 SECRETARY MONIZ: Oh, no. That's fine. Thank
7 you, Jim.

8 Actually, apart from Tom, I'm feeling like a
9 veteran of the Cabinet.

10 (Laughter)

11 SECRETARY MONIZ: I'm approaching four months,
12 so I can understand why Valerie said that.

13 (Laughter)

14 SECRETARY MONIZ: Let me just comment. There
15 are numerous issues at kind of the intersection of
16 energy and exports. And as you all know, energy is a
17 multi-trillion dollar business and there is going to be
18 an enormous opportunity in terms of infrastructure and
19 clean energy globally.

20 So we are working hard at both manufacturing
21 enablers and at products in the context of the
22 President's climate action plan and the President's
23 commitment to a so-called "all the above" energy
24 strategy.

25 So on the enablers, let's say, one is, of

1 course, to continue the shale gas revolution, with low
2 cost gas, enabling manufacturing in this country to
3 move out. That involves our looking at things like the
4 environmental footprint minimization and infrastructure
5 build-out, et cetera.

6 Secondly, there are programs such as our loan
7 programs in terms of deployment. As one example, as
8 part of the President's overall work on the auto
9 industry, we've had loans established Ford to Tesla,
10 and really increasing tooling. Tesla will start
11 exports next year, for example.

12 Another kind of enabler is work on a variety
13 of advanced manufacturing initiatives, again, another
14 priority of the President. Examples for us, developing
15 the technologies for carbon fiber, which will be an
16 important piece of technology, 3D printing, et cetera.

17 On the product side, well, we start with shale
18 gas, again. LNG exports will probably start next year.
19 Over the next few years, we'll begin seeing some
20 exports, and we are, I would say, judiciously looking
21 at those export licenses.

22 A lot of work in terms of energy efficiency,
23 products and services. I have found, going to various
24 countries, a tremendous interest in working with our
25 companies on industrial energy efficiency as a major

1 focus. That's from Brazil to Turkey.

2 Electricity supply infrastructure, for
3 example, the President's Power Africa initiative, we're
4 working with AID, with the Ex-Im Bank, looking at that
5 going forward.

6 And as one other example, nuclear power, where
7 there's a tremendous interest in our development of so-
8 called small modular reactors. And I think with
9 aggressive development of that, we are supporting the
10 design certification. There is going to be a huge
11 export market there. And we are streamlining the so-
12 called Part A-10 agreements to allow our companies to
13 work on this.

14 Lastly, I'll just say a lot of the issues that
15 you're going to be dealing with, Jim, clearly affect
16 us, as well. I'll just mention one -- local content.
17 In terms of shale gas exploitation in other parts of
18 the world, we're seeing this as a real barrier to their
19 own development of these resources and to our companies
20 taking part.

21 So that's just a kind of overview of some of
22 the things we're dealing with.

23 CHAIRMAN McNERNEY: Thank you for a very
24 comprehensive report. We have a letter today on
25 localization, protectionism, in essence, which is what

1 you are getting at.

2 I think one of the hidden stories over the
3 last three or four years is the progress that this
4 country has made on energy, in large part, through some
5 of the initiatives of your team. And so, hopefully,
6 the momentum can be supported and we can keep it going.

7 Now, it is time for the Froman report. This
8 is the most established report on the PEC over the last
9 few years. The job changes, but the man stays the
10 same.

11 (Laughter)

12 CHAIRMAN McNERNEY: Ambassador Froman?

13 AMBASSADOR FROMAN: Thank you, Jim. And it's
14 good to see so many friends and supporters around here.
15 And I say that because perhaps even uniquely within the
16 U.S. Government, trade policy is the product of
17 collaboration.

18 It is the product of collaboration with the
19 business community, labor, NGOs and other stakeholders.
20 It is the collaboration of all the agencies and we are
21 working exceedingly closely with Commerce and USDA and
22 State and Transportation and Labor and Energy and
23 Treasury and others. They have tremendous input into
24 what it is we do.

25 Of course, last, but certainly not least, it

1 is a collaboration with Congress. I will come back to
2 that at the end when we talk about trade promotion
3 authority.

4 We are actively involved, as you know, in a
5 series of negotiations. We are entering the final
6 stages of the Trans-Pacific Partnership negotiations.
7 Our goal is to try and wrap that up by the end of this
8 year. A lot of outstanding issues. Our goal in that
9 negotiation is to raise the standards -- not only open
10 new markets, but raise standards to level the playing
11 field for American workers and American firms and to
12 introduce into the bloodstream of the multilateral
13 trading system new disciplines, higher standards that
14 can have a more positive impact more broadly.

15 We have launched the Transatlantic Trade and
16 Investment Partnership, also known as TTIP. We have
17 had one round of negotiations. We have a second one
18 coming up next month. There, too, we have two advanced
19 industrialized economies, well regulated economies.
20 Our goal is to figure out how to bring them more
21 closely together and to -- particularly with the
22 regulatory and standards issues, that we can enhance
23 our competitiveness vis-à-vis the rest of the world, as
24 well.

25 In the World Trade Organization, in Geneva,

1 we've got three negotiations going on right now; one
2 about the expansion of information technology trade;
3 another about expansion of trade and services; and then
4 a very important one on trade facilitation, which we
5 are hoping to bring to a close at the end of this year,
6 as well; how to reduce barriers and unnecessary
7 obstacles at the border that affect really every
8 business in every country.

9 The last thing I will mention is last month I
10 was in Ethiopia to launch a formal review of our
11 African Growth and Opportunity Act, our AGOA program,
12 which expires in 2015. We want to take this next
13 several months to look at what has worked well, what
14 hasn't worked well, how we can improve upon it as we
15 seek renewal of that.

16 None of this can happen without trade
17 promotion authority, and we are now engaged with our
18 colleagues in Congress, Ways and Means Committee,
19 Finance Committee, to talk about how to put together a
20 bill that can have bipartisan support to give us the
21 authority to conclude and get these negotiations and
22 these agreements through Congress and that can also
23 support workers and make sure that they have the skills
24 available through a renewal of the Trade Adjustment
25 Assistance Program going forward, as well.

1 We will be engaged very much with Congress and
2 its leadership, and it is important that they also hear
3 from all of us how the trade agenda is key to your
4 future and building jobs here in America and enhancing
5 exports.

6 So, Jim, I'll stop with that.

7 CHAIRMAN McNERNEY: Thank you very much, Mike.

8 The trade agenda has never been bigger --
9 never ever been bigger -- and we want to do everything
10 we can to support you. So, please, call on us. I know
11 when you get in the middle of these negotiations, that
12 occasionally we get calls. We want those calls to help
13 in any way we can.

14 Now, back to Governor Mary Fallin to talk
15 about export workforce training and what is going on at
16 the state level. I know the agenda is big. We have
17 read a lot of your material. I personally know it by
18 the interaction and partnership we have with Boeing
19 down in your state.

20 But, again, congratulations on assuming the
21 chairmanship of the NGA, and we look forward to
22 anything you might have to say.

23

24

25

1 **II. STATE AND LOCAL GOVERNMENT BRIEFING**

2
3 GOVERNOR FALLIN: Thank you, Mr. Chairman. It
4 is a great pleasure to be here. And, Vice Chairman
5 Burns, it is great to see you. It's a pleasure to be
6 here to represent the NGA and the governors across our
7 United States. And so many of the issues already
8 talked about today are things that governors are
9 concerned about. So it's a pleasure to be here.

10 As a couple of you mentioned, and I just want
11 to say this real briefly and I want to talk about
12 exporting and why it is important to our states, but I
13 launched my state and my Federal initiative for the
14 Nation for the NGA, called America Works: Education and
15 Training for Tomorrow's Jobs. It is basically about
16 closing the skills gaps, as the Secretary of Labor was
17 talking about, and trying to help America become more
18 competitive not only within our Nation, but certainly
19 internationally, and that's important to exporting.

20 So we're excited to work with all the various
21 members of the Export Council to help with our
22 workforce and our skills gap within the nation.

23 But I want to talk to you a little bit about
24 our states and about exporting. State economies are
25 increasingly global in terms of both markets and

1 competition. As Governor of Oklahoma, I know that in
2 my state and with our businesses, we aren't just
3 competing among the businesses within our states, the
4 businesses between states, or even within the region.
5 We certainly compete globally in this economy.

6 Governors are also leading the efforts to grow
7 their state economies by promoting the export of goods
8 and services and attracting international businesses to
9 our states. In particular, small and medium-sized
10 businesses in the United States totaled nearly 30
11 million and employed about half the total U.S. private
12 sector payrolls.

13 According to the U.S. Small Business
14 Administration, however, only about 300,000 of those
15 businesses export. So behind major exporting companies
16 are thousands of smaller companies classified as what
17 we call indirect exporters that help produce the final
18 goods and services for export.

19 These companies represent untapped
20 opportunities for our states to help compete globally
21 with trade and export opportunities. In my State of
22 Oklahoma, we have about 3,000 exporting companies, of
23 which about 85 percent are small to medium-sized
24 enterprises, and this is certainly a number that we in
25 Oklahoma hope to be able to grow.

1 As you are probably aware, many Oklahoma
2 companies and many Oklahoma exporters are leaders in
3 the energy sector.

4 Secretary Moniz, I appreciate your great
5 comments about that. I know my Oklahoma companies
6 would be thrilled to hear what you had to say about
7 energy.

8 But these companies are also contributing to
9 the ongoing energy revolution that Secretary Moniz
10 talked about. Advanced drilling techniques, many that
11 are being pioneered by Oklahoma companies, have moved
12 our country from having energy scarcity to having
13 energy abundance. And as a nation, we should be taking
14 advantage of every opportunity to support energy
15 exports and, also, reap the benefits of the vast new
16 supplies of American energy that has been unlocked by
17 technological advances.

18 Moving forward, governors will continue to be
19 engaged at a national and international level to
20 promote exports. Since 2011, the National Governors
21 Association has opened up sub-national dialogue with
22 Chinese provincial governors, and the NGA has led two
23 trips to China and, also, organized a trip to Utah,
24 which Chinese officials came to the Utah meeting.

