

THE PRESIDENT'S EXPORT COUNCIL

Eisenhower Executive Office Building  
Room 350  
Washington, DC

Thursday,

June 19, 2014

The meeting was convened, pursuant to notice,  
at 9:31 a.m., Mr. James McNerney, Jr., Chairman,  
presiding.

APPEARANCES:

PRIVATE SECTOR APPOINTEES

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The Boeing Company

URSULA BURNS  
Vice Chair  
Xerox Corporation

MARY ANDRINGA  
Vermeer

SCOTT DAVIS  
UPS

KEN FRAZIER  
Merck & Co., Inc.

DICK FRIEDMAN  
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ANDRES GLUSKI  
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GENE HALE  
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Secretary of State

PENNY PRITZKER  
Secretary of Commerce

ANTHONY FOXX  
Secretary of Transportation

AMBASSADOR MIKE FROMAN  
United States Trade Representative

MARIA CONTRERAS-SWEET  
Administrator  
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Deputy Secretary of Agriculture

DANIEL PONEMAN  
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KEVIN McALEENAN  
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P R O C E E D I N G S

**I. WELCOME AND OPENING REMARKS**

CHAIRMAN McNERNEY: Okay. Everybody grab a seat. Okay. Welcome, everybody.

Someone stole my gavel. I hope that's not a message for me and Ursula.

VICE CHAIR BURNS: I didn't take it.

CHAIRMAN McNERNEY: You didn't take it? Okay. I thought you had it on your plane to go to Poland with it or something.

(Laughter)

CHAIRMAN McNERNEY: Listen, again, seriously, welcome. Since we last met in September, the team's work has continued on a lot of fronts and it will be reflected in a record number of letters that we will discuss later today. So we do have a lot to cover.

The President is expected to join us within the hour or so. I'm looking at Valerie. The "or so" part was emphasized. We have dealt with this before, we can do it. So the strategy is going to be just plow ahead and when he walks in, we just stop and pretend as if we have been waiting for him for the last hour.

We engage -- and for those of you that are new, you will have no trouble engaging with our

1 President on issues that are of importance to us. He  
2 expects it and asks for it.

3 So why don't we just jump into it?

4 Ursula, do you have any comments?

5 VICE CHAIR BURNS: Just some quick ones, Mr.  
6 Chairman.

7 I think this meeting is, as most of them are,  
8 timely. The Administration is actually making  
9 significant progress -- I call it firing on all  
10 cylinders on the trade agenda in the past year. It is  
11 really great to see. Secretary Pritzker has been an  
12 amazing partner and Commerce in general has been an  
13 amazing partner.

14 I welcome and we welcome the NEI/NEXT  
15 initiative that I think the Secretary will talk a  
16 little bit about. We think it is time for us to re-  
17 double our efforts since we have -- and adjust our  
18 strategy since we probably will miss our doubling  
19 exports by 2014 goal, but that should not deter us too  
20 much from pushing hard to the next level.

21 We have a lot of barriers that Commerce knows  
22 about. My industry, in particular, we are facing a  
23 barrage of proposals to block cross-border information  
24 flows and data flows, and this is, I think, a new area  
25 that Commerce is helping us on and making sure that we

1 make progress, and I think that Ginni Rometty of IBM  
2 will cover that a little bit later.

3 On the government side, we have continued to  
4 fight all of their natural and unnatural resistance to  
5 opening borders to trade and just keep pushing. So I  
6 am pleased with the progress we have made so far,  
7 really pleased with the partnership that we have with  
8 the Commerce Department and USTR and all the agencies  
9 to help us push.

10 So thank you so much for the work.

11 CHAIRMAN McNERNEY: Okay. Thank you, Ursula.

12 Before turning it over to the Secretary, I'd  
13 just like to offer a comment.

14 Loretta, where are you? Loretta?

15 For those of you that aren't aware, Loretta  
16 Smitzer, this is the third PEC she has staffed over the  
17 last 20 years; in this incarnation, supporting me from  
18 a Boeing organizational perspective, but she was also  
19 part of the Commerce Department for staffing one of the  
20 PECs.

21 So 20 years of PECs and she is retiring. So I  
22 just wanted to recognize Loretta's efforts.

23 (Applause)

24 CHAIRMAN McNERNEY: We will miss you, Loretta.

25 Valerie, do you have a couple of comments?

1 MS. JARRETT: Thank you, Jim. Good morning,  
2 everyone. It is a pleasure to be here.

3 Of course, I want to begin, as always, by  
4 thanking both Jim and Ursula for their leadership of  
5 this extraordinary board. Many of you have been here  
6 since the beginning and so I think you'd agree with me  
7 that this has been productive and constructive and a  
8 good example of the private/public partnership that is  
9 so important.

10 In this year's State of the Union, the  
11 President said this is going to be a year of action,  
12 and it has certainly been. The actions that we have  
13 taken have been informed by the advice and counsel that  
14 we have received from so many of you.

15 I do want to mention there are a couple of new  
16 folks to the table since our last meeting. The  
17 President's Cabinet Secretary, Broderick Johnson, down  
18 at the end -- Broderick, wave so everybody says hello  
19 to you -- who helps coordinate all of the Cabinet's  
20 functions through the White House.

21 Also, our new Administrator for SBA, Maria  
22 Contreras Sweet. Maria, wave to the crowd.

23 Not new to the table, but in a new capacity,  
24 Jeff Zients, who you all know is now the President's  
25 Director of the Council on Economic Advisors. Right?

1 National -- I knew I got it wrong. As soon as I said  
2 it, I said that sounds an awful lot like Jason. That  
3 sounds like Jason's title. The NEC, National Economic  
4 Council. You are going to be hearing from him shortly.

5 So my message is simply that there is this  
6 strong alignment of interests and as the President  
7 focuses on how to grow the economy, exports and trade  
8 are an integral part of that agenda. And so the work  
9 that you have done throughout his Administration, our  
10 agenda today reflects the priorities.

11 So I just want to really thank you for your  
12 service and your willingness to, with everyone having  
13 such a busy agenda, do what you do and we couldn't  
14 really do what we do without the leadership from the  
15 Secretary of Commerce, Penny Pritzker, who has not just  
16 hit the ground, but hit the skies, hit every mode of  
17 transportation running since she has been here.

18 Thank you, Jim, for a chance to say a few  
19 words.

20 CHAIRMAN McNERNEY: Thank you. Thank you,  
21 Valerie.

22 The White House engagement and cabinet level  
23 engagement, Loretta informs me, has never been  
24 stronger, ever been stronger than it has during this  
25 PEC era. So we thank you for that engagement and

1 appreciate it.

2           It enables the effectiveness of the work of  
3 this group to be magnified much more than it would be  
4 otherwise.

5           Penny? My partner in crime.

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1     **II.    NATIONAL EXPORT INITIATIVE UPDATE**

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3           SECRETARY PRITZKER:    Terrific.  Yes.  Well,  
4   thank you, Jim, and thank you, Ursula, for all of your  
5   great work, and to all the members of the PEC, we  
6   really appreciate your leadership and your advice.

7           The letters that you put together, as always,  
8   are extremely valuable to us.

9           I will just say one thing before I kind of get  
10   into talking about NEI/NEXT, which is this is a team  
11   effort.  I have been here now almost a year and one of  
12   the things people ask me is what surprises me about  
13   being in the public sector, and I would say what is  
14   extraordinary to me is the team effort.  And the PEC  
15   members saw it earlier today when Ambassador Froman and  
16   I and Ambassador Rice sat and spoke with you about some  
17   of the things going on around the world.

18           What you need to know is that the folks in the  
19   White House, the folks at USTR, Commerce, whether it is  
20   transportation or EX/IM, OPIC, we are all working  
21   together to try and grow the economy.  Jeff is a great  
22   leader of our interagency processes, as is Ambassador  
23   Rice.

24           So I think that hopefully you come away from  
25   your visits here with a message of we may not always

1 agree on every fine point, but we really do have -- are  
2 trying very hard to get to the best answers, taking  
3 into account all the facts. As I think, Jim, you said,  
4 these are unbelievably complicated challenges we deal  
5 with at certain times.

6           So let me talk a little bit about exports.  
7 From the start of President Obama's time in office,  
8 this Administration has been focused on increasing  
9 exports. It has been a central pillar of the strategy  
10 for economic growth and for good reason.

11           We know that more exports means more good jobs  
12 in the United States. We know that more exports means  
13 better business for our companies and we know that it  
14 means that all of you and our other businesses  
15 throughout the United States will be able to reach more  
16 customers if we do a good job supporting exports.

17           That led to the creation of the National  
18 Export Initiative, which you all were very instrumental  
19 in creating, with lots of principles behind it. You  
20 have been critical in our achieving enormous success in  
21 our exports over the last four years.

22           We have had four straight record years of  
23 exports. We have \$2.3 trillion of exports. One-third  
24 of our growth since 2009 has been driven by exports.  
25 Our manufacturing sector is growing and selling more

1 made in America products overseas. Nearly 30,000  
2 businesses are exporting for the first time since the  
3 recession. More than 1.6 million Americans are earning  
4 paychecks thanks to the export-supported jobs.

5 So this is an extraordinarily important pillar  
6 in our economic growth. American owned companies are  
7 expanding facilities and adding new ones and bringing  
8 jobs to America and investing both here and abroad and  
9 that is undergirding this growth.

10 So taken together, these facts and figures  
11 paint a very clear picture and send a really clear  
12 message. There is no better time to invest or do  
13 business in the United States, but there is also no  
14 better time for American-located businesses to be  
15 exporting.

16 With these major gains, though, there is still  
17 a lot more work that we can be doing. When the PEC met  
18 last September, we discussed the need for better  
19 metrics and that conversation inspired a full scale  
20 assessment which included focus groups in 11 cities,  
21 surveys that reached 6,000 customers and partners, an  
22 evaluation of the impact of our trade missions, our  
23 trade shows and our popular services, as well as an  
24 examination of what are the potential opportunities for  
25 us.

1           The findings were really instructive. Leaders  
2 at the Department of Commerce took this feedback very  
3 seriously and worked with our sister trade  
4 organizations to develop what we call NEI/NEXT.

5           NEI/NEXT is data-focused and customer-driven.  
6 It will help ensure that more American businesses can  
7 fully capitalize on markets opening up across the  
8 globe.

9           We have five strategies that undergird  
10 NEI/NEXT. The first is that we will help businesses  
11 find their next customer abroad. The second is that we  
12 will increase the efficiency of a company's first and  
13 next shipment. Third is we will help firms finance  
14 their next order. Fourth is we will help communities  
15 integrate trade and investment into their next growth  
16 plans. And fifth is we will open the next big markets  
17 around the world for our companies while ensuring a  
18 level playing field.

19           So importantly, under NEI/NEXT, we are going  
20 to support the creation of data for three purposes: to  
21 help businesses make better decisions; to better inform  
22 communities throughout the United States so they can  
23 better integrate trade and investment into their  
24 economic development strategies; and, to help us in the  
25 government gather feedback from customers, industry and

1 stakeholders to continuously improve our efforts.

2 So NEI/NEXT is going to be a driving force  
3 behind our work to help American businesses grow,  
4 export and create jobs. NEI/NEXT will continue to  
5 extend the reach of American innovation and ingenuity  
6 around the world and NEI/NEXT will enable and empower  
7 us to deliver our central message loud and clear, which  
8 is America is open for business.

9 But to do this successfully, we can't do it  
10 without your guidance and help and the feedback that  
11 you give us is invaluable to not just those of us in  
12 leadership, but frankly, to our teams. For that, we  
13 are really, really grateful and we recognize and I  
14 recognize, having sat in the private sector and been  
15 part of these committees that provide advice, how much  
16 work goes into it.

17 So I not only thank all of you who are on the  
18 PEC, but I really thank your staffs for the support  
19 work that they are doing working with all of our staffs  
20 to make this happen.

21 Thank you for your leadership in helping  
22 American companies compete throughout the world.

23 CHAIRMAN McNERNEY: Thank you very much,  
24 Penny. I think we are with you. NEI/NEXT, a lot of  
25 fresh ideas, new metrics and I know a lot of the

1 letters today that we are going to review are  
2 responsive to some of the things that are called for.  
3 So appreciate it very much.

4 Another theme we have had is manufacturing  
5 innovation. I think, Jeff, were you going to offer a  
6 couple of comments along the way?

7 By the way, we have been giving Penny some  
8 plaudits for her engagement with the business  
9 community, but this fellow here, Jeff Zients, has  
10 reached out about as fast as Penny has. So keep  
11 competing in that regard, would you two?

12 (Laughter)

13 MR. ZIENTS: I'm fine being in second place.

14 CHAIRMAN McNERNEY: It is highly appreciated,  
15 Jeff.

16 SECRETARY PRITZKER: Jim, we are partnering.

17 CHAIRMAN McNERNEY: Right. I forgot.  
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1     **III.   OVERVIEW OF MANUFACTURING INNOVATION WEEK**

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3             MR. ZIENTS:   Two-minute run here.   For all  
4 the reasons that you all know so well, we do have the  
5 wind at our back for manufacturing and exports given  
6 the skill of our workforce, the productivity of our  
7 workforce, the fact that we are the world leader in  
8 innovation, and now this new comparative advantage in  
9 energy.

10            What I think, in addition to all of that and  
11 what we have been focused on this week and will  
12 continue to be focused on is the level of  
13 entrepreneurship and innovation around manufacturing.

14            In fact, if you look at the data, this is the  
15 highest level of entrepreneurial activity in the  
16 manufacturing sector that we have seen in over 20  
17 years.   This week the President has really been  
18 highlighting that to call it out and hopefully add even  
19 more momentum to it.

20            He went earlier in the week to Pittsburgh to a  
21 tech shop to look at real time innovation and  
22 manufacturing.   I know he really enjoyed that visit.  
23 Valerie was with him.

24            Yesterday we hosted here at the White House --  
25 the President hosted a makers fair, the first ever

1 makers fair, and to the extent I could track what was  
2 going on, it was really cool. A lot of it was way over  
3 my head.

4 We also announced that the Federal Government  
5 would be opening up our spare capacity to entrepreneurs  
6 and makers. So when NASA has state-of-the-art wind  
7 tunnels, that that can help makers test the aerodynamic  
8 facets of their products, that is now open for their  
9 use. That is about \$5 billion worth of advanced  
10 equipment which will now be open to entrepreneurs.

11 We had 90 mayors commit to the maker  
12 challenge, so they are now finding spare capacity in  
13 their libraries and other government buildings to host  
14 makers and put in place leading edge equipment, which,  
15 as all of you know, is becoming cheaper and cheaper.

16 So I think that we should be looking for the  
17 opportunity for these new companies to export right  
18 away and that really can help with NEI/NEXT and help to  
19 grow the economy.

