

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

PRIVATE SECTOR APPOINTEES

JAMES McNERNEY
Chairman
The Boeing Company

URSULA BURNS
Vice Chair
Xerox Corporation

MARY VERMEER ANDRINGA
Vermeer

STEPHANIE BURNS
Dow Corning

SCOTT DAVIS
UPS

RICHARD FRIEDMAN
Carpenter & Company, Inc.

GENE HALE
G&C Equipment Corporation

ROBERT HENRIKSON
MetLife

WILLIAM HITE
United Association

ROBERT IGER
The Walt Disney Company

CHIP KAYE
Warburg Pincus, LLC

JEFFREY KINDLER
Pfizer

ANDREW LIVERIS
Dow Chemical Company

BOBBY MANDELL
Greater Properties, Inc.

RAUL PEDRAZA
Magno International, L.P.

IVAN SEIDENBERG
Verizon

JAMES TURLEY
Ernst & Young Global Consulting

PATRICIA WOERTZ
Archer Daniels Midland

SENATE APPOINTEES

SENATOR SHERROD BROWN, OHIO

SENATOR MIKE CRAPO, IDAHO

SENATOR DEBBIE STABENOW, MICHIGAN

SENATOR RON WYDEN, OREGON

HOUSE APPOINTEES

REPRESENTATIVE LINDA SANCHEZ, CALIFORNIA

REPRESENTATIVE MARK SCHAUER, MICHIGAN

REPRESENTATIVE DAVID WU, OREGON

REPRESENTATIVE DAVE REICHERT, WASHINGTON

REPRESENTATIVE PAT TIBERI, OHIO

EXPORT PROMOTION CABINET MEMBERS

GARY LOCKE
Secretary of Commerce

FRANCISCO SANCHEZ
Under Secretary for International Trade
U.S. Department of Commerce

FRED P. HOCHBERG
President and Chairman of the Export-Import
Bank of the United States

AMBASSADOR RONALD KIRK
U.S. Trade Representative

AMBASSADOR MIRIAM SAPIRO
Office of the U.S. Trade Representative

KAREN G. MILLS
Administrator of the U.S. Small Business
Administration

THOMAS J. VILSACK
Secretary of Agriculture

RAY LaHOOD
Secretary of Transportation

SETH HARRIS
Deputy Secretary of Labor

LAEL BRAINARD
Under Secretary of International Affairs
U.S. Department of Treasury

LEOCADIA ZAK
Acting Director
U.S. Trade & Development Agency

AUSTAN GOOLSBEE
Chairman
Council of Economic Advisors

ELIZABETH LITTLEFIELD
President and CEO
Overseas Private Investment Corporation

JEFFREY ZIENTS
Acting Director
Office of Management and Budget

LARRY SUMMERS
Director
National Economic Council

VALERIE JARRETT
Senior Advisor
The White House

WILLIAM BURNS
Under Secretary of State for
Political Affairs
U.S. Department of State

JANE HOLL LUTE
Deputy Secretary of Homeland Security

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P R O C E E D I N G S

ADDRESS BY PRESIDENT BARACK OBAMA

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

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

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

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

22 In the immediate term, we have had to act
23 across many fronts to get folks back on their feet and
24 get our economy moving again. And one of the things
25 that we've been trying to do, is to help create the

1 conditions necessary for our small businesses to grow
2 and to hire. In a few hours from now, after months of
3 delay, the Senate will finally have an up-or-down vote
4 on a package of tax cuts and lending initiatives to
5 help small businesses, some of which will be exporters.

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

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

21 We allowed too much of our prosperity to be
22 based on fleeting bubbles of consumption and risk and
23 artificial gain. We spent too much and saved too
24 little. We allowed our economy to become bloated with
25 debt, both in the private sector and public sectors.

1 We failed to fully harness the talents, skills, and
2 creativity of the American people, and we put off
3 investments in technology and innovation that are
4 critical to helping our businesses compete in the 21st
5 century.

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

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

24 Because the best way we know to compete and
25 win in the global marketplace is by doing what we do

1 best, harnessing the talents and ingenuity of our
2 people to lead the world in new industries. And we're
3 building an economy where America's businesses and
4 American workers once again do what they do best, which
5 is build great products and sell them around the world.

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

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

19 The world wants to buy goods and services made
20 in the United States and our workers are ready to
21 produce them. That is why, six months ago, we launched
22 the National Export Initiative, the first-ever
23 government-wide export promotion strategy with focused
24 attention at the presidential and cabinet level.
25 America is going to bat as a stronger partner and a

1 better advocate for our businesses abroad. We're
2 increasing trade missions, we're removing barriers to
3 help businesses gain a foothold in new markets, we're
4 increasing export financing for small- and medium-sized
5 businesses.