25 NGA's most recent trip in April brought

1 governors from Iowa and Virginia and Wisconsin to
2 Beijing for several high level meetings with the
3 Chinese president.

4 At home earlier this year, the NGA sent a
5 letter to Congress urging the reauthorization of the
6 State Trade Export Promotion, the STEP grant program,
7 and since 2011, this program has provided about \$40
8 million annually to state trade efforts to help both
9 our small and our medium-sized enterprises enter and,
10 also, expand into new export markets.

11 Some states are experiencing strong levels of
12 success, with some achieving rates of return of 90-to-1
13 or higher.

14 State efforts have contributed directly to the
15 progress and meeting the National Export Initiative
16 goal of doubling our exports by 2015. Oklahoma
17 companies represent a very clear example of the kind of
18 productive role that the STEP grants have had in the
19 States. We have taken 1.1 million in STEP investments
20 and we've been able to generate, out of that 1.1
21 million, a \$67 million return. That's a rate of return
22 of 5,000 percent for my Oklahoma companies.

23 So the reauthorization of the STEP grant
24 program beyond 2014 will help ensure that we have
25 continued growth within our Nation's global

1 competitiveness, help us maintain stability in the
2 program's operations and the outlays, and, more
3 importantly, in our States, it creates jobs.

4 So our hope is that the NGA will continue to
5 be a catalyst, a convener, a broker, an advisor for the
6 U.S. governors who want to engage in international
7 trade and investment opportunities, because we believe
8 there are great opportunities that exist for governors
9 to be able to lead the efforts to grow our state
10 economies through the exporting of goods and services.

11 And our leadership of governors will be, we
12 believe, through those four primary roles. One is the
13 advocate. Governors are suited to be able to lend
14 their prestige, their vision, their leadership to
15 advocate for competitiveness and expanded trade and
16 investment both within our state and, also, by our key
17 constituents that are in our states.

18 Secondly, the state ambassador. The governors
19 are the CEOs of their states. So they're the best ones
20 that can help promote and be the chief salesperson for
21 not only our state, but certainly for our Nation.

22 And we're also the chief convener in our
23 states. Governors have a deep roster of contacts, and
24 we like to convene stakeholders together from both the
25 private sector, the nonprofit public sector, academic

1 communities, to be able to set strategies to identify
2 needs, opportunities and challenges, to expand
3 international involvement.

4 And, third, we're the broker. Governors are
5 often the strongest brokers of resources to build
6 states' international competitiveness.

7 So governors' influence and the allocation of
8 state resources through the budgets and the processes
9 can help prioritize our international trade and
10 investment within our states' economic developments,
11 and it's very helpful for us.

12 Governors also helped shaped the state's
13 higher education system. We talked about the skills
14 gap, which is very important to incorporate when it
15 comes to trade and investment strategies.

16 So there are a lot of exciting actions that
17 are underway today in the states in regard to trade and
18 investment, and we just appreciate the opportunity for
19 the governors to have a seat at the table to share some
20 of our ideas, and, of course, we want to be a partner
21 and to help lead a collaborative effort to expand
22 exporting from all states and to help our Nation.

23 Thank you so much.

24 CHAIRMAN McNERNEY: That sounds tremendous.
25 And we're delighted that one of the first points of

1 engagement in your new role was this body, because
2 we've always had this vision that the trade agreements
3 and the flow that we now have and the opportunity we
4 now have can be connected at the local level with
5 policies and practices and all kinds of emphasis that
6 you can bring with the confidence that the government
7 here is opening up huge -- through their policy and
8 through their engagement and through the FTA
9 development -- you're going to have lots of opportunity
10 out there.

11 So you're connecting with, when it's all done,
12 30 percent more business opportunity than you were
13 before he began these efforts on just TPP and the
14 European think law.

15 So it's great to have you here. So thanks for
16 that report.

17 And Mayor Smith of Mesa, home of the Apache
18 helicopter.

19 (Laughter)

20 CHAIRMAN MCNERNEY: Congratulations on --

21 MAYOR SMITH: Incredible Apache helicopter.

22 (Laughter)

23 CHAIRMAN MCNERNEY: Congratulations on
24 becoming President of the U.S. Council of Mayors. We
25 would love to hear your comments.

1 MAYOR SMITH: Thank you, Mr. Chairman and Vice
2 Chair Burns.

3 Secretary Pritzker, congratulations from the
4 Nation Mayors on your appointment. Also, Secretaries
5 Moniz, Perez, of course, Anthony Foxx, Ambassador
6 Froman, and Secretary Vilsack.

7 We love all of you, but we do have a special
8 place in our heart to former mayors. So Secretaries
9 Vilsack and Foxx, you're A number one.

10 (Laughter)

11 MAYOR SMITH: We look forward to working with
12 all of you, though.

13 As President of the Congress of Mayors, I also
14 would like to thank the President for giving the
15 Nation's mayors a seat at this table. It's very
16 important.

17 I'd also like to thank Jacksonville Mayor
18 Alvin Brown, who is chair of our conference's Metro
19 Exports-Imports Task Force, for filling in this chair
20 in the previous two meetings.

21 It's an honor for me to be here today.

22 My text here says exports are key to our
23 Nation's cities' economic growth and I look around and
24 I think people are going, "Yeah, like duh."

25 (Laughter)

1 MAYOR SMITH: It's great to preach to the
2 choir. It's a heck of a lot better than preaching to
3 the mob. I've done both.

4 (Laughter)

5 MAYOR SMITH: But it doesn't change the
6 importance of our task, because sometimes preaching to
7 the choir is more difficult, because we all agree on
8 the overall objective. The question is how do we
9 achieve that, how do we enact those things that work.

10 We know that economic forecasts that the real
11 growth in U.S. GDP will come from exports. That's true
12 in cities. Cities are drivers of America's economy.
13 Almost 85 percent of the GDP happens in metro areas.
14 We truly are a collection of metro economies.

15 So as mayors, we understand how important it
16 is to help the Nation expand our overseas market. We
17 know because we've talked to our businesses on a one-
18 on-one basis. We take what the governors do and
19 hopefully narrow it down to mayor-to-mayor, business-
20 to-business relationships, and that combination is an
21 extremely powerful force in building our economies.

22 I know Mayor Brown talked to you before about
23 how we in the conference are working with the Task
24 Force to Develop Metro Export Plans, especially to
25 identify small and medium-sized companies who not only

1 might be interested in exporting, but who don't yet
2 recognize the true opportunities that exist in
3 exporting.

4 We'll continue to work with the National
5 Export Initiative, Commerce, other organizations,
6 including Brookings, with whom we work very closely,
7 and many other federal agencies who are here. Suffice
8 it to say we'll be working this year with all of you to
9 take our export initiatives to a new level.

10 As mayors, we'd like to -- I'd like to
11 concentrate on these small and medium businesses. Most
12 of you who are large in here, you know no boundaries.
13 International business is your way of doing business.
14 That's how you do it. But less than 1 percent of the
15 businesses in the United States are involved in any
16 type of export activity. We're missing out on a huge
17 opportunity.

18 I'd like to tell you one quick story about a
19 business in Mesa. Now, this isn't a sexy business.
20 It's an entrepreneur who discovered -- he didn't
21 discover, but others discovered that when the
22 temperature gets above 100 degrees, milk cows don't
23 like to work. Well, I don't like to work when it gets
24 above 100 degrees. But milk production decreases
25 significantly when the temperature goes above 100

1 degrees.

2 So this entrepreneur developed a very unique
3 cooling system that allowed cows to bask in the cool
4 air and, therefore, produce more milk in the hot
5 Arizona summers.

6 The funny thing is that without even knowing,
7 there is another part of the world, the Middle East,
8 who has discovered and is encouraging milk production.
9 And guess what? The temperatures there often get above
10 100 degrees.

11 So by accident, this entrepreneur in Mesa,
12 Arizona became a supplier of milk cow cooling systems
13 to Saudi Arabia and other Middle East companies. Now,
14 almost over 70 percent of his business is done
15 internationally.

16 Now, this is just one story of many that we
17 could replicate if our small and medium-sized
18 businesses understood and were not intimidated. As
19 somebody who, 20-30 years ago, was in the water
20 purification business, where trying to export equipment
21 to Indonesia, the Philippines, India -- and, by the
22 way, somebody made a lot of money in the water
23 purification business in those countries. It wasn't
24 me.

25 (Laughter)

1 MAYOR SMITH: I understand the barriers that
2 one must go over, and they are substantial when you're
3 talking about customs brokers. I learned the
4 difference between what it took to fill a 20-foot
5 cargo, not to mention a 40-foot. You've got to put a
6 lot of plastic bottles in there to fill it and it's not
7 very good.

8 When we're successful in expanding our
9 business exports and in letting our businesses know
10 what is important, what opportunities are out there, we
11 will grow our economies.

12 To that end, one of my priorities as President
13 of the Conference of Mayors is to get this message out,
14 to get our mayors talking this, to get our economic
15 development departments working with you to make this
16 happen.

17 I'm especially interested in trade within the
18 Americas. I always learned in business that it is a
19 lot easier to build within your existing customer base
20 than it is to find new customers and there is no doubt
21 that in any city in this country, when you look at the
22 top one, two or three trading partners, Canada, Mexico
23 and Latin America come up, and Mexico and other Latin
24 American countries are especially important.

25 A couple, three weeks ago, I was down in

1 Mexico City in a meeting -- and I know, Secretary
2 Pritzker, you're heading there maybe today, because
3 they told me about that -- and it was amazing the
4 changes in Mexico and the opportunity.

5 We look at things like immigration. In
6 Arizona, I know a few things about immigration, the
7 challenges. Yet, what we don't talk about is how
8 export builds both economies and helps us to solve
9 other problems.

10 I had an interesting experience in Mexico City
11 that helped explain the changing world we live in. I
12 was there and met with a Mesa company, who actually is
13 a large provider of components to the cable industry
14 worldwide. All of their manufacturing currently takes
15 place in China.