20 I am looking forward to our conversation on  
21 EX-IM and I do think it is a timely matter, and I know  
22 Fred and Robert are going to talk more about it, but I  
23 think it is time for us to be focused on EX-IM  
24 reauthorization.

25 Thank you, Jim.

1           CHAIRMAN McNERNEY: Thanks, Jeff. I  
2 appreciate the plug on EX-IM. I think we are going to  
3 hear from Fred maybe a similar theme later.

4           My only comment on the list of technologies  
5 you are supporting is just go easy on the wind tunnels.

6           (Laughter)

7           CHAIRMAN McNERNEY: Marillyn and I have got  
8 that covered.

9           (Laughter)

10          CHAIRMAN McNERNEY: Secretary Kerry has joined  
11 us. We are delighted to have you here. We are not  
12 sure what your timing is, Mr. Secretary. We could  
13 offer you a minute now to make some remarks or we could  
14 wait another half-hour or so after reviewing the  
15 letters.

16          Which would you prefer?

17          SECRETARY KERRY: Let's review the letters and  
18 I want to figure out what everybody is talking about.

19          CHAIRMAN McNERNEY: Okay.

20          (Laughter)

21          SECRETARY KERRY: I want to figure out where I  
22 am.

23          (Laughter)

24          CHAIRMAN McNERNEY: The busiest man in the  
25 world right here to my right.

1 **IV. Letters of Recommendation Discussion**

2  
3 So look, why don't we turn to the letters and  
4 let's move through these expeditiously, but with the  
5 proper process.

6 I think our first letter is underlining the  
7 importance of Trade Promotion Authority and I think Ken  
8 -- Ken Frazier, were you going to summarize for us?

9 Thank you very much, Ken.

10 MR. FRAZIER: Thank you very much, Jim.

11 Building on the work of the PEC over the last  
12 several years, this letter on Trade Promotion Authority  
13 underscores the role of TPA to advance tangible  
14 progress on trade.

15 As we all know, TPA is a critical piece of the  
16 trade framework; namely, establishing congressional  
17 objectives for what the Administration will deliver in  
18 high standard and comprehensive trade agreements.

19 Given the changes in the global economy over  
20 the last few years and the important trade negotiations  
21 currently underway, it is timely to update our goals  
22 since TPA was last passed in 2002.

23 We also must update TPA to reflect changes in  
24 U.S. law, for example, that are relevant to  
25 intellectual property, which is a cornerstone of our

1 economy.

2 TPA is crucial to ensure that we pursue trade  
3 agreements that reflect both our values, as well as the  
4 opportunities in the current and future global economy.

5 TPA is Congress' opportunity to set goals and  
6 expectations not just on substance, but on process.  
7 TPA ensures that Congress's voice is heard and that  
8 there are mechanisms in place to share information and  
9 to seek guidance from legislators throughout the  
10 negotiations.

11 For all these reasons, we urge the  
12 Administration to continue its engagement with Congress  
13 and to seek passage of TPA as soon as possible. We  
14 remember Ambassador Froman's comments earlier this  
15 morning about what is the cart and what is the horse in  
16 terms of substantive agreements like TPP versus TPA,  
17 but we underscore the importance of TPA.

18 CHAIRMAN McNERNEY: Thank you. Thank you  
19 very much, Ken.

20 I think the other side of the coin, obviously,  
21 even though we are calling on the Administration to  
22 continue, the emphasis is our engagement. I know Mike  
23 will probably remind us of that later when he makes his  
24 remarks.

25 But a big part of the TPA equation is us

1 continuing to weigh in, continuing to make it a  
2 priority as we work the Hill and meet with friends and  
3 supporters. So we don't mean to ignore that  
4 responsibility as we call for more effort from all of  
5 you.

6 Is there any other discussion or are we pretty  
7 much singing to a common choir here? I think we are.

8 (No Response)

9 CHAIRMAN McNERNEY: So with no objections, and  
10 I don't see any, the letter is adopted.

11 The second letter. Ginni, you warmed up  
12 earlier today over breakfast, on cross-border data  
13 flows, but why don't you give us a summary of the  
14 second letter on cross-data border flows?

15 MS. ROMETTY: Okay. Well, first, I should  
16 say that the Administration has taken a number of  
17 actions already in this area. It is both cross-data  
18 flows, cross-border data flows, as well as data  
19 localization. In fact, these are a threat not only to  
20 operation globally, but also to business globally, and,  
21 frankly, it is a threat to how governments can even  
22 operate and the benefits they get.

23 So the past two years, both Secretary Pritzker  
24 and Ambassador Froman have been very helpful in their  
25 attempts, in their efforts here, because we have seen

1 some successful rollback of troubling policies. I  
2 think many people are well aware of the India  
3 Preferential Market Access policy that got pulled back.

4 And, quite clearly, since the Snowden  
5 revelations, what has happened is you see an increase  
6 now in governments who are advocating and promoting  
7 local and digital protectionism.

8 Just to list some of the countries, Brazil,  
9 Turkey, Russia, Indonesia, Vietnam, Nigeria, India.  
10 They are in the forms of cross-border or the data  
11 protection or keeping data local. Honestly, they are  
12 many times often a condition to do business there.

13 So while privacy and security, those are often  
14 the reasons stated for this, outright stated, this is  
15 really a form of protectionism and it is really often  
16 driven by local competition, local commercial  
17 competition.

18 I don't think anyone would argue that you need  
19 data. It is the lifeblood of an economy, it is for our  
20 governments, it is for our businesses, for small and  
21 medium enterprises, as well, to succeed around the  
22 world.

23 While privacy and security are essential, it  
24 is just really important that we believe that any local  
25 requirements for this, it will actually just create

1 trade barriers and do nothing for privacy and security  
2 at the end of the day.

3 So we would advocate that we really work  
4 together to defeat any of this digital protectionism  
5 and in the short term, please continue, the  
6 Administration, to do what we've been doing. As these  
7 creep up, we go work on the bilaterally, but as we  
8 spoke about earlier today with Ambassador Froman, the  
9 most important thing is to intensify the focus on all  
10 the trade agreements to be sure that they actually --  
11 that there are rules there that prohibit that and  
12 protect, that we are able to move data and not have to  
13 store data locally.

14 I'd just end on the point that this isn't  
15 about a technology industry issue. This is every  
16 company's issue. It is every company, every industry  
17 and, frankly, all governments, as well, and their  
18 ability to both create economic prosperity and move  
19 jobs.

20 CHAIRMAN McNERNEY: Yes. Taken to an extreme,  
21 it would impair our ability to conduct business  
22 globally. So threading this needle between being  
23 sensitive to local sensitivities on privacy on one  
24 hand, but not allowing agreements to wrap -- local  
25 interests to wrap themselves in that cloak to, in

1 essence, produce a protectionist environment is what I  
2 think is the point.

3 I know Ursula and you, Ginni, have felt very  
4 strongly as we have crafted this letter. So is there  
5 any other discussion on Ginni's proposal?

6 (No Response)

7 CHAIRMAN McNERNEY: Without objection, then we  
8 will adopt the second letter.

9 Our third letter is on innovation policy. I  
10 believe Ian Read, of Pfizer. Welcome.

11 MR. READ: Thank you.

12 CHAIRMAN McNERNEY: Look forward to hearing a  
13 summary.

14 MR. READ: Thank you. Well, look, the letter  
15 recommends a comprehensive national innovation and  
16 competitiveness policy.

17 The United States has become accustomed to  
18 thinking of itself as a leader in innovation and the  
19 strongest country in the world, but the reality is that  
20 we no longer hold a commanding edge. We are still  
21 ahead, but it is being eroded rapidly by competitors.

22 Other nations, particularly in Asia, are using  
23 national policies with a comprehensive approach to  
24 innovation to attract research and development  
25 investments and to promote innovation that is

1 threatening America's competitive edge, and they are  
2 succeeding.

3           Some examples are in the biomedical sector.  
4 India, China, South Korea, Taiwan have implemented  
5 aggressive national strategies. This has fueled a rise  
6 of \$15.1 billion in biomedical investment in Asia from  
7 2007 through 2012. This is at the direct expense of  
8 investments in the U.S.

9           In 2000, Singapore launched a biomedical  
10 scientific initiative to develop Singapore economic  
11 competitiveness and establish the country as a center  
12 of biomedical excellence.

13           They have created an investment climate that  
14 includes financial and tax incentives, infrastructure  
15 improvement, strong IP, regulatory frameworks and  
16 talent retention.

17           They have managed to, in a decade, double the  
18 employment in R&D and they now have increased their  
19 pharmaceutical exports by 500 percent to just over \$6  
20 billion.

21           China launched a similar innovation platform  
22 under which research expenditures have grown by over  
23 300 percent in the period between '07 and '12 and at  
24 this rate, China's funding of R&D is expected to  
25 surpass that of the U.S. by 2022. So China is churning

1 out hundreds of thousands of life science graduates  
2 every year and increasing their ability to be  
3 competitive.

4 So I believe we should identify innovation as  
5 a national priority and just not narrowly looking at it  
6 by saying increasing funding for STEM education or  
7 creating a more robust R&D credit.

8 We should push for a comprehensive,  
9 multifaceted policy framework that includes long-term  
10 investment and policy changes to support innovation.  
11 Such a policy would support collaboration between  
12 governments, academia and industry and every sector  
13 that benefits from innovation.

14 It would help retain talent in the U.S.,  
15 restore funding to basic research, expansion of  
16 education and STEM, and it would drive reforms in  
17 national tax, intellectual policy and civil justice  
18 systems to create a more favorable environment.

19 I think it is time for the United States to  
20 step back and just like it has looked at having a  
21 National Energy Policy, it needs to step back and have  
22 a National Innovation and Competitive Policy to ensure  
23 that the United States continues to grow and prosper  
24 from the abilities we have here.

25 Thank you.

1           CHAIRMAN McNERNEY:    A very timely reminder  
2 and recommendation.

3           I think this is one of these where going down  
4 a list of specific actions is difficult at this stage,  
5 but it needs to get on the national agenda, and I think  
6 that is the spirit of Ian's comments.

7           We think it can make a big difference in the  
8 medium and long term in particular, and we are  
9 beginning to eat our own seed corn inadvertently right  
10 now as an economy.

11          So we wanted to raise the issue and there will  
12 be more discussion and debate over time. I know Jeff  
13 and the President have been focused heavily in this  
14 area.

15          Penny, do you have a comment there?

16          SECRETARY PRITZKER:    Can I just make a quick  
17 comment?

18          So one of the four pillars of the Department  
19 of Commerce's strategy is around innovation. One is  
20 focused on manufacturing, and I just want to put a plug  
21 in for the National Network of Manufacturing Innovation  
22 and something which is having great success.

23          We have four institutes that exist today.  
24 There is bipartisan and bicameral support for  
25 legislation and I think it is an incredible return on

1 the taxpayer's dollar investment. So just as one  
2 avenue.

3 We have also put together, working with Jeff,  
4 sort of a list of the things that are going on around  
5 innovation in this Administration. Maybe we could  
6 bring back to you what we are doing.

7 We at Commerce took an inventory and then we  
8 could talk about areas where you think we ought to be  
9 focused.

10 CHAIRMAN McNERNEY: Super. That's the kind  
11 of engagement we are looking for. That's fantastic.  
12 These four manufacturing innovation centers around the  
13 country, a number of us around the room are  
14 participating and I'm looking at Pat and myself in  
15 Chicago, for example.

16 These show some promise. So those examples  
17 and others, let's take a look at them and let's see if  
18 they -- how they measure up to Ian's call and see if  
19 there is more we should be doing.

20 So thank you very much, Ian. Appreciate it.

21 So again, without objection -- a very  
22 compliant group here today, good -- we will accept the  
23 letter.

24 Trade facilitation. I think, Scott, were you  
25 going to -- Scott Davis of UPS. Scott, by the way, is

1 calling his own number at UPS. That is an increasingly  
2 rare event in U.S. corporate life.

3 MR. DAVIS: Do it while you can.

4 CHAIRMAN McNERNEY: Transitioning to the  
5 exulted non-executive Chairman status. We all wish for  
6 that.

7 (Laughter)

8 CHAIRMAN McNERNEY: You don't do anything,  
9 but you second guess everything.

10 (Laughter)

11 MR. DAVIS: Perfect. I'm just the right  
12 person for that.

13 CHAIRMAN McNERNEY: But thanks for your  
14 service. Thanks for your service to this council over  
15 the years.

16 MR. DAVIS: Thanks, Jim.

17 Well, last December, the 159 World Trade  
18 Organization member countries completed the  
19 negotiations on the agreement on trade facilitation.

20 I think a lot of people said that would never  
21 happen. So congratulations, Ambassador Froman and your  
22 team, on the fantastic job they have done.

23 The letter highlights the importance of the  
24 agreement, urges the Administration to take a leading  
25 role in ensuring its ratification and implementation by

1 WTO member states and underscores the importance of  
2 private sector input during the process.

3 Trade facilitation reforms help boost trade by  
4 reducing costs and delays at the border through  
5 measures that provide predictability, simplicity and  
6 uniformity in customs and other border procedures.

7 A 2013 report published by the World Economic  
8 Forum estimated that even partial trade facilitation  
9 improvements could increase global GDP over six times  
10 more than removing all tariffs around the world.

11 Small and medium sized enterprises that do not  
12 have the resources to navigate complex webs of customs  
13 and border procedures will especially benefit from  
14 trade facilitation reform.

15 The WTO agreement includes commitments to  
16 expedite movements, release and clearance of goods, and  
17 improve cooperation among WTO members on customs.

18 While the ATF is not a panacea that addresses  
19 every supply chain barrier around the world, the  
20 agreement does include many important provisions that  
21 reduce time, cost and complexity at the border.

22 While negotiations on the agreement have been  
23 completed, the ATF's multi-year implementation process  
24 has only just begun. In this recommendation, the PEC  
25 urges your Administration to play a leading role in not

1 only implementing the agreement domestically, but also  
2 encouraging other WTO members to ratify and implement  
3 the agreement.

4 Furthermore, during this implementation  
5 process, the PEC encourages the Administration to  
6 create a systematic process for private sector input.

7 The Administration has already begun to engage  
8 the business community regarding ATF implementation.  
9 This initial outreach, however, should be enhanced  
10 through the creation of a formalized structure for  
11 private sector engagement.

12 American companies that trade with the world,  
13 that build and operate global supply chains, and that  
14 partner with firms of all sizes in every country can  
15 offer frontline visibility into current customs  
16 capabilities and the progress with implementation.

17 Finally, the PEC appreciates the  
18 Administration's efforts to conclude the ATF and it  
19 looks forward to partnering on some effective  
20 implementation going forward.

