THE PRESIDENT'S EXPORT COUNCIL

Eisenhower Executive Office Building
Room 350
Washington, DC

Tuesday,
March 12, 2013

The meeting was convened, pursuant to notice, at 9:38 a.m., Mr. James McNerney, Jr., Chairman, presiding.

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The Boeing Company

URSULA BURNS
Vice Chair
Xerox Corporation

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G&C Equipment Corporation

ANDREW N. LIVERIS
The Dow Chemical Company

DENISE MORRISON
Campbell Soup Company

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D-Minnesota

SENATOR KIRSTEN GILLIBRAND
D-New York

UNITED STATES HOUSE OF REPRESENTATIVES

REPRESENTATIVE LINDA SANCHEZ
D-California

U.S. CONFERENCE OF MAYORS:

ALVIN BROWN
Mayor of Jacksonville

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Secretary of State

AMBASSADOR RON KIRK
U.S. Trade Representative

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

SETH HARRIS
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U.S. Department of Energy
SUSAN KURLAND
Assistant Secretary for Aviation and
International Affairs
U.S. Department of Transportation

JIM STOCK
Member
Council of Economic Advisors
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PROCEDINGS

I. WELCOME & OPENING REMARKS

CHAIRMAN McNERNEY: ...four years. In fact, today we have 10 letters to review, as most of you know. But before that, we have a number of visitors here today and we'll start with them and some of their comments.

But I think for perspective, I think most of us remember that the National Export Initiative, which I think is about three years old now, set a very ambitious goal for our country. We are about 47 to 50 percent of the way there already.

For those of you mathematicians in the room, off a 2009 base, 47 percent in 2012. 47 percent, by the way, represents a record year for exports in this country. So I think it's the often-stated situation where we're feeling good about our progress but we're also impressed with how far we have to go to meet the NEI goal.

So we'll come back to a lot of that in our recommendations and in some of the ensuing discussion, but in the meantime, we have a number of distinguished members of the PEC and of the administration here today. As always, I'd like to call on many of them,
particularly those that are new, for their comments.

But let us start with Ursula. Ursula, do you have any comments to make?

VICE CHAIR BURNS: Just to add my welcome and to emphasize your point that we have made a significant amount of progress but have a long way to go. The 10 letters that we'll talk about today, I think, a good foundation for the next series of steps that we have to take. Let's keep working, keep working hard and keep our spirits up, and I think we'll make the progress that we need to make.

CHAIRMAN McNERNEY: Thanks, Ursula.

Valerie, I had hoped you'd like to make some comments.

MS. JARRETT: Sure. Good morning. Thank you, Jim and Ursula, for your leadership here. It seems like December was a lifetime ago. We've been awful busy as the President is launching his second term and a lot of our agenda, of course, is going to hinge on the success of the ideas that come out of the Export Council.

Looking around the room, this is really the perfect model for how government and the private sector should work together with the legislative and executive branches of government. I want to thank our Senators
who are here with us today as well.

I want to mention a new person. You're going to see a lot of new faces in the coming weeks, but Danielle Gray--Danielle, raise your hand up there--is our new Cabinet Secretary. She's been with the Obama "family", let's say, from the very beginning and we're just delighted to have her in this new role.

She is leaving Gene's team over at the NAC and taking on the responsibility of really coordinating our Cabinet, so she'll be a very important touch-point for the work that we do. You will be seeing new Cabinet members who will be participating actively as we go forward.

But I really just wanted to thank you. We've made an enormous amount of progress over the last year. We just had a report from our Council of Economic Advisors and what was a little disappointing is that exports lagged a bit last year, probably due to what's going on, according to Allen, in both Asia and in Europe, but it just means we've got to keep our pedal to the metal even more so.

So I want to thank you for everything that you have done and thank you in advance for everything you're going to do in the coming months ahead.

So, thank you, Jim.
CHAIRMAN McNERNEY: Well, thank you, Valerie. I think everybody around the room knows of your personal support here. I know you're helping us find some new members to keep it fresh and keep it integrated with the private sector, the administration, and the legislative branch and we appreciate your efforts. It is working and we appreciate being part of it.

You did mention that we have two new Senators who have joined us, Senators Klobuchar and Gillibrand. Could we entice both of you to make comments? Maybe the Senator from Minnesota, first?

SENATOR KLOBUCHAR: Well, very good. Thank you, Chairman. Thank you to the Vice Chairman as well. I'm very excited to be on this Council and excited to be sitting next to my friend Fred Hochberg. This is a great group and I really see this as the future of getting out of this somewhat, I'd say stabilized, but difficult economy we're in.

I've seen in my own State we are now down. I think last month we are at 5.5 percent unemployment and a lot of it has to do with exports. It is not just the agricultural exports, agricultural machinery. We have high-tech companies, from 3-M to Medtronics and companies like Cargill.
What I love about -- I was just on an export tour last week in Minnesota and literally all these companies that have 50 employees, 100 people, you walk through their warehouses and there are huge crates that say "Ship to China", "Ship to India" everywhere. They have really gotten into it and are employing just millions of people. So I'm very excited about it and would like to be a strong participant here. I'm really focused on some of the workforce development issues. Then in the export areas, I see we are going to lose some of this exporting possibility if we don't have the people to fill the jobs.

Tourism. That's my subcommittee. It's very focused on the visa wait lines, which have greatly improved with some good work from the State Department, but there's so much more work that needs to be done in that area, as well as with the Travel Promotion Act. Then just moving on some of these trade issues, I think, will be incredibly important to move our economy forward. Thank you very much.

CHAIRMAN McNERNEY: I think a real signal that you take exports seriously in Minnesota was the trading of Percy Harvin to Washington.

(Laughter)

CHAIRMAN McNERNEY: I mean, if you're willing
to give him up in the name of exports --

SENATOR KLOBUCHAR: That's very good. Very good. We won't mention our Brett Farb trade.

CHAIRMAN McNERNEY: There's a lot of us in Seattle, though, that are happy with that particular export.

SENATOR KLOBUCHAR: Okay. Very good.

CHAIRMAN McNERNEY: Senator Gillibrand, would you care to make a comment?

SENATOR GILLIBRAND: Well, thank you so much, Chairman. I appreciate your dedication to service and advocacy. It makes a huge difference.

Madam Vice Chair, who is a star of New York State who I continue to admire and watch her continue to take greater and greater leadership roles, it's extremely exciting.

Ambassador Kirk, thank you for all that you do. I am incredibly grateful for your service and commitment to a vision for this country that really makes sense.

I just want to thank Valerie Jarrett for being here, who has been not only the consummate public servant, but somebody who has been a role model for many in my State and for those in Washington. So, thank you for your hard work.
I'm delighted to be on this Council and I'm so excited to meet so many of you who are so focused on how we increase exports in this country. New York has a growing economy in exports, which is exciting for us. As you know, New York really found its footing in both agriculture and manufacturing that really built our very strong middle class in our State. In agriculture, we are now exporting. We are exporting fruits and vegetables, even Greek yogurt. My husband commented this morning, you need to export it to Greece to see if they like it.

(Laughter)

SENATOR GILLIBRAND: But we have a lot of opportunities in the agricultural sector. We also have great opportunities in the manufacturing sector. I spent the last four years in the Senate touring our manufacturers across our State to see how we build things.

Now, obviously for New York the 20th century was the era of manufacturing, but a lot of that manufacturing has left New York State. What we have instead is advanced manufacturing. We have a highly competitive, growing industry in advanced manufacturing in high-tech, bio-tech, nano-tech, and energy technology.
What we've used in our State to be successful is our educational system. Because we have such a strong system, we have been able to provide these hubs, regional development goals, and allowing our students to become the entrepreneurs of tomorrow and really teaching entrepreneurialism and innovation as part of our curriculum.

I know one of the President's goals in this next term is to focus on education, and particularly STEM education. If eight of the nine fastest growing industries require proficiency in math, science, engineering, and technology, we definitely need to focus our educational goals along those growing industries.

So that's including STEM education at the grade school level, expanding it through high school and college, and even integrating at the community college level so we can train our workers for the jobs that are available.

The most heartbreaking statistic to me is that 600,000 jobs went unfilled last year in the manufacturing sector because we did not have the workforce training designed to make sure those workers met the manufacturers' needs. So if we're going to have more exports and continue to grow our cutting-edge
technologies, workforce development is going to be key to that.

So I just want to thank you all. Secretary Kerry, thank you for joining us. I'm delighted to call you Mr. Secretary.

(Laughter)

SENATOR GILLIBRAND: It's a real pleasure to be here. Thank you.

CHAIRMAN McNERNEY: Thank you very much, Senator. Appreciate that.

You did recognize our new Secretary of State, who we are delighted to have join us here today. We've had a great working relationship over the last four years with the State Department and with many of your Ambassadors around the world. We very much look forward to working with you and your team going forward and we'd enjoy any comments you'd like to make.

SECRETARY KERRY: Mr. Chairman, thank you very, very much. Ursula, it's great to be here with you. Thank you. Valerie. And everybody, especially my ex-colleagues. I miss you guys, but not so much that I want to come back.

(Laughter)

SECRETARY KERRY: But I do. I do miss parts of it. What a privilege to be here with all of you.
Thank you for giving me a few moments to say a few words.

I want to thank Acting Secretary Blank for her cooperation and the team effort we have. I think the most important thing to think about here is the team effort. We have an extraordinary amount of clout assembled in the various entities that are here, both private sector and government. I think that partnership is absolutely critical.

When I was back in the Senate, I remember going to Hong Kong. This was back in the 1990s, I think. I saw three commercial officers there and they said to me, we're missing billions of dollars' worth of business. I said, why? They said because we don't have as many people as other countries do and because we don't have a venue where we can meet with people and marry RFPs and business. We just don't do the salesmanship, we don't do the work.

You think about that magnified against the bricks today and all the economic energy that is out there. This is a huge, huge jobs program for us. We have to sell it better, I think, to the Congress and to the country as to why we need to engage in this.

So I said in my confirmation hearing that I believe that foreign policy today is more economic
policy than at any time in our history. I am convinced
of that, and we know that. You and I have talked.
I'll get back to you afterwards with your letter.

But we have 270 posts around the world with
officers, commercial officers, economic officers. I
want to call them all jobs officers from now on. I
mean, that's what we ought to be. We ought to be
marring this effort in the most significant way that
we can, all of these entities here, because the rest of
the world is voracious. The appetite is unending. They
are much more serious than we are, I hate to say it,
about going after these opportunities. I've seen this
over the years.

I've led the first-ever Senate business
delegation to India after then-Finance Minister Singh,
now Prime Minister, started the economic reforms. When
King Abdullah first came in I hosted a luncheon up in
Boston at my home with King Abdullah and a bunch of
tech companies.

Every single one of those tech companies is
doing business in Jordan today as a result of that
luncheon. So we can, all of us, do more to try to make
these things happen. I think that my intention is to
really prioritize this in my tenure as Secretary.
We're going to do a lot more in coordinating this
effort between our own Under Secretariats at the Department, as well as with the rest of the administration.