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

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

22 And there is more we can do to keep that
23 growth going. Yesterday, my Export Cabinet submitted a
24 report detailing the progress that's been made and
25 additional steps that our agencies intend to take to

1 deliver on our goals, and I look forward to seeing
2 these steps implemented. It is also why, two months
3 ago, I announced the formation of this council, to seek
4 the expertise of private sector business and labor
5 leaders who know what it takes to succeed.

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

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

22 And as our troops come home from Iraq and
23 Afghanistan and reenter the workforce, I think it's
24 terrific that we are going to look at a veterans'
25 retraining initiative that would help them translate

1 their remarkable leadership skills, but also their
2 technical skills, skills they've honed in the military
3 in the careers and the high-demand science and
4 technology fields that will keep America economically
5 strong and globally competitive well into the future.

6 So these are some of the steps we'll pursue to
7 double America's exports over the next five years.

8 When I made this initial announcement, some were
9 skeptical. But the truth of the matter is, if we are
10 increasing our exports by 14, 15 percent per year,
11 something that is achievable, then we can meet our
12 goal. That's one of the ways that we're going to make
13 this economy in the 21st century what it was in the
14 20th century: an unparalleled force for opportunity and
15 prosperity for all our people.

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

23 This is one of my top priorities. I'm going
24 to be paying close attention to it. My cabinet and my
25 economic team are going to be working diligently on

1 this, so I am very confident this is going to be a
2 worthwhile endeavor that may indirectly help your
3 companies, but is certainly going to help the country
4 and the American people.

5 Thanks very much, everybody.

6 (Applause)

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1 **MEETING CALLED TO ORDER AND OPENING REMARKS**

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

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

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

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

24 (No response)

25 CHAIRMAN McNERNEY: So why don't we approve

1 the committee and subcommittee structure and the
2 membership therein.

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

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

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

23 The President's Export Council clearly can't
24 do everything. We're not here to do everything, we're
25 not going to attempt. But I know I speak for all of

1 you here in that we can do a lot, and we can do it
2 quickly. So I'm eager to get going, like I'm sure you
3 are. Thank you.

4 CHAIRMAN McNERNEY: Great. Thanks, Ursula.

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

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

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

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

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

1 priority.

2 New information has just come to light that we
3 continue to lag in this market. To me, it is part of a
4 pattern that indicates that where we have these
5 fledgling, exciting industries and they don't get
6 treated fairly in global markets, we have got to get at
7 it faster in order to make sure they get a fair shake.

8 And you see example after example. Green goods is the
9 one in the last couple of weeks. Ambassador Kirk is
10 dealing with lumber in Canada. We have evidence of
11 pervasive unfair treatment in global markets. We're
12 trying to get the attention of the Customs Department.

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

23 To me, this is not a question of picking
24 winners and losers, it's simply a question of saying
25 when we have an industry and a sector that is clearly

1 winning, let's have a trade policy so that instead of
2 their hitting singles, they can hit more homers and we
3 can use them as a trampoline for the President's
4 objectives.

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

8 (Laughter)

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

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

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

21 SENATOR STABENOW: Yes. Thank you. I will be
22 brief. To you and Ursula, and to all of the members,
23 it's wonderful that you are here, a part of this
24 effort. We appreciate the President's vision and the
25 Cabinet, and their focus.

1 I will just share a comment from August in
2 Michigan, where I was spending time with our
3 agricultural producers and processors, talking about
4 agricultural exports and the opportunities there, and
5 then Secretary Locke joined me in an overflow crowd at
6 Automation Alley in Detroit, talking about the
7 opportunities for small- and medium-sized manufacturers
8 and others and there was great excitement. So, I look
9 forward to the opportunity for us to move forward and
10 create jobs by creating more opportunities for exports.

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

20 When I was in China, speaking at a global Auto
21 Leaders Summit a few months ago, and met with our
22 businesses there, talking about China's indigenous
23 innovation policy, closing the door to American
24 businesses to sell to them, we can't let that stand.
25 We have a whole range of things. I won't go into

1 Korea, autos, and manufacturing and so on, except to
2 say it's got to work. These have to be right so that
3 our businesses have the opportunity to sell. That's
4 important.

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

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

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

23 Senator Brown?

24 SENATOR BROWN: Thank you. Thanks very much
25 to all of you for the role that you're playing, and

1 that you will play, in doubling the Nation's exports.
2 There will be some differences, certainly, among all of
3 us in trade policy, but where we can have agreement,
4 and mostly have agreement, I think, is on trade
5 enforcement rules.