16 Now, that's not an unusual story. But we were
17 down in Mexico meeting with a Mexican company to form a
18 joint venture to bring manufacturing from China back to
19 the Americas.

20 But here is where the story changes. The
21 manufacturing was not to take place in Mexico, which is
22 what you would think would normally happen. No. The
23 manufacturing was going to come from China back to the
24 U.S. so we could export to Mexico and Latin American
25 countries, because the opportunities were greater to

1 stamp the great "Made in America" label and to export
2 to Mexico and Latin America than they were to actually
3 manufacture in Mexico.

4 There is no doubt that with our changing world
5 economy, these opportunities will expand even more. In
6 the Phoenix-Mesa metro area, as we've said -- and, Mr.
7 Chairman, we are so proud to have Boeing as one of our
8 largest employers. That was my gratuitous suck-up to
9 the Chair, by the way.

10 (Laughter)

11 MAYOR SMITH: Subtle. But the Phoenix-Mesa
12 metro area is a great example of lost opportunity.
13 Although we are the 12th largest economy, metro
14 economy, we lag, even though we border Mexico and you
15 would think it would be second nature, we lag in
16 export.

17 As a matter of fact, as far as export
18 business, the Phoenix-Mesa is about at the same size as
19 Washington, DC, and I'm still trying to figure out what
20 Washington, DC exports.

21 (Laughter)

22 MAYOR SMITH: We know that there is
23 opportunity missed.

24 One of the things mayors are focusing on, and
25 Secretary Foxx pointed it out, is our infrastructure;

1 certainly, seaports, airports, rail, other things. But
2 one thing we shouldn't forget, and I know, once again,
3 in Arizona, is our land ports.

4 It is very difficult to expand trade when
5 trucks are waiting, six, eight, nine hours at a border
6 that is under-built and infrastructure on both sides of
7 the border which are not adequate to transport goods
8 and services.

9 Finally, I'd just like to leave you with one
10 thought. Our cities and metro areas are projected to
11 grow by over 80 percent in the next 30 years. People
12 are moving to cities. The U.S. is one of the most
13 urbanized countries in the world, and we'll become more
14 and more urbanized. That's a lot of people who require
15 schools, hospitals, transit facilities, water,
16 wastewater, other facilities, all form of critical
17 services and infrastructure.

18 But most importantly, they need jobs, they
19 need good jobs, they need jobs in areas where the
20 United States has proven over time we are leaders.
21 They need to take advantage of truly a global economy,
22 something which I'm still not sure we fully get in the
23 United States.

24 One of the things I learned as I traveled is
25 that other countries trade across border as a matter of

1 fact. We think trading across state lines is about as
2 foreign as it gets, and we've got to change that. We,
3 as mayors, are committed to change that.

4 So, Mr. Chairman, thank you very much for
5 allowing us to participate. We hope to be active
6 participants in this effort. I think much by the
7 nature, mayors will be active participants, whether you
8 want us here or not. We're going to be involved, and I
9 look forward to our discussion today.

10 Thank you very much.

11 CHAIRMAN McNERNEY: That's terrific. We love
12 the energy, and I had this feeling you were going to
13 keep us real. Appreciate it very much.

14 I think Senator Klobuchar is here with us from
15 the great State of Minnesota. Do you have a comment?
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1 **CONGRESSIONAL REMARKS**

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3 SENATOR KLOBUCHAR: Thank you. Thank you for
4 not mentioning the Vikings again, as you did at the
5 beginning.

6 (Laughter)

7 SENATOR KLOBUCHAR: This is my time to give
8 the upbeat report from Congress. Actually, I hope it
9 will be more upbeat with the help of the businesspeople
10 around the table. As you know, the House is giving us
11 a somewhat crazy bill that could shut the government
12 down. I think we have the votes to change it. And I
13 also think that there are some Republicans -- I think
14 it was Senator McCain that called it "the height of
15 foolishness," the bill that is coming over, that are
16 going to hopefully work with us to get a better
17 situation.

18 Then, of course, that goes right into the debt
19 ceiling vote, which you are well aware of the effect
20 there, and I'm hoping that cooler heads will prevail so
21 we can work on a lot of the stuff we've been talking
22 about this morning.

23 The immigration bill I think still is hanging
24 in there. I'm not sure on the timing of it, but in
25 August, we did a lot of work with some of the

1 Republican House members, and the coalition of people
2 working on this bill did, including the business
3 members.

4 Senator Hatch and I had the I-Squared bill,
5 innovation-immigration, which focused on more green
6 cards and more H1B visas, which partially filled some
7 of the job openings that we've been talking about and I
8 think is a necessary part of the solution, in addition
9 to training our own workers. And now most of that is
10 in the bill.

11 The last bill I would just mention that I
12 still think has a chance of surviving, with Secretary
13 Vilsack's leadership, is the farm bill. I'm on the
14 Conference Committee and -- well, they're doing some
15 pretty draconian things in the House right now. I
16 still think it means that it will go to Conference
17 Committee and we will have a chance of getting
18 something done on that bill, which is important for the
19 future of agriculture and, also, actually brings the
20 debt down over the last bill.

21 In terms of exports, we have some -- like
22 everyone else, my state has been very happy with what
23 has been going down. Our unemployment rate is down to
24 5.2 percent. A lot of it has to do with exports and
25 with export giants in our states, like Cargill,

1 Medtronic, companies like General Mills, and, of
2 course, Radisson Hotels. I just did that to bug Arne.

3 (Laughter)

4 SENATOR KLOBUCHAR: Actually, Arne and I have
5 worked together on this visa issue, as the
6 Administration has, and that's one of our success
7 stories in that we've seen a 6 percent increase in
8 tourism over the last year and a lot of it has to do
9 with speeding up that visa process; the work that Tom
10 Nides did before he left, with the State Department;
11 the work that Senator Blunt and I did in pushing that
12 issue.

13 I just think there is much more to do there
14 when you look at the money that can come in not only
15 for tourism businesses, but also for every business
16 that wants to bring people in on trade visits and to
17 conferences and other things. So I think that
18 continues -- has to be a big push. Obviously, there
19 are things in the immigration bill that would greatly
20 help with that, as well.

21 The one issue I wanted to address today that I
22 was hearing -- I spent a lot of time with our medium-
23 sized businesses over the last few months when it comes
24 to exports. They are ready to go. They're already
25 doing a lot of exports.

1 But one of the issues that I know people
2 around here are aware of and, actually, one of the
3 letters that we're voting on today is relevant to is
4 this issue of the export controls and the list that we
5 have. And I know work is being done to consolidate the
6 various lists of control exports. But I've heard it
7 time and time again about the unfairness that they're
8 experiencing vis-à-vis their competitors in other
9 countries, that they literally are getting screwed out
10 of contracts because of the fact that it is taking too
11 long.

12 The first part about it is just the process.
13 It's very hard for especially these mid-sized companies
14 to track what is going on. And I'm very excited to
15 have Penny in her job to be working on those issues.

16 A lot of these companies, by the way, don't
17 even want to let me say their names, because they're
18 afraid they're going to be hurt by the bureaucrats that
19 are working on their applications. And so there's got
20 to be some way to allow people to talk about these
21 problems where they don't get punished.

22 The centralizing the forms among all of the
23 agencies of government so that it's much simpler to get
24 through this. As we know, we have an arcane system of
25 multiple agencies regulating and enforcing the export

1 of controlled goods, a system that often treats a bolt
2 fastening a seat to a fighter jet the same as it treats
3 the whole fighter jet.

4 So I know the Administration has made progress
5 on simplifying it. I just think it's a really great
6 area, especially with some of the defense business that
7 is on the decline, a great area for us to gain exports.

8 The letter that we are going to be looking at
9 today from Mr. Pedraza encouraging the Administration
10 to complete the transfer of non-military items from the
11 U.S. munitions list to the commerce control list is
12 important, but I really think it's just the tip of the
13 iceberg and that there's a lot of work that can be
14 done.

15 Last, speeding up the process. One company --
16 again, can't say their name -- in St. Paul, license
17 approval applications taking up to 52 weeks. And I
18 think we can do better than a one-year turnaround when
19 they are trying to compete in this increasingly
20 competitive market as other companies in other
21 countries are gaining on them.

22 And that would be my last note, is that I had
23 never heard so many companies talking about a company
24 in Switzerland, that their government treats it a
25 little differently, so that they can then compete for

1 some contract with an ally, but then a different one
2 with a non-ally, and it is really becoming a problem
3 and it's a combination of State Department rules, as
4 well as rules here.

5 I don't have all the solutions, but I think we
6 need to take it on a big way and I think it's something
7 where we could really make a mark in terms of beyond
8 the big issues of the trade agreements and other
9 things.

10 Thank you.

11 CHAIRMAN McNERNEY: Thank you very much,
12 Senator, particularly for highlighting the export
13 control efforts. Commerce has taken on a herculean
14 task there, and you have made it very real to us and
15 your support is going to be critical. Thank you very
16 much.

17 Senator Begich, do you have a comment?
18 Welcome back.

19 SENATOR BEGICH: Thank you very much. I'll be
20 very brief. But, first, I want to thank you for the
21 opportunity to be here and be part of an effort on
22 exports.

23 Alaska is a net exporter. We like to brag
24 about it. But we export more than we import, which is
25 good.

1 Francisco, I'm sorry you're leaving. I know
2 you came up to Alaska. We appreciate that, the work
3 that you did to help our exporters understand what is
4 available.

5 I know you came in June, so that was a good
6 time to come.

7 (Laughter)

8 SENATOR BEGICH: But those that come in the
9 winter get extra credit points. But we really do thank
10 you, because it really does make a difference. That
11 outreach from my state intrigued many of our exporters
12 to consider other opportunities.

13 We export everything that you can imagine, but
14 we love our fish and we love to export it everywhere.

15 Another piece of the equation, we just had the
16 Ambassador for China in Alaska for several days. China
17 is now our number one trading partner, \$1.2 billion of
18 trade. They've gone tenfold in about six-and-a-half
19 years in trade. They have passed Japan for us, as it
20 used to be our number one trading partner.