If you look at the problems we face in terms of the Mideast, the Mideast peace process, challenges in Mali, Tunisia, Libya, Egypt, et cetera, it is fundamentally, how are those people going to govern and deliver to their people, and delivering to their people means delivering jobs. Jobs. We have all the technical and other capacities to be able to become part of that and that's how we're going to change them, not any other way, I don't think.

So in the trip I just took, I met with business people in Cairo. I met with the business community. I met with young entrepreneurs in Berlin. I'm going to make it a staple of every effort that we make in the State Department. I notice that every single country I went to is interested in a stronger business relationship with the United States.

So this is a moment of opportunity for us. We are coming out of the difficult times because of the President's leadership in the last four years and the programs he put in place. I think we have enormous opportunities staring us in the face.

But what I really found was the extraordinary
excitement in Europe, all the way to Turkey, with the TTIP. The possibilities of taking the European market, the largest market in the world, and joining it with the United States, the second-largest market and economic entity taken alone, and you have a powerhouse that raises the business standards around the world, begins to deal with cyber issues, internet standards, regulations, all these inequities of the marketplace that we have to try to cope with. That market power, I think, will be unbelievably powerful, so that's an opportunity staring us in the face.

I would just say that the State Department has already launched a number of initiatives to try to improve these things. One, is the direct-line calls which link our ambassadors and country officers with businesses.

If you don't know about it, you can go to state.gov and sign up. There's a place there for you to link in and do that. We also have made the internet website much more friendly to businesses. There's a separate business tab to be able to tap into different countries and how you can involve yourselves in those countries and what kind of business opportunities may exist.

Finally, I think we're going to roll out
another initiative to help companies find timely leads on foreign government procurement opportunities and see if we can't partner with Commerce and do a more effective job of trying to make those opportunities available. So bottom line, we've seen some successes in Canada. Officers in the embassy were able to work with an automotive company and get them to invest millions of dollars in Michigan.

Likewise, Jim, I think you know this, we had people working very closely with the embassy in Jakarta and the Advocacy Center worked with you on the largest private deal for Boeing history. Boeing obviously has its own ability to make things happen, but there was a cooperative effort that I think was helpful in that. So there a lot of other things we can do.

The final thing I'd just say is, folks, as President Obama said, tourism is the number-one service export. It's a $1.2 trillion business. For every 65 visitors who come to the United States, we create a job. So we're working to make our consulates as visa-friendly as possible. Sequesters don't help in that endeavor. This is a connection business community. We ask you to help make to Congress, you know, people have got to recognize the zero-sum aspects of this.

But bottom line, we are putting together in
the State Department now a new initiative at the
President's behest to really try to maximize the United
States' economic presence in these countries over the
next four years. Fred and I have talked about it, I've
talked to Elizabeth Littlefield about it. We have a
huge set of tools that I think join together: Ex-Im,
OPIC, USAID.

I've talked to Jim Kim at World Bank. We have
an ability, I think, to leverage ourselves far more
than we have in terms of these kinds of opportunities.
So I will look forward to working with all of you with
that. We are delighted with this initiative and
grateful for everybody's efforts.

CHAIRMAN McNERNEY: Mr. Secretary, thank you.
I mean, you have just redefined hitting the ground
running. I mean, that's a terrific and heartening
message for this group and your leadership is highly
appreciated. We look forward to working together with
you.

Secretary Blank, would you like to make a
comment?

SECRETARY BLANK: Great. Thank you very much,
both Jim and Ursula, for your leadership for this
group. Thanks to everyone for being here. I know
you've been busy since we last met in December, given
the 12 letters of recommendation that you have put on
our plate and that we're going to discuss later today,
so I'm really looking forward to this morning's
conversation.

As Jim noted, we hit a record level of exports
in 2012, $2.2 trillion. That doesn't mean that we are
where we need to be, but it's a good sign that we're on
the right trajectory. We are going to come back and
talk about, what else do we need to be doing and
thinking about in order to keep those exports growing?

A couple of things that we are working on in
Commerce and jointly with everyone else here, with
State, with USTR, and Labor, Agriculture, as you all
know we are launching the partnership talks between the
U.S. and the E.U. at the same time that we're hoping to
complete the Trans-Pacific Partnership negotiations.
That is just a huge trade agenda. We make progress on
that and we will really transform our country's
situation in the world.

We have recently launched the Doing Business
in Africa campaign. I know we'll come back and talk
about that. We held the campaign's first State-side
forum about a month ago here and DC and had an overflow
crowd with actually more people than we expected, with
standers for most of the day in the back of the room.
In terms of the advocacy issue, as you know, Commerce has long worked on advocacy and we're really trying to coordinate that work across all of the government. I'm just delighted at the partnership with State. We've established an inter-agency task force on commercial advocacy that is really designed to align our Federal resources so that we can serve all of you who need that type of support better.

In terms of the southern hemisphere, we are gearing up for a trade mission to Brazil in May to see how our businesses can help on the infrastructure front, particularly competing with World Cup and Olympics related business.

Michael Froman and I are going to be in Brazil next week for the U.S.-Brazil CEO Forum and are going to be talking with a number of both private sector and public sector leaders there, including a meeting with President Roussof. So I'm hopeful that that will also put some new things on our agenda to help move forward some of the issues with Brazil.

Then lastly, we are celebrating the third anniversary of the National Export Initiative this week. We are going to launch into a talk very soon about exactly what is it that we need to be doing to step things up here in the second term; given what
we've accomplished in the first term, where else do we need to be going? So I'm looking forward to hearing your insights about that and how government and industry can continue to work together even more closely to keep moving this whole agenda forward. So, thank you.

CHAIRMAN McNERNEY: Thanks very much, Dr. Blank. We appreciate that leadership very much.

I think we have Mayor Alvin Brown with us again. Welcome back. Where are you sitting, Mayor?

There he is. There he is.

MAYOR BROWN: Thank you, Mr. Chairman.

CHAIRMAN McNERNEY: Would you like to make a comment, please?

MAYOR BROWN: Yes. Thank you so much. I'm happy to be here. I want to also thank the Vice Chair. Mr. Secretary, good to see you and Valerie and Ambassador Kirk. I want to thank the President's Council for including the U.S. Conference of Mayors and giving us a seat at the table. Since our last PEC meeting, the conference held its 81st winter meeting here right before the inaugural.

I am glad to report that we had a very engaged session on exports in ports, where we heard from both Fred Hochberg from Ex-Im Bank, Under Secretary Sanchez.
I think the mayors are interested in doing more with the bank, particularly the outreach section, dealing with their strategies for exports.

We have two main objectives, basically. One is to make sure that the mayors put together an agenda about exports in their economic development office, and then two, really working with the private sector to leverage their assets to help small business and entrepreneurs get out there and create jobs.

As you know, the port is a big business in cities. I know in Jacksonville it's a $19 billion economic engine. It's responsible for 65,000 jobs. So, we know how important exports are in playing a major role in putting people back to work. So, thank you for this opportunity, Mr. Chairman. I look forward to the discussion.

CHAIRMAN McNERNEY: And it is good to have you with us. It's very important and we appreciate it.

MAYOR BROWN: Thank you.

CHAIRMAN McNERNEY: You mentioned Ambassador Kirk. It's hard to believe--hard to believe--that he may not be with us again. I think the administration took some incoming for a dearth of FTAs early on. Now there's the most, as Secretary Kerry just mentioned, ambitious FTA agenda in this country's history when you
add Europe into the TPP. So I don't know if that means a victory lap for you, but we would appreciate your comments in any case.

AMBASSADOR KIRK: Well, Mr. Chairman and Ursula, let me add my thanks to all the members of the committee for your great support of all of our trade efforts. I regret that I won't have the opportunity to continue working, particularly on this new Trans-Atlantic Trade and Investment Partnership that you heard Secretary Kerry and Dr. Blank mention, as well as completing our other initiatives.

But I do feel like we have set the table for a very robust agenda going forward that will allow us to focus on the matter that Secretary Kerry so wonderfully framed, how we create jobs, and answer the question that so many Americans have anxiety about, are our kids going to have it better than us? There are no questions where these jobs are going to come from.

What I am most proud of is I think we have done more to begin to at least peel away some of the cynicism and outright fear that Americans have that trade really can be a part of our job-creating agenda.

A lot of that has been due to the President's courage in elevating both enforcement, but also public engagement as part of our trade agenda.
That's one of the reasons we were able to pass the agreements with Korea, Panama and Colombia with record margins and why I think there is so much excited for this new Trans-Atlantic Partnership, and we are working so hard to complete the Trans-Pacific Partnership as well.

You all know more information on that so I'm not going to go into great detail, but the two of those are far and away the largest plurilateral trade efforts going on in the world. I think it's important to note they in no way at all signal our lack of commitment to the global trading system in Geneva, but we frankly believe this could be the biggest boost to sort of creating more energy, more positive energy, to move forward trade liberalization in a multi-lateral form if we can move with these.

I do want to pick up on one thing and make a request that I do all the time, and Senator Gillibrand, I think, did a wonderful job of highlighting the importance of STEM education to our economy in the future. But imbedded in that is the reality that we have a knowledge-based economy and we have to be able to protect that.

The common thread that runs through our work, both in this Trans-Atlantic Partnership, what we're
trying to achieve in the Trans-Pacific Partnership,
what we've done in every trade agreement, what we're
attempting to do in Geneva with an expansion of our
international technology agreement, is we have to have
the strongest intellectual property protection that we
can possibly seek in these agreements.

The one area I am most concerned about, Mr.
Chairman, is I think we are failing miserably in the
public debate about the importance of protecting our
intellectual property rights. It seems to be
singularly devolving to a debate about privacy and
others. I don't know the answer but every one of you
at this table is different, as your businesses are, and
are all linked by the ability to protect your work
product.

So I would just ask for your thoughts and help
as part of this Export Council that, somehow, we are
able to fashion an argument for the American public
that helps them to understand that if we give away our
work product, we just don't have a future. So we've
got an ambitious agenda at USTR. We're going to
continue to work with our colleagues at Commerce and
Agriculture and we are thrilled with the new energy and
leadership that Secretary Kerry is bringing to the
table, and appreciate the opportunity to be with you
today.

CHAIRMAN McNERNEY: Well, we are going to miss you. Most importantly though, I think we're going to take your advice on the IPR. I mean, we think we've focused on it. We gave ourselves a yellow blending to green when we assessed our progress at the end of last year. But I think, based on your comments, we're going to take a look at the practical application of some of our recommendations and give ourselves an honest score on this thing and maybe rejuvenate some more activity here in

the --

AMBASSADOR KIRK: I don't want to belabor it, but if I could just give you one example.

CHAIRMAN McNERNEY: Sure.

