UNITED STATES DEPARTMENT OF COMMERCE

U.S. INVESTMENT ADVISORY COUNCIL

MEETING

THURSDAY
MAY 11, 2017

The Advisory Council met in the Secretary's Conference Room at the headquarters of the United States Department of Commerce located 1401 Constitution Avenue, Northwest, D.C., at 9:30 a.m., Jane Garvey, Chair, presiding.
PRESENT

JANE GARVEY, Meridiam North America and
LaGuardia Gateway Partners, Chair
CATHARINE SMITH, Connecticut Department of
Economic and Community Development,
Vice Chair
MARK BEARIAULT, Kudelski Group
CHRIS CAMACHO, Greater Phoenix Economic Council
NIKIA CLARKE, World Trade Center San Diego
JEFFREY A. FINKLE, International Economic
Development Council
MANI IYER, Mahindra North America
ELIE MAALOUF, InterContinental Hotels Group
KENNY McDONALD, Columbus 2020
YING McGUIRE, Technology Integration Group
NANCY McLERNON, Organization for International
Investment
JAN ROGERS, Regional Economic Development for
Eastern Idaho
IRENE SPANOS, Oakland County, Michigan
JUDITH F. MARKS, Siemens USA
JEFFREY WILSON, Gestamp North America and
Gestamp Asia Pacific Corporation
CHARLTON WHIPPLE, Southern Economic Development
Council

ALSO PRESENT

THE HONORABLE WILBUR ROSS, Secretary, Department
of Commerce
THE HONORABLE FREDERICK VOLCANSEK, Director,
SelectUSA
JEREMY KATZ, Deputy Director, National Economic
Council
PEGGY PHILBIN, U.S. Department of Commerce
WENDY TERAMOTO, U.S. Department of Commerce
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CHAIR GARVEY: Well, Mr. Secretary, thank you very much. We are delighted to be here.

And really honored to have you visit with us this morning. We know you've got an extremely tight schedule.

I am going to begin by just reminding folks in the room that this is a public meeting. It will be recorded. So always good, I think, to make note of that.

And with that, Mr. Secretary, let me ask you, would you like people to introduce themselves? Or would you prefer during the discussion if they just --

SECRETARY ROSS: Well, some I know. Like Judy and some of the others. So I know them from before.

CHAIR GARVEY: Right. Some have had the pleasure of meeting with you. So, we --

SECRETARY ROSS: Well sure. If they
can do it quickly, that would be fine.

CHAIR GARVEY: Quickly. We'll do it very quickly. I'm Jane Garvey. I'm Chairman of Meridiam Infrastructure and Chair of this Committee.

VICE CHAIR SMITH: Catherine Smith. I work for the Governor in Connecticut on economic development, and Vice Chair of this group.

MEMBER BEARIAULT: Mark Beariault. General Counsel of the Kudelski Group, based in Switzerland.

MEMBER ROGERS: Jan Rogers with Regional Economic Development Organization in eastern Idaho.

MEMBER CAMACHO: Chris Camacho. Greater Phoenix Economic Council and the CEO that runs the strategy and economy for Metroplex.

MEMBER SPANOS: Oakland County, Irene Spanos. And I run the economic development group for Oakland County, Michigan and Metro Detroit area.
MEMBER McGUIRE: Ying McGuire. I run the international business for Technology Integration Group out of Austin, Texas.

MEMBER CLARKE: Nikia Clarke, I head up the World Trade Center, San Diego and the Economic Development Corporation.

MEMBER MAALOUF: Elie Maalouf with InterContinental Hotels Group. I run The Americas for the company in Atlanta.

MEMBER McLERNON: Hi. I'm Nancy McLernon. Secretary, it's nice to see you. We visited you --

SECRETARY ROSS: Sure.

MEMBER McLERNON: A few weeks ago with a group of our member companies. I'm the CEO of the Organization for International Investments.

And we're an association of about 185 U.S. subsidiaries of companies based abroad.

MEMBER FINKLE: Mr. Secretary, good to see you again. Jeff Finkle with the International Economic Development Council.

MEMBER WHIPPLE: Chuck Whipple,
Southern Economic Development Council.

MEMBER MCDONALD: Kenny McDonald, President and CEO of Columbus 2020 and our regional economic development group, Columbus, Ohio.