21 I want to add a couple things that I just
22 heard. One, I want to emphasize what Senator Klobuchar
23 talked about. For Alaska, tourism is big business for
24 this country. It's big business. It's not exporting,
25 it's importing cash, which we like. Foreign visitors

1 in Alaska account for 15 percent of our business. They
2 spend more time, they spend more money.

3 So the Travel Promotion Act, the work on visas
4 has been a huge benefit and will continue, I think, to
5 be a huge opportunity for us.

6 Plus, I'd like to be included in the former
7 mayor club as a former mayor. You're going to get a
8 few of those now, which is good. One of the best
9 things we love about our tourism business, especially
10 foreign travelers, was we spent time not only having
11 them visit our city, but talk about business
12 opportunities. So it really creates a dual opportunity
13 there.

14 Another piece I'd like to just add. Secretary
15 Foxx, you mentioned the transportation issues. Alaska
16 is the fourth largest cargo hub in the world -- a lot
17 of people don't realize that -- in Anchorage. UPS,
18 FedEx and others do a lot of business through our
19 airport. Seven hundred wide-body jets move out of
20 there every single week moving product around the
21 globe, because it's all about location, location,
22 location.

23 But the bigger challenge is -- and Secretary
24 Foxx mentioned -- I hope in the longer term, we can
25 figure out the solution. We're doing some stuff

1 through a subcommittee that I chair on Oceans and
2 Commerce on port redevelopment. We have to figure out
3 -- if we're going to export more goods, we have to have
4 ports that can actually handle moving the products out.

5 It's great to have air. It's great to have
6 other types of transportation within. But if we're
7 going to move stuff out, we have to have a much better
8 port strategy in this country, which I think lacks a
9 great deal.

10 On top of that, the biggest and most exciting
11 part for Alaska, I think for this country and,
12 honestly, for this world, is what is happening in the
13 Arctic. The Arctic is a huge future for us not only
14 from Alaska's perspective, but I think this country,
15 when you think about the oil and gas explorations.
16 Governor, you talked about it and we're very excited.

17 I know the folks from North Dakota like to
18 tell us that they have surpassed us in Alaska in oil
19 and gas. We like to tell them it will take no time and
20 one well, we'll pass them radically, because as we look
21 at the Arctic, 26 billion barrels of oil, tons of cubic
22 feet of gas, enormous opportunity.

23 And when it comes to exports, Secretary, as
24 you know, we have been exporting for 40 years. So we
25 know it, we know the business, and it's a good business

1 for this country to be in when it comes to gas and
2 other energy products.

3 But along with that, other countries see
4 opportunity for transportation routes. And it is smart
5 for us as a country to figure out how we get to service
6 those boats and ships that are moving fast through the
7 Arctic and the Bering Sea.

8 In the last couple of years, they have doubled
9 the capacity of ships moving through that area. Russia
10 is not waiting around. They are figuring out their
11 port network to service these ships that are moving
12 through there.

13 It is in our best interest, as this country,
14 to get that business, not let it go over to the other
15 side of the water.

16 A lot of people talk about the southern
17 border, to my friend, the Mayor from Arizona. But up
18 in the north, we have a 50-mile area between us and
19 Russia with a lot of ships moving through there now,
20 and big ships. And it is in our interest -- and China
21 has figured this out. They are not waiting. It will
22 cut 40 percent of their time and fuel cost by moving
23 through that region. I would like to make sure that
24 the U.S. is the country that services those ships.

25 On top of that, I'll end on this note, as we

1 figure out the port issues, the other big piece that is
2 a huge gap -- and we're not talking about it to our
3 Oceans Committee -- is the rebuilding and
4 recapitalization of our shipping fleets, fishing
5 fleets, and freight movers. It is a huge need in this
6 country.

7 What's so great about these facilities is
8 they're American built, American labor, and they pay
9 well. And so we have to figure out a strategy. We
10 don't have a really good comprehensive Federal
11 Government strategy on this in the sense of loan
12 guarantees and other programs that could really put a
13 renaissance in this area of shipbuilding in this
14 country.

15 Anytime you talk to the fishing industry and
16 you may think it's a small ship, but when they are
17 building 60 to \$100 million processing ships, we'd like
18 them to build them right here in the U.S. with American
19 labor.

20 When you talk about the freighters that are
21 now converting some to LNG fuel source for their
22 facilities, that's all American jobs, American
23 capacity, but it's also moving our goods around the
24 globe.

25 So those are several issues that I'm very

1 interested in. So I'm glad to be here. To be very
2 frank with you, I'm glad to see a mayor in the role of
3 Transportation Secretary, for a lot of reasons.

4 (Laughter)

5 CHAIRMAN McNERNEY: Thank you very much,
6 Senator. Appreciate the comments very much and your
7 engagement.

8 We have Congressman Reichert. I thought I saw
9 -- here he is. His constituents build those wide-body
10 planes that stop through Anchorage all the time.

11 (Laughter)

12 CONGRESSMAN REICHERT: The birthplace of
13 Boeing. Right? Thank you for allowing me to speak a
14 few minutes today.

15 First, I want to thank Jim and Ursula for your
16 leadership. I'm actually one of the original members
17 of the committee, of the Council. I've missed a few
18 meetings, but I'm glad to be back again.

19 I really want to focus on the partnership, I
20 think, that has developed within this group and the
21 friendships that have been made, and mention just a few
22 people that are not here with us today, but the great
23 friendship that we built with Ambassador Kirk and
24 Secretary Locke, who I have known for over 30 years
25 when I was a homicide detective.

1 So I'm going to start a new club called the
2 former sheriffs club.

3 (Laughter)

4 CONGRESSMAN REICHERT: And I think I'm the
5 only member, but maybe it will grow. But Gary Locke
6 and I have been friends for a long, long time and I
7 look forward to working with Secretary Pritzker.

8 The Ambassador, Ambassador Kirk and Wendy
9 Cutler really were a great team. And I know Wendy is
10 still with us in a different position and I look
11 forward to working with you, Ambassador, and Barbara
12 and building that same partnership. I've got great
13 staff.

14 I just think that there is an opportunity
15 here. We could talk about all of the differences that
16 Congress has between the Senate and the House and,
17 actually, between my own party within our conference,
18 and get a little depressed. But I think coming to a
19 meeting like this encourages me and really makes me
20 feel like we can get something done.

21 As Ursula said, this is a group that really is
22 a group that really does some work. So those of you
23 who may not know about me, I look like I've been in
24 Congress for 40 years, but I've only been here eight-
25 and-a-half.

1 (Laughter)

2 CONGRESSMAN REICHERT: I was in the Air Force,
3 got off active duty, went into the sheriff's office,
4 spent 33 years there from patrol cop to homicide cop to
5 the sheriff. I ended up here because Jennifer Dunn, my
6 predecessor, decided to retire. So politics was not in
7 the playbook.

8 I bring, I think, sort of a Joe Friday "just
9 the facts, ma'am" sort of approach to Congress. Common
10 sense and logic is really what cops are all about, and
11 that's what I think this committee is about.

12 In Washington State, Ways and Means is the
13 committee that most of the members of our delegation
14 strive to be on. I was fortunate enough to join that
15 committee five years ago, four-and-a-half years ago. I
16 am on, obviously, the Trade Subcommittee and I'd like
17 to think I'm one of the leaders there. I started the
18 KORUS Trade Working Group back when we were working on
19 KORUS.

20 I also chair the Human Resources Subcommittee
21 on the Ways and Means Committee. Currently, we're
22 involved in tax reform discussions. And here's another
23 bright light, I think, that we can all at least look
24 to. When you have Chairman Baucus and Chairman Camp
25 working together, the Senate and the House working

1 together, talking about tax reform, I think it gives us
2 all a lot of hope.

3 We know tax reform plays in heavily to
4 creating jobs and actually helps in our effort in
5 doubling exports. So I'm engaged in that effort very,
6 very thoroughly.

7 So a little bit about Washington State. We
8 are the most trade-dependent state in the country.
9 Forty percent of our jobs depend upon trade. What
10 comes into the State of Washington, actually, we only
11 keep 30 percent of what arrives in our ports. Seventy
12 percent goes across the country to the rest of the
13 Nation. So we call ourselves the Port of Chicago
14 sometimes.

15 The importance of trade now for me and my
16 district, from Microsoft on the west side of the
17 mountains to now apple growers, pear growers, and
18 cherry growers, you can see the variety of products in
19 Washington State and how important it is for us to be a
20 part of the TPP negotiations and how key that is to
21 Washington State's economic growth.

22 So now we have started and I am the co-chair
23 of and the -- let me make this announcement. We're
24 going to roll this out next week, but we started a
25 Friends of TPP. That will come out next week, another

1 bipartisan effort, so another bright light to look at.
2 Ron Kind, myself, Charles Boustany, and Mr. Meeks will
3 be the four co-chairs. So that's just a secret that I
4 share with you today in this room.

5 So we'll roll that out next week, but we're
6 excited about that. But I agree with what the
7 Ambassador said, and I'll wrap my comments up.

8 We can talk about TPP, we can talk about TTIP
9 and TISA, but really the important thing here is the
10 trade promotion authority. We have got to get this
11 done. And I just want to offer my full assistance to
12 you, Mr. Ambassador, and everyone in this room who will
13 be promoting TPA in any way that I can help. Please
14 call upon me. I'll be happy to help in any way that I
15 can.

16 Sometimes the sheriff has some interesting
17 ways of convincing people.

18 (Laughter)

19 CONGRESSMAN REICHERT: That was a joke,
20 everybody. Anyway, thank you all so much for the
21 opportunity to share a few thoughts and for being a
22 part of this effort. I appreciate it. Thank you.

23 CHAIRMAN McNERNEY: Thanks very much,
24 Congressman Reichert. But the title was cool, "Sheriff
25 of King County."

1 (Laughter)

2 CHAIRMAN McNERNEY: That's what he was.

3 We are very fortunate to have Jason Furman
4 with us today, the new Chair of the Council of Economic
5 Advisers. Give us a little economic report, if you
6 would, please.