AMBASSADOR KIRK: I mean, while we are negotiating with partners in this Trans-Pacific Partnership, we've got 9, now 10, 11 other partners with Mexico and Canada, it is very difficult to convince them of the need to embrace, accept, and implement robust IPR chapters when, many times, we have NGOs from here in the United States that are sitting there and giving them contrary information.

We will very shortly, as it relates to this Trans-Atlantic Partnership, send our notice to Congress
which will begin the Federal Register process. That's a wonderful opportunity for those of you at the table to weigh in and put your thoughts on the record about the importance of this and making sure we have a strong IP chapter in that effort.

CHAIRMAN McNERNEY: Duly noted.

AMBASSADOR KIRK: Thank you.

CHAIRMAN McNERNEY: Thank you very much.

I think we have Secretary Harris here. There we go. We'd love to hear your comments.

SECRETARY HARRIS: Thank you very much. Thank you, Madam Vice Chair, as well. It's a pleasure to be back for the President's Export Council and to be able to congratulate you and all the Council's members for the excellent work that you've done.

Let me say it's a special pleasure to be able to welcome back my friend Bill Hite, the president of the United Associated. I want to thank him for speaking out for workers, not only in this forum, but in every forum in which he is found and for his outstanding leadership in the cause of veterans' employment, which is central to our mission and close to my heart.

As Bill knows, the Labor Department helped 1.3 million veterans with job training and job placement.
services last year and we are proud to be partners with
the UA and with many of the corporate partners sitting
around the table here. We are looking forward to
continuing our work with Bill and with all of you in
the cause of veterans' employment going forward.

Let me also congratulate Patricia Woertz from
Archer Daniels Midland for her outstanding leadership
on the Workforce Development Subcommittee. When the
time comes I am going to--this is a little
foreshadowing--offer a full-throated endorsement of the
letter that you've recommended to the committee on
skills development.

A number of members of the Council have
already spoken about the critical role of workforce
development. I believe that the letter that you have
offered properly acknowledges the essential role that
workers have played, and are going to continue to play,
in advancing the President's national enforcement
initiative. So I thank you very much for that.

I heard in the letter, and in some of opening
statements this morning, echoes of the President's
State of the Union address where he called on all of us
to assure that U.S. workers have the skills and
training that they need for 21st century jobs.

Let me say I hear the same thing when I meet
with business leaders around the country. I have been traveling the country and talking about skills development. What I am hearing, particularly from multinational organizations, is that they want to site their business where they can be assured that there will be a steady and reliable pipeline of skilled workers who can drive their productivity and drive growth in their businesses.

So skills development, as Senator Gillibrand said and as Ambassador Kirk said, is a necessary part of any successful strategy for expanding trade and I think it can be the leading edge of economic development for communities across the United States.

I think perhaps just as importantly, and this is picking up on Ambassador Kirk's very important point about the role of the trade discussion here in the United States, U.S. workers have to be given an opportunity to share in the benefits of U.S. trade.

So if this strategy is going to persevere, if an aggressive, export-driven trade strategy is going to persevere, middle class families have to see the dividends of the success of that strategy, and skills development, I think, is a very important part of that equation as well. So let me applaud, again, the subcommittee's work, Bill, your work, the PEC's work on
this critically important issue. Thank you again, Mr. Chairman, for the opportunity. Thanks.

CHAIRMAN McNERNEY: Yes. Well, thank you very much for your comments. I think this is a little bit anecdotal, but as I just think around the business community most of the folks who are growing employment are our Nation's largest exporters. So there is evidence within the workforces of some companies that this is all connected, but I take your point, which is that there needs to be a broader constituency for the idea. We will take your comments very seriously and we appreciate it.

SECRETARY HARRIS: Thank you.

CHAIRMAN McNERNEY: I think Administrator Karen Mills, who is also on a victory lap here, it won't be the same without you, but we'd appreciate any comments you'd make and any thoughts you'd leave behind for us.

ADMINISTRATOR MILLS: Well, thank you very much, Jim, Ursula, and to the entire Council for your leadership, particularly on the issue of small businesses that are exporting and supply chains. Many of you have supply chains that are part of your export activity.

I have some show-and-tell for you in your
book. Tucked inside the blue binder is something that speaks to the agenda that Secretary Kerry just set out, which is the U.S. Small Business Administration's Global Partnership with the State Department on training economic officers in the State Department on entrepreneurship and on getting access to capital and building economic ecosystems for entrepreneurs in all of these countries.

As the Secretary pointed out, all of these things lead to connections with small businesses and large businesses in this country that lead to more export connections, so we are very excited to be actively engaged in some of that agenda.

As you know, 98 percent of the exporters are small but they only comprise about 34 percent of the export dollars. That is up so small business exports are one of the fastest growing pieces. We take responsibility for the piece where we go out and try to make sure there are more new small businesses exporting. There are under 300,000 small businesses that export.

We have committed, under the leadership of Mike Froman and the Export Promotion Council--good thing you got here right at this moment--but the first thing is a chart I showed you last time, sort of a
green chart that is also a stop-light chart that's also in your book. The good news is that it has a lot of green on it.

That is reporting on the progress to add another 50,000 exporters, small business exporters. This is really building ecosystems on the ground that help these small businesses get access to export opportunities and the financing and opportunities to provide those goods and services overseas.

The second little chart in your book talks about the global business solutions. This is part of the President's effort he has done from day one to make sure export activities and all agency activities are linked, leveraged, and aligned. We have been working very closely with Ex-Im Bank and Commerce and you see that on that on the 1st of April we will launch global business solutions, a whole-of-government approach to financing exporters.

This means that while the Commerce Department counts as a small business, the products of Ex-Im Bank, with trade insurance will be coupled with SBA loan products and they will be available in a one-stop shop. So look for that announcement in the 1st of April. We are already behaving this way but we're going to make a big deal of it.
The last piece is, to promote exports we have an export video initiative. Now, I wanted to actually bring one of the winning videos from last year here, but we don't have the show-and-tell for the video. But if you go on challenge.gov, you will see some of the videos that small business exporters and other small businesses have put into some of our competitions and they tell the story better than I can about how they have seen export opportunities grow their business.

We have partnered with Visa so there is a 10,000 prize from Visa for the winning export, and there are several other cash prizes. So there's nothing like a small amount of cash to get the excitement going and we will look forward -- we've already sent out some emails to 400,000 businesses that we have on our contact list and we hope to generate more businesses that are exporting and add to the totals. Thank you.

CHAIRMAN McNERNEY: Thank you. Thank you, Karen. Thanks very much for your participation over the last few years. Appreciate it very much.

I think Dr. Blank was -- we're going a little out of order here. I hope I'm not surprising you. But you had a few comments on the world economic outlook. Now would be a good time to hear them if you could do
it.

SECRETARY BLANK: All right. I do understand that we might be interrupted and in that case we'll just --

CHAIRMAN McNERNEY: We always know how to make it up as we go along.

SECRETARY BLANK: Yes. We can make it up as we go along.

CHAIRMAN McNERNEY: That's the distinctive competency of this group.
II. NATIONAL EXPORT INITIATIVE UPDATE AND DISCUSSION

SECRETARY BLANK: Yes. So I think there are slides in your book but there are also going to be slides there on the screen. I know that this group asked to actually really have a conversation about, where can we be going with regard to an agenda to increase exports.

I want to lead into that conversation with an overview of, where are we economically. I am going to use a couple of major, big slides about the economy and then really turn and focus in on exports a little bit more specifically.

As I said, it is the third anniversary of the National Export Initiative, so it's a good time to sort of assess where we've come, where we've been. We'll start with the employment numbers. All of you, I'm sure, saw the release this last Friday where we saw that private sector payrolls rose by almost 250,000. That was a very good number. That's three straight years of growth and almost 6.4 million jobs that have been created since the end of the recession.

The unemployment rate is also down to 7.7 percent, the lowest since the end of 2008. Let's hope that that continues as well. The manufacturing sector,
as I think you know, has been particularly strong, adding more than a half a million jobs over this time period, which is the most jobs added over that period of time since the mid-1980s. We really are seeing manufacturing growth.

Now, I should note that all of these numbers came in, of course, before sequestration started and we are almost surely going to see an effect of sequestration on some of this data, but I think the President is going to talk a little bit more about sequestration issues so I will skip over that.

The next chart is GDP growth. We have had 14 consecutive quarters. We just barely eased out a positive number in the last quarter, but the expectation is that we will have growth around 2 to 2.5 percent this next year. We were at 2.2 percent overall last year. That was despite a number of headwinds, including a spike in oil and gas prices in the last spring and summer, turmoil in Europe that has clearly slowed us down as well, and sluggish economic growth in a couple of other areas of the world.

The main reason for that very bad fourth quarter GDP number, why it's so low, is in the next slide. This shows you the government spending component of GDP. The red here is State and local, the
blue is Federal. You can particularly see what happened. This was a defense spending decline.

I think people are still sort of trying to figure out exactly why it was down so precipitously. Those numbers are a little bit noisy in terms of defense spending, but it shows you what the impact is of pulling Federal dollars and pulling Federal jobs on growth. You can see that there. Actually, in the last two years government spending has reduced GDP growth by about a half percentage point overall.

The other slide I want to show you, before we get to exports, is the housing market. This is partly just because I think the housing market is the most important story to keep your eye on right now. Once housing starts to recover, and we are in a recovery, we have been for the last year, we are going to see those effects on consumer spending.

One of the main reasons why economic growth overall has been slower coming out of this recession is consumer spending has been slower. The main reason consumer spending has been slower is consumers are still really cautious, because an awful lot of them just don't have the wealth in their house and many of them are still sitting under water on this one. You can see here, both prices have started to go up as well.
as housing starts. So housing starts are back to where they were in 2008. Prices have gone up 7 percent over the last year.

You can see how high we were in the mid-2000s, and that was a bubble. So the question of how far back we're going to get, you don't want to go back to where you were before. This is the chart where you don't want to hit your previous highs real quickly. We don't want to return to a bubble, we want to go up slowly and steadily. As the housing market recovers, I think we're going to see some faster growth on some other fronts.

Let me then launch into exports and talk about a couple of charts that discuss this. This first chart shows the growth in goods exports in the U.S. That's the blue line. In red is the euro area, and in green is the rest of the world.

What you can see here is that U.S. exports actually lagged a little in the 1990s and early 2000s. We didn't fall as much in the recession. We came back out of it faster in 2010, we lagged a little in 2011, but we've done really well in 2012. I'd love to claim a little credit for the National Export Initiative and the work of everyone sitting around the table. Whereas everyone else had a very bad export year, we actually did have growth. We did set a new record for exports.
over that time period.

The next chart shows the breakdown of U.S. exports between services, basically food, beverages, agriculture, and manufactured goods. Again, throughout the 1990s and early 2000s, those were really balanced in their growth. You then look at this recession and you see the cyclicality of manufacturing. It fell fast in 2010. It rose fast in 2009, it rose faster in 2010, and now by 2011 we're back to a more balanced growth again and those bottom numbers show you manufacturing is 65 percent of this.

