PRESIDENT'S EXPORT COUNCIL

East Room
The White House
Washington, DC

Thursday,
September 16, 2010

The meeting was convened, pursuant to notice, at 9:55 a.m., Mr. James McNerney, Chairman, presiding.

APPEARANCES:

PRESIDENT BARACK OBAMA

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SENATOR MIKE CRAPO, IDAHO

SENATOR DEBBIE STABENOW, MICHIGAN

SENATOR RON WYDEN, OREGON
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REPRESENTATIVE MARK SCHAUER, MICHIGAN
REPRESENTATIVE DAVID WU, OREGON
REPRESENTATIVE DAVE REICHERT, WASHINGTON
REPRESENTATIVE PAT TIBERI, OHIO

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Under Secretary for International Trade
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FRED P. HOCHBERG
President and Chairman of the Export-Import
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AMBASSADOR RONALD KIRK
U.S. Trade Representative

AMBASSADOR MIRIAM SAPIRO
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ADDRESS BY PRESIDENT BARACK OBAMA

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

Well, good morning, everybody. And I want to thank all of you for being here today. This is a terrific kick-off on the President's Export Council. I want to thank the Cabinet secretaries, the senior officials in my administration who are here and have helped to pull this together, the members of my Export Council.

I appreciate all of you being here to discuss next steps in growing America's exports and our economy. I want to thank Jim McNerney and Ursula Burns, who are serving as Chair and Vice Chair of this Council, for their outstanding work.

From the day that I took office, my administration's highest priority has been to pull our economy out of the deepest recession of our lifetimes, to put people back to work, and to position our economy on a path of long-term and sustainable growth.

In the immediate term, we have had to act across many fronts to get folks back on their feet and get our economy moving again. And one of the things that we've been trying to do, is to help create the
conditions necessary for our small businesses to grow and to hire. In a few hours from now, after months of delay, the Senate will finally have an up-or-down vote on a package of tax cuts and lending initiatives to help small businesses, some of which will be exporters.

Reinvigorating our economy in the short run and rebuilding it over the long term is not a one-step process. There are going to be many steps we have to take in the months and years ahead. But this is a critically important one, and I am grateful to those Senators on the Republican side of the aisle willing to take this vote on behalf of America's small business owners.

But even as we're working to get our economy moving today, we are also laying a new foundation for growth tomorrow, and that's where you come in. We've been working to increase America's competitiveness in a global economy. After all, one of the reasons we got into the mess we've been in over the last couple of years is because, let's face it, we grew complacent.

We allowed too much of our prosperity to be based on fleeting bubbles of consumption and risk and artificial gain. We spent too much and saved too little. We allowed our economy to become bloated with debt, both in the private sector and public sectors.
We failed to fully harness the talents, skills, and creativity of the American people, and we put off investments in technology and innovation that are critical to helping our businesses compete in the 21st century.

That's not a path we could afford to continue down, and that's why we've been working so hard to try to reverse those trends. We're upgrading our national infrastructure for tomorrow. We're investing in science and technology, research and development, and clean energy projects that will strengthen our global leadership.

We are reforming our schools, making college more affordable and investing in the skills and education of our people. In fact, later today I'll be meeting with CEOs of a hundred of America's biggest companies who have joined together in common cause to make sure we're preparing all our students today with the science, technology, engineering, and math skills that they'll need for the high-tech jobs of today's high-tech industries. And by the way, Ursula is participating in that. She is almost as over-exposed as me today. (Laughter)

Because the best way we know to compete and win in the global marketplace is by doing what we do
best, harnessing the talents and ingenuity of our people to lead the world in new industries. And we're building an economy where America's businesses and American workers once again do what they do best, which is build great products and sell them around the world.

We were just talking before we came in, and one of the things that I think is so critical is to realign the interests of business and workers here in America so that everybody is fighting on the same side, everybody is out there with a united front, competing, to make sure that America succeeds.

In this year's State of the Union address, I set a goal for America: we will double our exports of goods and services over the next five years. Because the more American companies export, the more they produce, and the more they produce, the more people they hire. That means more jobs, good jobs that often pay as much as 15 percent more than average.

The world wants to buy goods and services made in the United States and our workers are ready to produce them. That is why, six months ago, we launched the National Export Initiative, the first-ever government-wide export promotion strategy with focused attention at the presidential and cabinet level. America is going to bat as a stronger partner and a
better advocate for our businesses abroad. We're increasing trade missions, we're removing barriers to help businesses gain a foothold in new markets, we're increasing export financing for small- and medium-sized businesses.

We hope to move forward on new trade agreements with some of our key partners in a way that doesn't just advance the interests of our businesses, workers and farmers, but also upholds our most cherished values. Finally, we continue to coordinate with other nations around the world to promote strong, balanced, and sustainable growth. So, we're six months into what's going to be a five-year-long process.

Despite some strong economic headwinds this year, we've already seen some progress. Obviously, working off a low-baseline, given the crisis last year, exports are expected to be up, but we're very pleased to see that they're up 18 percent, to where they were a year ago, and manufacturing exports are up 20 percent, and that's helping put a lot of our people back to work.

And there is more we can do to keep that growth going. Yesterday, my Export Cabinet submitted a report detailing the progress that's been made and additional steps that our agencies intend to take to
deliver on our goals, and I look forward to seeing these steps implemented. It is also why, two months ago, I announced the formation of this council, to seek the expertise of private sector business and labor leaders who know what it takes to succeed.

Earlier this morning, in a meeting with Vice President Biden, as well as Jim and Ursula, about some of the recommendations you've devised, we were encouraged that we think we can move forward rapidly on some of these fronts, and we're pleased to see the fresh and innovative strategies that we can pursue to help small- and medium-sized companies sell their goods and services abroad.

With companies like yours in mind, we've been looking at our export control system and working to streamline the process in a manner that helps our high-tech companies stay competitive, while strengthening our national security. We are also working to resolve outstanding issues with our free trade agreements with our key partners, like Korea, and to seek congressional approval as soon as possible.

And as our troops come home from Iraq and Afghanistan and reenter the workforce, I think it's terrific that we are going to look at a veterans' retraining initiative that would help them translate
their remarkable leadership skills, but also their
technical skills, skills they've honed in the military
in the careers and the high-demand science and
technology fields that will keep America economically
strong and globally competitive well into the future.

So these are some of the steps we'll pursue to
double America's exports over the next five years.
When I made this initial announcement, some were
skeptical. But the truth of the matter is, if we are
increasing our exports by 14, 15 percent per year,
something that is achievable, then we can meet our
goal. That's one of the ways that we're going to make
this economy in the 21st century what it was in the
20th century: an unparalleled force for opportunity and
prosperity for all our people.

So I look forward to seeing your
recommendations and our continued work together to make
that happen. I am very grateful, because this is a
group of very busy people, that you're willing to
invest the time and energy that you already have, and
will continue to invest in the future to make sure that
this council is productive as possible.

This is one of my top priorities. I'm going
to be paying close attention to it. My cabinet and my
economic team are going to be working diligently on
this, so I am very confident this is going to be a
worthwhile endeavor that may indirectly help your
companies, but is certainly going to help the country
and the American people.

Thanks very much, everybody.

(Applause)
MEETING CALLED TO ORDER AND OPENING REMARKS

CHAIRMAN McNERNEY: I will now officially bring the meeting to order.

Our first order of business is to approve the subcommittee structure and the leadership within it that I think everybody has seen. We are very fortunate and, as you heard the President say, very pleased that so many of this country's business leadership has signed up for this task. Ursula and I would just like to echo our appreciation for that. If this had turned into a meeting between me and Ursula, this would not be as nearly successful as it's going to be. So, we appreciate that.

We have a lot of experts with us today that have rolled up and advised us. As we have initially begun to develop recommendations, I want to recognize them and thank them.

Listen, the subcommittees and the leadership are in your book. I known we've all had a chance to see it, vet it, discuss it. I'm going to assume approval, unless someone would like to jump into the fray. Is there any discussion there or should we just move forward?

(No response)

CHAIRMAN McNERNEY: So why don't we approve
the committee and subcommittee structure and the membership therein.