21 CHAIRMAN McNERNEY: Thanks very much, Scott.

22 I think this is one we've been working for  
23 awhile. I know Commerce and others have been engaged.

24 Pat, I know you have been heavily engaged.  
25 Any comments? This gets as close to an article of

1 faith as we get in this kind of meeting. So without  
2 objection, we will approve the letter.

3 Thank you. And thanks again for your service.  
4 Appreciate it.

5 I think, Arne, Arne Sorenson, Travel and  
6 Tourism. Where is Arne?

7 MR. SORENSON: Right here.

8 CHAIRMAN McNERNEY: There he is. Would you  
9 please propose the letter?

10 MR. SORENSON: Yes. Thank you. On behalf of  
11 the Services Subcommittee of the PEC, I'm happy to  
12 present this letter which is really seeking to build on  
13 the great momentum that is already underway in travel  
14 and tourism.

15 There is a global competition underway to grab  
16 as many of the hundreds of millions of new travelers  
17 around the world. These are folks who by and large are  
18 entering the middle class for the first time who have  
19 the resources to get beyond simply caring for housing  
20 and health and food and nourishment and they are  
21 looking to travel.

22 The competition really involves, from the U.S.  
23 perspective, three things. We are, obviously, a well  
24 known destination. We have got great things to offer.  
25 The first is communicating an invitation that we'd like

1 for folks to come and leave their dollars here. That's  
2 where the exports come from.

3 The second is to ease the process of  
4 permission to allow them to come here; and, the third,  
5 of course, is to focus on the arrival experience.

6 Great progress has been made through  
7 leadership of President Obama and many members of the  
8 Administration, as well as great leaders on the Hill,  
9 and there is great momentum.

10 Brand USA was formed a couple of years ago.  
11 It now needs reauthorization. That is the vehicle  
12 which communicates the invitation to folks to come to  
13 the United States. Studies have been done, not a  
14 single public dollar is spent in communicating that  
15 welcome, but the dollars that are spent which are a  
16 portion of the visa application fees are driving a  
17 roughly 50:1 return.

18 The second is permission, and that is really  
19 about issuing visas to foreigners to permit them to  
20 come to the United States. We focus there too. Wait  
21 times have come down significantly from about 90 days  
22 to four or five days in places like China. But there  
23 is further work to be done there around easing renewal  
24 of visas, extending the length of visas, and, over  
25 time, using technology to ease the visa interview

1 process.

2 Then finally its arrival. What do these  
3 foreign travelers see when they come to the United  
4 States? How long are the lines? Is the arrival  
5 process filled with smiles and welcome? And what do we  
6 do about the infrastructure?

7 Almost everybody in this room travels. You  
8 know the stark difference between the main terminal at  
9 LaGuardia and many of the new terminals that have been  
10 built around the world. That is just one example of  
11 the kind of infrastructure.

12 So there are specific near-term steps,  
13 reauthorization of Brand USA, authorization of the JOLT  
14 act, and then longer term steps around infrastructure  
15 investment and arrival. But we thank the  
16 Administration and the Hill for leadership so far and  
17 think much more can be done to grab tens of millions of  
18 new visitors to the United States.

19 CHAIRMAN McNERNEY: I think the work at the  
20 Department of Transportation, TSA and State have  
21 provided a lot of the mechanics under the category of  
22 unsung activities.

23 I happen to see a fair amount of it given the  
24 airplanes that facilitate a lot of this travel  
25 mechanically and I highly appreciate the engagement of

1 State, TSA and Transportation.

2 Did you have a comment, Secretary Foxx? Your  
3 weighing in has been particularly important here.

4 SECRETARY FOXX: Thank you, Jim and Ursula,  
5 for your leadership. We at DOT are very excited about  
6 the President's announced goal of 100 million  
7 international tourists to the U.S. by 2021.

8 I would only add one point on the  
9 infrastructure issue, which is we are experiencing a  
10 fair amount of congestion in our airways that can be a  
11 limiting factor on our ability to deliver on our goals.

12 There is technology that we are now deploying.  
13 We were actually in Houston yesterday to make an  
14 announcement about a further development in NEXTGEN and  
15 our ability to create more capacity within the air  
16 space.

17 It is very important technology that we are  
18 rolling out that essentially puts us out of the  
19 business of using World War II radar systems and into  
20 the business of using 21st Century GPS to shorten the  
21 distance between planes, creating more fuel efficiency,  
22 safer landings, more efficient landings.

23 It is going to save millions of gallons of gas  
24 and other things, but it is also going to create more  
25 capacity in the air space. So this was a very, very

1 important piece of how we get to the final goal.

2 CHAIRMAN McNERNEY: Here, here. Here, here.  
3 Senator Klobuchar, did you have a comment?

4 SENATOR KLOBUCHAR: Yes, I did. Thank you,  
5 Mr. Chairman and Vice Chair.

6 I just wanted to commend Arne for his work.  
7 Literally, half of the export increase in the last year  
8 has been travel and tourism. It now counts for 22  
9 percent, 22 percent of export growth this year and we  
10 are really proud of the work we have done with Brand  
11 USA and the Export Promotion Act, the Travel Promotion  
12 Act.

13 We have a reauthorization that is going to the  
14 Commerce Committee very soon. Senator Blunt and I are  
15 leading it. We have 26 authors, half Democrats and  
16 half Republicans. We can't say that very often. So we  
17 are very pleased with that, because in the past there  
18 has been some controversy, and I think the numbers  
19 speak for themselves why we are feeling good about  
20 reauthorizing either as part of the immigration bill in  
21 the Senate that it is part of or separately, and we are  
22 having two tracks here to make sure we got it done.

23 I also wanted to add that I was just in  
24 Canada. Senator Blunt and I were up there last weekend  
25 and led a trip there with five Senators and others.

1 Very much excitement there about what is going on with  
2 exports and the possibilities of more infrastructure at  
3 the border, not just for tourism, but also for bringing  
4 in more goods to market and really upping our game with  
5 Canada. They were very positive about that.

6 So I want to thank Arne and I look forward to  
7 working with you in the future.

8 CHAIRMAN McNERNEY: Well. thank you for your  
9 leadership, Senator. I mean, you practice what you  
10 preach. I mean, you sent Jared Allen down to Chicago  
11 from Minnesota.

12 (Laughter)

13 CHAIRMAN McNERNEY: It is a highly appreciated  
14 import in Chicago.

15 SENATOR KLOBUCHAR: Anytime.

16 CHAIRMAN McNERNEY: And practicing what  
17 you're preaching on exports in Minnesota.

18 SENATOR KLOBUCHAR: And we are getting the  
19 Super Bowl in 2018, even though we were colder than  
20 Mars one day this year. So, yes.

21 (Laughter)

22 CHAIRMAN McNERNEY: Well, you have seen what  
23 Bears' away uniforms look like even in a Super Bowl.

24 (Laughter)

25 CHAIRMAN McNERNEY: Okay. Thank you very

1 much, Senator, for your leadership there.

2 Without any other comments, without objection,  
3 we will adopt that.

4 MR. ZIENTS: Jim, let me do 30, just 30  
5 seconds on wait times, because the visa wait times, as  
6 Arne said, have come way down.

7 CHAIRMAN McNERNEY: Yes.

8 MR. ZIENTS: We've got to keep working there.  
9 The next challenge is wait times when people arrive, as  
10 Arne said, at the airports. DHS is leading there, but  
11 it really is a city-by-city partnership to get that  
12 done.

13 You need the airport authorities and the local  
14 businesses to work with DHS. We have done it in  
15 Dallas/Fort Worth, we have done it in Chicago, we have  
16 halved the wait times. But to do it at the top 15  
17 airports, which is what the President has directed us  
18 all to do, it has to be a public/private partnership.

19 I would encourage people to work in their  
20 local cities to get this done.

21 CHAIRMAN McNERNEY: Thank you.

22 SECRETARY PRITZKER: Can I just say one more  
23 thing on that?

24 CHAIRMAN McNERNEY: Yes.

25 SECRETARY PRITZKER: Just one more thing on

1 that. To underscore what Jeff said, the President did  
2 an executive order to direct Department of Commerce and  
3 Department of Homeland Security to come up with a  
4 metric and to work towards a specific metric. I can't  
5 remember if it is 120 days or it is a very fast  
6 timeframe.

7 But the other thing is Department of Homeland  
8 Security is looking for loaned executives to help them  
9 so that they can executive against these goals of doing  
10 what I call hospitality and national security all at  
11 the same time, or trade and national security at the  
12 same time.

13  
14 So any of you who might have folks that could be  
15 available to help them, I want to put a plug in for  
16 DHS. They are being a great partner on this.

17 CHAIRMAN McNERNEY: Thank you. I think we  
18 will all try to respond to that. I appreciate it,  
19 Penny.

20 So without objection and further comment, we  
21 will adopt the letter.

22 I have just been informed that, Valerie, I  
23 think the President is about 10-15 minutes away. So we  
24 might be able to get through the letters.

25 Our sixth letter will be presented by Vanessa

1 Keitges and it covers small business access to capital.

2 Vanessa, I saw you earlier. There you are.

3 Welcome. It is great to have you here.

4 MS. KEITGES: Thank you, Chairman. Thank  
5 you.

6 I was appointed last summer to represent the  
7 start up and small business community and as we learned  
8 at the last meeting, only about 1 percent of small  
9 businesses in America export, so we want to try and  
10 increase that. So this letter is around access to  
11 capital.

12 As we learned, American companies, small and  
13 entrepreneurial, are having issues of access to  
14 capital. Times have really changed where this industry  
15 used to be able to, or sector, go to banks or community  
16 banks to get loans, and, in fact, our company over a  
17 two-year period, interviewed 30 community banks and was  
18 unable to get a loan.

19 Therefore, we are really looking at solutions.  
20 What can we do to get to the gap of where we want to  
21 create jobs and innovation and then export, and,  
22 therefore, a solution that community banks testified a  
23 couple of years ago here is to go back and have states  
24 look at creative financing ideas that banks and  
25 community banks are unable to do so due to risk.

1           Therefore, in Oregon, Governor Kitzhaber  
2           created what is called the Oregon Growth Board, where  
3           he actually took \$100 million of lottery money,  
4           allocated it over ten venture capital firms, who then,  
5           in turn, invested in their sectors and their small  
6           businesses and startups in their states, and including  
7           Columbia Green as a bifactor of that type of creative  
8           financing, which then allowed us to grow, scale, and  
9           now export.

10           Therefore, what we'd like to do here at PEC  
11           with regards to this access to capital is really urge  
12           the Department of Commerce to work with the National  
13           Governors Association, with the states, to look at  
14           putting more creative financing ideas around taking  
15           lottery money, pension funds, general funds, allocating  
16           them over to the venture capital to invest in each  
17           state's sectors that are important to them.

18           Oklahoma, Colorado, Wisconsin are some of the  
19           other states that have done this type of creative  
20           financing.

21           Therefore, again, on behalf of small business  
22           and start ups, because the times have changed and banks  
23           and community banks can't get to this sector, we need  
24           to get them access to capital. We need to take action.  
25           We can do it through the states and the Department of

1 Commerce, the Conference of Mayors, as well and the  
2 SBA.

3 So we urge everyone to take action and I know  
4 the National Governors Association is going to be  
5 bringing this up at their next agenda and their  
6 economic development story to begin sharing other  
7 stories like Oregon and Colorado and what we've done.

8 Thank you.

9 CHAIRMAN McNERNEY: You know, Vanessa, the  
10 most powerful argument for this letter is your  
11 experience and what you have done with Columbia Green.  
12 It has been spectacular.

13 MS. KEITGES: Thank you.

14 CHAIRMAN McNERNEY: And you don't know the  
15 story, but Google the story. You will love it.

16 MS. KEITGES: Thank you.

17 CHAIRMAN McNERNEY: And it is, that example  
18 does as much for anything.

19 Do we have any comments?

20 SENATOR GILLIBRAND: I want to echo the points  
21 of the letter.

22 I think access to capital is one of the  
23 biggest challenges that New York State businesses are  
24 facing still, particularly for smaller businesses. I  
25 really want to highlight and commend what Fred Hochburg

1 has been doing through the Export-Import Bank, because  
2 he took a tour with me through upstate New York to meet  
3 with small businesses.

4 One business we met with was Mercer Dairy.  
5 They create ice cream that is made with wine and  
6 apparently the Chinese love it.

7 But what export can do for the small  
8 businesses is they can actually fill an order without  
9 receiving the money first and that kind of insurance  
10 allows a small business like Mercer Dairy to say, okay,  
11 I can fill an order for all of this ice cream that I  
12 would never be able to afford to send without being  
13 paid first. It allows her to increase her exports.

14 So one thing that was really important about  
15 that fly-around is that most of our businesses had  
16 never heard of the programs under Export-Import Bank  
17 that could actually help a small business.

18 So I think the more we amplify what the  
19 Federal Government can do through the SBA and through  
20 Export-Import Bank, we will have more success stories.

21 I love the story Fred told about Granny's  
22 Pickles, some southern grandmother who makes pickles,  
23 and again, the Chinese seem to love it. So we are able  
24 to export our products worldwide.

25 The second thing is I want to focus on SBA's

1 ChallengeHER initiative. I think it is really  
2 important. One of the challenges that women-owned  
3 business have is they typically start their businesses  
4 with eight times less capital than male-owned  
5 businesses.

6 It is not surprising because most of the  
7 avenues for capital are male run, so most venture  
8 capitals are male run, most private equity firms are  
9 male run, most community banks and most large banks.

10 So as human nature dictates, we see brilliance  
11 in ourselves, and so if you don't have women who are  
12 running these funds, they don't always see the  
13 brilliance in the business idea for the women-owned  
14 businesses. It is just human nature.

15 When banks do create targets for lending to  
16 women-owned businesses, they have found great results.  
17 In Key Bank in Upstate New York, it is a woman CEO.  
18 She said I'm going to set a \$3 billion target for  
19 women-owned business lending.

20 She has exceeded that target, she is at \$5  
21 billion already and it is among her highest performing  
22 portfolios. So when I meet with our bankers across the  
23 state, I urged them, please set a target. It doesn't  
24 matter what your target is, whatever is consistent with  
25 your own business model, just set one because you will

1 see even though these aren't the typical businesses you  
2 would normally fund, they actually make money and they  
3 are not delinquent in their payments, they are very  
4 good returns on investment.

5 So thank you for all the work you are doing.  
6 I think you are spot on in your focus because we know  
7 that two-thirds of all new jobs are created by small  
8 businesses and without access to capital, they can't  
9 grow.

10 So with tools like EXIM to help them  
11 facilitate exports, that's how we create growth,  
12 certainly in my state.