So if you look at what's been powering exports in the recovery, it has been manufacturing two-thirds of our exports and manufacturing has been growing very rapidly, with a little help from agriculture, if you look at the red line there.

The next chart shows you the record numbers of 2012. We're up to $2.2 billion. I should say as a percent of GDP, exports are also at record levels, at almost 14 percent of GDP, so that's good news as well. Highlights in 2012 were the aerospace industry, up a third; U.S. exports of motor vehicles and parts, up nearly 80 percent; and travel and tourism, as we've mentioned. Our largest category of services hit an all-time record of $168 billion, up 10 percent from
2011. So there are a couple of areas here that are going very strongly.

Then the next chart is something that I know everyone here cares about, the jobs supported by exports. As Senator Kerry says, this is one of the main reasons you want to export. The number of jobs supported by exports is at 9.8 million, an increase of 1.3 million since the beginning of the recovery. We are 60 percent of the way to the President's goal at the end of 2014 of $2 million additional export-supported jobs, and this looks really promising here.

I should also note that we continue to see that the jobs supported by exports are, on average, slightly higher paying jobs, good jobs, another reason we want to expand the export sector. Okay.

Then finally, if you want to know what's going to happen, you want to look at what's going to happen to growth in some of our competitor economies, so the next slide if we can go to it, again shows the U.S., the euro area, Mexico and Canada, our two biggest export partners, Japan, and developing Asia. You can see exports in these three areas. I will stop.

(Pause)

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

PRESIDENT OBAMA: All right. Everybody please have a seat. Becky looks like she had some terrific charts. So, I want to get back to the official business at hand but I did want to stop by.

First of all, I just want to say thanks to the PEC for the unbelievable work that you guys have done and the extraordinary leadership that you have provided to our team and to the administration as we have tried to promote exports all around the world.

I'm glad to see that we've got a couple of our outstanding Senators here as well who I know care deeply about exports because their States benefit from exports. We all do. I assume that part of these charts was Becky going over the progress that we've made over the last several years, so I won't reiterate it.

The good news is, we are well on our way to meeting a very ambitious goal that we set several years ago to double U.S. exports. What we know is that a lot of the growth, a lot of the new jobs that we've seen during the course of this recovery have been export driven.

What is also encouraging is it's been coming from a whole variety of sectors. Obviously our agricultural sector has always been strong and it's
gotten even stronger. But what we have also seen is that our manufacturing base, our high-tech, our services, across the board we're seeing significant increases.

The question now becomes, how do we sustain this momentum? Part of it is making sure that we get in place strong trade deals. Having ratified, with the help of a number of our legislators, the Panama, Colombia, and most significantly the South Korean trade deals, we have now been moving aggressively on the Trans-Pacific Partnership, a high standard trade regime that we think can advantage U.S. companies and U.S. workers because it sets a bar that ensures that trade is fair and free.

For those of us who abide by high labor standards and high environmental standards, obviously being able to lock in those kinds of high standards in the fastest-growing region of the world and the most populous region of the world can yield enormous benefits and help to generate billions of dollars in trade and millions of jobs.

As I announced at the State of the Union address, we're also going to be launching an effort to lock in the E.U.-U.S. trade deal as well. Already, Europe is our largest trading partner, the E.U. as a
whole, and we think that we can expand that even further.

Some of this has to do with us being able to break down some existing barriers across the Atlantic to U.S. products and services, but some of it also has to do with smoothing out the differences in regulatory approaches, just trade frictions that arise that are unnecessary, that carry over from earlier periods. We think, just as the TPP can be an enormous boost to U.S. trade and growth, that our trade with Europe can expand substantially and that will advantage U.S. companies and U.S. businesses.

But in order for us to do this we are going to need the help of industry and labor and all the parties that are represented here. One of the things that we've also been trying to do during the course of this process is to make sure that it's not just the Xeroxes and the Dow Chemicals that are benefitting from this, although we want our Fortune 100 companies to be selling as much as possible, they also have a whole lot of suppliers so small businesses stand to benefit immensely from this process.

We actually think that there's room for small- and medium-sized businesses to export directly, not just supplying large businesses but also to break open
and enter into these markets. That can make a huge
difference in terms of our long-term prospects.

So overall, this is a good story. This is an
optimistic story, but it's one that we're going to have
to continue to sustain. One last point, just because I
had a chance to see Bob. I think many of you are aware
of the fact that when tourists come here and spend
money, that's an export. That goes on the export side
of the ledger.

Thanks to some of the great work that we've
done in a public/private partnership, we've been able
to accelerate visas, we've been able to make sure that
we are out there actively seeking visitors to come here
and promoting the U.S. as a tourist destination.

Just to give you a small example, something I
didn't realize until I went to Disney World, it turns
out that in Florida, for example, Brazilians are the
fastest-growing -- one of the largest sources of
tourism in Florida. And by the way, when they come
they stay a lot longer and they spend a lot more money.

The problem we had, was we had, I think, three
places to get visas in all of Brazil, which is a pretty
big country, so we've been able to cut down visa times
dramatically. We have seen as a consequence some
significant expansion in tourism out of South America
because of some of the steps that we've taken. That's the kind of smart, very cost-effective set of steps that we can take that can make a big difference.

A lot of those ideas have been generated from this group, so I just want to say thank you to all the terrific people who've been involved. I am looking forward to us just staying on this thing until we get it right. Okay.

CHAIRMAN McNERNEY: Great to have you here.

PRESIDENT OBAMA: Good to be here.

CHAIRMAN McNERNEY: We discussed a lot of the FTA momentum that was started during your first term, and now you're doubling down in the second term and many of us around the room are very supportive and delighted to be part of the effort. I think maybe just another word or two on the European effort from your point of view. TPP, I think we all get, we're working on, we're in the flow. The European thing, because it is a stalled back-and-forth situation right now because of their economy, we just wonder what the theory of the case was from your standpoint.

PRESIDENT OBAMA: Well, here's why we're modestly optimistic that we can get this done. I think in the past the EU, because they've got it coordinated among so many countries, consistently had to pursue the
lowest common denominator. There were certain countries whose agricultural sector is very strong, who tended to block at critical junctures the kinds of broad-based trade agreements that would make it a good deal for us. If one of the areas where we've got the greatest comparative advantage is cordoned off from an overall trade deal, it's very hard to get something going.

What I think has changed is the recognition throughout Europe that it is hard for them to figure out a recipe for growth at this point, in part because of the austerity measures that have been put in place throughout the euro zone in the absence of a more aggressive trade component.

So I think they are hungrier for a deal than they have been in the past. I think, thanks to the good work of people like Mike Froman, we've been able to narrow some of the differences. We have identified on the regulatory side, Customs side, areas where we can synchronize without hurting either side but simply lubricating more effective trade between the two countries.

So we have narrowed down the issues. I think it will still be a heavy slog. There's no guarantee that in the end some of the countries that have been
hard cases in the past won't block it again. But I think that you're going to see more pressure from more countries on the other side of the Atlantic to get this done than we've seen in the past.

Lael, Mike, is that a fair assessment? These guys spend more time in Europe than I do. Yes.

CHAIRMAN McNERNEY: Do you have time to take a couple of questions from the group?

PRESIDENT OBAMA: Sure.

CHAIRMAN McNERNEY: Anybody care to weigh in?

PRESIDENT OBAMA: Or comments.

CHAIRMAN McNERNEY: Or comments? Sure.

Anything?

(No response)

PRESIDENT OBAMA: Everybody is just dying to get back to Becky's charts.

(Laughter)

PRESIDENT OBAMA: They're nice-looking charts.

SENATOR KLOBUCHAR: They're very good. Mr. President, thank you for your leadership on this issue. I just think setting that goal of doubling the exports was one that many of us have used over and over again.

Many of us were talking about the need for more kids to go into science, engineering, technology. We literally have so many jobs that are unfilled right
now, particularly in western Minnesota. I think finding some simple goal like that, getting the increase in the number of kids going into these areas and selling it as something that they want to do would be a good idea.

I wanted to commend the State Department—I did earlier—for their work on the visas. I still think there's so much more that can be done. We've doubled—doubled—tourism, it's up 50 percent, from China. I think that there is even obviously more that we can do with video conferencing on visa interviews and other things that we should try to use the technology that we have. As you've noted, people are spending tons of money going to Disneyland. I would also add, they're going to the Mall of America in Bloomington, Minnesota.

(Laughter)

SENATOR KLOBUCHAR: It's a hot spot for Asian tourists especially. Not as much Brazilians, it's too cold in our State for them. But I see so much promise here with the tourism. The last is what you mentioned, this growing political support for fair trade agreements is huge.

It's about the big companies, but when people see in their own towns these small- and medium-sized
companies where their brothers and sisters work, it creates a kind of support for trade that is much more organic and really goes in a grassroots way across the country.

I think we have to remember that as a piece of what's good for the economy, but also will grow support for this new global economy. So I just wanted to thank you for your efforts and hope that we can look at this, the workforce training issue, in a different way in terms of setting some goals for these kids so they see it as a career opportunity.

PRESIDENT OBAMA: Well, look, what's absolutely true is that exports, trade, are one brick in this broader economic foundation that we're trying to build. But we're not going to succeed in meeting our export goals if we're not making great products and delivering great services, and we're not going to be able to do that unless we've got a great workforce.

You may want to come with me because after this I'm about to go to these Entel National Science Award winners, where you meet 15- and 16-year-olds who invent plasma and cure cancer. Most of the time I have no idea what they're talking about, but they're very impressive and inspiring.

We are setting a set of goals for STEM
education, the number of engineers that we need to produce. All that stuff is going to be important. But one of the things that I've also been pointing out, when you look at a lot of those jobs that go unfilled, they're not necessarily Ph.D. jobs.

The issue here is, can we reintroduce an effective model for vocational training? Part of the goal that we've set for ourselves with respect to high schools is duplicating some of the things that are being done, for example, by IBM where they go into a high school in New York and they say we'll train you and, during high school, you will get the equivalent of an associate's degree so that by the time you graduate, maybe you take two years of community college, you are now fully trained for jobs that we know are out there and that people are hiring for, which makes the kids more engaged in high school, saves them money, reduces the number of PEL grants they're taking out. It's a win-win situation for everybody and the employers then have great quality control in terms of knowing who it is that they're getting. We want to see if we can duplicate that across the board.

Yes, Kris?

SENATOR GILLIBRAND: I want to thank you, Mr. President, for your vision because I'm telling you it's
making an absolute different in my own State in high-
tech manufacturing and increasing our exports. We also
had an easy win. I appreciate the leadership you took
with regard to Canada, something so parochial, so easy.
But increasing our exports to Canada -- for New York
State to have Montreal and Toronto a stone's throw away
is such a huge market for our entrepreneurs.