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1 **III. ECONOMIC BRIEFING**

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3 CHAIRMAN FURMAN: Sure. Thanks so much,
4 Chairman, Ursula. And I've watched the work of this
5 Council for years and I'm glad to be here participating
6 today.

7 I want to talk briefly about exports and where
8 they stand in the economy today and then talk about
9 three big trends that have an impact not just on our
10 domestic economy, but, also, very much on our exports.

11 U.S. exports set another record in 2012,
12 reaching \$2.2 trillion. They rose to 13.9 percent of
13 GDP, which ties the record set in 2011, and you have
14 seen further increases into 2013 with further inflation
15 adjusted records.

16 If you look over the course of the whole
17 economic recovery, you have seen exports up 30 percent.
18 That compares to the 26 percent rate set in the
19 previous recovery. But that growth hasn't been even.
20 If you look at the first three years of the economic
21 recovery, exports were up -- real exports were up at an
22 8 percent annual rate, which was faster than just about
23 any other major component of GDP over that three-year
24 period.

25 But over the last 12 months, that growth rate

1 of exports has slowed to 2 percent, and that slowdown
2 is an important reminder that our fortunes, in part,
3 depend on the economic strength of the rest of the
4 world. And we saw a significant global economic
5 slowdown in 2012.

6 You are seeing that start to mend, with real
7 GDP growth in the rest of the world at about a 2
8 percent annual rate in the second quarter. That's
9 faster than the first quarter, faster than last year,
10 although still slower than what it was historically.
11 And you see the pattern in terms of where our exports
12 are going. Exports to Europe, for example, have
13 rebounded to their pre-Eurozone crisis highs as the
14 Eurozone has recovered -- started to recover after six
15 quarters of negative growth. But exports to China are
16 flattening, although some of the most recent data from
17 China is a little bit more encouraging.

18 I wanted to shift gears because I think there
19 are a lot of things we can do to promote exports. Some
20 of them might be small or medium things that the
21 agencies, the governors, mayors, companies around this
22 table can do, but a couple of them are three very large
23 forces that we often talk about in the domestic economy
24 that actually have disproportionate impacts on exports,
25 as well.

1 The first of those is the dramatic slowdown in
2 health costs. It's not probably the main topic on the
3 agenda of most meetings of the PEC. We've gotten great
4 data on that, most recently yesterday, that inflation-
5 adjusted health spending has grown at a 2 percent
6 annual rate since 2010, the lowest rate recorded in 50
7 years. You've seen employer premiums growing at 2.3
8 percent, which is one-third the rate observed in the
9 early 2000s.

10 The reason that matters is because while
11 economists think all these savings in the long run are
12 passed onto families, in the short and medium run, they
13 reduce compensation costs, in part, for employers, and
14 that means more job growth. And that matters
15 disproportionately in export-oriented industries.

16 Health costs are 10 percent of compensation in
17 manufacturing as compared to 7 percent in services and
18 within services, health costs are higher in our service
19 exporters than they are in, for example, the retail
20 sector, which is non-exporting.

21 The second trend is the dramatic increase in
22 oil and gas production, due, in large part, to
23 techniques to extract oil and gas from shale. Crude
24 oil production has grown each year the President has
25 been in office, to its highest level in 17 years, in

1 2012. And over the last four years, domestic oil
2 supply growth has accounted for over one-third of
3 global oil production growth.

4 The United States is now nearing the point
5 where our domestic production of oil will exceed our
6 imports on a sustained basis. Again, matters a lot for
7 trade. The real inflation-adjusted trade deficit in
8 petroleum products fell to a record monthly low in
9 June. Through the first seven months of 2013, the
10 petroleum deficit is on pace to set a new annual low,
11 after adjusting for price changes, down to 24 percent
12 of our overall trade deficit from the 40 percent that
13 it was as recently as 2009.

14 The third major development, again, which is
15 normally thought of through a domestic prism, but has a
16 significant impact on our exports, is our fiscal
17 situation. We've seen a very rapid reduction in our
18 deficit, down 6 percentage points in the last four
19 years. That's the fastest pace we've ever had in this
20 country, with the exception of the demobilization from
21 World War II. Remarkably, half of that reduction was
22 just in the last year alone and the fact that the
23 American economy has continued to grow in that last
24 year is a testament to the fact that the private
25 sector, including exports, continues to lead the

1 recovery.

2 There is a basic fact that every economist
3 understands and no economist, except perhaps Lael, has
4 ever figured out how to explain --

5 (Laughter)

6 CHAIRMAN FURMAN: -- which is that when you
7 bring your deficit down, you increase your net national
8 savings. That reduces the amount you need to borrow
9 from abroad, and the flipside of that is improved net
10 exports.

11 In terms of the outlook for the economy, if we
12 can handle some of the fiscal issues that Senator
13 Klobuchar spoke to earlier, we'll be well positioned to
14 do no harm to the economy over the next year. But our
15 aspiration should be more than just to do no harm. The
16 President has talked about a grand bargain for jobs
17 that would provide additional impetus for job creation
18 in the short and long run through measures like
19 business tax reform and adjustments in infrastructure,
20 which a lot around the table have talked about,
21 manufacturing and training. And furthermore, that
22 could be done in conjunction with additional deficit
23 reduction over the medium and long run.

24 So just in conclusion, American businesses
25 have added jobs for 42 straight months. Our economy

1 has grown for four straight years. Exports have played
2 a key role in that. But with an unemployment rate at
3 7.3 percent, obviously, substantially more work needs
4 to be done and it needs to be done on the big things
5 like health, energy and our fiscal situation, and then
6 the small things, like impediments to a small business,
7 exporting or what we do with each and every one of the
8 trade negotiations we are undertaking.

9 CHAIRMAN McNERNEY: Well, thank you very much
10 for the report, Chairman Furman. I think there are
11 fewer and fewer constraints for the kind of growth that
12 we're pushing for here, and, in fact, we're glad to see
13 that we're playing a little bit of a role in helping
14 the situation. The energy report was particularly
15 encouraging. So thank you very much for the report.

16 I think Gene Sperling -- would you care to
17 make some comments?

18 MR. SPERLING: Sure.

19 CHAIRMAN McNERNEY: Another regular.

20 (Laughter)
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1 **IV. AGENCY UPDATES**

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3 MR. SPERLING: So I have been privileged to be
4 a regular for the last three years. And I apologize if
5 some people were at the business roundtable yesterday,
6 because a couple points I'll repeat, but I'll repeat
7 quickly.

8 First of all, this may be my last one, because
9 I'm leaving on January 1st. But I just want to make a
10 couple of points I made yesterday.

11 I think you all know my replacement, Jeff
12 Zients. We worked with him for four years. He is as
13 excellent and impressive and just as kind of a person
14 as you will ever meet, and so he is just extraordinary.

15 And I said yesterday that I've never in 13
16 years seen somebody come into the job of Secretary of
17 Commerce with the "take charge" action that Penny
18 Pritzker had. Right now, people are looking for jobs,
19 I'm saying you want to be at Commerce, because this is
20 a "take charge, get things done" place.

21 And then Mike Froman, I wonder if there has
22 ever has been somebody who comes in with both the
23 expertise -- four years -- and then the personal
24 relationship with the President that he has. So I
25 think in terms of your export leadership, I think you

1 have just a remarkable team.

2 I'd also say the person replacing Mike,
3 Caroline Atkinson, as well as Lael Brainard, they have
4 just been the superstars, maybe a little behind the
5 scenes to the public, but not to you all. So this is
6 an extremely strong export team you have, as well as
7 the other Cabinet secretaries, but I really just wanted
8 to point that out.

9 I'll just say very quickly a few domestic
10 things that are absolutely related the exports. Number
11 one, the President really believes part of exporting is
12 making the case that there is a better economic case to
13 locate in the United States now than there has been in
14 25-30 years. And so as we are doing export, we also
15 have an Administration Presidentially-led effort on
16 there, and that's going to include the Select USA, the
17 first conference, we're working on reforms. Penny,
18 that is one of the things she is leading, she's hosting
19 October 31st.

20 We also are stressing on manufacturing,
21 particularly advanced manufacturing. We will announce
22 in a period of time that we'll be keeping our advanced
23 manufacturing partnership going. Andrew Liveris has
24 played a real leadership role and will continue to do
25 so there. But we also have the National Manufacturing

1 Innovation Institutes, which is an administration-wide
2 effort with the Secretary of Energy, Secretary of
3 Defense, NSF, others coming in, but we have a
4 partnership in the White House and Secretary of
5 Commerce in coordinating that, and we already have a
6 quarter of a billion dollars for partnerships with
7 existing funds.

8 It's one of the ways the President is making
9 us make progress, whether we have new legislation or
10 not.

11 Secondly, another thing that Secretary Perez
12 and Secretary Pritzker and the National Economic
13 Council and team are working on is to really develop a
14 core set of private sector, demand-driven training
15 principles. We'd like your help with that. We all
16 hear from you that locating here, exporting here means
17 meeting those jobs, and both Secretaries Perez and
18 Pritzker are committed to working with the White House,
19 Cecilia Munoz and I on this, and I think having
20 something we all bought in on would be a very strong
21 way of reforming our agenda.

22 My last thing I'll just say -- and it goes to
23 the Mayor's point and what a lot of you have said is --
24 we an opportunity on corporate tax reform. This
25 President put forward what he called a grand bargain on

1 jobs, a chance always looking for a way that even with
2 the difficulties and occasional dysfunctions in
3 Washington, to bring us together.

4 What he suggested was that we could do
5 corporate tax reform together with infrastructure.
6 This is exactly what many of you have talked about as
7 being so good for the economy, so good for exports.
8 Tax reform has one-time savings that could go to
9 infrastructure and then still the long-term savings you
10 would use in a revenue-neutral way to lower the
11 corporate tax rate, but you would do that with using
12 the one-time savings to address many of the things the
13 Mayor just talked about.

14 I think this is the type of thing that has
15 real possibilities, would be good for economy, good for
16 growth, could bring people together, and, obviously, a
17 win for our exports.