13 Thank you.

14 CHAIRMAN McNERNEY: Thank you, Senator  
15 Gillibrand.

16 Did you want to make a comment? Yes?

17 MS. CONTRERAS-SWEET: I did, yes. Lamentably,  
18 it is not the first time that I have heard a story  
19 similar to yours, Vanessa, and so I understand. I came  
20 out of -- I was California Secretary of Transportation  
21 and as I was trying to dole out work to small  
22 businesses, I found that they had similar experiences.

23 So having arrived now as the new Administrator  
24 of the SBA, on day one I set out to address some of  
25 those issues. So I'm just delighted to give you a

1 little bit of an update.

2 That is that, first and foremost, we have now  
3 put in a technology that we think is going to help  
4 expedite. It is the process through which we engage  
5 with the bankers. So I'm delighted to see that some of  
6 that has already taken hold and we are getting some  
7 good feedback on that.

8 The second is the way that we look at  
9 underwriting. We came out with a new predictive score  
10 that we think helps banks get to yes a little easier.  
11 So I'd love to share that with you in more detail.

12 But just to the point here, I'm just really  
13 delighted at how cooperative across President Obama's  
14 Administration, that across all of the departments,  
15 everybody is cooperating on their SBIR goals. So that  
16 is where we set aside so much of the research dollars  
17 out of each agency for innovation and research.

18 So I was very encouraged to see that in our  
19 reauthorization we have been able to increase that  
20 number, which will allow us to spur more innovation and  
21 more work around the country through small businesses.  
22 So I think that's really good news.

23 Second, just, again, in terms of databases and  
24 allowing folks to use our databases, what we are doing  
25 now, we are going to be launching this very imminently.

1 I'm pleased to say that we are going to be  
2 putting the database, collecting all of the research,  
3 all of the technological advances all in one place at  
4 the SBA so that people don't have to go to every single  
5 agency to find out what research and what developments  
6 are occurring. We will have it all at the SBA.

7 Thank you.

8 CHAIRMAN McNERNEY: That's terrific.

9 Vanessa, you have attracted a lot of support  
10 here on your first outing.

11 (Laughter)

12 CHAIRMAN McNERNEY: Any other comments? Jeff?

13 MR. ZIENTS: Just one thing. You have been  
14 supportive, Boeing has been supportive, Lockheed has  
15 been supportive of an initiative that we are launching,  
16 which is to basically take the fact that large  
17 businesses don't have that access to capital. In fact,  
18 their capital is quite cheap now, whereas small  
19 businesses either can't get it or it is quite  
20 expensive.

21 So we are modeling this after something that  
22 Cameron did in the UK, which is to have big businesses  
23 step forward and say we will provide financing to small  
24 businesses in our supply chain at close to or at our  
25 cost to capital.

1           So we want to get as many of the big  
2 businesses here signed up. We did this in the Federal  
3 Government by paying small business contractors faster  
4 and that has had a real impact and we want to do the  
5 same thing with the private sector.

6           This is coming together real time. We are  
7 probably going to launch it in the next few weeks, and  
8 the more big businesses on board, the more we can  
9 benefit small businesses.

10           CHAIRMAN McNERNEY: And I think a lot of us  
11 already are.

12           MR. ZIENTS: Yes.

13           CHAIRMAN McNERNEY: I think a lot of us  
14 already are, and Fred has a similar initiative on  
15 export finance, leveraging the credit at the top of the  
16 supply chain.

17           So, Vanessa, I think everybody -- there is  
18 zero controversy about your letter. So without  
19 objection, why don't we adopt it?

20           Gene, you have -- where is Gene? There he is.

21           The President always comes during your letter.  
22 So why don't we hurry?

23           (Laughter)

24           MR. HALE: Yes. Let's hurry through this.

25           CHAIRMAN McNERNEY: Twice, twice this has

1 happened.

2 MR. HALE: I know, I know. It is by design  
3 too. Right, Jim?

4 CHAIRMAN McNERNEY: Technology-Enabled Small  
5 Business Exporters.

6 MR. HALE: Yes. Thank you. Thank you very  
7 much.

8 The SME Committee has been very busy since our  
9 last meeting. We have hosted several roundtables.  
10 Chairman Hochberg attended one in Los Angeles,  
11 Secretary Foxx in March came to Los Angeles and spoke  
12 to about 800 SMEs, and we just recently held a  
13 roundtable in Los Angeles where we had great feedback.

14 Some of the positive that came out of that was  
15 free trade agreements with Colombia. One company  
16 mentioned that since that trade agreement, that company  
17 is four times as large as it was before.

18 The SBA EX-IM Bank has played a big role in  
19 that success. Quite interesting, the roundtable  
20 discussion surfaced a new area, type of exporter, that  
21 needs our attention and it is called the Consumer  
22 Driven Technology-Enabled Small Business.

23 John Donohoe from Google has played a major  
24 role in driving this.

25 CHAIRMAN McNERNEY: Ebay. Ebay.

1           MR. HALE:    So he is not here, but he wanted  
2 me to at least say a few words, and I will.

3           He said thank you for providing the  
4 opportunity to present some thoughts on the emergence  
5 of Technology-Enable Small Business. This is  
6 exporters, and I apologize that I'm not able to present  
7 the letter in person.

8           Technology, particularly the internet, is  
9 enabling SMEs to take their business to a global  
10 audience in a way that was never possible before. A  
11 traditional main street business can now use the  
12 internet to sell its products and services online and  
13 reach nearly 3 billion users.

14           These businesses maintain a local presence and  
15 participate directly in their local economy, but also  
16 increase revenue through access to customers around the  
17 world. I will just wrap it up here.

18           Despite these tremendous new global  
19 opportunities, frictions remain for Consumer Driven  
20 Technology-Enabled SMEs. Government policy can play a  
21 meaningful role to reduce these frictions. When  
22 frictions are removed, increase of global commerce,  
23 local jobs and opportunity grows in communities across  
24 America.

25           I look forward to working with the

1 Administration and partners in industry to ensure that  
2 Technology-Enabled SME exporters realize their full  
3 potential.

4 So that is the essence of the comments and we  
5 basically want to get an endorsement for the letter.

6 CHAIRMAN McNERNEY: Gene, I just wanted to  
7 note for everybody that no one works harder at the  
8 grass roots level on the PEC than you do.

9 MR. HALE: Thank you.

10 CHAIRMAN McNERNEY: At the community level,  
11 at the small business level, your leadership has made a  
12 big, huge difference. So you are not just writing  
13 letters, you are doing the work.

14 MR. HALE: It's the team. It's the team that  
15 we have.

16 CHAIRMAN McNERNEY: I highly appreciate it.  
17 Any additional comment or objections?

18 (No Response)

19 CHAIRMAN McNERNEY: With no objection, we will  
20 adopt it.

21 We are going to try for an eighth letter here  
22 before the President comes. I think Bob, Robert Wolf  
23 was going to outline support for the Import-Export  
24 Bank. You have got Fred right to your right there.

25 MR. WOLF: Thanks. Well, they put me in the

1 middle of former Massachusetts Senator and now Senator  
2 Gillibrand, but I'm still a Boston Red Sox fan.

3 (Laughter)

4 MR. WOLF: Listen, dear Cabinet members,  
5 Administration members, elected officials, Chairman  
6 McNerney and Vice Chairman Burns and member of the PEC,  
7 it is an honor to present today such an important and  
8 critical issue for the economy, the Export-Import Bank  
9 reauthorization.

10 I am pleased to report that the PEC agrees  
11 with and fully supports the President's proposal to  
12 provide the EX-IM Bank a five-year reauthorization,  
13 with a \$160 billion cap by September 30th<sup>h</sup>. Now, I  
14 would like to emphasize a few points for the record.

15 The EX-IM financing supports small businesses.  
16 In fiscal year 2013, the EX-IM Bank provided over \$5  
17 billion in financing to nearly 3,000 small businesses.  
18 That's over 90 percent of all EX-IM transactions.

19 Secondly, it increases U.S. competitiveness.  
20 Sixty other countries provide EX-IM credit financing to  
21 support their businesses. Third, ending EX-IM is  
22 essentially economic unilateral disarmament and harms  
23 American workers.

24 I meet with CEOs around the globe daily and  
25 the EX-IM reauthorization is coming up now every day.

1 They don't understand the debate.

2 Four, actually, the EX-IM Bank earns interest  
3 for taxpayers and money. The bank charges an interest  
4 rate on all transactions. Since 2009 the EX-IM Bank  
5 has generated, and I will repeat this, generated over  
6 \$2 billion to contribute to the Treasury Department's  
7 general fund.

8 Lastly, since 1934 the EX-IM's net losses on  
9 its entire portfolio have been less than 1.5 percent.  
10 As of March 31st, the report to Congress, the bank's  
11 default rate was less than one-fourth of 1 percent.

12 As the only Wall Street guy here, I can tell  
13 you that's an incredible, incredible job by Chairman  
14 Hochberg and the EX-IM staff.

15 We are urging all members of the President's  
16 Export Council, all of the elected officials to go back  
17 to their states, all the communities around the globe,  
18 to support the EX-M reauthorization by September 30th.

19 Thank you.

20 CHAIRMAN McNERNEY: Robert, thanks for that  
21 strong, strong letter.

22 Are there any additional comments? I think it  
23 is under the heading --

24 VICE CHAIR BURNS: I would just make a comment  
25 that this is essentially a no brainer. It should be a

1 no brainer. It is one that we can't take higher up  
2 because it is not without a huge amount of opposition.  
3 So we will need to help you and we will do that.

4 CHAIRMAN McNERNEY: Yes. I think it was a  
5 major BRT initiative yesterday on the Hill and it is  
6 one of the top priorities and we will keep working it.  
7 A lot of us in the room feel very strongly about it and  
8 so should our economy.

9 Ursula, you want to try for the last letter?  
10 We might actually get it done.

11 VICE CHAIR BURNS: This is supporting Penny?

12 CHAIRMAN McNERNEY: This is supporting  
13 NEI/NEXT which Penny outlined. Yes.

14 VICE CHAIR BURNS: On behalf of the PEC, we  
15 are pleased, I am pleased to present this letter that  
16 encourages the Administration to ensure that private  
17 sector input remains a key guiding principle in  
18 development of the second phase of an NEI strategy,  
19 NEI/NEXT, which Penny talked about.

20 Significant progress has been made under the  
21 current export strategy and I am pleased to see that  
22 the government has implemented many of the  
23 recommendations of this private sector advisory group.

24 I believe that this kind of public and private  
25 partnership is the only way to improve and to move

1 forward and strengthen our exports to other countries.

2 I encourage you to continue and even ramp up  
3 your dialogue with the private sector who will need to  
4 engage in some bold and outside-of-the-box thinking.

5 We have begun implementation --

6 CHAIRMAN McNERNEY: Good to see you.

7 (Laughter)

8 CHAIRMAN McNERNEY: I think this is the place.

9 There you go. I couldn't quite get the vote out.

10 All in favor of Ursula's letter?

11 (Chorus of Ayes)

12 CHAIRMAN McNERNEY: We are set.

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

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1 **V. MANUFACTURING INNOVATION DISCUSSION**

2 PRESIDENT OBAMA: Well, hello, everybody.  
3 Sorry to interrupt the flow of the meeting.

4 But I just want to say thank you to all of you  
5 who are here. Some of you have been serving on our  
6 Export Council for quite some time, some of you are  
7 here as new additions, but all of you have been  
8 extraordinarily successful in your various fields.

9 It gives us an enormous opportunity to hear  
10 from you in very concrete terms about how we can  
11 advance not just America's export agenda, but how we  
12 can build the kind of economic future that we want for  
13 our kids and our grandkids.

14 For the last 51 months, we have created jobs  
15 here in the United States, 9.4 million jobs in all.  
16 But we are going to have to create more. One of the  
17 best ways to do it is to boost American manufacturing  
18 and American exports. That is why since I came into  
19 office, we have been promoting American products and  
20 businesses when I travel overseas. It is why we  
21 created the President's Export Council in 2010.

22 There are some of the most iconic companies in  
23 the world, Boeing being an example, Xerox being another  
24 one, and with your help, exports have driven one-third  
25 of the economic growth in our recovery and now support

1 over 11 million U.S. jobs.

2 Last year we exported \$2.3 trillion in goods  
3 and services, which was an all time high. Business  
4 executives around the globe say that the United States  
5 is the best place to locate, the best place to invest  
6 and the best place to hire. That's the first time that  
7 they've said that, that we are number one when it comes  
8 to their desirable location to invest. This is the  
9 first time they have said that in over a decade.

10 So the Made in America brand is stronger than  
11 ever and as we saw yesterday at the first White House  
12 maker fair, I was out there watching these 22-year-olds  
13 coming up with incredible things. It is going to be a  
14 remarkable future that we have to look ahead to because  
15 in many ways, manufacturing is becoming easier.

16 Some of the barriers to entry are lowering.  
17 It gives inventors and entrepreneurs the opportunity to  
18 create new products and services in ways that we can't  
19 even imagine and we want to make sure that all those  
20 trends accelerate here in the United States.

21 So this is a moment of opportunity. We have  
22 got a chance to extend our competitive advantage in the  
23 world and that is what this meeting is about.

24 One thing I want to focus on today is opening  
25 up even more new markets to Made in America products.

1 We are working very hard to finalize trade agreements  
2 with our partners in Europe and in Asia that will make  
3 us the center of a free trade hub covering two-thirds  
4 of the world economy.

5 Mr. Michael Froman has been putting in a lot  
6 of miles trying to make sure that that happens and I  
7 know he has consulted with some of you, not just big  
8 companies, but a lot of small and medium sized  
9 businesses who have enormous opportunities if we're  
10 able to open up these markets and oftentimes are the  
11 ones that have the hardest time navigating through some  
12 of the barriers that are out there.

13 I especially want to increase trade and  
14 investment in the region and this is going to be one of  
15 the issues that we discuss in August. There has been  
16 some explosive growth in certain parts of the world  
17 where we are just not doing enough, Africa being a  
18 prime example.

19 You have got six of the ten fastest growing  
20 economies in Africa, a young population that is growing  
21 rapidly. Some of these economies are doing very, very  
22 well, but we are not penetrating those markets as well  
23 as we should have.

24 I think we have got a great opportunity in  
25 August with an African Leader Summit that is going to

1 be taking place for us to talk about trade and commerce  
2 because that is really what that is interested in.  
3 They are not interested in aid as much as they are  
4 trade, development and partnering with the private  
5 sector.

6 As your businesses know well, when we export  
7 products overseas, we are creating jobs and  
8 opportunities here at home. That is the focus here  
9 today and every day of my Presidency.

10 How do we create thriving businesses that are  
11 also able to create great jobs that allow people not  
12 just to stay in the middle class, but to work their way  
13 into the middle class if they work hard and take  
14 responsibility?

15 All of you have done that. This Council is  
16 doing great work. And with that, I'm going to turn it  
17 back over to Jay to hear about some of the ideas that  
18 you have come up with and how we can help advance this  
19 agenda.