Now, before we get to the letters of recommendation that some of the subcommittees have already developed, I'd like to ask Ursula to make some comments, if you'd like, as she and I have been working together hand-in-glove since we started in March. I love our teamwork, Ursula, so any comments would be appreciated.

MS. BURNS: I'll keep them very, very short. First, to give a huge hail to my chairman, to our chairman, Jim, who's actually carrying the heavy bucket of water. I actually just carry a small bucket of water. It's a privilege and an honor to serve as the vice chair, and I look forward to working with each and every one of you in this great and important endeavor.

We have a lot of work to do.

Today is the beginning of that work.

Actually, we have had a lot of work before this, but today is the official beginning of that work. It's all about meeting the President's goal of doubling exports in the next five years -- 2X in 5, is what I say.

The President's Export Council clearly can't do everything. We're not here to do everything, we're not going to attempt. But I know I speak for all of
you here in that we can do a lot, and we can do it quickly. So I'm eager to get going, like I'm sure you are. Thank you.

CHAIRMAN McNERNEY: Great. Thanks, Ursula.

Listen, before we get going and I turn the meeting over to Secretary Locke for some comments, I think I'd like to recognize some members of the Senate and Congress that are with us today. I know there's a little bit of a tight schedule. If there are any comments after recognition, we'd appreciate it.

Senator Wyden? There he is. Senator Wyden, it's wonderful to have you as part of this group. Would you care to make a comment?

SENATOR WYDEN: Is it appropriate now to use your minute or two? Whatever is your pleasure.

CHAIRMAN McNERNEY: Sure. Why don't you go ahead?

SENATOR WYDEN: Colleagues, I think the President has clearly staked out important ground for us, and I just want to offer up one comment by way of our direction for our work. Too many times we are playing catch-up ball in important areas of international trade. We saw an example of this just in the last week, and that is with the export of green goods. The President has identified this as a top
priority.

New information has just come to light that we continue to lag in this market. To me, it is part of a pattern that indicates that where we have these fledgling, exciting industries and they don't get treated fairly in global markets, we have got to get at it faster in order to make sure they get a fair shake. And you see example after example. Green goods is the one in the last couple of weeks. Ambassador Kirk is dealing with lumber in Canada. We have evidence of pervasive unfair treatment in global markets. We're trying to get the attention of the Customs Department.

In the Trade Subcommittee that I chair on the Senate Finance Committee, we're shortly going to have a hearing on discrimination against digital goods in global markets. This is an area, colleagues, where we have a huge lead in technology and the Internet. If we don't move faster, if we don't go on the offensive in some of these areas, these promising sectors are going to find it hard to make the contribution we all want to see to the President's doubling of exports in the next five years.

To me, this is not a question of picking winners and losers, it's simply a question of saying when we have an industry and a sector that is clearly
winning, let's have a trade policy so that instead of their hitting singles, they can hit more homers and we can use them as a trampoline for the President's objectives.

So I very much appreciate this. Anything longer would be a filibuster, and I don't want to do that to colleagues.

(Laughter)

SENATOR WYDEN: But I think getting on the offensive with respect to sectors that are fledgling, transformational, breakthrough opportunities to increase high skill, high wage jobs, ought to be a priority. Thank you.

CHAIRMAN McNERNEY: Exports without accompanying disciplines around trade is eventually an empty exercise. We'll take the point in the areas that you mentioned. Thank you for your comments.

We have Senator Stabenow who is with us, a tireless supporter of the mission here. Would you care to make a comment?

SENATOR STABENOW: Yes. Thank you. I will be brief. To you and Ursula, and to all of the members, it's wonderful that you are here, a part of this effort. We appreciate the President's vision and the Cabinet, and their focus.
I will just share a comment from August in Michigan, where I was spending time with our agricultural producers and processors, talking about agricultural exports and the opportunities there, and then Secretary Locke joined me in an overflow crowd at Automation Alley in Detroit, talking about the opportunities for small- and medium-sized manufacturers and others and there was great excitement. So, I look forward to the opportunity for us to move forward and create jobs by creating more opportunities for exports.

I do want to stress that in this area—and this is one that we have to work on very closely together because it depends on the industry, how we view our trade agreements and whether or not they're written right or not—but for me, and I come through a manufacturing lens, I want to make sure that this is done right so that when we create export opportunities, the door is open on the other end. I know that we all want that.

When I was in China, speaking at a global Auto Leaders Summit a few months ago, and met with our businesses there, talking about China's indigenous innovation policy, closing the door to American businesses to sell to them, we can't let that stand. We have a whole range of things. I won't go into
Korea, autos, and manufacturing and so on, except to say it's got to work. These have to be right so that our businesses have the opportunity to sell. That's important.

Finally, I would just say that Senator Lands Graham and I have been working on legislation relating to USER that, among other things, would add a chief manufacturing negotiator to the table. We have, right now, by law, a chief agricultural negotiator. I think manufacturing ought to be specifically at the table as we move forward on agreements, whether it be the Doa Round or any other agreements, and would hope that we would do that.

I know from talking to Ambassador Kirk that certainly relates to resources, and I am very committed to supporting the USER having the resources that they need to do that. But let's make sure the door is open on the other end, let's make sure there's a level playing field so we can really make this happen. Thank you.

CHAIRMAN McNERNEY: Thank you very much for your comments. Appreciate it.

Senator Brown?

SENATOR BROWN: Thank you. Thanks very much to all of you for the role that you're playing, and
that you will play, in doubling the Nation's exports. There will be some differences, certainly, among all of us in trade policy, but where we can have agreement, and mostly have agreement, I think, is on trade enforcement rules.

This President is the first one of presidents of both parties over the last several years, has been fairly aggressive in enforcing on tires, on the surge on 421, on tires, on steel, on coated paper, Mr. Secretary. That's all directly translated, sometimes literally, within days of making these decisions into jobs in my State and other States across the country.

Not so long ago, I asked Larry Summers and Ron Bloom, the President's chief advisor on manufacturing, to come to my office. I organized a group of bipartisan Senators, about seven or eight of us, to talk about manufacturing. Ron Bloom said something pretty interesting. He said, "All of America wants us to have more manufacturing, but nobody wants their kid to go into it." I was talking to Ursula a minute ago about the work she's done on STEM. We're the only major industrial power on earth that doesn't have a real manufacturing policy.

It's not picking winners and losers, as Ron Wyden said. We, in many ways, picked finance as the
winner many years ago in this country. Thirty years ago, upwards of 25 percent of our GDP was manufacturing; today it is around 11 or 12 percent. We know how that creates a middle class and prosperity for this country, especially for workers who don't have a lot of higher education. That's one reason it's so very, very important.

I will close with this as we look to figuring out, on everything from STEM, to trade, to taxes, to the MEP program to help small manufacturers figure out how to export, how to cut costs, how to be more efficient. I was talking to a trade lawyer who was working on the coated paper case, and I said to him, this is an industry -- this is a good example, briefly, of sort of what's happened.

As Ron Wyden would suggest, this is not as high a tech industry as some, but coated paper -- China didn't have a coated paper industry 10 years ago. They began it seven or eight years ago. They now import pulp from Brazil. They ship it to China, they process it, they sell it into Ohio and other States, and they undercut our manufacturers' prices. Somebody is gaming the system. It's not just labor costs and environmental costs that enable them to do that.

I will close with this. I was talking to this
trade lawyer that works on this case. I said, "Do the
Chinese kind of laugh at us, that we are giving away
our industrial base?" He said, "No, they don't really
laugh at us, they just think we're a declining empire."

I think back, as the Chinese looked at the
world at a time a little differently from what we do
some 35 years ago, a reporter asked Chou En-lai, the
Chinese premier, what he thought of the French
Revolution. He said, "It's too early to tell." I
think that we need to pay especial attention to that
trade relationship. I hear it from small manufacturers
and I hear it from big companies all the time, and I
hope this council, as we increase exports, can
particularly do that. Thank you.

CHAIRMAN McNERNEY: I appreciate those
comments. I think that resonates with a lot of us, so
we'll take it to heart.

We have some of the House members of the group
with us today and I'd like to ask them for their
comments, too. We have Linda Sanchez, Pat Tiberi, Mark
Schauer, and Dave Reichert with us.

Congressmen and women, would you care to make
a comment? Yes, go ahead.