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

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

24 It's not picking winners and losers, as Ron
25 Wyden said. We, in many ways, picked finance as the

1 winner many years ago in this country. Thirty years
2 ago, upwards of 25 percent of our GDP was
3 manufacturing; today it is around 11 or 12 percent. We
4 know how that creates a middle class and prosperity for
5 this country, especially for workers who don't have a
6 lot of higher education. That's one reason it's so
7 very, very important.

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

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

25 I will close with this. I was talking to this

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

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

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

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

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

24 CONGRESSMAN TIBERI: I'll go ahead and go
25 first. I, too, am from Ohio. I'll bookend Senator

1 Brown, my Senator, me a Republican, he a Democrat. But
2 some of the things he said, I completely agree with.

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

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

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

20 But here's the point: there is a vacuum in our
21 State. I think the Senator and I would agree that the
22 majority of Ohioans think trade is bad, quite frankly.

23 The Senator's views, what he just talked about, are
24 the views that average Ohioans have. Now, the facts
25 might be different. They may be.

1 But I've got to tell you, I think it's up to
2 the people around this table, the business community,
3 the White House, to give a different story, if there is
4 a different story to be told, because the status quo
5 among the hearts and minds of Ohioans, at least, is
6 that trade is bad. I don't know how we get to a Korea
7 when, quite frankly, in Ohio today most Ohioans think
8 that NAFTA has caused our job losses in the State, that
9 CAFTA has caused job losses in our State. There's been
10 no leadership in the private sector to say that's
11 wrong.

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

23 CHAIRMAN McNERNEY: I think the communication
24 challenge we've got is, as you're pointing out, is at
25 least as difficult as the challenge of coming up with

1 recommendations. We're mindful of your comments and we
2 will keep them right in front of us. Appreciate that.

3 Congresswoman Sanchez?

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

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

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

22 So my part of the puzzle is, I work with my
23 colleagues in Congress and I'm interested in working
24 with the administration and those of you here to try to
25 find a way that we can spread those benefits to a

1 broader base. The trade agreements have brought some
2 benefits, but the question is, certain industries have
3 certainly benefitted and certain States, and other
4 States, not so much, or other workers have paid the
5 price. So we can't afford to wholesale pursue an
6 agenda that leaves certain people behind.

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

18 One thing that I just want to mention before I
19 close, because I'm trying to be brief, is that we have
20 a Make It In America agenda that we're working on in
21 Congress right now, and that is a package of bills that
22 are designed to try to strengthen manufacturing here in
23 the United States, particularly by those small- and
24 medium-sized businesses. So, I'd like to just draw
25 everybody's attention to that package of bills that

1 have a manufacturing strategy, some targeted tax cuts,
2 and an infrastructure development bank as part of that.

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

8 CHAIRMAN McNERNEY: Thank you very much for
9 your comments.

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

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

22 I also want to applaud the President for his
23 efforts here in being here to kick this effort off in
24 doubling exports, and also in working to resolve the
25 issues around the Korean trade agreement. In

1 Washington State, 1 out of every 3 jobs, as Secretary
2 Locke knows, is directly related to trade. So for
3 Washington State, it's very, very important for us to
4 take a look at not only doubling exports through other
5 means and some of the ways that we're going to explore
6 in this group, but also in looking at the trade
7 agreements that we haven't approved thus far.

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

15 So my last comment here relates to the trade
16 letter that we'll be reviewing soon, in that there is
17 some language there that I would just voice some
18 concern or caution over, and that is the language that
19 surrounds the modernization of existing agreements. I
20 am hoping that the word "modernize" doesn't equal
21 "reopen" or "renegotiate", because I think that could
22 send a very serious negative message to our partners in
23 Korea, Colombia, and Panama, those three especially.
24 So I just caution using the word "modernize" and the
25 message that that might send. I think a focus on what

1 we need to do is exactly what our vice chair said, and
2 that is focus on doubling exports. I appreciate the
3 opportunity to be a part of the group, and thank you
4 for allowing me to comment.

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

9 Congressman Schauer, did you have comments?

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

19 I want to share some concerns about free trade
20 agreements and trade. My State--I'm sure you would
21 argue the same about yours--of Michigan has the best
22 workers, the best innovators, the best manufacturers,
23 and the best farmers in the world. But I am concerned,
24 particularly about South Korea, that we don't lock in
25 nontariff trade barriers, disadvantages that hurt

1 manufacturing, particularly the automotive sector. I
2 share very real concerns about China.

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

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

21 So in closing, I've got great companies, small
22 and large, back home in my district, that are ready to
23 compete with anybody. They just want to have a chance.

24 I look forward to working with all of you to make sure
25 that they can help accomplish the President's objective

1 and put people to work.