20 CHAIRMAN McNERNEY: Again, thank you for your  
21 attendance. It energizes us and reminds us of the  
22 importance of our work.

23 We appreciate your comments about our  
24 engagement. I think we are going to send you a record  
25 nine letters coming out of this meeting. We discussed

1     them and there are a couple of themes, one of which is  
2     around this manufacturing and technology innovation.  
3     It is enablement.

4             We have had some discussion that Jeff and  
5     Penny have led before you came here that reminds us of  
6     the importance of that and I think we had sort of held  
7     off discussing that until you came here because of your  
8     leadership, personal leadership there.

9             I think one of the letters you are going to  
10    get is from Vanessa, our small business startup star  
11    from Oregon who is talking about finding new ways to  
12    finance small businesses, often technology based, and  
13    its importance for us to focus on that issue.

14            So I think we were hoping maybe you'd talk a  
15    little bit about, elaborate a little bit on what you  
16    said about enabling small businesses not only to  
17    export, but just to become a bigger part of our economy  
18    and the role of manufacturing and technology  
19    innovation.

20            We are delighted to hear that emphasis because  
21    it is at the heart of what a lot of us do around here.

22            PRESIDENT OBAMA:    Good.  Well, first of all,  
23    I just want to know how much Michelle has paid you to  
24    position me at a Starbucks.

25            (Laughter)

1           CHAIRMAN McNERNEY:    I'm sure Howard is  
2 catching that on television right now.

3                           (Laughter)

4           PRESIDENT OBAMA:    They did a good thing with  
5 announcing the scholarship program with Arizona State  
6 which I think is worth companies looking at.

7                           I think what I'd like to do is begin with some  
8 of this technology and innovation, because as I said  
9 yesterday, we have this amazing collection of folks.

10                          Over the last couple of days we have been  
11 talking about things like 3D printing and the  
12 revolution in making stuff that initially was just  
13 using software for data and information and now  
14 suddenly it is starting to move into the three-  
15 dimensional space.  It is still in its infancy.  It is  
16 still where the internet probably was 25, 30 years ago,  
17 but there are enormous opportunities there.

18                          It was a reminder when you see some young  
19 person who invented an incubator that is \$200 and is  
20 already saving 60,000 lives of preemie babies around  
21 the world or high school kids who develop a sports car  
22 that gets 100 miles a gallon as part of their class  
23 project.  It just gives you a sense of why it is that  
24 we have been an economic superpower in the past and why  
25 we have to maintain that.

1           So one person that I thought would be great to  
2 comment on this is Marilyn Hewson from Lockheed Martin,  
3 obviously one of our greatest innovators. It occupies  
4 a unique section, position in our manufacturing sector.

5           I know at this time, folks have been thinking  
6 about it. Let's turn to Marilyn and hear what the  
7 conversation has yielded so far.

8           MS. HEWSON: Well, thank you, Mr. President.  
9 You know, as an advanced technology company like  
10 Lockheed Martin, investing in research and development  
11 is absolutely critical to our business, it is critical  
12 to growth, it is critical to sustaining the business,  
13 and, as you said, it is what generates jobs throughout  
14 the supply chain.

15           Over 60 percent of our business goes out into  
16 the supply chain to small and medium sized businesses.  
17 So what we invest in flows all the way through.

18           We are investing in a lot of emerging  
19 technologies, as well as current technologies from  
20 robotics to quantum computing to hypersonic aircraft  
21 that can fly mach 6, so our engineers and scientists  
22 are working on that every day.

23           But to your point, the manufacturing process  
24 is another area that we are investing in. This added  
25 manufacturing or 3D printing that you brought up, and I

1 know you spent some time on it here, but also in  
2 Pittsburgh this week, there is a lot of excitement  
3 around it.

4           What is exciting to us at Lockheed Martin is  
5 the ability to take it to large-scale manufacturing  
6 environments and do complex parts. We are doing some  
7 of that and we are finding that relative to traditional  
8 manufacturing and design, it is reducing the cost about  
9 80 percent and it is getting the parts faster.

10           So we have it, today we have got parts,  
11 titanium parts on the NASA Juno space craft that is on  
12 its way now to Jupiter and it is exciting that we were  
13 yielding those very results from 3D printing of those  
14 parts.

15           I think the more that we can invest as a  
16 company, and the companies around this table, in  
17 research and development, in manufacturing processes,  
18 that is what is going to generate the jobs for us in  
19 the U.S. and that is what is going to allow us to take  
20 those to other markets.

21           This body is about export and trade and in  
22 that exporting arena, if we can get those products to  
23 market faster through things like 3D printing, that is  
24 what is going to make a big difference for our  
25 companies.

1           PRESIDENT OBAMA:   That's great.  And  
2 obviously a big chunk of this is R&D investment by your  
3 company, but I think it is not just defense contractors  
4 that recognize the degree to which federal R&D and  
5 basic research ends up being critical in us maintaining  
6 that technological edge.

7           A lot of the folks that I saw out in that yard  
8 yesterday were MIT professors and Stanford professors  
9 and they continually reminded me that all this neat  
10 stuff that they are coming up with that eventually had  
11 commercial applications start off in laboratories and  
12 research facilities because it is the nature of basic  
13 research that you don't know if it is going to pay off,  
14 so it is often times more difficult to justify.

15           You know, the days of the old Bell Labs, where  
16 if you had monopolies, you had enough money to go ahead  
17 and sink into a whole bunch of kooky stuff.  Those days  
18 are over.  You guys have got to watch your bottom lines  
19 a little more.  So the Federal Government has got to  
20 make sure that it is doing its job on that front.  
21 Good.

22           As you mentioned, Vanessa, one of our small  
23 business stars, although I don't know how small it is  
24 going to stay since she is so good.

25           Vanessa, do you want to talk a little bit

1 about, as a CEO of a startup, what is -- what role do  
2 you see in spurring innovation in the economy and how  
3 does that link up with our export agenda? A lot of  
4 times, folks figure if you are small or medium size,  
5 you are not thinking about overseas markets.

6 MS. KEITGES: Yes. No, that's not true.  
7 Coming from the green building market and the USGBC  
8 really pushing the green building standards, startups  
9 and entrepreneurial companies in that sector really  
10 have to look at innovative products around data and  
11 performance. How are we really affecting the  
12 environment when we build these buildings?

13 So as a small company, a startup, we actually  
14 received a commercialization grant from our state to  
15 partner up with our local university, Portland State  
16 University, to develop a rain lab basically to  
17 assimilate rain storms all around the world so we could  
18 develop green roof technology around those types of  
19 storms and what cities are impacting so that we can  
20 help with their infrastructure issues around flooding.

21 So that modeling allowed us to develop a tool  
22 where we can manufacture green roof technology for that  
23 particular city and the storms that are going to be  
24 coming over the next two, five and 100 years.

25 So what that does, it allows us I think to

1 have innovative green manufacturing, for example, and  
2 as we continue to export, there are these same  
3 environmental green building standards and issues  
4 around the world. We want to be a leader in green and  
5 green building and having that commercialization grant,  
6 working with the universities, develop these labs, get  
7 the performance data will actually, I believe, be a  
8 leader and beat other countries around the world in  
9 this area because quality is really important, how we  
10 manufacture quality to meet these standards, and we are  
11 positioning ourselves to do that.

12 PRESIDENT OBAMA: That's great. Good. Just  
13 one last area and then maybe we can open it up a little  
14 bit.

15 Obviously, one of the areas where we have been  
16 an incredible innovation leader has been in  
17 agricultural products, food processing. My home state  
18 company, ADM, is pretty good at that.

19 So Pat, although I think I hear Coldplay --

20 (Laughter)

21 PRESIDENT OBAMA: -- I've become an expert at  
22 hearing people's rings.

23 (Laughter)

24 PRESIDENT OBAMA: I'm pretty sure that was  
25 Coldplay. Pat?

1 (Laughter)

2 MS. WOERTZ: Well, thank you for the  
3 opportunity to talk about technology a little bit with  
4 agricultural and food products.

5 As you know, ADM is a big manufacturer of  
6 corn-based ethanol. Many people think of that as a  
7 first generation, but because of technology and  
8 technological innovation, we have taken it to much  
9 lower cost, lower energy usage, higher sustainability,  
10 more waste products.

11 And as also a result of market conditions and  
12 this innovation, what started sort of as a homegrown  
13 fuel, thinking about using it in the U.S., now we  
14 export, the industry does, up to a billion gallons a  
15 year. Because it is such a low cost transportation  
16 fuel, other areas of the world are very much looking  
17 for our fuels as well, so it has become an export due  
18 to that technology and that innovation and it has laid  
19 the platform for the advanced stages of technology to  
20 go to much more second and third generation fuels.

21 On the food side of agriculture, innovation  
22 has led to a lot. In our country, of course, we think  
23 about health and nutrition and so health and wellness  
24 is a big effort of our R&D centers and that is, of  
25 course, interested and being more interested in

1 developing countries as well. So as the population  
2 grows, more use of protein, more stealth nutrition, so  
3 to speak.

4 So to put protein, to put fibers, to put  
5 natural sweeteners, much more healthful products in  
6 everything not only that we might consume in this  
7 country, but as much larger demand and much higher  
8 growth rates exports and internationally.

9 PRESIDENT OBAMA: That's great. So I'm going  
10 to put you back in charge. Why don't we see if --

11 CHAIRMAN McNERNEY: You know, I thought one  
12 thing that might be of interest to you that might lead  
13 to a broader discussion is Ginni on cross-data border  
14 flow.

15 Sort of in a post-Snowden world, people are  
16 sort of wrapping themselves in the cloak of privacy to  
17 achieve protectionist goals and Ginni made sort of a  
18 compelling case and it is going to embody itself in a  
19 letter to you.

20 So, Ginni Rometty, would you, of IBM, would  
21 you just make the President aware?

22 I know it is the third time this morning  
23 making a speech.

24 MS. ROMETTY: I know. Anyone could give the  
25 speech now.

1 (Laughter)

2 CHAIRMAN McNERNEY: And I know Mike Froman is  
3 all over it, but it is --

4 MS. ROMETTY: He is, and both Secretary  
5 Pritzker and Ambassador Froman, you should know, have  
6 been very helpful in this already because there have  
7 been a number of instances already pulled back as a  
8 result of the efforts of the Administration.

9 But it is this idea that in the post-Snowden  
10 world, as Jim described, one reaction is to keep data  
11 in your borders or don't let it flow across borders and  
12 say things that may seem sort of innocent about, well,  
13 let's keep all those servers right in this country.

14 In effect, what we often see is that that is,  
15 as Jim just described, under the veil of security and  
16 privacy, when, in the end, it is a form of  
17 protectionism and it is a form of really avocation by  
18 many local companies who would say this would be great  
19 for my business.

20 So I think it pertains not only to being able  
21 to sell globally, that isn't even it, it is really  
22 about operating, and even for their own economies it is  
23 not good because many companies make money if you are  
24 in one European country to another European country or  
25 government services that you need.

1           We were talking about travel earlier, et  
2 cetera. So it is really not good any way you look at  
3 it, but you do see then this proliferation. And so we  
4 really do appreciate the Administration's efforts here  
5 to bat these down, but, of course, Ambassador Froman  
6 really getting them tied down well in the new trade  
7 agreements to recognize this form of digital trade is  
8 essential to not just operate, not just sell, but for  
9 governments to be efficient as well.

10           PRESIDENT OBAMA: Well, we have been all over  
11 this from the get go. Obviously, there have been  
12 enormous commercial implications, the Snowden  
13 disclosures, and as indicated, in some cases, there  
14 have been legitimate concerns about privacy issues.

15           Oftentimes those dovetail with either purely  
16 commercial interests in these countries that are, as  
17 Ginni just said, looking to make sure it is their  
18 servers in their facilities with their nationals who  
19 are handling this data.

20           In some cases there are countries that have  
21 been for a long time uncomfortable with the openness of  
22 the internet and have been using this as an excuse to  
23 see if they can vulcanize the internet and build their  
24 own platforms that they would have greater control  
25 over.

1           In both cases, what we have said is you have  
2 got legitimate concerns, we will be able to respond to  
3 them. Illegitimate concerns we are going to challenge  
4 and you're right, both TPP, the Transpacific  
5 Partnership and TTP, the European Trade Agreement that  
6 we are working on will have to have these kinds of  
7 architecture that preserve fair and free trade within  
8 this realm.

9           I would just add while we are on this topic  
10 that we are spending a lot of time thinking generally  
11 about big data, its implications for every aspect of  
12 the economy. How do we make sure that we have  
13 protected people's privacy and are mindful about  
14 potential abuses of big data, but also that we are  
15 taking advantage of opportunities?

16           The Federal Government has enormous stores of  
17 data. Most of your weather apps on your smart phone  
18 are because of government data that somebody figured  
19 out how to make easily accessible and commercialized.

20           Health care is an area, for example, where the  
21 possibilities are endless for us as we learn more about  
22 the human genome. Our ability to potentially detect  
23 diseases, design drugs for specific diseases,  
24 individualize medicine so we know it is more effective,  
25 huge possibilities.

1           But all that stuff has to be done in a way  
2 that preserves our privacy and our values. So John  
3 Podesta has been leading a group in consultation with a  
4 number of companies interested in this space and will  
5 continue to report out because this is something that  
6 will be relevant internationally.

7           If we get it right, then it allows us to have  
8 other goods and services that we may be able to export  
9 as well. But other countries are not always as good  
10 about some of the IT behind this and we have got to  
11 think it through.

12           CHAIRMAN McNERNEY: You know, it is an  
13 adjacent point that we talked about earlier, and Scott,  
14 I'm headed toward you a little bit is the use of  
15 technology and trade facilitation. You know, a more  
16 mundane use of technology, but one that is critically  
17 important to making stuff. Yes, you got it. No one  
18 likes to use that word.

19           But maybe you could make a comment or two  
20 again on that for the President.

21           MR. DAVIS: Well, just in general, I think  
22 one thing we are seeing today is we are actually seeing  
23 small and medium sized businesses show more interest in  
24 exporting. We have been working with the Commerce  
25 Department for a long time. Very small minority

1 export.

2 Today I think with e-commerce particularly, we  
3 are seeing huge demand out of the e-commerce customers  
4 to do it. They don't have the resources to handle the  
5 cumbersome procedures at customs and border, but I  
6 think that the progress we are making in a trade  
7 facilitation agreement, we've got to push hard to  
8 implement it quicker.

9 I think the Executive Order on the single  
10 window simplifies things. We were excited about doing  
11 that. I think de minimis, raising de minimis, I know  
12 it is a battle for Ambassador Froman with some of the  
13 other countries, but that makes it much easier I think  
14 for these small businesses to do it.