18 So thank you very much.

19 CHAIRMAN McNERNEY: Gene, thank you very much.
20 You were lauding a number of other people, but on the
21 occasion of your departure, I think I speak for
22 everybody in this room, your service to this country
23 and this government and other governments along the way
24 has just been exemplary and your leadership will really
25 be missed. So thanks for everything.

1 MR. SPERLING: Well, thank you.

2 (Applause)

3 CHAIRMAN McNERNEY: Caroline? Caroline
4 Atkinson, Assistant President for International
5 Economic Affairs, and Deputy National Security Adviser
6 -- you have the longest title in the room. So you have
7 big shoes to fill, but it is great to have you here.
8 We'd be glad to hear your comments.

9 MS. ATKINSON: Thanks very much. I thought
10 I'd just speak briefly about the global framework for
11 -- as Jason mentioned, what happens elsewhere matters a
12 lot for our exports. We can do a lot things, as Gene
13 outlined, to make our industries better and better able
14 to take advantage of opportunities, but we also need
15 the rest of the world to provide those opportunities.

16 And we've just come back from the G20 meetings
17 in Russia, where the countries that account for 80
18 percent of global GDP all meet, the major economies.

19 I know that the past five years, they first
20 met five years ago at the height of the crisis at a
21 leader level, and over the past five years, they have
22 actually achieved a lot.

23 First of all -- and most of these gains, I
24 think, have been led by the U.S.. And I'm not boasting
25 about myself, I'm boasting about my predecessor, Mike

1 Froman, and Gene Sperling, and, obviously, most
2 importantly, the President himself.

3 With U.S. leadership, countries rally to put
4 in place economic policies that would stem the
5 financial crisis, strengthen their banking system,
6 build up, provide some temporary support to their
7 economies. And importantly for this audience, there is
8 a joint commitment to resist the protectionism that had
9 been such a multiplier of the negative economics of the
10 Great Depression, which was what leaders were committed
11 to try to avoid.

12 Over the past five years, this has worked.
13 Jason pointed to some very good numbers that we have
14 had of exports and global growth, but he also pointed
15 to the fact that in 2012, there was a bit of a setback,
16 and that was mainly coming from the slowdown that was
17 experienced in Europe.

18 We have now moved to a better place. I think
19 Europe is beginning to come out of recession, but you
20 can see in the G20 that the old debates about should we
21 go for austerity, should we go for growth, have ended.
22 All of the leaders have united around the view that
23 growth and jobs are the most important. This is a
24 message that the President has made very strongly. He
25 got very involved discussing the European crisis with

1 European leaders. It's a message that Lael and others
2 in the Administration have made over and over again
3 about the importance for all of us around the world,
4 but especially for us, obviously, worrying about the
5 U.S., that you need to have a strong growing economy as
6 the backdrop for declining deficits and a sustainable
7 path for fiscal policy. And the real focus, what
8 leaders need to and want to focus on, is growth and
9 jobs.

10 We have also made a strong push not just to
11 avoid protectionism, but to make progress in opening up
12 the world's markets. We have managed to shift to a
13 more positive tone in the multilateral trade
14 negotiations, and we're hopeful that there will be and
15 we have strong statements of political will to make the
16 next round of negotiations in December in Bali a
17 success.

18 But part of that has also come from, again,
19 the U.S. effort championed by Ambassador Froman to
20 start working in a really serious way on high standard
21 and vicious trade agreements with the rapidly growing
22 Asian partners and then, also, with one of our biggest
23 trading partners or economic partners with the European
24 Union.

25 And we've already noticed in countries that

1 have previously been unwilling to move to open up and
2 have productive discussions with us about their
3 barriers to our exports to their countries that they
4 are taking note of these big initiatives and are
5 interested in perhaps joining or figuring out how to
6 become a part of this bigger agenda. I think that is a
7 huge win going forward.

8 And the last point I'd make is just picking up
9 on Gene's point about infrastructure investment. That
10 is hugely important here, but it's also hugely
11 important around the world. And in the G20, the
12 President laid out, looking ahead to next year when
13 Australia will be chairing, that we can build on some
14 of the private-public partnerships like Empower Africa
15 and we can build on our expertise and build on the
16 knowledge that countries need to spark investments, but
17 the private sector needs to finance and carry them out.

18 And this is a global message and it's a
19 message where U.S. firms stand a huge amount to gain as
20 these markets and developments occur.

21 Thank you very much.

22 CHAIRMAN McNERNEY: Thank you and welcome to
23 the PEC, and I appreciate your remarks.

24 I have just done a time check here and as
25 Marilyn and I say in the aerospace world, we're running

1 out of air speed and altitude here.

2 (Laughter)

3 CHAIRMAN McNERNEY: That's not good, that's
4 not good. I think we have Jeanne Hult of the Small
5 Business Administration; Lael Brainard, Under Secretary
6 of Treasury, already mentioned; Fred Hochberg of Ex-Im;
7 and, Elizabeth Littlefield of OPIC; and, Brian Deese of
8 OMB.

9 We are not going to have time for your
10 comments this morning, unfortunately. We will make you
11 first up at the next meeting.

12 The President's arrival is imminent and we
13 have got to figure out a way to approve these eight
14 letters.

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1 **V. DISCUSSION OF LETTERS OF RECOMMENDATION**

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3 CHAIRMAN McNERNEY: Now, those of you
4 presenting the eight letters, I think -- we trust you.

5 (Laughter)

6 CHAIRMAN McNERNEY: All of us have read the
7 letters. They have been referred to by many of the
8 people around the table and sponsored by many,
9 actually, Congressmen, Senators and Cabinet officials.
10 So these letters, even though the source is objective
11 and public-private partnership, I think we've all had a
12 chance to look at them, and what I would suggest is
13 save any impassioned disagreement.

14 I will assume broad support and just ask for,
15 I guess, without objection, approval of the eight
16 letters that will be sent to the President. So we can
17 then maximize the time when the President arrives to
18 hear his remarks, as well as some back and forth. And
19 I know Valerie has mentioned he'd like to meet most of
20 you, particularly the new folks.

21 So that's the time I would like to maximize
22 rather than the administratively intensive approval of
23 some of the letters that we're not going to change
24 probably in any case.

25 So without objection -- and I apologize to the

1 presenters. Bob, you came here from Los Angeles.

2 Well, Andrew is always here.

3 (Laughter)

4 CHAIRMAN McNERNEY: Ursula was prepared and we
5 had a number of others, Mary. And so I apologize. But
6 why don't we, in the interest of the broad omission of
7 the PEC and having the President with us today.

8 So without objection, so moved.

9 SPEAKER: Second.

10 CHAIRMAN McNERNEY: All in favor?

11 (A Chorus of Ayes.)

12 CHAIRMAN McNERNEY: Thank you very much.

13 (Applause)

14 CHAIRMAN McNERNEY: It may be a little chaotic
15 at the end. This will come out, but just if you want
16 to make a note, June 19th and September 18th are the
17 two dates we're trying to set in stone for next year.

18 I know Ursula, in her role as Vice Chair, with
19 Secretary Pritzker, is looking at a mission. I think
20 Brazil is the working plan. I think there is broad
21 support in this group for a Brazil outreach.

22 But I think we need the Secretary's input
23 before we finally decide on that. But that is
24 something where Ursula, I think, would encourage
25 participation from anybody around the room. Date not

1 set yet. We're working it. We need Penny's approval.
2 So we'll work that with her.

3 Penny, do you have any comments before the
4 President comes? We have a few minutes. And then
5 maybe Lael Brainard, she could offer a comment, if
6 she'd like.

7 SECRETARY PRITZKER: Since I had a chance to
8 make comments, I'll just, again, say thank you to all
9 of you and for the work you've done and the work you
10 will do over the next year.

11 We will look at trying to -- I know folks'
12 schedules are very challenging. And so if we're going
13 to try and do a trip, we will try to get something on
14 the calendar ASAP so that we can do the -- not just do
15 the planning, but know who will be able to attend. And
16 maybe it would be an opportunity for those who haven't
17 spoken to have a chance to speak, if that makes sense.

18 CHAIRMAN McNERNEY: All right. Yes. Fair
19 enough. Realize how this is going to go. This all
20 stops the minute a certain individual walks through the
21 door.

22 (Laughter)

23 CHAIRMAN McNERNEY: He usually comes right
24 through here.

25 So, Lael, Under Secretary of the Treasury, a

1 comment we'd love to hear.

2 SECRETARY BRAINARD: I really appreciate my
3 particular spot in the speakers' lineup here.

4 (Laughter)

5 MR. SPERLING: Lael, during all of the budget
6 discussions, I had this and you learn to stop mid-
7 sentence.

8 (Laughter)

9 SECRETARY BRAINARD: So let me just do a quick
10 scan of the global economy since this group last met,
11 and, as you know, there have been quite a few shifts.
12 There are still, I think, if anything, better prospects
13 than ever for U.S. exporters, U.S. workers to be taking
14 advantage of growth abroad.

15 But there have been some big changes in terms
16 of industrial expectations, and, of course, the biggest
17 one is that the U.S. is now garnering tremendous
18 attention all around the world as a very attractive
19 destination for investment and for exports. And that
20 has been a very noticeable shift and I think that has,
21 if anything, only intensified over the last few months.

22 Your efforts are clearly showing a lot of
23 positive momentum. I think the greatest risk that we
24 face right now, which was referred to earlier, is the
25 risk of self-inflicted wounds and it is so critically

1 important that the U.S. shows that it really is able to
2 continue to navigate forward.

3 The tail risk has receded, I think, very
4 substantially in Europe, but we are looking at
5 prospects of slow growth, protracted stagnation,
6 potentially, and I think that is the message that they
7 need to hear from us consistently. They have got to
8 put a much greater focus on demand growth. And the
9 TTIP, I think, becomes all the more important in that
10 kind of an environment.

11 Japan also has taken some bold steps to
12 restart growth that weren't anticipated even six or
13 nine months ago. We're starting to see some really
14 positive signs there, but, of course, for us, what is
15 important is that we see those taking place through
16 domestic demand and not through a weaker currency on
17 the export channel.