2 Thank you.

3 CHAIRMAN McNERNEY: Thank you very much,
4 Congressman.

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

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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

1 importance because, as American consumers spend a
2 little less and save a little bit more, it's imperative
3 that U.S. businesses connect to the 95 percent of the
4 world's consumers who live outside the borders of the
5 United States. So if U.S. companies want to grow, if
6 we want more jobs for American workers, we've got to
7 realize where that demand is and where the market is,
8 and a lot of that is outside the borders of the United
9 States. Today, thanks to a strengthening global
10 economy and also to efforts across the Federal
11 Government, increasingly we're seeing that happen.

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

24 Exports. All of these numbers have an impact
25 on the economy. Exports accounted for more than 1

1 percentage point of GDP growth in each of the four
2 quarters of recovery. This is actually equal to our
3 domestic activities as part of our economic recovery.
4 As the President said, the more we export, the more
5 companies produce. The more they produce, the more
6 people they hire to produce those products and
7 services.

8 Since January, Commerce's Advocacy Center, in
9 close cooperation with the State Department and other
10 Federal agencies, has assisted U.S. companies to
11 successfully compete for foreign contracts, to a tune
12 of some \$11.8 billion in U.S. export content. This
13 amount of export content alone supports an estimated
14 70,000 jobs in America.

15 This \$11.8 billion so far this year compares
16 to \$3.8 billion in U.S. export content through the
17 advocacy efforts last year. These successes are
18 mirrored across a whole host of Federal agencies.
19 Since January, the Commerce Department has coordinated
20 some 19 trade missions abroad, resulting in what those
21 companies that have been on those trade missions
22 predict will be \$2 billion in export sales, twice the
23 value of last year. We've recruited some 8,600 foreign
24 buyers to U.S. trade shows since January, a more than
25 50 percent increase over last year, leading to some

1 \$660 million in sales by U.S. companies.

2 The Agriculture Department has recruited over
3 1,500 foreign buyers since January, and the State
4 Department has developed a model for U.S. Ambassadors
5 to participate in these reverse trade missions, with
6 the first mission scheduled for October of 2010.

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

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

20 A few highlights. First, for small- and
21 medium-sized businesses, the engines of American job
22 growth, the report recommends a national outreach
23 campaign, led by the Small Business Administration and
24 other Federal agencies, to raise awareness of export
25 opportunities and government assistance available to

1 U.S. small- and mid-sized companies who have never
2 exported before.

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

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

22 Finally, the report recommends a government-
23 wide export promotion strategy for six newly-designated
24 next-tier markets--Colombia, Indonesia, Saudi Arabia,
25 South Africa, Turkey, Viet Nam--where we all expect

1 very strong economic growth during the next decade.

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

12 And second, last Friday, I announced the new
13 11-member board of the Corporation for Travel
14 Promotion, which is charged with encouraging travel to
15 the United States. The travel and tourism industry
16 accounts for 24 percent of all U.S. service exports and
17 8 percent of our total exports.

18 When those foreign visitors come, they're
19 actually spending money, so it's foreign visitors,
20 foreign folks spending money here in the United States,
21 the same way as if we were to ship goods to them in a
22 foreign destination. We're counting on the Corporation
23 for Travel Promotion to play a big role in helping us
24 reach the National Export Initiative goal, again, of
25 doubling U.S. exports over the next five years.

1 With the measures outlined in the report that
2 we've just submitted to the President and the continued
3 worldwide economic recovery, I'm very confident that
4 we're going to reach that goal. We're going to have to
5 build on the success we've already seen to help prepare
6 America's economic foundation. All of you are an
7 important critical part of that endeavor and we intend
8 to give very careful consideration to all of your
9 recommendations.

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

17 Thank you.

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

25 I should have recognized, Chairman Hochberg.

1 I didn't see you down there. I'm sorry I didn't
2 recognize you earlier.

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LETTER OF RECOMMENDATION

LISA DENNIS COURT REPORTING
410-729-0401

1 **WORKFORCE READINESS SUBCOMMITTEE**

2 CHAIRMAN McNERNEY: I think, let's turn to the
3 business of the day. I think, as most of you know, we
4 have four initial letters of recommendations coming
5 from the subcommittees. We have a pipeline of
6 additional items that will be coming forth in the next
7 couple of meetings, but we decided to focus on these
8 four just for prospective. They, in and of themselves,
9 total about \$250 billion of impact, and the pipeline we
10 have behind that is significantly more, again,
11 responding to the challenge that Gary and the President
12 have given us.

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

22 MR. HITE: Well, as the President alluded to,
23 we're going to have a lot of returning veterans coming
24 back from Iran and Afghanistan. Let's face it, they're
25 laying it on the line every day to protect our freedom,

1 and I think we have a responsibility to try to place
2 them in the workforce.