15 So the exciting thing right now is there are  
16 still not enough doing it and most of them that do  
17 export go to one country, but the level of interest is  
18 growing tremendously.

19 CHAIRMAN McNERNEY: That's good, and I  
20 appreciate your work on that, Scott.

21 Robert, maybe EX-M was one that we spent a lot  
22 of time on. The fight is a little tougher than it has  
23 been in the past on the Hill, Mr. President, as you  
24 know.

25 MR. WOLF: Well, Mr. President, I want to let

1 you know you will also receive a letter from the PEC  
2 that we fully support and endorse the five-year  
3 reauthorization of the EX-IM Bank and the cap moving to  
4 \$160 billion.

5 It is clear that the majority of businesses  
6 around the United States, as well as businesses around  
7 the globe support the EX-IM Bank, the United States.

8 It is one, it lends to small businesses, 90  
9 percent of transactions went to small businesses from  
10 the U.S. EXIM Bank. Two, it earns money. Three, it  
11 creates jobs, and, four, it increases our  
12 competitiveness.

13 Without it would be literally unconscionable.  
14 So we are fully supportive that this gets done by  
15 September 30th and you'll receive our letter.

16 PRESIDENT OBAMA: I assume that, Jim, you  
17 have been in contact with BRT and --

18 CHAIRMAN McNERNEY: Oh, yes. Yes. Oh, yes,  
19 and with every Congressman and Senator I can find. We  
20 are helping.

21 And you know, I think one of the -- Fred has  
22 morphed EX-IM and the argument is stronger now because  
23 of the small business engagement that you have achieved  
24 with some of your new structured products and  
25 initiatives.

1 Fred has found some clever ways to leverage  
2 big businesses who get loan guarantees from EX-IM to  
3 helping the credit ratings of smaller businesses and  
4 their supply chains.

5 So I think the discussion can be a little more  
6 broad-based as we approach the politicians out there.

7 Congressman Reichart, did you have a comment  
8 on this? Speaking of which.

9 CONGRESSMAN REICHART: Well, I, thank you. I  
10 still like to think of myself as the sheriff back in  
11 Seattle.

12 (Laughter)

13 CONGRESSMAN REICHART: I did that for 33  
14 years. I just look like I've been here 40 years.

15 (Laughter)

16 CONGRESSMAN REICHART: Mr. President, my name  
17 is Dave Reichart. I'm from Washington State, of  
18 course, the most trade-dependent State in the country.  
19 About one out of every three jobs is connected to  
20 trade.

21 We have been working real hard. I'm on the  
22 Ways and Means Committee, I'm on the Trade Subcommittee  
23 and when the Chorus Agreement, Colombia Agreement,  
24 Panama Agreement was being discussed, we formed a team  
25 that we called the Chorus Working Group, very

1 successful in working with Ambassador Kirk and your  
2 Administration and really enjoyed that opportunity.

3 We now have a group that we have organized  
4 that hopefully you have heard of. It is called the  
5 Friends of TPP.

6 PRESIDENT OBAMA: It's a great group.

7 CONGRESSMAN REICHART: Yes, thank you.

8 (Laughter)

9 CONGRESSMAN REICHART: Greg Meeks from New  
10 York, Ron Kind from Wisconsin, Charles Bestoni and  
11 myself, Charles from Louisiana, have put this group  
12 together and I just wanted to mention that our  
13 relationship with Mr. Froman, Ambassador Froman, has  
14 been excellent. Their staff has been excellent.

15 We have been working together hard on TPP, but  
16 we all recognize that this has been -- this was the  
17 first letter discussed this morning and I'm going to  
18 guess that that is because it is one of the most  
19 important letters, the importance of TPA.

20 We as the Friends of TPP would like to offer  
21 our help to you and meet with you. That would be an  
22 extra special treat, but staff and Mr. Froman, to see  
23 how we can gather and garner more support in Congress  
24 on both the Senate side and the House side. We are  
25 ready to work with you.

1           The second thing I wanted to mention as far as  
2 the access to capital for small business, both the  
3 Senate and the House have been working hard on tax  
4 extenders. As you know, there is agreement in both the  
5 Senate and the House on tax extenders. It is just a  
6 disagreement on how long to extend these bills, like  
7 the built-in gains tax, the R&D tax credit, which we  
8 talked about, which I think really lends itself to  
9 providing some certainty for our businesses across the  
10 country, that's what they're looking for more than  
11 anything.

12           So again, we offer our help, Democrats and  
13 Republicans sitting at the table today, we offer our  
14 help to all of you.

15           I'm a charter member of the group and I'm  
16 happy to be here and it is just an honor and a pleasure  
17 to be here with you this morning, sir, and I appreciate  
18 the time to make some comments.

19           PRESIDENT OBAMA: Well, I appreciate you,  
20 Congressman, for the work you are doing. Obviously  
21 Kirsten and, you know, our outstanding Minnesota  
22 Senator who we are going to be seeing, Amy.

23           CHAIRMAN McNERNEY: I thanked her for Jared  
24 Allen earlier. She really believes in exports.

25           PRESIDENT OBAMA: That could be very helpful.

1           I will tell you that the work we are doing  
2 around these big trade deals, the work that Mike is  
3 doing, is as ambitious as anything that we've done in a  
4 very long time.

5           There have been some questions raised about,  
6 well, is now the time for trade? I think in some  
7 cases, issues have surfaced around its impact on  
8 environmental standards or labor standards and what I  
9 say to folks who are concerned about these issues is  
10 you should get all the facts, you should raise all your  
11 questions, but oftentimes people are fighting battles  
12 from 20, 25, 30 years ago.

13           The truth of the matter is today, the issue is  
14 not whether a company can move to China. If they  
15 wanted to move, they could move under the current  
16 regime. The question is can we start getting more  
17 companies to come back. Can we raise standards in the  
18 Asia Pacific region?

19           Can we make environmental and labor standards  
20 and intellectual property protections strong enough?  
21 Because that will advantage our companies and that is  
22 what this trade deal does. It is going to lower some  
23 barriers, but a lot of what these trade deals are doing  
24 is strengthening standards in such a way that companies  
25 that play by the rules and countries that play by the

1 rules are going to benefit and those who are skirting  
2 the rules are going to find that there are stronger  
3 enforcement mechanisms in place than there have been in  
4 the past.

5           Nowhere is that more true than in something  
6 like intellectual property. We just talked about  
7 innovation. It is tough to innovate if you know that  
8 somebody is going to do a knock off of your innovation  
9 six months later and undercut your market.

10           So I really appreciate the work that you're  
11 doing on this. It is going to be a bipartisan piece of  
12 legislation. I will be happy to meet with Friends of  
13 TPP. I think it is probably more important for me to  
14 meet with the enemies of TPP.

15           (Laughter)

16           PRESIDENT OBAMA: But you know, it is always  
17 nice to get some encouragement before I go into the  
18 lion's den.

19           But obviously, we'd benefit from some  
20 strategizing, figuring out how we want to frame the  
21 issues, what questions other members have heard that  
22 they are most concerned about that we can respond to.

23           So with that I have gotten my cue that I am  
24 going to a meeting that is probably not as fun as this  
25 one.

1 (Laughter)

2 PRESIDENT OBAMA: But important as well. I  
3 just want to say to Jim and Ursula and to everybody on  
4 the council, thank you so much for your leadership. We  
5 really appreciate it. All right.

6 (Applause)

7 (Whereupon, the President of the United States  
8 leaves room.)

9 CHAIRMAN McNERNEY: Well, I think that kind of  
10 engagement, for those of you that are new, we have come  
11 to expect and appreciate from the President.

12 Again, on behalf of all of us, we thank you.

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1 **VI. OVERVIEW OF THE ADMINISTRATION'S TRADE AGENDA**

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3 CHAIRMAN McNERNEY: I think now we have an  
4 opportunity for Secretary Kerry to make some comments.

5 Secretary Kerry, it is great to have you here.

6 SECRETARY KERRY: Jim, thank you very much.  
7 I appreciate your leadership enormously. I'm going to  
8 have to race through this a little bit because I have  
9 to be at this unpleasant meeting that we're about to  
10 have.

11 (Laughter)

12 SECRETARY KERRY: I may be one of the reasons  
13 it will be unpleasant.

14 (Laughter)

15 SECRETARY KERRY: Or at least I may bring the  
16 news that helps make it unpleasant.

17 At any rate, let me just say that I have a  
18 great sense of what is happening here for a lot of  
19 different reasons.

20 Number one, I spent a lot of years as the  
21 Chair of the Small Business Committee in the Senate, so  
22 much of what you are talking about, Vanessa and others,  
23 I am completely in synch with and understand. In fact,  
24 we were pushing very hard to teach small businesses how  
25 they could, in fact, export.

1           I think we began a process of connecting them  
2 to the internet and to those entities that help people  
3 to be able to do so.

4           But what I want to begin by saying to all of  
5 you is that I want to thank you and underscore the  
6 degree to which I run into this all around the world,  
7 the American business is absolutely extraordinary.

8           I think all of us have deep appreciation of  
9 the very difficult --, people have forgotten what it  
10 was like when President Obama came in 2009. In fact,  
11 even before he came in, the Bush Administration was  
12 turning to him as the President-Elect to ask him what  
13 he was willing to support.

14           He was making decisions about bailout and  
15 where Congress should go well before he was sworn in.  
16 The degree to which those decisions created the  
17 framework for a recovery was critical. But we know  
18 that in the end the government decisions create the  
19 framework and the structure, your decisions and your  
20 innovation, your commitment to R&D, your commitment to  
21 innovate are really what makes the difference. You  
22 create the jobs, small business and what become big  
23 businesses because of those decisions.

24           I run into this all around the world that  
25 people have enormous respect and jealousy for what we

1 are able to do here and it is one of the reasons why we  
2 are such a safe haven for investment. It is so  
3 powerful globally, though challenged.

4 The second thing I want to say is that what we  
5 are talking about here is not just about business. It  
6 is the projection of American power, it is our leverage  
7 to be able to have an impact in solving a lot of  
8 problems and it is vital to the security of the United  
9 States because to the degree that we can project the  
10 economic opportunity, take it to export economic  
11 opportunity places, we address the crisis of millions,  
12 literally millions of young people in places where they  
13 don't have opportunity, there is abject poverty, and  
14 that is the breeder of terrorism.

15 That is what we are fighting in places where  
16 there are concerted efforts to grab these young people,  
17 indoctrinate them and then put them on their way. I'm  
18 telling you, all over the place. There are countless  
19 foreign ministers who have told me about the challenges  
20 in their countries of these young people who don't have  
21 jobs.

22 So I came into this job 100 percent committed  
23 to a fundamental notion that foreign policy is economic  
24 policy and economic policy is foreign policy. In  
25 today's world more than ever before, because of

1 globalization which no one can ever -- and if you're  
2 smart, you don't want to, but some places try to put  
3 the genie back in the bottle and it is not going to  
4 happen.

5 We also are facing much more intense  
6 competition from other countries before and you all  
7 know this, too. And I might add, and it has been an  
8 eye opener to me even as Chairman of the Foreign  
9 Relations Committee, I have not seen -- I hadn't seen  
10 the levels of corruption that I see as I travel to  
11 various places.

12 It is a pandemic and dangerous and you all are  
13 competing in a world where you have to deal with that.  
14 So it is tricky, it is as tricky as it has ever been.  
15 I think there are a couple -- I think each of the  
16 letters are important and in our department we deal  
17 with almost every one of these letters.

18 We are linked to you and I'm proud to say with  
19 Penny, we have the best relationship with the Commerce  
20 Department we've ever had, the most productive. It is  
21 a combination of commitment and we are working very  
22 effectively to maximize our projection of economic  
23 capacity abroad.

24 I will just say a couple of quick words about  
25 all of that. We are currently selling more goods and

1 services abroad than at any time in our history, but we  
2 could do better.

3 One of the things I remember when I was a  
4 Senator traveling to Hong Kong, I was dumbstruck. We  
5 had three foreign commercial service officers. They  
6 told me we were losing billions of dollars of business  
7 because of their RFPs they couldn't keep up with and  
8 the French and the British and others had these vast  
9 pavilions and were able to do business and convene and  
10 sell and market and we weren't in the game as much  
11 because we are taken for granted to some degree or have  
12 historically been. We don't anymore.

13 We also have had a record 70 million  
14 international visitors came to the United States. So I  
15 have pressed our diplomats, I have issued instructions.  
16 Historically, in the State Department, being the  
17 economic officer in an embassy was not necessarily a  
18 route to ambassador and promotion even to the highest  
19 jobs. Now we want to make sure everybody in the  
20 department is an economic officer. I mean that.

21 I have sent cables to every single embassy and  
22 outpost in the world instructing people to engage in  
23 proactive, forceful economic outreach.

24 We have created a direct line. We have asked  
25 our ambassadors to call U.S. businesses directly to

1 explain foreign business climates and foreign business  
2 opportunities. And in 2013 our ambassadors held 87  
3 large conference calls, average of 30 companies  
4 participating on each call. In 2014, we have already  
5 had 31 and our goal is to do 100 and our surveys show  
6 that over 80 percent of the businesses that participate  
7 in those say they will make a proactive business  
8 decision based on the call. So that is creating  
9 further export and engagement.

10 We are creating a business -- we have created  
11 a business information data system base called BIDs  
12 where we identify the opportunities for business  
13 overseas. We have collected over \$100 billion in  
14 infrastructure projects or foreign opportunities on the  
15 site now and we encourage businesses to investigate the  
16 opportunities there. We want to promote it more and  
17 find ways to.

18 We are working with Select USA and are sending  
19 our ambassadors out to shake the economic tree and try  
20 to engage more effectively. I am hugely supportive of  
21 and talk about everywhere the TTIP and the TTP. These  
22 are enormous opportunities.

23 We are prepared to come help sell Congress.  
24 It is not just, as I say, part of an economic benefit  
25 to us, it is going to be critical to Europe's

1 resurgence, this effort to provide job opportunities in  
2 vast parts of the world and to raise the standards and  
3 fight back against corruption and other things.

4 In addition, we have an African Leader Summit  
5 for the first time in history. We will have almost  
6 every President, leader of Africa come here at the  
7 beginning of August. Businesses will be deeply  
8 involved in that. We are working through everything we  
9 are going to do there. I want you to think about it.

10 I was just in the DRC and in Angola, Ethiopia,  
11 South Sudan, which is more of a complex thing, but the  
12 opportunities are just stunning.

13 The Chinese are there in force, they are  
14 building everything for them. They are bringing their  
15 people there to build it, which is not terrific in  
16 terms of policy and otherwise.

17 They are not loved. The Russians are there.  
18 We are loved and we're not there. It is not because we  
19 don't want to discuss -- you know, with all due  
20 respect, we have got to get a Congress that is willing  
21 to put some meat behind this policy and it pays 100  
22 times over. We have got to find a way to invest more  
23 in these kinds of initiatives.