Some work still can be done. There's no
streamlining of what governmental requirements are
required on both sides of the border. That is
something that we can actually fix, making a one-stop
shop for a young entrepreneur who is starting business
who wants to know, what forms do I have to fill out to
export my product abroad. That's a place where we have
enormous export potential.

Even just in agricultural products, for apples
that are going from New York to Canada, they have to be
inspected on both sides of the border, unnecessary. So
there's some real streamlining I think we could do to
increase exports just between those two areas of the
country.

But I just want to thank you because, as Amy
said, in terms of filling these jobs, what's really
worked is part of your initiatives of allowing the
community colleges to work directly with the
manufacturers to build the coursework for the job the manufacturer needs.

We had a fantastic example where Bombardier, who builds a lot of things, including subways, needed advanced welders. Well, they went to Adirondack Community College, built the coursework, and those employees got their training, got a higher wage, and filled the spots.

So it's really exciting, what you're doing in education innovation, which is training the people for the jobs that are available with the collaboration of the employers building the coursework. It's a win-win for everybody and I just want to congratulate you for your vision on that issue.

PRESIDENT OBAMA: Sure. A couple more?

MAYOR BROWN: Mr. President, I want to thank you for supporting the U.S. Conference of Mayors for the ports. Ports are a big economic engine in our cities and they really focus on small business and entrepreneurs, helping them to export. So I want to thank you for that. I know the policy you pushed to allow the study to be released early from the Army Corps of Engineers, which helped Jacksonville, Florida, by the way. I really appreciate that. Florida is very important.
Like you said with Brazil, which is Florida’s
number-one trading partner, we really appreciate your
support on the ports and modernizing the port so that
we can compete and position in cities to really be
competitive in the marketplace.

PRESIDENT OBAMA: Well, one of the things that
we talked about is if we're going to export effectively
we've got to have effective infrastructure. The ports
issue all around the Gulf is going to be critical. The
Panama Canal is being modified. You're going to have
bigger ships coming in. If you want to unload those
ships you've got to have high-quality ports. That
obviously is a gateway for everything that's happening
in Central and South America.

Recently we had the challenge of--I know I
talked to Pat about this--getting goods from the
midwest down the Mississippi when the water started
going down. If in fact temperatures are warming--I
know this is not our climate change meeting--but I
think we can anticipate that we may end up having some
challenges in terms of managing our waterways well.
Whether or not we can continue to use barges to move a
lot of product out of the American heartland to ports
around the world, that's going to depend on our
infrastructure.
So we are going to, in our budget, continue to push Congress to see if we can essentially deal with deferred maintenance. Sometimes when it comes to government spending everybody thinks it's all the same. I think everybody around this table knows, in your businesses, you think very differently about capital investments, long-term investments that are going to make your company more competitive versus wasting money. Here's an example of where we should be doing less of some things that are not helping us grow. Building infrastructure is something that does help us grow. Okay.

All right, guys. I think you've got smarter people around the table than me to deal with some of these issues. Again, I just want to thank all of you who have been involved. We are going to continue to push this agenda.

One of the things I hope that you've seen during the course of these last four years is that if we hear good ideas, we'll implement. We'll move them. So the great thing about a council like this is that it gives us insight into how things are actually operating or not operating and we can start cutting through some of the red tape and get things done. So continue to provide us with recommendations. We'll
work them through.

There's an interagency process. It's a good way for us to break down some of the silos that develop between various agencies and I think we can make significant improvement and continue to build on the goals that we've set. All right. Thank you, everybody.

CHAIRMAN McNERNEY: Thanks very much.

(Applause)

CHAIRMAN McNERNEY: As you predicted, as you predicted.

SECRETARY BLANK: It's always hard to follow the President, or precede him, for that matter.

I've got one more slide and then I will see if we can take some time for conversation and go from there.

So this last slide--we talked about free trade agreements--simply looks at how our exports have evolved in the last two years and over the more recent years for countries that we have free trade agreements with and countries that we don't. The main message here is free trade agreements are good for exports. That shouldn't surprise anyone here but I thought I'd at least show you the data on it.

So if we go to the next slide here, I thought
it would be very useful, and I know a number of you wanted to have something of a conversation about what should we be thinking about here in the Federal Government across all of the agencies represented in this room for how we push in the next several years to complete our NEI goal.

I just want to throw the questions out for you: what should we be doing in terms of market access? In particular, how should we be setting ourselves up for the free trade agreements that we're all working on and there are some negotiations? What can we be doing further in terms of trade promotion and advocacy, export financing, and in terms of attracting export-driven employers to the U.S., investment in the U.S. here.

So I just want to throw it open for however much time we have to let you talk back to us about what you think our highest priorities are and what you see not happening out there or that we aren't doing enough of among the things we are doing. Thank you.

CHAIRMAN McNERNEY: Thank you very much. I think the answer is, all of them are important. The point becomes, what are the best rifle shots within each of them to drive home actionable things? That's been the purpose of our letter writing over the last
two or three years.

   I know some of the letters we're going to be presenting today anticipate some answers to some of these questions, but I think we've all had a chance to see the book and see the letter so maybe we could ask the group, if it's okay with you, just maybe some things that are missing from what we're going to present later today that we could catalog as a couple, two or three areas of additional emphasis that we can add to the list.

SECRETARY BLANK: And we're in a nice position. It's the beginning of a new term and we really have some time and space to think about, what are we going to build and what's that agenda. So the letters are a great start but really we are looking for your ideas of not just what can we do next month and next year, but what should we be doing over the next several years?

MS. MORRISON: I'm pretty new to the Council but I'm just wondering, the goal of doubling the exports and the three industries that were pointed out as doing it right, you know, aero, auto, and tourism, do we have goals by sector and is there a way in the next round to get a little bit more granular in terms of, what are our greatest possibilities?
Not to do selling here, but we know in my business that 70 percent of the growth in food will be outside of the United States and so the United States companies have a great opportunity in that area. I know Pat has probably represented that here as well. But I'm just wondering, how do we get the next trillion could be a really good challenge for us.

CHAIRMAN McNERNEY: Good comment.

Andrew, did you want to jump in?

SECRETARY BLANK: I was just going to say, we don't have sector-specific goals. We, in terms of the Commerce Department--and I know this is true elsewhere as well--have tried to focus on the sectors where we thought there was real potential for growth, such as travel and tourism, where we've done quite a bit. But it's an interesting thing to consider.

MS. MERRIGAN: When the President came out with that goal three years ago from Department of Agriculture's point of view, we just assumed that even though we were doing very aggressive export work and that we were very successful, that we just took it upon ourselves that it meant doubling what we were doing in our sector. So I don't know if my colleagues around the table assumed the same, but if we all keep pushing in that direction, that is at least the brass ring that
we're working towards.

CHAIRMAN McNERNEY: But I think the sector idea is a good one. I mean, I think, as you'll see, the preponderance of the gain that we're anticipating from the letters that we're offering today are in the services side, as Ursula and some others are going to discuss in a minute, which you could view as a sector.

But we can break this down, I think, a little bit more. Andrew, who is as usual flitting around -- Andrew, I was going to ask you because at one point I remember a year ago or so you looked at sectors and their relative attractiveness. So the idea has come back again.

MR. LIVERIS: I was actually going to make a comment on that.

CHAIRMAN McNERNEY: It might be a chance to take it up again.

MR. LIVERIS: I think it's great to comment again because actually we did look at sector strategies. Mike, I, the team, the subcommittee worked on it. I think it's probably time. I think we've done a good job at the high level, like manufacturing, services, agriculture. But let's deep-drill a little bit and get those sector reports back.

The other thing is, we've used the word
"competitiveness" a lot. At the end of the day, what will drive this for the long term is competitiveness across all the inputs. Not only do we have the labor/technology SME topic, financing, and all the things that U.S. Ex-Im does, but now we have resources, as in energy resources.

So American competitiveness on a global stage is actually entering a new era. Maybe we should look at it with that lens as well. That will help a lot of supply chains when you look at the oil and gas competitiveness that we have as a Nation. So maybe we should take a look across those sectors.

MS. LAGO: Maybe some best practices from the industries that --

CHAIRMAN McNERNEY: Leading versus lagging. Yes. Good. Any other comments? Yes, Karen?

ADMINISTRATOR MILLS: On this, I did not mention the American Supplier Initiative, but I do want to thank Andrew and some others who are leading efforts to make sure that their supply chains get the opportunity to get access to some of this export ecosystem that we're building. The President talked about both independent small businesses exporting, Senator Gillibrand talked about even small agricultural exporters.
I was in Tampa last week with a guy who refurbishes, in the worst part of Tampa-St. Pete, second-hand trucks and he exports to eight countries: Nigeria, Nicaragua, and they want American-built major transportation trucks. So this kind of opportunity comes out all over the place.

I think when you look at really the numbers, there's actually a fairly small number of manufacturers, exporters, and people in supply chains. It's probably a half a million small businesses. That is a number that we can reach between the on-the-ground resources of the Department of Commerce, ourselves, and the efforts of Export-Import Bank. We probably already know, because of the Department of Defense supply chain, 200, 250 of the 500,000.

So we are making a very targeted effort. It's not sector based but it ends up being sector based because it is largely manufacturing, it's very defense oriented, and it's in all of the area that have large and important supply chains here in this country. We know if we strengthen those, not only will we export more but we will in-source, we will attract more foreign investors and other American investors to bring their production back here.

CHAIRMAN McNERNEY: Okay. Well, listen, I
think the PEC staff and your staffs, we'd love to hear
some ideas that are responsive here. I think the theme
of one step, more granular in the second term, that's
an interesting way to think about it. Denise, thanks
for pushing that way of thinking. We tried last time
but we had low-hanging fruit, and now coming back to it
I think is the right way to think about it.

So the PEC staff, in our next meeting, will
lay out the agenda for the next term in a more granular
way, so please give us your ideas. Thanks for laying
it out, Dr. Blank. In the interest of time we should
probably move on.

I notice we have Gene Sperling here. Gene,
would you care to make a comment?

MR. SPERLING: Well, thanks, Jim. I think
I've been asked, maybe since you have so much of the
leading lights on our export team, to just give people
a quick couple of minutes on where we are on our larger
fiscal goals, but I'll keep it quick.

Just to say that obviously it has not been
pretty, the last two years. Despite that, that degree
of unfortunate dysfunction, we have actually seen the
deficit come down $2.5 trillion. Of that $2.5
trillion, $620 billion has been from revenue, the other
three-fourths has been from spending cuts and from the
reduction in interest, projected interest spending.

That is not insignificant. We are actually now having the largest fall in the deficit over four years in any period since the demobilization after World War II. But what is not satisfactory about it area really two things, which is: 1) while we get down significantly, we don't get down as low as needed. In the current path, we will not get under 3 percent of GDP. We will not see the debt declining as a percentage of GDP; 2) the revenues and the discretionary spending cuts have missed obviously the need to have serious long-term entitlement savings as part of a larger balanced package.