MEMBER WILSON: Good morning. Jeff Wilson, CEO Gestamp North American and Asia Pacific.

MEMBER IYER: We're honored to be here. Mani Iyer from Mahindra North America.

MEMBER MARKS: Good morning, Mr. Secretary. Judy Marks CEO of Siemens in the U.S.

CHAIR GARVEY: Well, thank you all very much. And welcome to everyone. And Mr. Secretary again, we are delighted and honored to have you visit with us this morning.

Our goal really is to hear from you. And to hear some of the priorities that you have both for the Department of Commerce and for the administration.

SECRETARY ROSS: Okay.

CHAIR GARVEY: And as we move forward,
we see ourselves as perhaps responding to some of those priorities. And to the best of our ability, to provide some advice and counsel.

SECRETARY ROSS: Good.

CHAIR GARVEY: And again, very committed and pleased to be able to work with you.

SECRETARY ROSS: Well great. Well, thank you all. The administration really has four legs to its policy for developing the economy. Tax reform, regulatory reform, energy reform, and trade.

So I'll go briefly through the first three. And then try to focus a little more on the trade part.

I think you've seen a lot of stuff in the media about the general proposals. We hope by the end of this month that the President's budget plan will actually be put in.

Whether the House will deal with it as such, or just go off in their own direction, we obviously don't know. And then you have the
whole reconciliation process between the House
and the Senate.

So, it's probably going to be quite a
few months before we know the final outcome on
tax. But directionally, the President intends to
have repealed the 3.8 percent Obama Care tax that
particularly hit small business and investment
income.

He certainly wants to take the basic
tax rate down to 15 from 35. And put in a
territorial tax system to level the playing field
for American companies.

There will also be a one time tax, a
low tax on repatriation of the huge amounts of
money that are trapped offshore. And to pay for
a lot of that is elimination of tax breaks on
some special interests.

So that's kind of the rough outline of
that program. Regulatory, the President has
already signed into law 13 Congressional Review
Acts, CRAs, removing harmful Obama era
regulations, and a lot more to come.
He has tasked the Commerce Department with surveying manufacturing to come up with what are the basic permitting problems, rules problems, and regulatory problems they have found. We got quite a lot of responses.

In the next week or so we'll be making our report to the President. Then presumably that will lead to quite a few more repeals and changes.

Fundamentally though, he is requiring for any new regulation that comes in, two old ones must be done away with by that department. So that's a very interesting exercise. And we hope that will bear a lot of fruit.

Energy, he's already taken a lot of action with the Keystone Pipeline, the Dakota Access Pipeline, and the Buy America programs, Buy America/Hire America that he's put in.

He's ordered the reexamination of the Obama era emission standards that were putting a lot of pressure on the U.S. auto industry.

And then he made the Energy
Independence Executive Order that directs the EPA to suspend, revise or rescind four sections relating to the so-called clean power plant that would really have stifled the American energy industry. And that will let the EPA focus on its primary mission of protecting our air and our water.

We're going to start a new energy revolution, one that celebrates American production on American soil. And we believe in the magnificent phrase, made in the USA that had been very popular some years ago, kind of fell into disuse. We think it's time for it to come back into vogue.

As to trade, the first step will be NAFTA. And the President has said that if we do enter into a new trilateral as opposed to two separate but matching bilaterals, he thinks it should be respelled, adding an extra F for fair. So it would be N-A-F-F-T-A, a North American Fair and Free Trade Agreement.

To get to rational trade situation,
enforcement is the first step that we're engaging in. There has been a laxity of enforcement and -
- for quite a while in this country.

And that had resulted in a reluctance of domestic manufacturers to file trade cases. Filing a trade case is expensive, time consuming, and if you don't think it will be taken that seriously, you're more inclined just too offshore then to fight it out.

We've been making it quite clear that we will be enforcing. And one of the processes we're introducing is one that's always been authorized, but very rarely used. And that's self-initiation.

Historically Commerce has waited for the American industry to get itself organized, which takes months. And it has to meet all kinds of criteria.

Then they have to prepare their case. It takes more months. Then they send it to Commerce. Commerce then spends months studying it.
So, quite a long time occurs. Up to two years from the beginning of the infraction before any process is set in motion.