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

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

23 What it's all about, is we go out there, we
24 send out feelers, who'd be interested in joining our
25 union, and we give them 16 weeks of advanced training

1 right on the base. We bring in trailers, we bring in
2 instructors, we provide everything there. We even have
3 to pay for our own electricity on the base and we have
4 to get insurance for the soldiers, for the military
5 people when they're coming back and forth from the
6 barracks to our training because we're outside the
7 military.

8 But you know, through it all we worked it out.

9 It's a very expensive program, and we pay for the
10 whole thing, lock, stock and barrel, but we've been
11 very successful. We give them 16 weeks of heavy-duty
12 training and then, when they can pass basic tests, when
13 they're discharged we put them out in the workforce and
14 we give them four more years of training.

15 We give them one year credit towards their
16 apprenticeship for going through our training, and then
17 we give them four more years of training. I'll tell
18 you what, they are the best recruits that we have out
19 there. When they come in there, they're disciplined,
20 they take orders well. They show up for work on time.

21 They're great recruits. I think we owe it to them.
22 We have hundreds of these veterans in our program, that
23 came out of our program, that are in the workforce
24 right now and it could be working out better.

25 Something like that could be expanded

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

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

18 You know, everybody is not going to work on
19 computers or be involved in the service industry. We
20 need people in this country who can work with their
21 hands, plain and simple. It's been a very successful
22 program that I'd like to see expand. We have other
23 programs. We've worked a similar program with the
24 Native Americans. We're going to be doing this,
25 getting into the green technology. We traded training

1 for energy audits. We want to get into the green, and
2 I think it's a very good program that we could take to
3 the next level and develop.

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

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

19 Yes, the Congressman made the comment about
20 exports. People don't like to hear the word "exports",
21 but they don't want to hear the words "exports coming
22 in from China". They don't want to hear about Chinese
23 exports. But the American people would love to know
24 that we are exporting goods and services over to China,
25 and we're trying to level that trade imbalance. That's

1 what we're here for, it's about creating manufacturing
2 jobs here in the United States and increasing exports
3 and getting America back to work in good, high-paying
4 jobs. We can't be subservient to other countries. We
5 have just got to do whatever we've got to do to be
6 successful.

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

13 So are there any comments? Yes?

14 SECRETARY VILSACK: Mr. Chairman?

15 CHAIRMAN McNERNEY: Yes?

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

21 CHAIRMAN McNERNEY: Okay.

22 SECRETARY VILSACK: It seems to me that it
23 might be expanded to include not just the Departments
24 of Veterans Affairs, Education and Labor, but
25 Agriculture. We have a serious issue with workforce in

1 agriculture. We have a serious aging of farmers in
2 this country. We have veterans who are currently
3 working in Afghanistan and Iraq with Afghan and Iraqi
4 farmers to encourage more agriculture in those
5 countries, and this is an area where I think you can
6 encourage entrepreneurship and innovation as well. As
7 Secretary Locke indicated, it is a place where we do
8 have a competitive edge worldwide. So if it wouldn't
9 be too much to ask, agriculture would like to be
10 included.

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

13 Are there any other comments?

14 (No response)

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

20 (No response)

21 CHAIRMAN McNERNEY: Hearing none, the letter
22 is approved.

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1 President in March--sets forth a public/private
2 partnership which has to raise money. We have spent
3 less money on promoting the United States than any
4 other country in the world. In many countries, there
5 is a Cabinet Minister of Tourism. So tourism promotion
6 is part of it.

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

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

23 And by the way, you might have to travel 1,000
24 miles to get there, or something like that, to ask for
25 a visa and have a two-minute interview with an officer.

1 These officers interview 100 people a day, I believe,
2 and admit 80 in a two-minute interview, which could be
3 done by video. There are lots of solutions to this,
4 high-tech and other solutions.

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

15 So these horror stories are everywhere. Amway
16 had a meeting of 13,000 people for all their people
17 from around the world who have done well. They
18 couldn't get visas. They canceled it. They held the
19 meeting in Singapore. There's religious groups that
20 can't get here. There are people who can't visit their
21 families, et cetera. So there are problems that exist
22 in Homeland Security and in the State Department and in
23 promotion, but they are readily resolvable problems.
24 They can be solved largely by the people within this
25 room.

1 If we do this, we can double the number of
2 people that come to the United States easily, easily,
3 and create something on the order of half a million to
4 a million jobs in a year or two. So I've been digging
5 into this. People want to come to America. They want
6 to come for cultural reasons, for medical reasons. I
7 have a hotel in Boston that's next to Massachusetts
8 General Hospital. Their medical tourism, people coming
9 to Massachusetts General, virtually dried up because
10 people said, the heck with it, I'll go to Germany, or
11 I'll go somewhere else. So we've got to make it
12 easier.