CONGRESSMAN TIBERI: I'll go ahead and go
first. I, too, am from Ohio. I'll bookend Senator
Brown, my Senator, me a Republican, he a Democrat. But some of the things he said, I completely agree with.

Let me tell you a story. I was telling the Senator this. I had a group of farmers come in from Ohio yesterday and they said to me, we're really excited about the President's State of the Union speech about doubling exports. We think that's a great thing.

But in Ohio in the last month, if you turn on the TV, you cannot get away without watching a political ad that bashes NAFTA, that bashes trade with China. This is what the farmers are telling me. Obviously, I've seen that.

They said to me, "How do you double exports when the President's own members of his own party, whether it's the governor or the man running for the U.S. Senate or members of Congress, are all saying trade is bad?" To which I said, 'Well, I can't answer that question. Are you seeing Senator Brown later today? Maybe he can answer that question.'

But here's the point: there is a vacuum in our State. I think the Senator and I would agree that the majority of Ohioans think trade is bad, quite frankly. The Senator's views, what he just talked about, are the views that average Ohioans have. Now, the facts might be different. They may be.
But I've got to tell you, I think it's up to
the people around this table, the business community,
the White House, to give a different story, if there is
a different story to be told, because the status quo
among the hearts and minds of Ohioans, at least, is
that trade is bad. I don't know how we get to a Korea
when, quite frankly, in Ohio today most Ohioans think
that NAFTA has caused our job losses in the State, that
CAFTA has caused job losses in our State. There's been
no leadership in the private sector to say that's
wrong.

The challenges are much greater than I think
people in this room realize, and quite frankly, more
challenging than the President realizes, if we're going
to double exports, when most people are asking me, when
are we going to repeal NAFTA, when are we going to go
back and make it fair. I'm a person who has voted for
trade in the past. I've got to tell you, the playing
field is changing rapidly before our eyes. I hope the
leadership of this group and the President provide at
least a balance to what the Senator so ably said is a
status quo that most people think is unacceptable.

CHAIRMAN McNERNEY: I think the communication
challenge we've got is, as you're pointing out, is at
least as difficult as the challenge of coming up with
recommendations. We're mindful of your comments and we will keep them right in front of us. Appreciate that.

Congresswoman Sanchez?

CONGRESSWOMAN SANCHEZ: Thank you, Mr. Chairman. First, I'd like to start by commending the President for leadership on the National Export Initiative, and all of my colleagues here today that are taking the time to work on this issue. I just want to begin by saying that I support NEI just as strongly as everybody sitting at this table.

And while I believe that we can probably agree on 90 percent of what we need to do prospectively to try to advance U.S. economic interests, I'm going to respectfully disagree with some of my colleagues about some of the FTAs. Exports and FTAs are closely tied.

I share the goal of trying to double exports from the U.S. in five years, but some of the trade agreements that were negotiated under the preceding administration, I don't think, are going to do a lot to help our economy or reduce our trade deficit in their current forms.

So my part of the puzzle is, I work with my colleagues in Congress and I'm interested in working with the administration and those of you here to try to find a way that we can spread those benefits to a
broader base. The trade agreements have brought some benefits, but the question is, certain industries have certainly benefitted and certain States, and other States, not so much, or other workers have paid the price. So we can't afford to wholesale pursue an agenda that leaves certain people behind.

So at a time when we're struggling with the economy to get it back on solid footing, we can't afford to risk exporting more jobs than exporting more products. I think that if we do trade in the right way, we can open up access to markets for business here in the United States, and not just big businesses that are already doing international trade, but medium and smaller businesses that have never really probably thought about exporting goods abroad. We need to make sure that they are sharing in those opportunities as well.

One thing that I just want to mention before I close, because I'm trying to be brief, is that we have a Make It In America agenda that we're working on in Congress right now, and that is a package of bills that are designed to try to strengthen manufacturing here in the United States, particularly by those small- and medium-sized businesses. So, I'd like to just draw everybody's attention to that package of bills that
have a manufacturing strategy, some targeted tax cuts, and an infrastructure development bank as part of that.

But aside from that, I want to say that I'm very excited to be here and really want to utilize the time wisely to try to help us arrive at a place where we can all agree on a strategy that is going to help move our country forward.

CHAIRMAN McNERNEY: Thank you very much for your comments.

Congressman Reichert, are you next, or do we want to go to Congressman Schauer?

CONGRESSMAN REICHERT: I also want to extend my thank-you to Ursula and Jim for taking on this responsibility in leading this group. I am pleased to be a part of this effort. I just have a couple of comments. All of us recognize the importance of opening new markets, otherwise we wouldn't be here. We recognize that if we don't do that, we lose jobs and we continual to fall behind globally in this fast-moving global economy and lose market share and market access to a lot of the countries around the world.

I also want to applaud the President for his efforts here in being here to kick this effort off in doubling exports, and also in working to resolve the issues around the Korean trade agreement. In
Washington State, 1 out of every 3 jobs, as Secretary Locke knows, is directly related to trade. So for Washington State, it's very, very important for us to take a look at not only doubling exports through other means and some of the ways that we're going to explore in this group, but also in looking at the trade agreements that we haven't approved thus far.

We haven't doubled our exports for years. The last time we did this was from 1995 to 2007. There's one stark statistic that you'll all recognize when you look at that period of time. During that period of time we passed nine trade agreements. I want to end with this: I agree with Ursula's comment in that we can't do everything.

So my last comment here relates to the trade letter that we'll be reviewing soon, in that there is some language there that I would just voice some concern or caution over, and that is the language that surrounds the modernization of existing agreements. I am hoping that the word "modernize" doesn't equal "reopen" or "renegotiate", because I think that could send a very serious negative message to our partners in Korea, Colombia, and Panama, those three especially. So I just caution using the word "modernize" and the message that that might send. I think a focus on what
we need to do is exactly what our vice chair said, and
that is focus on doubling exports. I appreciate the
opportunity to be a part of the group, and thank you
for allowing me to comment.

CHAIRMAN McNERNEY: That's a really good
cautions on that word, "modernization". We still have
time to shape that within the context of the letter, so
I appreciate that. We don't want to put it at risk.

Congressman Schauer, did you have comments?

CONGRESSMAN SCHAUER: Thank you, Mr. Chairman,
Madam Vice Chair. I'm Mark Schauer, member of Congress
from Michigan. I'm from Battle Creek, which is the
home of a large global company. I am honored to serve
with all of you on the President's Export Council. I
commend the President and his entire administration on
this initiative to help create 2 million more export
jobs in the U.S. I just want to make sure we don't
lose as many or more jobs in the process.

I want to share some concerns about free trade
agreements and trade. My State--I'm sure you would
argue the same about yours--of Michigan has the best
workers, the best innovators, the best manufacturers,
and the best farmers in the world. But I am concerned,
particularly about South Korea, that we don't lock in
nontariff trade barriers, disadvantages that hurt
manufacturing, particularly the automotive sector. I share very real concerns about China.

In fact, I'm working on legislation; my good friend Senator Stabenow is also working on an issue. But China -- China's government. I want to be clear. China's government is allowing currency to be manipulated, intellectual property to be re-appropriated. China has failed to sign the Government Procurement Agreement when it entered WTO. It was nine years ago.

China continues to subsidize its own renewable energy companies for the purposes of exports to us, which is a clear WTO violation. This is about jobs. We've lose 2.4 million jobs in this country to unfair trade with China since they joined the WTO, and we've lost 4.9 million jobs in this country due to NAFTA-style free trade agreements since 1994. So I'm deeply concerned about further deterioration of our middle class. That concerns you, since you want healthy domestic markets to sell your products as well.

So in closing, I've got great companies, small and large, back home in my district, that are ready to compete with anybody. They just want to have a chance. I look forward to working with all of you to make sure that they can help accomplish the President's objective
and put people to work.

Thank you.

CHAIRMAN McNERNEY: Thank you very much, Congressman.