So the thing that I want everyone here to know is that while this will be a week or two weeks where you will see perhaps some pretty broad differences between the Senate Budget Committee and the House Budget Committee, what the President has kept on the table is his last offer to Speaker Boehner, which had another $1.8 trillion in deficit reduction, enough to get us well on a path to debt sustainability.

That $1.8 trillion included $400 billion in Medicare savings, it included a correction of the CPI that has very serious long-term fiscal impacts. In fact, the Medicare savings are well over $1 trillion in
the second decade.

The correction to the Consumer Price Index and how that affects cost of living adjustments is again another $1 trillion. So there is a real serious effort in entitlement reform in here. We have been very explicit about that. We've actually even done a clear one-pager that we've given out to everybody. The President will be up talking to all four caucuses.

So what I think you've seen from many of the people the President has talked to privately or had dinner with is that while we may not have closed all the gap, I think more and more people are realizing there is a very, very serious plan out there.

It does include tax reform that would raise from revenues to contribute to deficit reduction, but far more savings from entitlement reform, and particularly entitlement reform that has strong, long-term impacts.

So he is, as he said, going to be reaching out, trying to find that caucus of common sense. I think there are people in this town who understand we have to do some tough things, but sensible things, on entitlement reform and that we can't really have a tax reform process that does not do anything at all to contribute to deficit reduction. He's going to keep
making that point serious.

I think that it is not unrelated to what we're talking about here today because what happens in the United States affects the world. I think that while we see real momentum in many areas in housing and other areas in our economy, I think when you ask what has kept us from taking off, one, we think that housing could take off even more if we could clear out some of the regulatory uncertainty, make refinancing available to all. That's going to be an important agenda item.

But we also think that taking away the uncertainty that there's going to be a manufactured fiscal crisis every two months, taking away perhaps the loss of a half percentage of growth from a harsh sequester that doesn't even deal with entitlement reform, will be helpful.

But I think all of you, as you've told us repeatedly, there's another factor. It's a confidence factor. If you saw that we were replacing the manufactured crisis with a bipartisan plan that was dealing with our long-term deficit and you could see sustainability, you could see this locked in, that this could have a very positive effect and that positive effect helps us and our positive effect helps projections of growth and sales overseas, and
ultimately exports.

It's exactly that virtuous cycle that this recovery has been straining to reach and we think a lot of what we're trying to do on the fiscal and housing side can be helpful in reaching that virtuous cycle we all want.

CHAIRMAN McNERNEY: Thanks very much, Gene, for your comments. Mr. All Things Global among everything else, Mike Froman is with us.

MR. FROMAN: Thanks, Jim. There's very little I could add, I think, to what Ambassador Kirk, and most importantly the President, said. Let me just update you on a few things.

On TPP, we are literally, as we speak, finishing our 16th round of negotiations and they've actually gone quite well. We're beginning to see more and more chapters close out. We made it clear that we want to enter the end game here of trying to finish this agreement by the end of the year. We've got some good momentum behind us.

What we call the TTIP, our Trans-Atlantic Trade and Investment Partnership, we are about to notify Congress and begin that process to begin to prepare for negotiations there. I just wanted to underscore something the President said, which is that
this will be an agreement that covers tariffs and it covers market access issues and IPR issues and all the usual things that an FTA covers.

But the real benefit, potential benefit of this agreement and also the most difficult part, is to see whether we can deal with the regulatory differences and the standards differences. No one on either side of the Atlantic thinks the other side is a low regulatory environment or an unsafe environment, it's just that our regulators have come up with slightly different regulations and ways to approach standards.

That is our goal, is to try and get our heads around that. It's an area where we could use input from the outside. We've had some public Federal Register notices soliciting input from stakeholders and we would welcome the input of the PEC on how to think through bringing the regulatory and standards pieces together.

In Geneva, through a series of efforts by the President at the G-20 and elsewhere, we now have a global consensus that we need to move beyond what was sort of a sterile debate over the Doha trade round and focus on things that we can get done.

We actually have three very productive negotiations going on in Geneva right now around
services, around the expansion of the information
technology agreement, and around trade facilitation and
we are hopeful that we can make progress on all of
those.

If we succeed in executing on this TPP, TTIP,
Geneva, we will have created free trade with two-thirds
of the world, both by GDP and by global trade and with
70 percent of all global services. That will be
perhaps the most ambitious trade agenda we have seen in
a while.

Now, the remaining third is very important:
it's China, India, Brazil, Indonesia, South Africa. We
can't ignore these but we are very much prepared to
work with them when they're ready to come to the table
and play the role that we think they should play in the
global economic system.

Beyond that, let me just mention a couple of
other things. Whether it's the Middle East and North
Africa or sub-Saharan Africa and the East African
community in particular, we're working on a series of
initiatives to help promote investment, trade, regional
integration, and greater efficiencies in those regions,
both amongst themselves and with the global trading
system.

All of this, I think, is underscored and
undergirded by a robust environment agenda. The Interagency Trade Enforcement Center that the President launched last year has been tremendously successful under USTR's leadership and Commerce's leadership in bringing cases that could not be brought before just by pulling together different resources from across the government to look at and do the hard work to put together cases and we're making great progress.

You've already talked about export promotion so I won't go into that. I'd just say great work by Karen, Fred, and Lee, and all the other agencies that work together to promote exports.

I'll conclude just with one mention because it's an important week and I know you're talking with the PECSEA later, and that's about export control reform. Actually, this week marked a time -- the President launched -- or last week he signed an executive order cleaning up the export control system in many ways.

We notified Congress of the first movement of products from the State Department list to the Commerce control list, so the first several thousand products of what will be an effort that will take the remainder of this year to redefine our export control system is now well under way.
CHAIRMAN McNERNEY: Thanks very much, Mike, for those comments. We're going to hear, on the PECSEA, in a little bit, a little more detail.

Fred, comments?

MR. HOCHBERG: Thank you. Two quick comments, actually, picking up on one of the things that Karen mentioned. Large companies also help a lot of small companies export. The largest export financing ever in the history of Export-Import Bank was for Dow Chemical and the Siddhara project. One of the hallmarks of it, we had over 700 million of direct small business exporters as part of that, so that was a key way of actually, one, creating over 18,000 jobs here, and a lot of jobs in small businesses. So that was a key aspect of that.

We have also, just to comment quickly, put more focus on energy, power, and have dedicated teams that know -- as you know, Jim, in aircraft and transportation, we've got people who do nothing but aircraft transactions, locomotive transactions, satellites. I was actually just out at the Boeing facility out in Los Angeles where they used to make the Nash Rambler in the 1950s, the same factory.

So we're increasingly focusing our teams not so much on countries, but on industries, so they know
the industry well. We work with companies like
Caterpillar so we know what their business plans are
and can work with them in mining, energy, power,
transportation.

Those are the large sectors that are
generating a lot of jobs where we, because we have a
large content requirement because we're about jobs--
we're not about national interests but purely about
jobs--so we look at those industries where there's
large content. So, those are the ones that we're
really focused on and it is much more segmented.

CHAIRMAN McNERNEY: And it makes a lot of
sense because it deals with the cycle time issue,
because you've got people who have a base understanding
of the industry and the financing types behind it.
It's great.

MR. HOCHBERG: Right. We have cut cycle time
at this time. Ninety-eight percent of all transactions
are out in 100 days or less, 2 percent, which is about
70 transactions -- and they tend to be a little more
complicated, like $5 billion in Saudi Arabia is harder
to do in 100 days than some of the small business ones.
In the small business, 90 percent get out within 30
days.

CHAIRMAN McNERNEY: Thanks for your
leadership, Fred. It's important to many of us in the room, for sure.

Director Zak, some comments, please?

DIRECTOR ZAK: Thank you very much. I want to continue with a theme that I've been hearing throughout this morning, and that is focusing on collaboration, the amount of collaboration that is going on among the U.S. agencies, and also the private sector. I want to thank the Council for their letter with respect to sub-Saharan Africa.

As the President mentioned, the development of infrastructure is extremely important to our exports from the United States, but it's also extremely important with respect to the receipt of the exports on the other side. So I want to thank you for your focus on the infrastructure and financing.

With respect to collaboration, just one little example is that many of the agencies in this room are involved in the Clean Energy Development and Finance Center in sub-Saharan Africa.

This has been a collaborative effort with the State Department, Department of Commerce, OPIC has a representative there, Ex-Im Bank is working with us virtually there, and USTDA has helped to put that center together along with OPIC. I want to thank
Acting Secretary Blank because she had mentioned it when she launched the Doing Business in Africa initiative when she was in South Africa.

I think the important part about this is what this demonstrates is that there really is a win-win scenario, that this Clean Energy Center, one, is going to help the climate, it's going to help people develop their energy within Africa where there are plenty of natural resources, and frankly, from USTDA's point of view, it's also going to create jobs in the United States. So it's a real win-win scenario and I think one that we can replicate in other parts of the world.

But I think the other thing that this really demonstrates, and when I travel I see a lot of competition, as you all do, from other parts of the world. I think what this really demonstrates is there is a Team USA that is working for businesses. As a matter of fact, this team is going to have a stakeholder meeting next week in South Africa, meeting with leaders from South Africa, but also with the private sector in South Africa and the U.S. private sector. This is a matter of us working collaboratively. So that is a bit of my theme, is that we have a Team USA. Two other things that are happening. As a matter of fact, right now in my office
there is a meeting with the Colombian embassy and
Assistant Secretary Sanchez from the State Department,
a meeting talking about opportunities in Colombia.
Tomorrow we are hosting at USTDA a webinar focused on
Turkey with the Commercial Service and the Ambassador
will also be appearing.

So from the business point of view, we clearly
have a Team USA. The recommendation that I might have
for the future that we might think about are two
things. One, I've heard throughout today a lot of
really good success stories and I think this may be one
thing we might want to publish and start telling people
about, that this Council has been successful in getting
that word out of what the successes are.

The other thing that we talked about, very
briefly, is what we see in competition is an issue with
respect to cost and people looking at low cost. One of
the things our agency has been doing is focusing on
training people, that it's not just about low cost,
it's about quality. That's where the U.S. wins all the
time, so that may be something we can take up in the
future.

CHAIRMAN McNERNEY: Okay. Some good thoughts,
Lee. Appreciate it very much. You mentioned OPIC.
President Littlefield? Let's see. Here she is. A
couple of comments before we move on to the letters?

MS. LITTLEFIELD: Absolutely. Thank you very much for the chance to say a few words.

As you know, OPIC, as a development agency, supports U.S. businesses, not exporting, but investing in emerging markets, particularly in foreign policy priority countries. We do that by providing long-term loans, political risk insurance, and support for private equity funds.

As your letter, Jim, observes, we all know that U.S. investment overseas not only supports economic development and our foreign policy objectives, but also creates a platform for U.S. exports to follow. In fact, since the time that OPIC was carved out of the side of U.S. AID about 40 years ago, U.S. foreign direct investment abroad has grown from about $7.5 billion to over $400 billion a year.