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

20 (Laughter)

21 MR. FRIEDMAN: But I think this is not very
22 controversial, or ought not to be very controversial.
23 It covers every part of the country. Tourism goes from
24 plumbing, to accountants, to people buying airplanes
25 and cars. A lot of these people are coming here to buy

1 goods and do things, so this is something we really
2 ought to attack. We've been a country that basically
3 has had a big "Do Not Enter" sign for too long and
4 we've overreacted to the 9/11 situation and we've got
5 to get people to come here.

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

8 (Laughter)

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

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

20 In a market like Brazil, Dick mentioned people
21 having to go 1,000 miles or more just to get a visa.
22 Every member of the family has to make that trip. That
23 means a family of four who may want to travel to Walt
24 Disney World in Orlando, God bless them, has to bring
25 the entire family on a 1,000-mile trip just to get a

1 visa. By the way, it is a two-minute interview. It
2 just doesn't happen. There is huge demand for these
3 people to visit the U.S. We know that tourism creates
4 jobs. They also come here and spend a fair amount of
5 money, as has been said. I can't be more supportive of
6 this initiative.

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

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

14 (Laughter)

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

17 (Laughter)

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

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

23 CHAIRMAN McNERNEY: Okay.

24 Any other comments?

25 (No response)

1 CHAIRMAN McNERNEY: Okay. Hearing none,
2 again, I think there's a general consensus to move
3 forward with this letter. We will have an opportunity
4 to shape and flesh it out as the committee moves
5 forward. So hearing no objections, we will approve the
6 letter.

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

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

17 One of the most important ones to deal with
18 are our allies, and clearly this is a matter of
19 security. Korea is an ally. Korea is on our side.
20 Korea wants this, we want it. So we need to be
21 responsive to that. This letter, I believe, has
22 incorporated many comments from many of you, if not all
23 of you, representing all aspects of the American
24 workforce and American industry, and of course,
25 agriculture.

1 There are still issues, like autos, like beef,
2 that we have to go get at that we rely on Ambassador
3 Kirk and our negotiators to make sure we do get at it.

4 I had an opportunity to talk to the Ambassador a few
5 minutes before we came in here, and I know they're on
6 those topics. We have to be responsive, I think, to
7 other free trade agreements; the ones that the Chairman
8 referenced and the Secretary referenced, I think, are
9 very positive. But we have to get some wins. There
10 are 400 free trade agreements scheduled for completion
11 this year; we're participating in 3 of them as a
12 country. China alone is participating in 17. So we
13 can't not be in world trade. I mean, obviously. I'm
14 stating the obvious.

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

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

25 MS. WOERTZ: Mr. Chair?

1 CHAIRMAN McNERNEY: Yes, Pat?

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

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

13 But U.S. agriculture's market share has
14 dropped in these countries that we talk about free
15 trade agreement needing to reach these agreements. So,
16 a quick fact for you. For every billion dollars of
17 additional agricultural exports, there are 8,000 to
18 9,000 more jobs. So as agricultural exports grow,
19 certainly jobs grow in this country. Passage of these
20 FTAs, we think, is important for that competitiveness
21 to continue.

22 Thank you.

23 CHAIRMAN McNERNEY: Yes?

24 MR. TURLEY: I would like to also support what
25 Andrew said. I was struck by, when Dick said he

1 prefers to think about and talk about the bad, not the
2 good, because you can impact the bad, one example of
3 the bad is that it seems to me that while we've been
4 negotiating and debating these free trade agreements,
5 other countries, as Andrew said, have been executing
6 them and entering into them. My understanding is, by
7 the end of 2010, there will probably be about 600
8 bilateral/multilateral agreements. I think the U.S. is
9 party to less than 20 of those. So this is a very real
10 and present issue.

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

20 It's fascinating, because when they are trying
21 to sell industrial motors in Panama, they're faced with
22 a 10 percent duty. When their competitors, mostly from
23 Brazil, mostly from Mexico, are doing the same thing,
24 they're faced either with no duty or 4.5 percent duty.
25 They're at a real disadvantage. They move into the

1 gear box business, and they're doing the same thing
2 with gear boxes into Colombia. Baldor is faced with a
3 15 percent duty. Competitors? Zero duty.

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

12 CHAIRMAN McNERNEY: Okay. Appreciate it.
13 Yes, Congressman Schauer?

14 CONGRESSMAN SCHAUER: Thank you, Mr. Chairman.
15 I have great respect for fellow Michigander there. I
16 don't know if you've met David McKai, the CEO of
17 Kellogg.