I think now, with those comments in mind, I'd like to acknowledge the attendance of three Cabinet members. Obviously, Secretary Locke and Secretary Vilsack and Secretary LaHood have joined us here. We very much appreciate your presence and commitment. I think we'd all like to hear from Secretary Locke now as sort of our leader in this endeavor. So, Secretary Locke, do you have a few comments?
COMMENTS

Gary Locke, Secretary of Commerce

SECRETARY LOCKE: Well, thanks a lot, Jim. And Ursula, thank you very much for serving as the vice chair of the President's Export Council. To all the members of Congress, I know how important your schedules are with only a few weeks left in the session, and I know that our Senators had to leave to take on a critical vote. That's why we gave all of you the opportunity to make some opening comments.

I want to thank all the members of the council for serving and taking time out of your busy schedules to be here in Washington, DC. The companies and the workers that you represent are successfully producing and selling world-class goods and services all around the world. Indeed, American products and services are highly valued and in great demand all around the world. As many of our members of Congress said, American workers make great products and provide great services.

Having the benefit of your expertise gives us a real-world perspective on the ways to advance the President's export initiative goal of doubling U.S. exports over the next five years, supporting some 2 million new jobs in the process.

As you all know, that's a goal of critical
importance because, as American consumers spend a little less and save a little bit more, it's imperative that U.S. businesses connect to the 95 percent of the world's consumers who live outside the borders of the United States. So if U.S. companies want to grow, if we want more jobs for American workers, we've got to realize where that demand is and where the market is, and a lot of that is outside the borders of the United States. Today, thanks to a strengthening global economy and also to efforts across the Federal Government, increasingly we're seeing that happen.

Exports are actually leading our economic recovery. Here's a quick snapshot of where we are. As the President indicated, exports are up 18 percent over the same period last year. U.S. exports of manufactured goods are actually up 22 percent, to be more precise, in 2010 compared to the same period in 2009. U.S. agricultural exports are projected to be the second highest in U.S. history, and next year could actually be the highest ever. In agricultural, as Secretary Vilsack would say, we actually have a trade surplus in agricultural, at $30 billion this year compared to $25 billion last year.

Exports. All of these numbers have an impact on the economy. Exports accounted for more than 1
percentage point of GDP growth in each of the four quarters of recovery. This is actually equal to our domestic activities as part of our economic recovery. As the President said, the more we export, the more companies produce. The more they produce, the more people they hire to produce those products and services.

Since January, Commerce's Advocacy Center, in close cooperation with the State Department and other Federal agencies, has assisted U.S. companies to successfully compete for foreign contracts, to a tune of some $11.8 billion in U.S. export content. This amount of export content alone supports an estimated 70,000 jobs in America.

This $11.8 billion so far this year compares to $3.8 billion in U.S. export content through the advocacy efforts last year. These successes are mirrored across a whole host of Federal agencies. Since January, the Commerce Department has coordinated some 19 trade missions abroad, resulting in what those companies that have been on those trade missions predict will be $2 billion in export sales, twice the value of last year. We've recruited some 8,600 foreign buyers to U.S. trade shows since January, a more than 50 percent increase over last year, leading to some
$660 million in sales by U.S. companies. 

The Agriculture Department has recruited over 1,500 foreign buyers since January, and the State Department has developed a model for U.S. Ambassadors to participate in these reverse trade missions, with the first mission scheduled for October of 2010.

Ex-Im Bank, presided over by Fred Hochberg, who's here, has more than doubled its loan authorizations in the first half of the current fiscal year over the same period last year, from $5.9 billion to $13.2 billion, with the number of jobs supported almost doubling as well. But we can, and indeed we must, do more. When you look at Germany, 50 percent of their GDP comes from exports compared to 11 percent in the United States.

Today, we are unveiling the National Export Initiative report to the President. The report represents the Export Cabinet's plan on how we intend to achieve the President's goal of doubling exports.

A few highlights. First, for small- and medium-sized businesses, the engines of American job growth, the report recommends a national outreach campaign, led by the Small Business Administration and other Federal agencies, to raise awareness of export opportunities and government assistance available to
U.S. small- and mid-sized companies who have never exported before.

Additionally, we're going to re-launch export.gov, the government's export Internet portal. It's going to have new export training opportunities to help companies learn how they can begin selling their products overseas, and break into new markets if they're already exporting.

The report also recommends an important step for commercial advocacy. It actually proposes a formal system in which the White House and the National Economic Council would receive quarterly updates on critical pending business deals with foreign governments. That will help level the playing field for our companies, allowing the White House to actually engage with their counterparts in other countries where U.S. companies have these pending deals, where U.S. companies are vying for these government contracts, and will also enable the White House to enlist other high-ranking officials throughout the administration to help American firms seal these job-creating business deals.

Finally, the report recommends a government-wide export promotion strategy for six newly-designated next-tier markets--Colombia, Indonesia, Saudi Arabia, South Africa, Turkey, Viet Nam--where we all expect
very strong economic growth during the next decade.

The President touched on this, and I know that
this is in part of the letters of recommendation, but I
want to indicate to you that the administration is very
serious in streamlining and simplifying our export
control system and making it more transparent. We've
actually made incredible progress in this effort, in
this domain, and we hope to do a lot of this stuff, as
urged by the members of Congress, via executive order,
but we also have proposals that will require some
congressional approval.

And second, last Friday, I announced the new
11-member board of the Corporation for Travel
Promotion, which is charged with encouraging travel to
the United States. The travel and tourism industry
accounts for 24 percent of all U.S. service exports and
8 percent of our total exports.

When those foreign visitors come, they're
actually spending money, so it's foreign visitors,
foreign folks spending money here in the United States,
the same way as if we were to ship goods to them in a
foreign destination. We're counting on the Corporation
for Travel Promotion to play a big role in helping us
reach the National Export Initiative goal, again, of
doubling U.S. exports over the next five years.
With the measures outlined in the report that we've just submitted to the President and the continued worldwide economic recovery, I'm very confident that we're going to reach that goal. We're going to have to build on the success we've already seen to help prepare America's economic foundation. All of you are an important critical part of that endeavor and we intend to give very careful consideration to all of your recommendations.

Again, the more you can be precise, the more measurements, quantifiable goals that you can give us, I think that would be certainly a good yardstick by which we can judge our performance and we can measure our progress. So again, thank you very much for your time and for your service, and we look forward to working with all of you.

Thank you.

CHAIRMAN McNERNEY: Thank you very much, Gary. You know, there is an overlap between what you just described on the Export Promotion Cabinet's plan/challenge and what we're all trying to do, which is to fill in some of the actionable elements of some of the strategic challenges that you've outlined. We're going to rise to that challenge.

I should have recognized, Chairman Hochberg.
I didn't see you down there. I'm sorry I didn't recognize you earlier.
CHAIRMAN McNERNEY: I think, let's turn to the business of the day. I think, as most of you know, we have four initial letters of recommendations coming from the subcommittees. We have a pipeline of additional items that will be coming forth in the next couple of meetings, but we decided to focus on these four just for prospective. They, in and of themselves, total about $250 billion of impact, and the pipeline we have behind that is significantly more, again, responding to the challenge that Gary and the President have given us.

So I think I would now like to call on Bill Hite, the chair of the Workforce Readiness Subcommittee. Bill, where are you? I'm looking around. There you go, Bill. Bill, your veterans' retraining initiative, which in many respects is more fine-tuned with more actionable items in it than perhaps any of the recommendations -- you've been giving it some thought, to understate the case. But could you please present your recommendation?

MR. HITE: Well, as the President alluded to, we're going to have a lot of returning veterans coming back from Iran and Afghanistan. Let's face it, they're laying it on the line every day to protect our freedom,
and I think we have a responsibility to try to place
them in the workforce.

Two programs that my union is involved with.
One is “Helmets to Hard Hats.” That is with a bunch of
other unions; the building trades and machinists are in
it, and other unions. That's taking veterans and
placing them into programs when they get discharged.
But my organization has taken it to the next step. We
have what we call a UAVIP program, and VIP stands for
“Veterans In Piping.”

We actually went out and made deals and worked
out arrangements with the different branches of the
military to set up training on active military bases
for a career after the military. No one has ever done
that before in corporate America or any other union.
We've been doing it for over a year with the National
Guard in the State of Washington, we're at Camp
Pendelton in California, and we're firing up a program
at Camp LeJeune. We're going to be in San Diego with
the Navy in the not-too-distant future, and we're also
going to start it up in Ft. McCoy, which is in
Wisconsin, an Army base.