18 So we're going to look carefully at that.
19 And, of course, the kinds of reforms that are still to
20 come in Japan are the same kinds of reforms that Mike
21 and others are pushing through the TPP.

22 At the same time, we have seen a reassessment
23 of emerging markets, to some degree, after a long
24 period where that was the sort of source of greatest
25 interest in the global economy, and that is led by

1 China. China is going to have to, over the next period
2 of time, fundamentally reorient its economy to its
3 consumer and away from very resource intensive exports.
4 That is good for our companies.

5 There is renewed, I think, recognition that
6 they need to up their game in terms of intellectual
7 property and the openness of the investment environment
8 in order to sustain their growth and move to higher
9 value growth, and that, I think, is responsive to some
10 of the concerns that we face there. We saw that in the
11 President's discussions just in St. Petersburg, as
12 Caroline noted.

13 But what is so important as that shift takes
14 place, I think it puts the U.S. back at the center, is
15 to consolidate that through the TPP, which really puts
16 the U.S. back at the center of gravity in the Asia-
17 Pacific region and makes us the standard-setter. And
18 so that's why that initiative really is critically
19 important to us.

20 There have been some negative spillovers in
21 the region. Obviously, Indonesia and then, more
22 broadly, Brazil, Latin America, places that have
23 depended a lot on exports to China of commodities now
24 have to go back and look seriously at their domestic
25 reform agendas. And, of course, these are very

1 exciting markets for Americans, but I think the message
2 right now is that they need to do more in terms of
3 attracting U.S. investment, do more on their policy
4 reforms to make sure that we realize those
5 opportunities.

6 The last thing I would simply say is don't
7 forget about Africa. We have 13 countries in Africa
8 growing at greater than 7 percent of GDP over the last
9 few years. As Mike was mentioning earlier, AGOA and
10 Empower Africa, we're trying to create platforms that
11 make it easier for U.S. companies to participate in
12 what could be very exciting growth in the years ahead.

13 I think it's important for us, but also
14 important for them that we stay engaged.

15 Thanks.

16 CHAIRMAN McNERNEY: Thank you very much.

17 Under the heading of -- first of all, the
18 meeting will be adjourned when the President leaves.
19 So we've covered that.

20 (Laughter)

21 CHAIRMAN McNERNEY: The opportunity for me to
22 make a protocol mistake is huge. So what I am going to
23 do is just go down this list.

24 So, Jeanne, would you like to make a comment?
25 Actually, Jeanne Hulit is who I wanted to make a

1 comment, over here. Sorry, Gene.

2 MR. SPERLING: Who is he looking at?

3 CHAIRMAN McNERNEY: I know, I was -- that is
4 called a head fake.

5 (Laughter)

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1 **VI. SMALL BUSINESS UPDATE**

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3 MS. HULIT: It's a double-Gene team. Thank
4 you, Mr. Chairman. I am especially honored to address
5 you today as the SBA's acting Administrator,
6 particularly because I began my career in trade policy
7 30 years ago in Washington, DC and subsequently spent
8 much of my career supporting small business exporters
9 in my home State of Maine.

10 So I am well aware that small businesses
11 account for 98 percent of U.S. exports, but only
12 represent 34 percent of export revenues. As the
13 Governor accurately pointed out, there is more that we
14 can do.

15 Under the leadership of Karen Mills, the SBA
16 set and exceeded many of its goals for increasing
17 exports by small and medium-sized firms, including our
18 STEP grant program, and we are continuing to do great
19 things to implement the recommendations of the Export
20 Promotion Cabinet.

21 This year we launched the pilot of the Global
22 Business Solutions, a new approach to bundling Federal
23 Government trade finance products and services from
24 SBA, Ex-Im Bank, Commerce, USDA and others, in order to
25 make them more accessible to our lenders and our

1 exporters.

2 Additionally, we began in the fall of 2011 our
3 Small Business Development Center Network training of
4 our counselors to become international trade competent
5 and to be stronger resources to exporters in their
6 communities across the country. To date, we've trained
7 more than 320 counselors, collectively supporting 1.5
8 billion in export sales in 2012 and we are on target to
9 exceed 2 billion this year.

10 And in partnership with the Department of
11 Commerce, the SBA's 68 district offices are working
12 with state and local trade resources to create export
13 outreach teams to collectively serve the regional trade
14 eco systems. And importantly, this fall, we teamed
15 with USTR and the International Trade Commission to
16 give small business exporters a voice in the
17 Transatlantic Trade and Investment Partnership
18 negotiations.

19 This month, the ITC will hold over 20 export
20 roundtables nationwide to give small business owners an
21 opportunity to connect with officials on the
22 difficulties that they face exporting to Europe. This
23 feedback will inform a report to the USTR in January
24 and in time for next round of negotiations.

25 This effort represents an unprecedented level

1 of exposure for small business exporters in a major
2 free trade agreement negotiation. We will continue to
3 advocate for small businesses, and I do want to point
4 out that I was in El Paso, Texas yesterday and had the
5 opportunity to hear from small businesses about the
6 economic imperative of immigration reform, again,
7 talking about the flow of goods and services across the
8 border to Mexico and retaining and attracting talented
9 students in their university system. So that's also
10 part of our expert opportunity.

11 So thank you very much.

12 CHAIRMAN McNERNEY: Jeanne, thank you very
13 much and welcome to the group. Appreciate that.

14 Now, Gene Hale, you had offered to make a
15 comment in support. And so since you are leading our
16 small business outreach initiative, a comment.

17 MR. HALE: Thank you Mr. Chairman, appreciate
18 that. I just want to take a moment to say that as a
19 result of all the roundtables that we've done over the
20 last year in different parts of the country and some of
21 the recommendations that we brought back, we are just
22 so pleased in our committee that the SBA, under the
23 leadership at that point in time by Mario Gamez, really
24 getting those programs in place has increased the
25 educational process for small businesses trying to

1 figure out how to navigate this system.

2 So I just wanted to give that shout out to you
3 guys, as well.

4 Also, the Department of Commerce, with the
5 form of imitation of the export.gov, has really been
6 wonderful. I mean, Francisco, you guys have been on
7 the case. So thank you very much.

8 Our next step is to talk about harmonization
9 of the agencies, because there seemed to be a
10 disconnect in terms of the definition of a small
11 business. So I'm meeting with some people from
12 Valerie's office to have a meeting and to talk about
13 how to get the agencies synchronized and make it a
14 little bit more easier for small businesses to navigate
15 that system, as well.

16 Thank you.

17 CHAIRMAN McNERNEY: Gene, thank you very much.

18 The President, I am told, is on his way. So I
19 am going to keep going down the list.

20 So the next person who has volunteered to be
21 interrupted in mid-sentence is Fred Hochberg. Fred?

22 (Laughter)

23 MR. HOCHBERG: Thank you. Our real focus at
24 Ex-Im, as at many agencies, is really about jobs. Year
25 to date, we have supported, based on Bureau of Labor

1 Statistics, about 200,000 jobs. Since the start of the
2 NEI, Ex-Im supported exports of -- supported about 1.2
3 million jobs in that time period.

4 The good news is our economy is also getting
5 more efficient. That is good news. It makes us more
6 competitive, the challenge, that is. In some ways,
7 each extra billion dollars of exports is not -- is
8 actually generating a smaller number of jobs.

9 Long-term, that is very good. Places like
10 aerospace, automobiles and so forth are getting much
11 more efficient and, therefore, can sell better on the
12 global market.

13 Our volume will be down a little bit this
14 year. The positive part of that news is that
15 commercial financing is becoming more available to
16 exporters large and small. Aircraft, for example,
17 we're finding commercial banks are willing once again
18 to make loans to support the sale of commercial
19 aircraft, which is a good sign.

20 We are not looking to just increase our
21 authorizations every year. We're looking to make sure
22 that exports have the financing to get out the door.
23 So those are all very good signs.

24 And on the national export initiative, about
25 half the states either have already doubled exports or

1 are on track to double exports. We've still got
2 another half to go. We still have time to go. But
3 this is -- there are a number of very bright spots in
4 the NEI.

5 A couple of just key transactions, just to be
6 emblematic. The oil company in Mexico, PEMEX, is a big
7 buyer of the United States. We just did a \$1.5 billion
8 loan. Exports from Governor Fallin's state have been
9 very key, as well as Louisiana and Texas.

10 Lockheed, we've financed the first commercial
11 satellite of Lockheed to Australia, and this year we
12 have financed 60 percent of all commercial satellites
13 that are exported with financing through Ex-Im Bank.
14 So that has been a key growth area in satellites, and
15 Boeing is also one of those. There are four major
16 satellite companies.

17 In the aircraft space, I'm not going to talk
18 about Boeing. I'm going to talk about Thrush. They
19 make crop dusters, and we've just financed crop dusters
20 to China. It's a small company in Georgia. Their
21 other competitor is Chemical Air Tractor.

22 We sold some farm equipment to the same farm
23 in China, and the farm is the size of the State of
24 Connecticut. So we've sold them 20. We do believe we
25 can probably finance a lot more since it is the size of

1 the State of Connecticut.

2 Lastly, I am feeling a little left out because
3 we don't have a letter about Ex-Im Bank. However, our
4 authorization will expire in one year. September 30,
5 2014 is, regrettably, the expiration of our charter.
6 We will be working very -- we have already started work
7 on our charter reauthorization.

8 This is something no other country -- no
9 other country -- does. Every other country puts more
10 money into their export support. No other countries
11 are having a debate whether they should have an export
12 credit agency.

13 So we will be looking to work with people in
14 this room and around the table, both in the government
15 and private sector, to get support for our
16 reauthorization for next year.

17 Thank you.

18 CHAIRMAN McNERNEY: Thanks, Fred. We have
19 supported you in the past and we will support you in
20 the future. You didn't tell me about those other
21 people you financed.