Last year, for the first time in history, U.S. foreign direct investment, outgoing to direct investment to developing countries, exceeded that of developed countries for the first time in history. In fact, as the President noted, this is not just large companies investing abroad, it's also small companies as well.

About two-thirds of OPIC's business by volume
as well as by transaction number is with U.S. small
businesses. We reach those businesses through
workshops that we host throughout the country together
with SBA, TDA, Commerce, and others, particularly
workshops focused on women and minority-owned
businesses.

Now, we have placed a very strong emphasis in
Africa in the last few years. In fact, under the Obama
administration our portfolio in sub-Saharan Africa has
grown about 50 percent. In the last two years, we've
done more than the previous five years combined. So,
Africa has been a real focus for us.

As Lee noted, together with State Department,
TDA, and others, we have created several initiatives to
support the Doing Business in Africa initiative: U.S.
Africa Clean Energy finance, the U.S.-Africa Clean
Energy Development Finance Center, and other
initiatives like that that really do represent a whole-
of-government approach to our business in Africa.

Now, finally, my penultimate comment is we've
also placed a very strong emphasis on renewable energy
and on climate finance. I am amazed to tell you that
we've actually multiplied our support for renewable
energy 100-fold under the Obama administration,
starting with $10 million in our portfolio in
renewables in 2008 to $1.1 billion last year. I think that just shows that American technology in renewable energy is really increasing in the low-cost way that the developing world is getting its energy.

So last, I would say really just acknowledging in particular the Foreign Commercial Service--I want to thank Francisco, Bob, Becky--the Foreign Commercial Service and the Econ officers who we rely on extremely heavily to market and identify opportunities for us, since we're a tiny little agency all based in Washington, DC. So the partnership with State and Commerce is one that we really do appreciate very much.

So we see really tremendous opportunities for our clients in the coming years in these areas, particularly in Africa, particularly in the renewable sector, and we are very proud to be supporting the administration’s export goals with our partner agencies.

Thank you.

CHAIRMAN McNERNEY: I think many of those efforts are going to line up with a couple of the recommendations we've got and the theme of granularity moving forward. So, thank you very much.

We're rounding the far turn. We're a little bit behind on time and I know we've got some schedules
we're bumping into, so can I suggest we dispense with parliamentary perfection and vote all at the end on the 10 letters? So let's just have, shall we say, tightened up presentations by the sponsors. Andrew, maybe you could set the bar on the first two letters.
III. DISCUSSION OF LETTERS OF RECOMMENDATION

i. Doing Business in Africa

MR. LIVERIS: Thank you, Mr. Chairman. The African letter, our subcommittee has worked on it. It's there, the six recommendations. Director Zak, President Littlefield, Secretary Blank and Representative Kirk have already talked about the importance of sub-Saharan Africa.

So the six recommendations are really the engagement strategy. The administration obviously clearly has launched this in December and we fully support it. I think it's a no-brainer. Maybe it's aged a century, but boy, it's certainly Africa's decade. So let's move forward and put this letter forward as our specific granular recommendations, Mr. Chairman.

CHAIRMAN McNERNEY: Okay. We will hold it in abeyance for a vote at the end.

So your second letter, Andrew?
III. DISCUSSION OF LETTERS OF RECOMMENDATION

ii. Bilateral Investment Treaties

MR. LIVERIS: Yes. So this is the area of bilateral investment treaties. You know, we have trade and investment as our agenda but investment treaties are very important. There are lots of barriers and we've heard a lot about a lot of those as it relates to, of course, Europe, as Mr. Froman just talked about.

So really what we're talking about here is, let's get some early indicators on treaties in difficult countries and difficult jurisdictions. We've talked about India in the letter in particular. We all know what's going on in India. It's quite a mess in terms of engagement.

So maybe if we go on the investment front first, then we can ultimately get to the trade front. But certainly the spirit of that letter is to begin the process of engagement in some difficult jurisdictions, but China, Vietnam, India as examples.

CHAIRMAN McNERNEY: All have the impact of tightening up regulations, cycle times --

MR. LIVERIS: For standards, regulations, access, all the things Secretary Blank covered in her questions.
CHAIRMAN McNERNEY: Okay. Okay.

Thank you, Andrew.

MR. LIVERIS: Thank you for your indulgence,

Mr. Chairman.

CHAIRMAN McNERNEY: You teamed them up.

I think, Ursula, the Russian PNTR and services?
III. DISCUSSION OF LETTERS OF RECOMMENDATION

iii. Russian Accession to the World Trade Organization

VICE CHAIR BURNS: Right. I have two on Russian PNTR. This is in response a little to the "what we can do" discussion to make it move along a little bit. First of all, the good news is that we have made significant progress in getting Russia into the WTO. That's very good. We are a little disappointed in the fact that they have not yet signed on to join the information technology agreement portion of the inclusion into WTO.

The only way that we would feel comfortable with continuing support of Russia's ascension to WTO is if they actually do what we agreed for them to do when they joined, so we have to actually have an enforcement mechanism. We have to be very firm and clear on this.

As a services company and a technology company, it is vital that they actually do join on.

So the first discussion is on that, let's make sure we continue to put the pressure on and not let up. We are happy with the work that the administration is doing but we cannot back down on this one. Success is not just joining, it's also following the rules as they join.
III. DISCUSSION OF LETTERS OF RECOMMENDATION

iv. International Services Agreement

VICE CHAIR BURNS: The second, is on the International Services Agreement. I’m a services company and U.S. is a services powerhouse. Interestingly enough, about 80 percent of the total U.S. output in a year is services output. Our export of services, while good, is way behind what it could be, well behind what it could be if we actually focus on it and actually loosen up some of the practices that we use, some of the infrastructure that we have that actually slows down services and exports.

Most of this infrastructure is written when manufacturing was the key export. We have to actually look at this and rewrite the rules to actually include services-type exports and services-type language. We are really supporting the administration on this, the PEC is, services companies are.

So I urge the administration to bring to a rapid conclusion this ambitious portion of the services activity here and we think it will liberalize and actually allow us to grow significantly our services exports, which not up to manufacturing exports, but could be. Could be. Thank you.
CHAIRMAN McNERNEY: You know, it's interesting. When you look at the numbers, services, whether tourism is in it or not, and tourism, are the two biggest single opportunities that we have focused on in our recommendation. So this is a big deal. It will be a bit of a slog.

VICE CHAIR BURNS: It'll be a slog.

CHAIRMAN McNERNEY: But now is the time to start. There's a lot of informal protectionism across services, across countries, et cetera.

VICE CHAIR BURNS: It's actually more protectionism than even in the manufacturing sector.

CHAIRMAN McNERNEY: I think so. I think so.

VICE CHAIR BURNS: That's something we have to work on.

CHAIRMAN McNERNEY: Great. So that's a great one to take on.

Pat, were you going to talk about barriers to agriculture?
III. DISCUSSION OF LETTERS OF RECOMMENDATION

v. Reducing Agricultural Trade Barriers in the Trans-Pacific Partnership

MS. WOERTZ: Absolutely. Thank you. Just a little history. Back in 2011, the PEC recommended and encouraged and applauded the TPP. I'd like to take the opportunity to thank Ambassador Kirk for all that you've done for these last four years in the advancement of trade. Mike mentioned the 16th round, so TPP is great.

As many others maybe have delays at borders, I just want to bring to light the perishable products of food, feed, beverages. When we get to borders and there are delays, this is a big obstacle to continued exports.

So it's outlined in the letter. It just shows some effort and encouragement to make sure there is a mechanism to allow for advice to the exporter, to rapid resolution so we can get these exports into market. They're perishable, they're important. It's what the letter is about.

Thank you.

CHAIRMAN McNERNEY: Thanks, Pat. Thanks very much.
III. DISCUSSION OF LETTERS OF RECOMMENDATION

vi. U.S. Export-Import Bank Board Nominations

CHAIRMAN McNERNEY: I will deal with the Ex-Im letter here. I'll introduce it personally. Fred is still there. We have three directors on July 20th that we're going to lose. We won't have a quorum at Ex-Im.

Important to all of us big companies, and increasingly small companies with a number of programs that Fred has promulgated over the last two years that are making a big difference for small- and medium-sized firms that not only support us, but independently accessed markets.

For many of us, Ex-Im is a fundamental competitiveness issue. Every competitor around the world has an Ex-Im Bank equivalent. If we decide to stand down for whatever reason, we're at a fundamental disadvantage. Ex-Im has never lost money, has always made money.

So the importance, I think, that we emphasize in this letter is simply getting the administrative task of getting three new directors handled by July 20th. I think it's not much more. It makes the case for Ex-Im as part of the letter.

Okay. Denise, were you going to talk about
U.S.-Canada trade facilitation?
III. DISCUSSION OF LETTERS OF RECOMMENDATION

vii. U.S.-Canada Trade Facilitation

MS. MORRISON: Yes, I am. Thank you very much. First of all, thank you to the companies and the agencies who reviewed the draft of this letter. It basically thanks the President for his leadership in enhancing the U.S.-Canada trade relationship, especially with the launch of the Beyond the Border program, which is about half-way through its two- to three-year implementation and making good advances, particularly on cross-border trade, but has great potential for enhanced regulatory cooperation between our two countries.

This is a good model that, as we negotiate these larger arrangements in the TPP and Europe, we can learn a lot from what has already gone before us with Canada. For example, when we bring an ingredient in from Asia and it goes through Port of Prince Rupert in British Columbia, it's inspected by the Canadians and then it's also inspected by the United States when it comes across the border. So we're finding lots of duplication in the efforts.

The essence of the program would make the border easier to cross, especially for trusted shippers.
and travelers, and allow for mutual recognition of each
other's standards and inspection regimes, even though
they're not identical.

There is good cooperation, the relationship is
good, but it recommends to the President that the
administration slightly more formalize the stakeholder
engagement process. The good news is, there is a
process and there have been several meetings to work on
this but more can be done.

We think that there is an opportunity for
enhanced public awareness of Beyond the Borders,
particularly as the construction begins on the new
international trade crossing between Detroit and
Windsor, which is the first major infrastructure
improvement in many years. So that might be a catalyst
for us to bring a lot more attention to some of the
success stories here. Thank you.

CHAIRMAN McNERNEY: Thanks very much, Denise.

Appreciate it.

Pat, were you going to deal with the workforce
readiness, a very thorough recommendation?
III. DISCUSSION OF LETTERS OF RECOMMENDATION

viii. Workforce Readiness

MS. WOERTZ: I will. In fact, it's a very comprehensive letter. This has been an issue for the PEC and we heard about it much this morning, so I'm delighted to represent the group in presenting this letter. Thank you, Secretary Harris, for commenting earlier about it.