What it's all about, is we go out there, we
send out feelers, who'd be interested in joining our
union, and we give them 16 weeks of advanced training
right on the base. We bring in trailers, we bring in instructors, we provide everything there. We even have to pay for our own electricity on the base and we have to get insurance for the soldiers, for the military people when they're coming back and forth from the barracks to our training because we're outside the military.

But you know, through it all we worked it out. It's a very expensive program, and we pay for the whole thing, lock, stock and barrel, but we've been very successful. We give them 16 weeks of heavy-duty training and then, when they can pass basic tests, when they're discharged we put them out in the workforce and we give them four more years of training.

We give them one year credit towards their apprenticeship for going through our training, and then we give them four more years of training. I'll tell you what, they are the best recruits that we have out there. When they come in there, they're disciplined, they take orders well. They show up for work on time. They're great recruits. I think we owe it to them. We have hundreds of these veterans in our program, that came out of our program, that are in the workforce right now and it could be working out better.

Something like that could be expanded
immensely, I mean, because it's a great pool of people
to pull from. You know, the sky is the limit. People
come out, they're working in manufacturing or they're
working in construction. Hey, they can be a foreman,
they can be a general foreman, they can be a
supervisor. They can get into engineering, they can
get into design. Heck, they can even open their own
company sometimes. So it's a lot of opportunity.

Senator Brown alluded to, yes, we need more
people in manufacturing, but I don't want my sons and
daughters involved. Well, I kind of disagree with
that. When I started in this trade I was 18 years old,
and the average age was 19 or 20. Now when we take in
new apprentices, the average age is 27 to 28. You'd be
shocked how many of these young men and women have
college degrees. They realize the benefit of a good
manufacturing job or a good construction job.

You know, everybody is not going to work on
computers or be involved in the service industry. We
need people in this country who can work with their
hands, plain and simple. It's been a very successful
program that I'd like to see expand. We have other
programs. We've worked a similar program with the
Native Americans. We're going to be doing this,
getting into the green technology. We traded training
for energy audits. We want to get into the green, and I think it's a very good program that we could take to the next level and develop.

But the main thing is, when you train these young men and women, you have to have jobs available. If you train them and they're done with their training and they've got to sit for four months before they get a job, you're going to lose them. They go out, they hang out with their friends, they start feeling sorry for themselves and they lose that competitive edge. So you've got to place them right away.

The program has been highly successful for us and it's a program that I think this council should look into hot and heavy for getting the workforce of the future. The American workers are the most highly productive workers in the world and we have a workforce here that is ready to take on the challenge of the future as far as export is concerned.

Yes, the Congressman made the comment about exports. People don't like to hear the word "exports", but they don't want to hear the words "exports coming in from China". They don't want to hear about Chinese exports. But the American people would love to know that we are exporting goods and services over to China, and we're trying to level that trade imbalance. That's
what we're here for, it's about creating manufacturing
jobs here in the United States and increasing exports
and getting America back to work in good, high-paying
jobs. We can't be subservient to other countries. We
have just got to do whatever we've got to do to be
successful.

CHAIRMAN McNERNEY: Well, Bill, this idea is
rooted in the best of all things, which is a best-
proved practice that we now can expand to other areas,
other kinds of jobs, teamwork with companies and get
some financial support behind a greater effort. That's
what his letter is all about.

So are there any comments? Yes?

SECRETARY VILSACK: Mr. Chairman?

CHAIRMAN McNERNEY: Yes?

SECRETARY VILSACK: I hope that, as this idea
is developed, that agriculture and the appreciation of
the need for a workforce within agriculture, both in
terms of farming and in terms of packaging and
processing, is not forgotten.

CHAIRMAN McNERNEY: Okay.

SECRETARY VILSACK: It seems to me that it
might be expanded to include not just the Departments
of Veterans Affairs, Education and Labor, but
Agriculture. We have a serious issue with workforce in
agriculture. We have a serious aging of farmers in this country. We have veterans who are currently working in Afghanistan and Iraq with Afghan and Iraqi farmers to encourage more agriculture in those countries, and this is an area where I think you can encourage entrepreneurship and innovation as well. As Secretary Locke indicated, it is a place where we do have a competitive edge worldwide. So if it wouldn't be too much to ask, agriculture would like to be included.

CHAIRMAN McNERNEY: We'll be sure and include it, Mr. Secretary.

Are there any other comments?

(No response)

CHAIRMAN McNERNEY: Okay. If not, the council seems in general agreement here. Unless there is an objection, I propose we submit the letter to Secretary Locke for submission on to the President. Any objections?

(No response)

CHAIRMAN McNERNEY: Hearing none, the letter is approved.
LETTER OF RECOMMENDATION

MANUFACTURING, SERVICES, AND AGRICULTURAL SUBCOMMITTEE

CHAIRMAN McNERNEY: Next, I would like to call on Dick Friedman, co-chair of the Manufacturing, Services, and Agricultural Subcommittee.

MR. FRIEDMAN: Thank you, Mr. Chairman.

All of us who attended yesterday's meeting with Secretary Geithner, everybody was talking there about the potential of business in Brazil, China, India, et cetera. It's huge. The news on the travel front is really good news in the following sense: of all the issues that this PEC is dealing with, the travel piece is kind of like the simplest and the easiest, and something that can really put as many as a million people to work in short order.

If you take a look at the big picture, overseas travel in the world post 9/11 is up 31 percent; we're down 9.1 percent in the U.S. We had 23 million visitors here last year. That's 1 for every, whatever. I was in Spain last weekend. Spain has 1 visitor per person. Twice as many people go to Spain as come to the United States. Kind of weird.

The world wants to come here. Why don't they come? We have not had effective promotion of tourism.

This Tourism Promotion Board--a bill was signed by the
President in March--sets forth a public/private partnership which has to raise money. We have spent less money on promoting the United States than any other country in the world. In many countries, there is a Cabinet Minister of Tourism. So tourism promotion is part of it.

The second part of it is, we have 36 visa waived countries. I like to talk in my business about things that are bad, not good, because that's what we fix. The Bush administration added eight countries to the visa waiver program; we have added none. There are several countries out there that are potential additions to the visa waiver program. It makes it much easier for people to be able to come.

The non-visa waived countries, in particular, Brazil, India, China, have incredible horror stories about how hard it is to get a visa. Incredible. Those result from delays at the State Departments in obtaining visas. I went on the website for the State Department last night, and if you want to get a visa in Shanghai, your first appointment is November 2nd. The first appointment.

And by the way, you might have to travel 1,000 miles to get there, or something like that, to ask for a visa and have a two-minute interview with an officer.
These officers interview 100 people a day, I believe, and admit 80 in a two-minute interview, which could be done by video. There are lots of solutions to this, high-tech and other solutions.

In fact, I have a letter from a Congressman in Vermont. Some Chinese people wanted to buy a business in Vermont and hire 50 people. They went to Shanghai and asked for a visa. They were told they couldn't get one, they had to do it in the summer. The letter from the visa officer back to the congressman says, "Why don't you people go to Chindu," and Chindu is 1,200 miles away. They can get a visa in, like, two weeks shorter time or three weeks shorter time. That's ridiculous.

So these horror stories are everywhere. Amway had a meeting of 13,000 people for all their people from around the world who have done well. They couldn't get visas. They canceled it. They held the meeting in Singapore. There's religious groups that can't get here. There are people who can't visit their families, et cetera. So there are problems that exist in Homeland Security and in the State Department and in promotion, but they are readily resolvable problems. They can be solved largely by the people within this room.
If we do this, we can double the number of people that come to the United States easily, easily, and create something on the order of half a million to a million jobs in a year or two. So I've been digging into this. People want to come to America. They want to come for cultural reasons, for medical reasons. I have a hotel in Boston that's next to Massachusetts General Hospital. Their medical tourism, people coming to Massachusetts General, virtually dried up because people said, the heck with it, I'll go to Germany, or I'll go somewhere else. So we've got to make it easier.