18 MR. LIVERIS: Another Australian.

19 CONGRESSMAN SCHAUER: A fellow Australian.
20 Form a support group.

21 (Laughter)

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

25 I have great respect for the work that you're

1 doing, the leadership of this very, very important
2 committee. Some of the items in the letter, in terms
3 of reinforcing American rights against unfair trade
4 practices, fixing or improving -- apparently not
5 modernize, but I'll say improve, current trade
6 agreements, examining a more modern adjustment process,
7 is very encouraging.

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

15 CHAIRMAN McNERNEY: I understand that.

16 Congressman Sanchez?

17 CONGRESSMAN SANCHEZ: I'll be very brief. I'm
18 going to echo the concerns of my colleague Mr. Schauer.

19 After careful study of the letter, there is an
20 alternate letter that we have written and that's been
21 transmitted, so as long as that's been received, I'll
22 stop.

23 CHAIRMAN McNERNEY: I understand that it will
24 be received and we will try to be responsive to it.
25 Some of your comments earlier anticipated some of this,

1 so I think we got it and appreciate your sensitivities
2 here.

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

5 CHAIRMAN McNERNEY: Yes?

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

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

15 CONGRESSMAN REICHERT: Okay. Thank you.

16 CHAIRMAN McNERNEY: Secretary Locke?

17 SECRETARY LOCKE: However you want to run it.

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

20 MS. VERMEER ANDRINGA: Yes. Thank you.
21 There's been a lot of comments this morning about
22 small- and medium-sized businesses, and that's who I
23 am. Our company is headquartered in Iowa, and we have
24 about 2,300 employees worldwide, so small- and medium-
25 sized. But 90 percent of the United States -- and my

1 dad started the company, and one of our first exports
2 was a trenching piece of equipment which was used in
3 Europe, and he went and did the operator instruction
4 himself.

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

14 And when I look at where we're exporting the
15 most to, the biggest chunk is to Australia. We've had
16 the most growth in Australia and it correlates with the
17 2005 free trade agreement. So I know there are things
18 we need to work out and we need to look at all the
19 issues, but I would say that for us, free trade
20 agreements are a huge deal.

21 Also, just to reflect a little bit on the visa
22 comments from the earlier letter, often when we bring
23 customers in from various countries and we can show
24 them our plants, our people, they can go see equipment
25 demonstrated on real sites with other contractors, they

1 buy our equipment and we can export it. But if we
2 can't get them here because of visa issues, we miss
3 that opportunity. So anyway, I think we have a great
4 opportunity here.

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

15 CHAIRMAN McNERNEY: Thank you very much.

16 Any other specific comments on the letter?
17 Mr. Secretary?

18 SECRETARY VILSACK: Very quickly, I think
19 there's been a lot of emphasis on new and emerging
20 markets, but I hope that in the draft of this letter
21 that we don't forget about our longstanding partners in
22 trade, that being Canada and Mexico, and the need for
23 us to make sure that as actions are taken, be they
24 statutory or regulatory, that we don't interfere with
25 those relationships.

1 I know that Ray LaHood and I probably agree
2 that we need to resolve the Mexican trucking issue, for
3 example, because they have assessed tariffs on a number
4 of agricultural products that have made it a bit more
5 difficult for us to export to Mexico, who is one of our
6 best trading partners. So I hope, in the emphasis that
7 this letter seems to have on new and emerging markets,
8 that we don't send the wrong message to our current
9 trading partners who are so valuable to us.

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

12 Any other comments on the letter, per se?

13 (No response)

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

19 (No response)

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

22 AMBASSADOR SAPIRO: Yes. Thank you very much,
23 Jim. I'm Ambassador Sapiro from USTR, one of
24 Ambassador Kirk's deputies. He, unfortunately, had a
25 prior speaking commitment, which is why he asked me to

1 step in. I just want to thank everyone for what's been
2 a terrific discussion, because all of the issues that
3 you've raised, from Representative Sanchez, to Senator
4 Stabenow, to all of the terrific CEO representation
5 that we have here, our issues that we are working on
6 every single day of the year.

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

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

22 So again, these issues are very much front and
23 center of what we're doing, including emphasis on small
24 and medium enterprises, digital goods, green
25 technology. So please, keep your ideas coming and

1 let's keep in touch and work these issues through
2 together. Thank you.

3 CHAIRMAN McNERNEY: Thank you very much,
4 Ambassador Sapiro. We appreciate the comments.

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RECOMMENDATION LETTER**EXPORT PROMOTION ADVOCACY SUBCOMMITTEE**

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3 CHAIRMAN McNERNEY: Certainly not least, but
4 last, I'd like to call on a good customer of mine, by
5 the way, Scott Davis, chair of the Export Promotion
6 Advocacy Subcommittee. Scott?