22 (Laughter)

23 CHAIRMAN McNERNEY: Elizabeth Littlefield,
24 OPIC. Where is she? There she is. There she is.
25 Give it a shot.

1 MS. LITTLEFIELD: I will speak quickly. And
2 since Director Zak is probably not going to get a
3 chance to speak to you, I would just say that the good
4 news is that collaboration is up really very strongly
5 among the trade and investment agencies of the U.S.
6 Government. We are actively referring business to one
7 another, and that's it.

8 (Whereupon, the President of the United States
9 entered the room.)

10 (Applause)

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1 **VII. PRESIDENTIAL REMARKS**

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3 PRESIDENT OBAMA: Everybody, please, have a
4 seat. Have a seat.

5 It is good to see all of you. I know that
6 we've got a few new members, in fact, some folks that
7 were just appointed and immediately got to work. And
8 so we're thrilled to see all of you. And then there
9 are the grizzled veterans of the Export Council.

10 (Laughter)

11 PRESIDENT OBAMA: Although you don't look
12 grizzled. You guys look great.

13 Obviously, I want to thank Jim and Ursula at
14 the outset for their outstanding leadership in this
15 entire process.

16 This week marks the fifth anniversary of the
17 collapse of Lehman Brothers and an incredible financial
18 crisis that devastated not just the financial sector,
19 but the entire economy, and people lost jobs, homes,
20 and savings. And for the last five years, we have
21 worked our way back because of the incredible grit and
22 resilience of the American people, because of the
23 outstanding dynamism of our business sectors, because
24 of, I think, some timely work on the part of this
25 Administration and other agencies to make sure that we

1 were responsive to the immediate needs of the American
2 people, but, also, looking at how we can start
3 initiating some structural changes that are going to
4 make a difference over the long term and rebuild our
5 economy.

6 We are not where we need to be yet, but with
7 7.5 million new jobs created in the private sector,
8 with the housing market beginning to recover, with our
9 energy transformation continuing in a way that I think
10 many people would not have anticipated 20 years ago,
11 where we're now at a point where domestic production is
12 actually starting to exceed imports, across all these
13 fronts, there are some very positive pieces of news.

14 But I tell you, one of the biggest bright
15 spots in our economy has been exports, the fact that
16 Made in America means something and has provided a
17 boost to our domestic economy and has reminded the
18 world just how competitive we are.

19 This has been a top priority from the start.
20 Part of the reason we set up this Export Council was to
21 make sure that we were in a position to meet our goal
22 of doubling exports during the course of a fairly short
23 period of time, and we now sell more goods overseas
24 than ever before.

25 Jason, correct me if I'm wrong, but I think

1 our current account deficit and trade deficits have
2 narrowed as significantly as we've seen in a very long
3 time. Now, part of that is because we are importing
4 less foreign oil and increasing domestic production,
5 but a lot of it is because we are selling a lot of
6 great products all around the world.

7 And this Council has done a great job in
8 helping to guide our policies. We've got large
9 businesses, we've got small businesses, we've got
10 medium-sized businesses. We've got services, as well
11 as manufacturers. And your input has been enormously
12 important in this entire process.

13 Part of what we have seen is a continued
14 transformation in American business to become more
15 competitive and more productive. And I would be remiss
16 to say, since it's in the news quite a bit, to note
17 that one of the reasons our businesses are more
18 competitive is because health care costs have actually
19 stabilized relative to what we had been seeing in
20 previous years.

21 Just an interesting statistic here for folks
22 who may be interested. Thanks, in part, to the
23 Affordable Care Act, also known as Obamacare, the cost
24 of health care is now growing at the slowest rate in 50
25 years.

1 Employer-based health care costs are growing
2 at about one-third of the rate of a decade ago. And
3 just yesterday, CMS estimated that health care spending
4 grew at its second slowest rate ever in 2012, will grow
5 at its third slowest rate ever in 2013. It grew at its
6 slowest rate in 2011.

7 So the three years since Obamacare passed, we
8 have seen the slowest growth in health care costs on
9 record. I think this is critically important to
10 recognize because one of the huge competitive
11 disadvantages that our businesses have had is that we
12 -- American businesses oftentimes are shouldering
13 health care costs that their competitors are not,
14 because they have had a more efficient, more effective
15 system.

16 And so for us -- and when we passed the
17 Affordable Care Act, by the way, there were all kinds
18 of arguments about how all the cost savings weren't
19 very meaningful and weren't going to do a lot and we
20 weren't really bending the cost curve.

21 Well, it turns out, actually, a lot of what we
22 have done is starting to bear real fruit, and it has an
23 impact on the bottom lines of American businesses, as
24 well as the American people.

25 So if the current trends hold, and all

1 estimates are that, in fact, they will, this is not
2 just a byproduct or hangover from the recession, we're
3 going to see a continuing slowing of increases in
4 health care costs that is going to boost our exports.

5 Now, we can still do more when it comes to
6 exports. And thanks, in part, to new trade deals that
7 I have signed, as well as, obviously, really great
8 products and services that you have all designed,
9 America now exports more to the rest of the world than
10 ever before. We are on track to export even more this
11 year.

12 Last year, \$1 billion in exports supported
13 nearly 50,000 jobs -- or 5,000 jobs in the United
14 States. So for every \$1 billion that we sell, that's
15 5,000 new jobs right here in the United States. And so
16 we are really focused on how do we keep that momentum
17 going.

18 Our new Trade Rep, our new Ambassador, Michael
19 Froman, who many of you have had a chance to work with
20 when he was in the White House, is in the process of
21 trying to complete negotiations around a Transpacific
22 Partnership. You are talking about the largest, most
23 dynamic, fastest-growing market in the world. And
24 because of some incredibly hard work by Michael and the
25 previous Trade Representative, Ron Kirk, we are very

1 far along in trying to get that deal done.

2 Raising standards, opening up markets that
3 previously had been closed, getting the kinds of
4 protections, like IPR protections, that are so
5 important to American businesses, since we typically
6 are the best innovators, making sure that services are
7 allowed to compete in many of these markets, because we
8 do services better than anybody else and those are
9 markets that oftentimes are the most parochial, most
10 encumbered by regulation, and have most frequently been
11 closed.

12 So we are going to be pushing ahead not only
13 on the Transpacific Partnership, but we also have now
14 our Transatlantic effort, where we can see if we can
15 enhance what is already robust trade with Europe. It
16 amounts to the largest trading relationship in the
17 world, by far, and we think we can do even better. And
18 so we're going to be moving on that front, as well.

19 We are going to need trade promotion authority
20 through Congress. This is an area where, so far at
21 least, Mitch McConnell says he is for it and that is
22 good. And so we may be able to get some good
23 bipartisan support to get that done.

24 But let me just make a couple of closing
25 comments about how important this Export Council has

1 been. One thing that I think a lot of people aren't
2 aware of, at least until they get involved in
3 policymaking around exports, is tourism is an export.

4 When foreign visitors come here and spend
5 money, that is tallied as a U.S. export. And thanks to
6 people like Bob Iger at Walt Disney and others, we have
7 made enormous progress over the last several years in
8 boosting tourism in the United States, making it easier
9 for foreign visitors to get visas, making it easier for
10 them to come here and enjoy the incredible attractions
11 that we have here in the United States, that is making
12 a big difference.

13 A lot of the ideas about how we could do that
14 were generated from initially these efforts. So I use
15 that as an example just to say that this is not just a
16 bunch of show horses here. These are some work horses,
17 and I believe it is fair to say, and I think Jim and
18 Ursula will confirm, that if any of you have good ideas
19 about how we can further promote exports, put them on
20 the table. You will find an Administration that is
21 ready and willing to put their shoulder behind the
22 wheel to actually get it done.

23 And I know that our new Secretary of Commerce,
24 Penny Pritzker, who is coming directly from the
25 business world, understands how important it is for us

1 to be able to execute and not just generate a bunch of
2 white papers that get filed off in some dusty file
3 somewhere.

4 We want to make sure that we're moving on all
5 fronts very aggressively.

6 So with that, I just want to say how much I
7 appreciate all your participation. I want to make a
8 special note to some of the small businesses that have
9 been represented here, because what we have seen is
10 that when small and medium-sized businesses can cut
11 through the red tape and understand how to export,
12 actually, they can compete pretty well, and that's an
13 area where we can make significant progress.

14 Obviously, big companies, like Xerox or
15 Boeing, we want to keep on growing them, because small
16 businesses are up and down the supply chain and when we
17 sell a bunch of airplanes, a lot of small businesses
18 and medium-sized businesses are benefitting from that,
19 as well.

20 But I am very enthusiastic about this. I
21 think Jim at least will confirm that I am happy to go
22 out and make sales. I am expecting a gold watch from
23 Boeing at the end of my Presidency.

24 (Laughter)

25 PRESIDENT OBAMA: Because I know that I'm on

1 the list of top salesmen at Boeing, and that applies to
2 all of you.

3 I also notice that we've got some wonderful
4 elected officials here, folks like Governor Fallin.
5 Part of what we want to do is also coordinate state and
6 federal and local efforts, because right now our
7 competitors, the Germanys, a lot of the European
8 countries, they have a very tight, very aggressive,
9 very well coordinated effort to make sales around the
10 world.

11 Sometimes because we're so big -- and,
12 frankly, we have been such a dominant economy for a
13 long time, that our sales pitches and efforts have been
14 a little more scattered and a little more diffuse.

15 So one of the functions that this Export
16 Council can serve is as a clearinghouse and a
17 coordinating mechanism to make sure that if Oklahoma is
18 trying to pitch something or help one of their
19 businesses, that they are in touch with federal
20 counterparts and they can do a much more effective job.

21 All right. So what I think we're going to do
22 now is we're going to clear out the press. I'm going
23 to have a chance to come around and say hello to
24 everybody and say thank you, and then the conversation
25 will continue.

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Thank you very much.

(Applause)

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VIII. ADJOURNMENT

(Whereupon, at 11:28 a.m., the meeting was
adjourned.)

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C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the President's Export Council, held on Thursday, September 19, 2013, were transcribed as herein appears, and this is the original transcript thereof.

LISA L. DENNIS,

Court Reporter