We've got to make it friendlier at our borders. People are afraid to go to through the borders, they're afraid of the intimidation. But these are all very solvable problems if Commerce, Homeland Security, and others worked together. I think we could be very optimistic. Our letter essentially says this in less eloquent language than I just used --

(Laughter)

MR. FRIEDMAN: But I think this is not very controversial, or ought not to be very controversial. It covers every part of the country. Tourism goes from plumbing, to accountants, to people buying airplanes and cars. A lot of these people are coming here to buy
goods and do things, so this is something we really ought to attack. We've been a country that basically has had a big "Do Not Enter" sign for too long and we've overreacted to the 9/11 situation and we've got to get people to come here.

CHAIRMAN McNERNEY: If the letter is as convincing as you are, we're in pretty good shape.

(Laughter)

CHAIRMAN McNERNEY: Are there any comments? Did Bob Iger or Secretary LaHood want to offer anything? Bob?

MR. IGER: Sure. Thank you, Jim. I obviously will support what Dick says. The growth of middle class in markets like China, India, Brazil has created a huge demand in those countries for family travel. Families in those countries would love to visit the United States. We export brand Disney, but brand U.S. is also very attractive. But the United States has to be our partner.

In a market like Brazil, Dick mentioned people having to go 1,000 miles or more just to get a visa. Every member of the family has to make that trip. That means a family of four who may want to travel to Walt Disney World in Orlando, God bless them, has to bring the entire family on a 1,000-mile trip just to get a
visa. By the way, it is a two-minute interview. It just doesn't happen. There is huge demand for these people to visit the U.S. We know that tourism creates jobs. They also come here and spend a fair amount of money, as has been said. I can't be more supportive of this initiative.

MR. FRIEDMAN: There is a particular city in Brazil, Manuse, has a direct flight to the United States, but you have to travel 1,000 miles to get a visa. But there's a direct flight to the U.S.

CHAIRMAN McNERNEY: Well, the aerospace industry is in good shape, it's just the other stuff we've got to fix.

(Laughter)

CHAIRMAN McNERNEY: I couldn't hear you. You're breaking up.

(Laughter)

CHAIRMAN McNERNEY: Listen, are there any other comments? Yes, Raul?

MR. PEDRAZA: I noticed Mr. Tilton is not here, but I've taken this proxy on my own volition and triple, or second, or third, whatever the number.

CHAIRMAN McNERNEY: Okay.

Any other comments?

(No response)
CHAIRMAN McNERNEY: Okay. Hearing none, again, I think there's a general consensus to move forward with this letter. We will have an opportunity to shape and flesh it out as the committee moves forward. So hearing no objections, we will approve the letter.
LETTER OF RECOMMENDATION

GLOBAL COMPETITIVENESS SUBCOMMITTEE

CHAIRMAN McNERNEY: Now let me call on Andrew Liveris, chair of the Global Competitiveness Subcommittee. Andrew?

MR. LIVERIS: Thank you, Mr. Chairman and Madam Chairwoman. I, for those of you who can gather the accent, am an Australian citizen, so I'm very privileged to serve this country, and very proud of it. I've spent 20 years of my life living in Asia, and the last 10 years in the State of Michigan. I would agree with the comments of the Congressman about the quality of the workforce in Michigan and the Midwest.

My company is an investor in the United States and an investor in Michigan. I would like to pick up on the topic of the free trade agreement letter, but just to make sure we get a context, the committee is Global Competitiveness, so we will have to address the topics that were raised by all congressmen and women, and for that matter the Senators, which is really, how do we compete on all aspects of competition, which means tax, regulatory, and many other issues, including energy. That's bigger than all outdoors, but it is the topic of our time.

American multinationals employ directly 22
million workers in the country, and another 41 million small and medium enterprises support those multinationals -- 63 million workers. That's glass half full, not glass half empty. Thirty-eight million of those jobs depend on trade. So we really need to figure out how to stop the atrophy of jobs, but we've got to protect those jobs and grow them.

So the guts of the committee will be to work on all those issues, and therefore if you take this letter and what's in this letter, it's to be responsive to the President's call to move forward with deliberation, intensity, content quality, incorporating the topics of our time, which are human rights, worker rights, but of course making sure at the same time that we have a level playing field as we go forward with key trading partners.

One of the most important ones to deal with are our allies, and clearly this is a matter of security. Korea is an ally. Korea is on our side. Korea wants this, we want it. So we need to be responsive to that. This letter, I believe, has incorporated many comments from many of you, if not all of you, representing all aspects of the American workforce and American industry, and of course, agriculture.
There are still issues, like autos, like beef, that we have to go get at that we rely on Ambassador Kirk and our negotiators to make sure we do get at it. I had an opportunity to talk to the Ambassador a few minutes before we came in here, and I know they're on those topics. We have to be responsive, I think, to other free trade agreements; the ones that the Chairman referenced and the Secretary referenced, I think, are very positive. But we have to get some wins. There are 400 free trade agreements scheduled for completion this year; we're participating in 3 of them as a country. China alone is participating in 17. So we can't not be in world trade. I mean, obviously. I'm stating the obvious.

So this letter is to be responsive to that call for action. It's not perfect. I think the modernization term, taking that out, I would be responsive to that, Mr. Chairman. I think that makes a lot of sense. I would like to stop, because I would like to keep my introduction reasonably brief, because this is a very important letter, be responsive to any inputs.

CHAIRMAN McNERNEY: Okay. I think we've had a chance to review the letter. Are there any comments?

MS. WOERTZ: Mr. Chair?
CHAIRMAN McNERNEY: Yes, Pat?

MS. WOERTZ: I'd just like to offer a few thoughts in support of what Andrew said and build on a couple of topics related to agriculture. As we know, agriculture is a major contributor to exports in this country and the U.S. farmer plays a vital role in feeding the world.

As Secretary Locke mentioned, in fiscal 2011 it's expected that agricultural exports from this country will reach $113 billion, and the trade surplus-related agriculture to exceed $31 billion. So, a very positive story related to agriculture.

But U.S. agriculture's market share has dropped in these countries that we talk about free trade agreement needing to reach these agreements. So, a quick fact for you. For every billion dollars of additional agricultural exports, there are 8,000 to 9,000 more jobs. So as agricultural exports grow, certainly jobs grow in this country. Passage of these FTAs, we think, is important for that competitiveness to continue.

Thank you.

CHAIRMAN McNERNEY: Yes?

MR. TURLEY: I would like to also support what Andrew said. I was struck by, when Dick said he
prefers to think about and talk about the bad, not the good, because you can impact the bad, one example of the bad is that it seems to me that while we've been negotiating and debating these free trade agreements, other countries, as Andrew said, have been executing them and entering into them. My understanding is, by the end of 2010, there will probably be about 600 bilateral/multilateral agreements. I think the U.S. is party to less than 20 of those. So this is a very real and present issue.

I was talking to one of our clients, Baldor Electric Company. He told me I could feel free to talk about his situation—sent me an email on it, actually. It's fascinating. A manufacturing company in the middle of Arkansas. They make industrial motors, they make gear boxes for electric motors, whatnot, and they've got some 20 plants in the United States. They've got plants in a dozen other countries, I think, including one in Mexico.

It's fascinating, because when they are trying to sell industrial motors in Panama, they're faced with a 10 percent duty. When their competitors, mostly from Brazil, mostly from Mexico, are doing the same thing, they're faced either with no duty or 4.5 percent duty. They're at a real disadvantage. They move into the
gear box business, and they're doing the same thing
with gear boxes into Colombia. Baldor is faced with a

What's interesting in Baldor's case, they can
make these gear boxes in Mexico and send them straight
to Colombia on an even-keel basis, but that's not what
they want to do. They want to make them here in this
country and export them. These things have real
impact. This is one micro example that plays out
again, and again, and again. I think we've got to
really deal with this issue urgently.

CHAIRMAN McNERNEY: Okay. Appreciate it.

Yes, Congressman Schauer?

CONGRESSMAN SCHAUER: Thank you, Mr. Chairman.

I have great respect for fellow Michigander there. I
don't know if you've met David McKai, the CEO of
Kellogg.

MR. LIVERIS: Another Australian.

CONGRESSMAN SCHAUER: A fellow Australian.

Form a support group.

(Laughter)

CONGRESSMAN SCHAUER: But I'm proud to have
you. I was at your plant in Hillsdale just last week,
a very, very impressive operation.