7 MR. DAVIS: Thanks, Mr. Chairman.

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

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

18 For anybody who has dealt with export
19 controls, we understand that challenges of the current
20 system. We have two separate U.S. export control
21 regimes, both the State Department and the Commerce
22 Department. We have separate commodity control lists.

23 We have separate licensing agencies. We have lots of
24 overlap, overly complicated, and still does not
25 sufficiently reduce the national security risks today.

1 So again, I think this export control reform
2 has potential to better secure critical technologies,
3 build the U.S. industrial base, and maintain the
4 competitiveness of U.S. companies abroad. We've talked
5 a lot about manufacturing jobs. I think this really
6 will assist in growing manufacturing jobs in the U.S.

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

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

25 Finally, back in line with the small business

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

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

16 (No response)

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

21 Listen, I'd like to thank the subcommittee
22 chairs for a fast start. Some quick contributions,
23 some quit hits early. We had a fair amount to get
24 through, and so I appreciate the efficiency and the
25 staff that supported us, which, as we all know, really

1 are the people that got us through this. I'd like to
2 acknowledge them and thank them very much.

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

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

16 CHAIRMAN McNERNEY: I appreciate the comments.
17 Yes, Bob?

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

22 CHAIRMAN McNERNEY: Yes.

23 MR. IGER: We're global leaders in the
24 creation of intellectual property, whether we're
25 talking about computer software or making movies. We

1 compete in many countries with pirates who are either
2 giving away our product for free--tough to compete
3 against free--or selling it for their own gain at
4 substantially reduced prices and not paying any taxes,
5 by the way, in the United States for those sales. I
6 just think, given the size of the industry and the fact
7 that we're global leaders, obviously the importance to
8 this country in terms of the support of the economy,
9 it's something we need to consider.

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

21 I think Gene has got some ideas on how to
22 engage all of us in that, and I'll just leave it at
23 that for now. But it's very promising and the
24 President did comment on it this morning when he was
25 just informally interacting.

1 MR. TURLEY: Has there been a location picked
2 for December 9th or is that still to be determined?

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

9 SECRETARY VILSACK: Mr. Chairman?

10 CHAIRMAN McNERNEY: Yes, sir? Yes?

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

15 CHAIRMAN McNERNEY: Yes.

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

24 CHAIRMAN McNERNEY: I don't want to put words
25 in Gene's mouth, but I know that is very much at the

1 forefront of the things he's trying to identify and
2 knock down. Some of them are a lot more practical than
3 you would think.

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

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

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

16 MR. LIVERIS: Just, on subcommittee charters,
17 we need to get our heads together around that, Jim,
18 because intellectual property cuts across all the
19 committees. We just need to make sure we don't get
20 redundant work. So whether it be export control
21 standards and technology standards, a rising tide lifts
22 all boats; global competitiveness, services,
23 manufacturing, and agriculture all have a stake in
24 that. I think we should get some clarity around that
25 from the staff.

1 CHAIRMAN McNERNEY: We will reduce the
2 complexity and get a letter done. I appreciate the
3 comment, though. I do understand the challenge there.

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

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

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

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

25 Without getting into economic forecasting of a

1 kind I shouldn't, the current levels of excess capacity
2 in the lodging industry and developments in foreign
3 exchange markets suggest to me that this is probably a
4 particularly propitious time for a substantial
5 initiative in tourism, and I think there's a lot of
6 receptiveness to that in the administration. You have
7 to help to show us how.

8 I will not, at this late hour, re-litigate the
9 various issues associated with trade policy beyond
10 observing that we have to demonstrate that these
11 agreements work for people if we're going to succeed in
12 doing them, and that means bringing them back to the
13 interests of ordinary workers and ordinary people here.

14 And just to repeat a hobbyhorse of mine, it does not
15 help your government to tell it that foreign countries
16 are doing outrageous things, but you can't really
17 mention the outrageous things to the foreign government
18 because they'll retaliate.

19 If the business community can find a way to
20 allow there to be disputes raised collectively, that
21 will be very important. Export controls, but this
22 debate is in a different place. This theme has been
23 there for 25 years. It is in a different place now
24 because the Secretary of Defense is leading the charge.

25 The Secretary of Defense institutionally is usually on

1 the opposite side. We have a huge window of
2 opportunity here, and it's a matter of just getting the
3 word out. Insofar as some of you have interactions
4 with the bureaucracies that sit underneath the kind of
5 people who come to this table, your conveying strength
6 to those bureaucracies will be very helpful.

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

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

1 should be thinking about that question.

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

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

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

25 Thank you.

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

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

11 The meeting is adjourned.

12 (Whereupon, at 11:30 a.m. the meeting was
13 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 16, 2010, were transcribed as herein appears, and this is the original transcript thereof.

LISA L. DENNIS, CVR

Court Reporter