There are four key areas. I'll just talk about two and then yield to two of my colleagues who want to talk about the others: one is high school retention; second is post-secondary skills as a gap; third is STEM, and the fourth is veterans.

So on high school retention, as we know, many of the unemployed in America, 78 percent of Americans who are unemployed lack a high school degree. Many programs address this. ADM happens to be involved in a JAG program that's in 33 States. It's a very successful program. Others that are very successful we mention in the letter, including in Illinois, Oklahoma, Georgia, and Minnesota, recognizing Senator Klobuchar's great efforts and leadership in that regard.

There are successful programs in post-secondary skills, which are also a gap. We note them
there in Tennessee, Iowa, and others, again trying to get benchmark and best practices shared more broadly. But this is to take the graduation rate and maybe get post-secondary skills, whether they're two-year programs, apprenticeships, advanced.

The other two, STEM and veterans. I know, Ursula, you probably want to talk about STEM a little bit more, and I know, Bill, you have the veterans letter and maybe the combination of what is addressed with veterans here is also in the second letter.

CHAIRMAN McNERNEY: Great. We can just flow into your letter.

VICE CHAIR BURNS: STEM, real quick. Everyone spoke about it this morning. It is vital to our future to enable us to actually create goods and services that are exportable. The letter actually suggests that the administration adopt five recommendations that are in the letter to get to our goal of one million more STEM graduates.

Programs across the board, they're everywhere. A little bit better coordination would be useful, which we're working on in the business community but focus is clear, the goal is clear, and the recommendations that are laid out in the letter, I think, are solid so we should go forward there.
CHAIRMAN McNERNEY: Thanks for your leadership there, Ursula. You're really working that one hard.

Bill, why don't you just transition right into your letter and comment on Pat's.
III. DISCUSSION OF LETTERS OF RECOMMENDATION

ix. Veterans Hiring Practices

MR. HITE: Right. I'm going to comment on the veterans. We all know it's important to integrate the veterans into the workforce, especially manufacturing. There's a lot of great programs that are already under way by many people sitting around this table.

Our program that we do, that I think is quite successful, we're actually on military bases recruiting young men and women as they're transitioning out. We spend up to 18 weeks on the military bases, training them for a future in our industry.

Then when they come out, we immediate take them in and place them and then we continue their training going on. We feel it's very important to get the individual when they're coming out of the military. They're recruited into the military, so in effect we're recruiting them coming out of the military. There are a lot of ways you can do that.

There's job fairs that you can go around, there's websites that you can go looking for people. Also, if you're go and you talk to the people on the bases, the supervisors and officers on the base and tell them what you're trying to do and trying to
recruit some people coming out of the military, they'll help you.

But I think it's critical to get to them as soon as possible coming out of the military because once they come home, the unemployment rate is double that of the national unemployment rate for veterans coming home.

It's the right thing to do to help our veterans make the transition into our industry with good-paying jobs for the future. I mean, it's something that they can work with for the rest of their lives. It's not a job, it's a career in manufacturing or whatever.

CHAIRMAN McNERNEY: Sure. Sure.

Valerie would like to make a comment, I think, Bill.

MS. JARRETT: Thank you, Bill, for your hard work. I just want to highlight an initiative that the First Lady and Dr. Biden have under way, joining forces where they're reaching out broadly to the business community and encouraging business leaders, small, medium, and large businesses, to hire service men and women when they return home, as well as their families, who often have moved around from city to city.

The First Lady and Dr. Biden spoke to the
governors when they were in town a couple of weeks ago, and also called on them to provide reciprocity with licenses, because oftentimes when you have to move you have to reapply, if you're a nurse, a lawyer, or whatever, so trying to get reciprocity for their spouses.

So we are encouraged by the fact that you are focusing in on this as well. In the not-too-distant future, the First Lady is going to make another call to the business community using what Wal-Mart has done as an example, where they have offered that within a year of being honorably discharged, they will offer a job at Wal-Mart to every service man and woman who leaves the military, which is an extraordinary commitment.

But we have about, in the coming years, about a million people who will be leaving service as we wind down the wars. So having the business community really engaged on this issue, because certainly the very least that we owe our military families is a job when they come home. Thank you.

CHAIRMAN McNERNEY: And we look forward to hearing from the First Lady tomorrow at the Business Roundtable. Thanks, Valerie.

Gene? Where's Gene?

MR. HALE: Yes. Right here.
CHAIRMAN McNERNEY: Oh, he's over here.

UNIDROIT.
III. DISCUSSION OF LETTERS OF RECOMMENDATION

X. UNIDROIT Cape Town Convention on International Interests in Mobile Equipment

MR. HALE: You can pronounce the name, huh?

Good morning.

As you know, the SME committee is committed to breaking down barriers that inhibit exporting opportunities for SMEs. That's why we submitted the letter in support of encouraging the International Institute for the Unification of Private Law to put a protocol in place that would cover construction equipment, agriculture, and mining equipment.

We believe that this would help U.S. companies and manufacturers export more because they do not have a captive financing arm in place. But with this protocol in place, we believe that the banks would have more of an incentive to loan to those companies.

The other area of our new focus is going to be trying to get the silent exporters that Karen talked about earlier into the mix here, because we think that's very important. The other area that we want to concentrate on is trying to find a way to harmonize across these government agencies the real definition of what is a small business and what are medium-sized
companies because there are conflicts between the agencies in terms of their definitions.

So we think there are tremendous opportunities there. We think that by having a cohesive definition we can create a tremendous number of subcontracting opportunities and, therefore, lead to more job creation.

CHAIRMAN McNERNEY: Good, Gene. We have a similar arrangement already in the aircraft world.

MR. HALE: Yes.

CHAIRMAN McNERNEY: And it is very helpful. It gets more financing. People can go get the asset when things go wrong. It gives them a little more confidence.

MR. HALE: Yes.

CHAIRMAN McNERNEY: It's really worth it.

Before hearing from Raul on PECSEA, why don't we all try a vote on the 10 letters. I think I'm at the end of the 10. So why don't we just simply, without dissent, adopt the letters. Yes. Okay. Thank you. Running companies does provide you with some experience in situations like this.

PECSEA. Raul, could you give us an update, please?
IV. PECSEA UPDATE

MR. PEDRAZA: Thank you, Mr. Chairman. Before I start I'd like to say you have adopted very good dictatorial competence there. That's very good.

(Laughter)

MR. PEDRAZA: Anyway, the PEC has been steadfast and consistent in the position that the reform of our export regulatory network is essential and that it will have a significant and positive impact on our Nation's security and our ability to collaborate more efficiently with our allies and partners and the global competitiveness of our defense industry.

We made notable progress since our last meeting, I'm happy to say. We've been advocating for improved regulatory clarity and transparency and are especially pleased with three major deliverables in this area. The first, is the National Defense Authorization Act, which President Obama signed this past January.

This Act restored the President's authority to determine the appropriate export controls for satellites and related parts and components and was the product of bipartisan--I have to say it again, bipartisan--collaboration between Congress and the
administration. This legislation strengthens the
competitiveness of a sector whose health is key to U.S.
national security.

The second item deals with important updates
to the delegated authority to control exports of
defense articles and services. These updates contained
in an executive order signed by the President last week
consolidates all responsibility for licensing brokers
of controlled items within the Department of State, a
one-stop shop approach that provides better clarity for
the trade community and makes for better-informed
compliance by industry and enforcement by the U.S.
Government.

The updates also provide for relief of
possible double licensing requirements for systems and
accompanying parts and accessories once the latter are
transitioned from the U.S. munitions list to the
commercial control list.

Finally, we should applaud a significant
milestone in the reform process, the first notification
to the Congress of the intended transfer of export
control jurisdiction over certain aircraft and engine
items from the State to the Commerce Department. This
formal notification, which went to Congress on March 7,
starts a 30-day clock to the publication of final rules
on these categories, as well as corresponding transition rules which we understand should take place in April.

It paves the way to industry using license exception STAs, Strategic Trade Authorization, for exports of the transferred items to the governments of our closest allies. We look forward to similar announcements concerning all remaining categories within 2013. First and foremost, these actions will enhance U.S. national security and at the same time they strengthen U.S. competitiveness in the global marketplace.

Although a lot of progress has been made, much remains to be done. We trust that the administration will continue to pursue an aggressive schedule and allocate sufficient resources to complete the arduous task ahead, including transition to a single IT system, outreach and education to the trade community, and additional enforcement resources to ensure the ongoing compliance.

That being said, the red-headed stepchild of PECSEA has --

(Laughter)

CHAIRMAN McNERNEY: No, your work there is important, Raul, and the administration's leadership.
is, too. We're at a real competitive disadvantage versus a lot of European industries on this basis and moving forward in the aircraft was greatly appreciated, so thank you.

Two quick things before we head toward adjournment. David Aguilar, I think this is your last meeting, and retirement. We just want to thank you for your service. We very much appreciate it. You stuck it right out till the end. Thank you.

(Applause)
IV. NEXT STEPS

CHAIRMAN McNERNEY: I think the other thing, before asking if either Ursula or Secretary Blank have a final word before adjournment, just a reminder, our next meeting is December 4. I think it's been disbursed, but you might note it. That seems a little far away, doesn't it? Usually it's September. There's probably something going on that I don't know about. We'll get to you. It will be no later than December 4, how's that?

(Laughter)

CHAIRMAN McNERNEY: Yes. We usually have one in September. I lost sight of that. We'll be back to you on that.

Ursula or Secretary Blank, anything final --

VICE CHAIR BURNS: Absolutely nothing. Thank you.

CHAIRMAN McNERNEY: Okay.

SECRETARY BLANK: Just to say thank you for all of your work.

CHAIRMAN McNERNEY: Well, thank you for your leadership here. It's really important.

AMBASSADOR KIRK: Just two updates because I
know the Information Services Agreement -- we're actually holding the public hearing on that as we speak to get comments and input here, and on the Russia matter, we have raised this. The good news is, they have now accepted that those lines that they left out they have to include. That's the first time they've acknowledged that, so we continue to press to try to get that done.

CHAIRMAN McNERNEY: Good.

VICE CHAIR BURNS: That's very good news.

Thank you. Very good news.

CHAIRMAN McNERNEY: It's a good start.

Any other comments? Gene?

MR. HALE: Just quickly. Assistant Secretary Nicole Lamb-Hale has agreed to be the speaker in Los Angeles in April to address about 500 SMEs regarding the policies and things that we're trying to do with exporting, so we appreciate that. Also, Bob Iger has agreed to host a round table for us in Los Angeles as well, so I just wanted to make people aware of that. Thank you.

CHAIRMAN McNERNEY: Thank you, Gene.
VI.  ADJOURNMENT

CHAIRMAN McNERNEY:  Okay.  With everything being said, I think, the meeting is adjourned.

(Whereupon, at 11:34 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 Tuesday, March 12, 2013, were transcribed as herein appears, and this is the original transcript thereof.

LISA L. DENNIS,
Court Reporter