24 In addition, I will just end quickly, we are  
25 working very hard on the level playing field issues.

1 We intervene constantly, particularly, obviously, with  
2 China and some other countries. We continually work --  
3 I was just in Poland where we signed an agreement, a  
4 framework to establish bilateral innovation,  
5 collaboration to bring entrepreneurs, innovators,  
6 financiers, educators together in order to maximize,  
7 create the witch's brew of new innovation and  
8 opportunity. We want to replicate that in other  
9 countries.

10 The last thing, with respect to sort of what  
11 we are doing, the Bureau of Consular Affairs, we are  
12 super focused on the visa issue and facilitation. We  
13 have just had some meetings. But, here's the but.

14 We've got foreign fighters in Syria and they  
15 come from America, from Britain, from Holland, from  
16 France, from Germany. A lot of places. Even as we  
17 want to facilitate with the waiver program and other  
18 things, we have got to make sure folks we are not  
19 turning a blind eye to the possibility these people are  
20 going to come over here and elsewhere, so there is  
21 always going to be a balance.

22 We think we can work that through and still  
23 facilitate a quick and easy entry which we want to do,  
24 and that brings me literally, our team.

25 I have hired a terrific new team over there.

1 We have Under Secretary for Economic Affairs, Cathy  
2 Novelli, who came from Apple Computer. She is doing a  
3 terrific job already. We just had a two-day  
4 extraordinary conference on oceans and economic  
5 opportunity there.

6 Charlie Rivkin, who is here with me is the  
7 Assistant Secretary for Economic and Business Affairs.  
8 He was our U.S. Ambassador to France, and before that  
9 he helped turn the Jim Henson company into a billion  
10 dollar enterprise.

11 Scott Nathan is a former Fund Manager from  
12 Boston. He runs the department Office of Commercial  
13 and Business Affairs and other people coming in. So we  
14 are building a team that knows business, comes from  
15 business, understands how to project and what to do.

16 Last, last comment I make is this. I heard  
17 the talk about infrastructure and we are working a very  
18 new, innovative program to try to marry the EXIM, OPEC,  
19 AID, World Bank, IMF and private sector in a way that  
20 they haven't been brought together.

21 Our model is being put to work in the West  
22 Bank, Palestine. We are trying to change lives, create  
23 investment where it wouldn't normally happen with a  
24 long-term view to the possibilities for the return on  
25 that investment which are real.

1           Coca-Cola is a big participant in this and  
2 others and we want to encourage everybody to do it.  
3 But you all, I beg you, I'm going to put my Senate hat  
4 back on for a moment.

5           I am right now not going through the major  
6 terminals of our airports, but I have been through them  
7 for 30 years. In the last year, it is just so sad. It  
8 is actually sad, it's depressing to see how someone who  
9 travels to America is welcomed still and/or the ordeal  
10 they have to go through where you don't have free carts  
11 to be able to move your luggage and if you are going to  
12 buy them, you haven't changed your money yet because  
13 the money change is on the other side of the thing.

14           It is sort of, it is not a system. So I pray  
15 that we are going to focus more on that and the tourism  
16 thing, we haven't begun to tap into what we could in  
17 terms of putting together our communities that do  
18 reenactments all across the country, schedules of  
19 reenactments, possibilities of bringing people here for  
20 certain periods of time.

21           I just think we could tap into that much more.  
22 We could do an infrastructure bank in America, I know  
23 this. The Chinese have told me they will invest in  
24 American infrastructure.

25           The sovereign funds of the Emirates and of the

1 Qatar and elsewhere looking for a return on investment.  
2 If you did energy and transportation and water, all of  
3 which have a revenue stream to rebuild this country,  
4 put 20 million people to work.

5 So I hope you all will make that a major  
6 objective of your efforts, and if I don't get over to  
7 the White House, I'm in trouble.

8 CHAIRMAN McNERNEY: Thank you very much.

9 (Applause)

10 CHAIRMAN McNERNEY: Thank you very much, Mr.  
11 Secretary.

12 Now we are not running out of air speed and  
13 altitude yet, but we have a little bit of time  
14 pressure, but we want to hear from everybody.

15 So Secretary Foxx, could you keep it rolling  
16 for us?

17 SECRETARY FOXX: Well, I have to say, Jim,  
18 Secretary Kerry could not have said it better, so it is  
19 great to have not only a Secretary of State, but a  
20 Secretary of Transportation, too.

21 (Laughter)

22 SECRETARY FOXX: I want to applaud the work  
23 of this group and I want to say that the DOT stands  
24 ready to be supportive of the work of the PEC.

25 I want to give a shout out also to Scott

1 Davis. I went on a tour recently of American  
2 infrastructure and Scott was good enough to welcome me  
3 at the Louisville, Kentucky plant which is about a 1.5  
4 million square foot plant. Goods, freight moves in  
5 there, touches two human hands, moves through in 13  
6 minutes a clip.

7 But one of the things that Scott told me which  
8 is emblematic of the challenge we face in  
9 infrastructure in America is that across his system, a  
10 5-minute delay results in a \$100 million loss. That is  
11 my transition to talking about some of the challenges  
12 and opportunities we have in American infrastructure  
13 right now.

14 Since the last time we met, I mentioned then  
15 that we had formed a National Freight Advisory  
16 Committee, that we were using this committee, it is  
17 composed of 47 people from all around the country. We  
18 are going to use that committee to develop a national  
19 strategic plan for freight, a critical part of our  
20 infrastructure in this country.

21 Just parenthetically, we have about 50 freight  
22 programs in the country because each state kind of has  
23 its own thing, so we are trying to figure out how to  
24 link these issues to cover gaps and relieve choke  
25 points.

1           So we have a great group. They are working on  
2 a great plan, but the challenge we now face is that the  
3 Highway Trust Fund is going to run out of money as soon  
4 as August of this year and we are about 10 years out  
5 from having a six-year reauthorization bill and the  
6 resources that we are putting in infrastructure frankly  
7 we are under-investing.

8           I think what Secretary Kerry said about  
9 airports is exactly true of also our surface  
10 transportation systems. That is why the President and  
11 I have introduced the Grow America Act. It is a bill  
12 that is designed to change the conversation about  
13 transportation, and I will just point out a couple of  
14 things that it does.

15           The main thing it does it is puts \$302 billion  
16 into infrastructure over the next four years,  
17 increasing it by \$90 billion over that four year  
18 period, beyond what the Highway Trust Fund would  
19 normally track.

20           This is because we recognize and we have 14  
21 billion tons of freight over and above what we are  
22 moving today that we will need to move over the next 35  
23 years, basically doubling the amount of freight. So if  
24 we are stuck with the same system, we are going to have  
25 more congestion, more choke points and less ability to

1 attract the jobs we are all talking about.

2 As part of this plan, we have a \$10 billion  
3 allocation specifically targeted to implement this  
4 freight plan. The reality is that we will have a great  
5 plan, a great group putting the plan together, but  
6 without reauthorization, without targeted resources, we  
7 are not going to be able to get that plan implemented.

8 So I come here really asking for your help in  
9 getting Congress to act on reauthorization in not just  
10 the funding piece which is really important, but  
11 helping us with some of these policy pieces like  
12 freight that are going to be critical to the country  
13 long term.

14 CHAIRMAN McNERNEY: Thank you, Mr. Secretary.

15 We spent yesterday at the BRT talking about  
16 infrastructure and getting behind political advocacy  
17 here, so we are with you both here and there. I  
18 appreciate your leadership here.

19 SECRETARY FOXX: Sure.

20 CHAIRMAN McNERNEY: Mike, did you want to  
21 have a comment?

22 You have received so many nice comments today,  
23 it is almost dangerous to say something yourself.

24 AMBASSADOR FROMAN: It's nice to have the  
25 President and the Secretary of State be your warm up

1 act on your issues. So I will be brief.

2 You know what our agenda is. It is TPP, T-  
3 TIP, information technology agreement, trade and  
4 services agreement, environmental goods, AGOA which the  
5 President talks about doing more in Africa. We have  
6 GSP renewal and of course we have TPA.

7 Many of these require congressional approval  
8 or working with our partners in Congress to try and  
9 build support for these to move them forward at the  
10 appropriate time.

11 I will just say a word about TPP, just to  
12 build on what the President said, because as he said, a  
13 lot of the debate around TPP is a debate about a trade  
14 policy that he explicitly distanced himself from and  
15 went beyond. It is about trade policy 25 years ago.

16 TPP is not your father's free trade agreement.  
17 This is a new type of trade agreement where instead of  
18 having labor and environment provisions as side  
19 agreements, afterthoughts, they are at the center of  
20 the agreement, they are stronger than ever before, they  
21 are more ambitious than ever before and they are  
22 subject to binding dispute settlement.

23 That is what we are seeking in this  
24 negotiation. The same on IPR enforcement, strength IPR  
25 enforcement even as we make sure we are striking the

1 right balance between innovation and access to  
2 medicines.

3 For the first time ever, we will have  
4 disciplines on state owned enterprises so that when  
5 they compete against private firms, they are competing  
6 on a level playing field and not taking advantage of  
7 their subsidies in a way that put our firms at a  
8 disadvantage.

9 To build on Ginni's comments and many others,  
10 this is the first time we will have a trade agreement  
11 that deals with the digital economy and bringing into  
12 the digital economy principles from the physical  
13 economy like the free flow of data and a free and open  
14 internet.

15 So finally I'd say very much front and center  
16 in all of our thoughts about TPP, the first trade  
17 agreement that will have a chapter specifically on this  
18 are small and medium sized businesses. We recognize  
19 that is where the real growth opportunity is, that is  
20 where the real driving force of new jobs are.

21 We have a lot of work to do to finish the  
22 agreements and we have a lot of work to do to build  
23 support for them. We are appreciative of all the work  
24 that the business community has done to date. We are  
25 going to need a lot more of it going forward to explain

1 the benefits of trade which are typically the small and  
2 medium size businesses as we take this campaign  
3 forward.

4 But there is a tremendous amount at stake and  
5 I think the President alluded to this. These are as  
6 important strategically as they are economically and  
7 there is really - it is nothing less than an  
8 opportunity set the rules of the road for this vitally  
9 important region in the Asia Pacific and then with our  
10 European partners at a time when there are competing  
11 visions of what should govern the international trading  
12 system.

13 I can tell you, the competing vision is not  
14 one that is good for American workers or American  
15 intellectual property rights developers or for  
16 environmentalists or for people who care about a level  
17 playing field and the digital economy or SOE's. So  
18 there is a huge amount at stake here and we are looking  
19 forward to working with all of you.

20 We appreciate your advice and your support and  
21 we are looking forward to working with our partners in  
22 Congress to move this agenda forward.

23 CHAIRMAN McNERNEY: You know, Mike, I'm not  
24 sure everyone realizes the size and the ambition  
25 involved with that you are doing. I mean, there has

1 never been in our history one-third of this level of  
2 engagement if you measure GDP to GDP or the number of  
3 countries, not even close.

4 So you need our support and we will be there  
5 for you. Okay.

6 Senator Klobuchar, did you have any additional  
7 comments you'd like to make?

8 SENATOR KLOBUCHAR: Well, just to say, to  
9 thank first of all Penny for her incredible work. I  
10 talked about the export control list last time and I  
11 know there have been some advancements with that and  
12 really the whole team.

13 Our state's unemployment rate is down to 4.7  
14 percent, mostly all about exports and what we are  
15 sending out of Minnesota.

16 To follow up on Secretary Kerry's comments for  
17 anyone that is here, we are not asking for a visa  
18 waiver with Syria, I promise. But we are, we really do  
19 want to move, continue to speed up the visa times for  
20 the countries that we do trust and have good  
21 relationships with as Arne pointed out.

22 Videoconferencing, something that he supported  
23 when he was in the Senate is something that we think we  
24 should experiment with and the last thing I just wanted  
25 to mention was having been both in Canada and Mexico

1 lately this whole, the President having met with the  
2 Prime Minister of Canada and the head of state of  
3 Mexico is this idea of this new day in America and  
4 working more with these two great trading partners and  
5 really seeing it as a regional force is something I  
6 think we need to develop at every level and they are,  
7 both countries are so excited about this.

8 I just want to seize on this in terms of our  
9 infrastructure at the border that I already brought up.  
10 The Windsor Bridge, fixing that guy, that troll that  
11 runs it with one private citizen that is collecting all  
12 the money. The Canadians are really, they are willing  
13 to pay for the entire bridge and we have to get that  
14 thing done. It is a bottleneck.

15 I think we can learn from some of the things  
16 they have done with their infrastructure funding. The  
17 last thing I wanted to mention having spent my week on  
18 the Medtronic issue of being the home of Medtronic and  
19 knowing that this deal will actually bring 1,000 new  
20 jobs to Minnesota, but at the same time very concerned  
21 about what this means to the future.

22 I talked to Penny about it yesterday and Jason  
23 that we need to get this tax reform going in a big way  
24 and I'm talking to the converted here.

25 But because these incentives are in place, and

1 as we were talking about yesterday, we might not be  
2 able in Congress to make perfect the enemy of the good  
3 and we have to find some way to create incentives to  
4 bring some of this money back so we don't have to toast  
5 to my company with a Guinness in Ireland.

6 That is my hope as we go forward because I do  
7 think it is going to have an effect on everything we  
8 are talking about here if we continue to have these  
9 kinds of deals go through.

10 CHAIRMAN McNERNEY: Well, all of us want to  
11 keep working with you in that spirit.

12 Senator, thank you very much for your  
13 comments.

14 Senator Gillibrand, do you have any additional  
15 things to say?

16 SENATOR GILLIBRAND: I do. I want to follow  
17 up on the conversation that Ginni started about the  
18 internet and really what the global conversation is  
19 right now, because I took a delegation from the Senate  
20 and the House to Asia this fall and one of the issues  
21 we put on the agenda for each of our meetings, we were  
22 in South Korea, Japan and China was cyber.

23 Because we thought the area of agreement could  
24 at least be creating international protocols to enforce  
25 cyber crime, a set of standards internationally because

1 obviously if three guys in a basement in China are  
2 attacking the United States, we have to have some  
3 protocol to say can you please go arrest them. We  
4 don't have that today.

5 But interestingly, when we were in China  
6 specifically, they see it as a national security  
7 priority that they get to steal our intellectual  
8 property because these are government owned, government  
9 run businesses, so they converge spying with  
10 intellectual property and their right as a country who  
11 are investing in their businesses to steal our  
12 intellectual property.

13 But when I challenged him on this issue of  
14 national security risk, he said his biggest national  
15 security risk in China are the blogs and how the blogs  
16 are criticizing him and the administration. So that is  
17 their view.