I have great respect for the work that you're
doing, the leadership of this very, very important committee. Some of the items in the letter, in terms of reinforcing American rights against unfair trade practices, fixing or improving -- apparently not modernize, but I'll say improve, current trade agreements, examining a more modern adjustment process, is very encouraging.

I do have concerns about what I would interpret as rushing the South Korea free trade agreement, so I respect your work. I can't support the letter as before the council at this time. I will watch and participate with your work in every way that I can, but I just wanted to offer those comments and my reservation at this time.

CHAIRMAN McNERNEY: I understand that.

Congressman Sanchez?

CONGRESSMAN SANCHEZ: I'll be very brief. I'm going to echo the concerns of my colleague Mr. Schauer. After careful study of the letter, there is an alternate letter that we have written and that's been transmitted, so as long as that's been received, I'll stop.

CHAIRMAN McNERNEY: I understand that it will be received and we will try to be responsive to it. Some of your comments earlier anticipated some of this,
so I think we got it and appreciate your sensitivities here.

CONGRESSMAN REICHERT: Mr. Chairman, I have a process question.

CHAIRMAN McNERNEY: Yes?

CONGRESSMAN REICHERT: So as the letters are approved with some of the recommended changes, are we going to get copies of those before they go forward?

CHAIRMAN McNERNEY: I think what we're doing now is recommending approval of the letters as written from the committee, and the extent to which there is disagreement, there would be a side letter that we would consider and make part of a package, part of the record.

CONGRESSMAN REICHERT: Okay. Thank you.

CHAIRMAN McNERNEY: Secretary Locke?

SECRETARY LOCKE: However you want to run it.

CHAIRMAN McNERNEY: I think the comment should be noted. Yes? Was there another one? Yes?

MS. VERMEER ANDRINGA: Yes. Thank you.

There's been a lot of comments this morning about small- and medium-sized businesses, and that's who I am. Our company is headquartered in Iowa, and we have about 2,300 employees worldwide, so small- and medium-sized. But 90 percent of the United States -- and my
dad started the company, and one of our first exports was a trenching piece of equipment which was used in Europe, and he went and did the operator instruction himself.

But through the years, really, most of our business has been the United States. In the last 10 years, however, we've gone from about 10 percent of our business being exported to 30 percent being exported, so 1 in every 3 jobs. We talk about this a lot with our employees. One in every three jobs has to do with export, so it's really important for us to be understanding of what the customer needs are internationally.

And when I look at where we're exporting the most to, the biggest chunk is to Australia. We've had the most growth in Australia and it correlates with the 2005 free trade agreement. So I know there are things we need to work out and we need to look at all the issues, but I would say that for us, free trade agreements are a huge deal.

Also, just to reflect a little bit on the visa comments from the earlier letter, often when we bring customers in from various countries and we can show them our plants, our people, they can go see equipment demonstrated on real sites with other contractors, they
buy our equipment and we can export it. But if we
can't get them here because of visa issues, we miss
that opportunity. So anyway, I think we have a great
opportunity here.

I just heard a little comment the other day
which I think maybe applies, that if the pace of change
inside an organization -- and I think that applies to
the United States. If the pace of change inside our
country is a lot less than the pace of change outside,
we've got an irrelevancy factor. So, I just urge us to
make sure that this is an urgency. The pace of change
for a lot of things -- 600 lateral agreements around
the world, and we've got 20? We're getting behind the
ball. Thank you.

CHAIRMAN McNERNEY: Thank you very much.

Any other specific comments on the letter?

Mr. Secretary?

SECRETARY VILSACK: Very quickly, I think
there's been a lot of emphasis on new and emerging
markets, but I hope that in the draft of this letter
that we don't forget about our longstanding partners in
trade, that being Canada and Mexico, and the need for
us to make sure that as actions are taken, be they
statutory or regulatory, that we don't interfere with
those relationships.
I know that Ray LaHood and I probably agree that we need to resolve the Mexican trucking issue, for example, because they have assessed tariffs on a number of agricultural products that have made it a bit more difficult for us to export to Mexico, who is one of our best trading partners. So I hope, in the emphasis that this letter seems to have on new and emerging markets, that we don't send the wrong message to our current trading partners who are so valuable to us.

CHAIRMAN McNERNEY: Okay. We'll review that, thank you.

Any other comments on the letter, per se?

(No response)

CHAIRMAN McNERNEY: Okay. With some modifications in mind as to language, my sense is the letter is going forward. Understand there will be another letter that will be considered in parallel. Without objection, we approve the letter.

(No response)

CHAIRMAN McNERNEY: Ambassador, did you want to make a comment before we move on to the next?

AMBASSADOR SAPIRO: Yes. Thank you very much, Jim. I'm Ambassador Sapiro from USTR, one of Ambassador Kirk's deputies. He, unfortunately, had a prior speaking commitment, which is why he asked me to
step in. I just want to thank everyone for what's been a terrific discussion, because all of the issues that you've raised, from Representative Sanchez, to Senator Stabenow, to all of the terrific CEO representation that we have here, our issues that we are working on every single day of the year.

So I just want to reassure you that what you're saying is very much what is on our plate. We know that U.S. exporters are suffering when our trading partners don't live up to their commitments and when the playing field is not level, so we are incredibly committed to enforcing all of our rights overseas, and we're doing that all the time.

We're also fighting to win new market access every day from innovative new models, like the Trans-Pacific Partnership, to working to resolve outstanding issues with Korea, with Panama, with Colombia, to re-energizing the Doha process with 153 countries now in the WTO. It's quite a challenge, but we're working on access for manufacturers, for services, for agriculture.

So again, these issues are very much front and center of what we're doing, including emphasis on small and medium enterprises, digital goods, green technology. So please, keep your ideas coming and
let's keep in touch and work these issues through together. Thank you.

CHAIRMAN McNERNEY: Thank you very much, Ambassador Sapiro. We appreciate the comments.
CHAIRMAN McNERNEY: Certainly not least, but last, I'd like to call on a good customer of mine, by the way, Scott Davis, chair of the Export Promotion Advocacy Subcommittee. Scott?

MR. DAVIS: Thanks, Mr. Chairman.

Our topic is regarding export controls reform, and I'd say much-needed export controls reform. I believe it's a lot less controversial than Andrew's topic for anybody who's dealt with export controls in the past.

The President referred to the export control reform program this morning in his opening remarks. We applaud the administration's efforts in this area and we urge the administration to stay focused on continuing this reform.

For anybody who has dealt with export controls, we understand that challenges of the current system. We have two separate U.S. export control regimes, both the State Department and the Commerce Department. We have separate commodity control lists. We have separate licensing agencies. We have lots of overlap, overly complicated, and still does not sufficiently reduce the national security risks today.
So again, I think this export control reform has potential to better secure critical technologies, build the U.S. industrial base, and maintain the competitiveness of U.S. companies abroad. We've talked a lot about manufacturing jobs. I think this really will assist in growing manufacturing jobs in the U.S.

So we really had three recommendations in the letter. The first, really, is just getting a more formalized process for obtaining expert feedback on proposed regulatory changes. What we would say, is we should start with getting greater involvement by the PEC Subcommittee on Export Administration, Raul's subcommittee. I know he just formed the committee today, but I think that's a group that should be very much involved in the discussions, and probably the entire PEC should be involved for feedback.

Second, the Export Control Reform Initiative really can be aided by improving the Technology Release Program. Secretary Gates has noted that we need to move towards a system that builds higher walls around fewer systems, and it makes a lot of sense. Right now, there are too many walls around too many systems. If things are actually critical to defense, we need to build bigger walls and protect that.

Finally, back in line with the small business
needs. I think because of the complexity of this thing, we have to allow for more outreach and assistance to small business to comply with export laws and the regulations. If we're going to double the exports in the U.S. in the next five years, a lot of it has got to come from the small- and medium-sized enterprises. We have to make it easier. So overall, again, export control reform should provide clarity, reduce redundancy, strengthen security, and promote exports. Those are the recommendations we included in the letter.

CHAIRMAN McNERNEY: Are there any comments on Scott's proposal, which is very much in alignment and support of all, but I think, Secretary Locke, your thrust here, which is very important.

(No response)

CHAIRMAN McNERNEY: Hearing no comments or objections, I think it's the sense of the group that we adopt the letter, so we will so adopt it. The letter is approved.

Listen, I'd like to thank the subcommittee chairs for a fast start. Some quick contributions, some quit hits early. We had a fair amount to get through, and so I appreciate the efficiency and the staff that supported us, which, as we all know, really
are the people that got us through this. I'd like to
acknowledge them and thank them very much.

Before asking Dr. Summers for a quick comment
or two as he observes and helps guide us, are there any
other general comments anyone would like to make on any
topic before asking Larry to say something? Raul,
would you like to say something?

MR. PEDRAZA: I just wanted to comment. I
spent my morning yesterday with the Bureau of Industry
and Security, and I will work really hard to keep it
simple, stupid, and not violate the security part of
that, because I am an Army veteran. My job in the Army
was nuclear surety, so I understand the other side of
that, and I'm a small businessman, too. So we're going
to work hard at getting that done, I assure you.

CHAIRMAN McNERNEY: I appreciate the comments.

Yes, Bob?

MR. IGER: I don't know whether this is the
appropriate time, but you asked for comments. Just for
future consideration, a letter regarding intellectual
property protection.

CHAIRMAN McNERNEY: Yes.

MR. IGER: We're global leaders in the
creation of intellectual property, whether we're
talking about computer software or making movies. We
compete in many countries with pirates who are either
giving away our product for free--tough to compete
against free--or selling it for their own gain at
substantially reduced prices and not paying any taxes,
by the way, in the United States for those sales. I
just think, given the size of the industry and the fact
that we're global leaders, obviously the importance to
this country in terms of the support of the economy,
it's something we need to consider.

CHAIRMAN McNERNEY: Bob, we couldn't agree
more. I think for our December 9th meeting, we're
going to all work together on a strong letter there.
You have our commitment to do that. I think the other
thing I know that's on the agenda for December 9th is
Gene Hale's initiative with small- and medium-sized
enterprises. He's got an outreach program that he's
modeling in Southern California that we hope sort of is
at the same status that Bill's recommendation was,
which was we got a proven best practice that we now
want to expand.

I think Gene has got some ideas on how to
engage all of us in that, and I'll just leave it at
that for now. But it's very promising and the
President did comment on it this morning when he was
just informally interacting.
MR. TURLEY: Has there been a location picked for December 9th or is that still to be determined?

CHAIRMAN McNERNEY: I'm not sure exactly. We're trying -- our two meetings to sort of maximize the travel disruption. As a matter of fact, one of the things we're going to work on is the schedule into next year, and we'll have that ready before the December 9th meeting.

SECRETARY VILSACK: Mr. Chairman?

CHAIRMAN McNERNEY: Yes, sir? Yes?

SECRETARY VILSACK: One additional comment. As we talk about small- and medium-sized businesses, I hope that we also are particularly sensitive to the needs of minority-owned businesses.

CHAIRMAN McNERNEY: Yes.

SECRETARY VILSACK: We have found, in agriculture, that there is a perception that export opportunities are not available, or not easily available, to minority-owned businesses. I think as we try to figure out strategies to help small- and medium-sized businesses, we need to understand that there may be an additional hurdle for some of those businesses and it would be helpful, I think.

CHAIRMAN McNERNEY: I don't want to put words in Gene's mouth, but I know that is very much at the
forefront of the things he's trying to identify and knock down. Some of them are a lot more practical than you would think.

   MR. HALE: We are developing a comprehensive plan to include minorities. Matter of fact, the roundtables that we are proposing, that we will have on September 30, we will have two of them, one in Long Beach, California, and later in the day, one in Los Angeles. We intend to bring together all of those parties to participate in this roundtable to identify those companies you speak of.

   CHAIRMAN McNERNEY: I appreciate your leadership there, Gene. It's important.

   So maybe one more comment before asking Larry to say something.

   MR. LIVERIS: Just, on subcommittee charters, we need to get our heads together around that, Jim, because intellectual property cuts across all the committees. We just need to make sure we don't get redundant work. So whether it be export control standards and technology standards, a rising tide lifts all boats; global competitiveness, services, manufacturing, and agriculture all have a stake in that. I think we should get some clarity around that from the staff.
CHAIRMAN McNERNEY: We will reduce the complexity and get a letter done. I appreciate the comment, though. I do understand the challenge there.

Dr. Summers, do you have a comment as you reflect on the meeting?

DR. SUMMERS: Let me respond very briefly on each of the letters, and then make a final comment. I'll be very brief.

On training, we can only agree. It is a huge issue, probably the most important issue for the long run. It is illustrative of a broader principle. Doing the right things to make our companies more competitive will also make them better exporters, and the right domestic policy, if there were no exports, it would be crucial to do training right. There are a set of things like that, and we need to identify them and be working on them very hard.

My guess is that the single largest lacuna on a 25-year basis in the U.S. effort around competitiveness is actually in the tourism area, where I think we just lag way behind. There's a massive coordination problem in terms of, no individual has an incentive to promote in the right way, and it's not what people think of when they think of exports.

Without getting into economic forecasting of a
kind I shouldn't, the current levels of excess capacity in the lodging industry and developments in foreign exchange markets suggest to me that this is probably a particularly propitious time for a substantial initiative in tourism, and I think there's a lot of receptiveness to that in the administration. You have to help to show us how.

I will not, at this late hour, re-litigate the various issues associated with trade policy beyond observing that we have to demonstrate that these agreements work for people if we're going to succeed in doing them, and that means bringing them back to the interests of ordinary workers and ordinary people here. And just to repeat a hobbyhorse of mine, it does not help your government to tell it that foreign countries are doing outrageous things, but you can't really mention the outrageous things to the foreign government because they'll retaliate.

If the business community can find a way to allow there to be disputes raised collectively, that will be very important. Export controls, but this debate is in a different place. This theme has been there for 25 years. It is in a different place now because the Secretary of Defense is leading the charge. The Secretary of Defense institutionally is usually on
the opposite side. We have a huge window of opportunity here, and it's a matter of just getting the word out. Insofar as some of you have interactions with the bureaucracies that sit underneath the kind of people who come to this table, your conveying strength to those bureaucracies will be very helpful.

One broad thought for reflection, and one final conclusion. I think—and this is really a thought not for your next meeting, but for you to keep in mind over the next couple of years—there is a traditional paradigm of thinking about international trade, which is that it's trade in goods. Countries import some goods, they export other goods. Increasingly, as many of the companies around this table illustrate, what we have is trade in tasks.

A product is produced and it is produced in many different countries as an ultimate product. It means, for example, that an import is a major component of an export. How else could Singapore's trade ratio be 300 percent of GDP? It goes to the role of global companies, it goes to the relationship between global companies and national interests. I think our trade policy debates are a little bit behind the reality of cross-border integrated production. I honestly don't know where it leads, but I think a group like this
should be thinking about that question.

A final observation. It takes 2.5 percent GDP growth to keep employment growth consistent with population growth in the United States, or to put it differently, to keep the unemployment rate constant. Our progress in reducing unemployment depends on our excess above 2.5 percent growth over the next four years.

My guess is that how we do on exports is probably the single largest component determining whether it's 2.7 percent growth or whether it's 4.3 percent growth, and that is the single most important determinant of whether we are successful in putting people to work. It is hard for me to see how, if we are actually successful in doubling exports over the next five years, the economy will not have grown at 3.5 to 4 percent.

It is hard for me to see how, if we fall far short of doubling, how we're going to have economic growth at a rate that is going to bring the unemployment rate down at anything that approaches one percentage point per year. So I don't think we have a more important economic challenge over the next five years than yours.

Thank you.
CHAIRMAN McNERNEY: Larry, thank you very, very much. The challenge and the context that you provided, I think, is going to provide energy to this group. That one thought you had on product versus product, share of supply chain, as a way to think about things, it's an interesting thought. It's an interesting thought.

I think that concludes our work for today. Ursula and I thank you very much for your participation and work, and we'll see you in December.

The meeting is adjourned.

(Whereupon, at 11:30 a.m. the meeting was adjourned.)
CERTIFICATE

This is to certify that the foregoing proceedings of a meeting of the President's Export Council, held on Thursday, September 16, 2010, were transcribed as herein appears, and this is the original transcript thereof.

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LISA L. DENNIS, CVR
Court Reporter