18 They see everything in the context of Snowden,  
19 that you created the internet, you are the one who is  
20 stealing all our information, so we are going to do  
21 what we need to protect. So this is a much bigger  
22 conversation that I want this council to look at and  
23 specifically for US businesses, Congress has not passed  
24 legislation on cyber security which is a huge  
25 impediment because a lot of companies are spending a

1 lot of money to try to protect their infrastructure and  
2 then a lot of companies are choosing not to and the  
3 first time they hear about cyber crime or cyber  
4 intrusion is from the FBI when they knock on their door  
5 and say we have been tracking, a billion dollars of  
6 your data has now been stolen and you need to do  
7 something about it.

8 So I'm working on legislation to create  
9 incentives for companies to make two levels of  
10 investment. First, to have a tax credit to do the  
11 baseline assessment.

12 What are the protocols you have in place? Is  
13 it protecting your information? Is it safe? And the  
14 second thing we are creating a credit for is are you  
15 investing in hardware, labor and software to create  
16 this flexibility to see ahead of the curve?

17 So as an issue for our next meeting, I would  
18 love to have someone address the issue of cyber, the  
19 importance of public/private partnerships, particularly  
20 with the U.S. Government to incentivize businesses to  
21 invest in a way that is positive to them, and if we  
22 create this incentive of baseline, it is not negative.

23 The reason why Congress lost this debate last  
24 time is because they felt like they were being taxed.  
25 They felt like they were being asked to spend too much

1 money. So if we can do a positive reinforcement giving  
2 tax credits, I think we can get not only the Chamber of  
3 Commerce, but the businesses around this table to begin  
4 to look at cyber far more holistically, because when we  
5 are dealing with trade, it is all convoluted and that's  
6 why they are being so aggressive with these anti-  
7 competitive, anti-trade policies to control the  
8 internet in their countries.

9 So I hope that we can do more collaboratively  
10 on how we get our businesses up to snuff on cyber crime  
11 issues and then work together.

12 I just want to address the thing that  
13 Secretary Kerry mentioned on infrastructure. He was  
14 our leader on the infrastructure bank when he was a  
15 Senator and he wrote a very, very good bill which was  
16 stymied in the House and the Senate because it was a  
17 bank.

18 So we are now working on an infrastructure  
19 authority, authority, which has two different versions.  
20 One with financing and the other one with just  
21 streamlining. So when we were dealing with the  
22 financial collapse, one of the things the President did  
23 was streamlined how do you create infrastructure  
24 investments that don't take forever to get approvals  
25 for the environment and other things.

1           So we are doing two versions of that. Both  
2 have bipartisan support, so we will work with industry  
3 in every state to try to get the political support we  
4 need for that.

5           CHAIRMAN McNERNEY: You know, I think your  
6 recommendation, you laid it out perfectly on cyber. I  
7 think your recommendation we will take up. I think we  
8 had a letter on it three or four years ago.

9           The issue is much bigger. It bumps up against  
10 economic growth, exports. It bumps up against  
11 everything.

12          SENATOR GILLIBRAND: Everything. It is  
13 national security, it is economic retaliation and it is  
14 actually getting our own house in order which we  
15 haven't even done.

16          CHAIRMAN McNERNEY: So we will make sure the  
17 staff gets with your staff to make sure we are defining  
18 it the way you have laid it out perfectly, and so we  
19 will take it up and readdress the letter.

20          Thank you very much. Congressman Reichart,  
21 any other comments?

22          CONGRESSMAN REICHART: Real quick.

23          CHAIRMAN McNERNEY: Sure.

24          CONGRESSMAN REICHART: I had mentioned TPA,  
25 TPP and the importance of those. We are ready to work

1 with you.

2 I really wanted to reinforce the comments made  
3 regarding EX-IM Bank. I am very supportive of the  
4 letter as you know, Ursula mentioned, there is huge  
5 aversion to moving forward with that in Congress,  
6 especially on the House side.

7 We really need your help, so please come up  
8 and visit. As the President said, there are some  
9 enemies, those are the folks we need to visit. We are  
10 trying, but we need your help.

11 CHAIRMAN McNERNEY: Okay.

12 CONGRESSMAN REICHART: Appreciate it. Thank  
13 you.

14 CHAIRMAN McNERNEY: Thank you, Congressman.  
15 Appreciate your leadership on the whole thing.

16 Administrator Contreras-Sweet, did you want to  
17 make an additional comment?

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1 **VII. AGENCY UPDATES**

2 MS. CONTRERAS-SWEET: Just very briefly.

3 Thank you.

4 First, thank you for engaging me in my first  
5 meeting. Thank you very much.

6 CHAIRMAN McNERNEY: It's great to have you  
7 here.

8 MS. CONTRERAS-SWEET: But mostly I really  
9 want to thank the entire council for all the work that  
10 they have been doing on behalf of small businesses.

11 You know, we don't want to hear more stories  
12 like Vanessa's and lamentively we've heard too many.  
13 So that is important work.

14 Just understanding as was said earlier that  
15 the small business community is creating two out of  
16 three net new jobs and that small businesses employ  
17 half of the private workforce is something that we have  
18 to take very seriously, and so I'm delighted by the  
19 efforts that have been undertaken here.

20 I just want to say for the SBA's part, there  
21 has already been such extraordinary work done by my  
22 predecessor under this administration and so I'm just  
23 delighted to be able to stand on the shoulders of that  
24 effort.

25 But moving forward as a banker, having started

1 a community bank in Los Angeles dedicated to the  
2 underserved where there were so many African Americans,  
3 Latinos, Asian Americans, women, who are being  
4 underserved. I was delighted to be able to respond  
5 with the financial institution to address that.

6 So I came in with that view and as I mentioned  
7 earlier, it was so important for us to consider the  
8 technology that we can now deploy to make certain that  
9 banks do the smaller dollar loans that help spur  
10 economic activity that help small businesses get  
11 started.

12 So we have just launched a program called  
13 Start Up and it goes all the way to Scale Up and in  
14 between we have the growth accelerators. We have just  
15 launched, I have just announced in Boston that we have  
16 just launched a program to identify 14 communities  
17 where we will invest to create growth accelerators and  
18 we think that will help create innovation.

19 For the counseling, SBA has one of the vast, a  
20 very impressive network of counseling centers  
21 throughout the country. So I want to make certain,  
22 again, the administration is committed to assuring that  
23 these programs are standardized and that there is no  
24 wrong door.

25 Right now the programs are really effective at

1 making certain that the counseling goes to the extent  
2 of SBA programming. But the Secretary of Commerce and  
3 I have a website that we work on called Business USA  
4 and it is about no wrong doors. So that when somebody  
5 goes to that website, they can reach all of the  
6 government departments.

7 We think we need to bring that to life through  
8 our counseling centers. They should be able to consult  
9 on what is available through the EX-IM Bank, through  
10 the Ag Department, through DOE, DOT, DOD, and so we are  
11 revamping the way we think about our counseling  
12 centers.

13 Lastly, you all know that the United States is  
14 the largest procure in the world with 23 percent being  
15 dedicated to small businesses.

16 So that is a marvelous program. We have made  
17 great strides and I think we are going to have some  
18 really good news about our progress in that regard.

19 But what is important now is that we expand it  
20 so that small businesses can diversify their portfolio  
21 and also include private sector work.

22 So I was delighted that Jeff Zients took a  
23 great amount of leadership in that regard to assure  
24 that we expand our American supplier initiative which  
25 takes that concept and that program and that support to

1 the private sector.

2 So I look forward to working with you in that  
3 regard to continue to support our small businesses.  
4 Thank you, Mr. Chairman.

5 CHAIRMAN McNERNEY: Thank you very much. I  
6 appreciate your leadership and look forward to  
7 continuing to engage.

8 Deputy Secretary Harden from Ag? Welcome  
9 back.

10 DEPUTY SECRETARY HARDEN: Thank you very  
11 much.

12 U.S. Ag exports are continuing to increase and  
13 we are on track for another record high this year,  
14 which is very good news. But we are not resting on our  
15 laurels.

16 Secretary Vilsak is in Europe this week  
17 meeting with his counterparts regarding T-TIP and some  
18 of the issues that we have with the Europeans, so we  
19 are hopeful there. We also had good news this week  
20 that Hong Kong is fully opening the market for our beef  
21 with no restrictions, so that's positive news.

22 I will just mention an initiative that the  
23 President announced when he signed the Farm Bill back  
24 in February called Made in Rural America. So it is  
25 really a new initiative for rural businesses to engage

1 for the first time in export markets, so we are very  
2 excited about that.

3 Secretary kicked that off this month in  
4 Pennsylvania and I know other cabinet members are going  
5 to be doing sessions around the country.

6 CHAIRMAN McNERNEY: Thank you very much for  
7 your comments, and welcome.

8 Deputy Secretary Poneman? Do you have a  
9 comment from Energy?

10 DEPUTY SECRETARY PONEMAN: Thank you, Mr.  
11 Chairman. Just three points. I know it's late.

12 Point one to Senator Gillibrand's point. In  
13 the electric sector in our responsibility as a sector  
14 coordinating committee for the critical infrastructure  
15 of the country, we have quarterly meetings at the CEO  
16 level. We have worked with the industry to provide  
17 risk maturity models so that we know the nature of the  
18 risk we are providing informational sharing tools.

19 So not only are we very happy to work with the  
20 Senator, but with the present export council because  
21 there is a huge risk. Obviously we are realizing  
22 already, but there is also huge opportunities and there  
23 is good work going on and I think we can work with you  
24 on that.

25 Second point. To echo Secretary Kerry, we go

1 all around the world. I have recently been in  
2 Argentina, in Chile and Mozambique and people are very  
3 eager to work with us across a whole range of energy  
4 sector opportunities and our companies, to mention just  
5 two PEC members, AES and Andres Luski down in Chile and  
6 Argentina with the gas opportunities and deliverers,  
7 these are tremendous game changing energy opportunities  
8 for American business.

9 We need to and we can partner well. Our job  
10 is to come in and try to keep the transparency, the  
11 contract sanctity, the rules of the road clear and I  
12 think that is working.

13 Our role is also to make sure that when they  
14 develop these resources, they do so in a prudent and a  
15 sustainable way so we can keep the public support for  
16 it across the board.

17 The initiative of the President drove Power  
18 Africa and Secretary Moniz going there to lead the  
19 Energy, Administerial Secretary Pritzker down there  
20 recently. That is a real game changer.

21 Third point, the initiative that Secretary  
22 Pritzker mentioned on the innovation hubs. This has  
23 been already a game changer. The additive  
24 manufacturing which you are already seeing the  
25 beginning of the good results there, and you know this

1 very well, sir, the upcoming solicitation for advanced  
2 composite materials, lightweight vehicles both aircraft  
3 and ground transportation, possibility of using that to  
4 make CNG tanks so the applications for CNG on our  
5 transportation fleet also potentially a game changer  
6 and then of course the power electronics that pervade  
7 our entire economy also 60 percent of power ends up  
8 going through motors and if you could lightweight those  
9 and if you could get the hotter, faster, more powerful  
10 electronics there.

11 These are those early stage investments, and  
12 as you said, we don't know exactly which ones are going  
13 to pay off, but when they do, it can be incredible.

14 I would just close by noting we invested \$137  
15 million back in the '70s and '80s in strange  
16 technologies having to do with horizontal drilling and  
17 hydraulic fracturing and that is what is behind the  
18 tremendous bow wave of natural gas we've seen to this  
19 day.

20 So we are ready to work with all of your  
21 members.

22 CHAIRMAN McNERNEY: Thank you very much.  
23 There is some exciting stuff there and important work,  
24 so appreciate it.

25 Caroline, did you want to make a quick

1 comment?

2 MS. ATKINSON: Just very quickly. Again,  
3 three points.

4 First of all, building off of what Dan says,  
5 and I'm the President's International Economic Advisor,  
6 Sherpa in the G20 and G7.

7 So I take everybody's agendas and try to sell  
8 them in those groups, including yours which I'm  
9 interested to hear.

10 Building off from Dan, climate, and I'm not  
11 sure if you've been able to discuss that today, but  
12 that is an extremely important issue for the President.  
13 It is also an issue where I think mistakenly people  
14 have seen it as contrary to business interests, but as  
15 Dan said, we can be the leaders. We are the leaders in  
16 technology and clean energy and that is increasing  
17 acceptance of the need to adopt those sorts of  
18 solutions worldwide and it is a real growth area  
19 through the United States.

20 My second point is a tough one which you  
21 discussed a bit this morning. Part of the reason I  
22 have been in and out is because of the situation in  
23 Ukraine and Russia.

24 I know that no business in the United States  
25 likes to hear about sanctions, but I want to assure you

1 that we are really listening. I want to hear from any  
2 of you about how best we can work on that front and one  
3 clear message has been for several months, we need to  
4 work with partners, we need to be close with them and  
5 that is what we are working to do all the time.

6 Finally just on a broader level, I can say  
7 that the debate in the G20 has really shifted.  
8 Secretary Kerry referred to the President's leadership  
9 on issues to do with growth and job creation and  
10 financial sector reform.

11 Those were hard and difficult issues to get  
12 agreement on, but for the last year or so and  
13 especially this year in the G20, there is agreement  
14 that the main goal for all of us around there and for  
15 the leaders is to promote growth and jobs.

16 For us, that also means other countries  
17 opening up their markets for a more balanced growth  
18 worldwide. Thank you.

19 CHAIRMAN McNERNEY: Thank you. Caroline, we  
20 have said it over breakfast, but the Administration's  
21 willingness to engage when GO politics bump up against  
22 commercial interests has been extraordinary.

23 Jeff and you and the others have, and we  
24 highly appreciate that. We know it is tricky and hard,  
25 so we get it.

1 I think that Ursula or Secretary Pritzker, any  
2 additional comments?

3 I would just comment that our next meeting is  
4 scheduled Thursday, September 18th. Now, Ursula's  
5 mission I think leaves around the -- Poland, Turkey,  
6 maybe Ukraine -- around the 28th?

7 VICE CHAIR BURNS: 28th.

8 CHAIRMAN McNERNEY: 28th. Still time to sign  
9 up?

10 VICE CHAIR BURNS: Sign up.

11 (Laughter)

12 VICE CHAIR BURNS: Sign up. Send  
13 recommendations and suggestions. Do not drop out if  
14 you are already signed in.

15 (Laughter)

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1 **VIII. ADJOURNMENT**

2 CHAIRMAN McNERNEY: She will call you. Thank  
3 you. Meeting is adjourned.

4 (Whereupon, at 11:43 a.m. the meeting was  
5 adjourned.)

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## C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the President's Export Council, held on Thursday, June 19, 2014, were transcribed as herein appears, and this is the original transcript thereof.

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LISA L. DENNIS,

Court Reporter