So self-initiation will shorten that process. And it also does another thing. Some of the country -- companies have been worried if they're the named petitioner that the target country will take retaliation against them.

So if Commerce self-initiates, we eliminate that problem. There is very little the other country can do against the Department of Commerce.

We've had two recent cases that were --- unfortunately came to non-negotiated solutions. And that's the Canadian softwood lumber and the Mexican sugar.

But those both demonstrate that NAFTA hasn't really been working quite the way that it should have. If it had been working right, neither of those cases should ever have occurred.

So we're still going to try to reach a negotiated solution. But, those to me are a
couple of symptoms of the problems with NAFTA.

NAFTA at best is an outdated arrangement. It was invented long before the digital economy came into being.

It fairly specifically excludes service industries in general. It just has a whole lot of things that you would certainly put in now that weren't even in before.

And on things like the rules of origin, namely, how much of the material in a finished product can come from outside NAFTA, its rules are very deficient.

In automotive for example, they went part by part with the specificity. And they might have thought that was very good.

The problem is, automotive technology changes. And half those parts aren't even used in cars anymore. So what was the point of being that specific.

So there's a lot of factors of that sort. We had -- there are some issues with the dispute resolution mechanisms. Fundamentally the
adverse party can pick three of the five people
on the arbitration panel.

And that's kind of a strange way to
settle things. So there's some work needed
there.

The worst part of it is that because
Congress has slow-walked the approval of the
trade promotion authority, we've been very
greatly delayed on starting the process. And
that has caused a lot of uncertainty in Mexico,
in Canada, and in the U.S.

Very hard to make plans when you don't
know quite what the rules of the road are going
to be. We hope that we'll be getting over that
soon.

In theory, the new U.S. Trade Rep will
have his vote today, Bob Lighthizer. It's liable
to be very much a partisan vote. But we hope
he'll get through.

And that will remove one of the
excuses that the Congress has had for not
proceeding with TPA. Whether they'll come up
with another excuse or they will now go ahead
with it, I don't know. But we're hopeful that
they will.

Lastly, I'd like to plug Fred
Volcansek. I gather you folks call him the
Mayor.

(Laughter.)

SECRETARY ROSS: We think of him more
as the king of SelectUSA. And I think that's
coming together pretty well.

But anything you can do to get more
participation, both on the part of local
developing authorities, and on the part of the
potential overseas entities coming in here, would
be very, very welcome.

So, be glad to take a few questions.
Because since that was just a very brief cursory
summary.

CHAIR GARVEY: Thank you very much,
Mr. Secretary. It's very, very helpful for us as
a Committee to hear not just your four
priorities, but also the background and the
context around each one.

I think that's enormously helpful.

Appreciate your comments about SelectUSA. But I was thinking as you were speaking, I think it underscores for all of us, the importance of what Commerce has to do. The mission that you have.

So, it's an awesome responsibility.

And we're delighted to be part of it. With that, let me turn to the Committee members and see if anyone has a comment or a -- that they'd like to make.

And I always start with my friend Judy, if you don't mind. It just is -- has the advantage of sitting -- or the disadvantage of sitting next to me. I don't know.

MEMBER MARKS: Thank you Madam Chair.
And thank you Mr. Secretary. First, I'm honored to be the newest member of the Committee.

So thank you for your confidence. And I hope to contribute as much as I can, and so you can hear from the business community as well.

Mr. Secretary as you talked about
regulatory, we are, at Siemens are delighted that
the Administration is taking on everything from
permitting to elimination of regulations.

We would ask you to, especially as a
foreign-owned company, to look at Treasury
Section 385 Regulations.

SECRETARY ROSS: Right.

MEMBER MARKS: That's very important
to us. And we would actually ask you to consider
rescinding those regulations. Or at least
potentially delaying implementation of rules.

My company has already started the IT
system investment that's required to put these
rules into effect. So the sooner we can invest
that money in more worthwhile causes, and I don't
know if you know, we announced some -- a new
joint venture here just this week.

SECRETARY ROSS: That's right.

MEMBER MARKS: We want to continue to
put our money there, versus in the IT system
upgrades to comply with rules that seem to
challenge foreign-owned companies.
SECRETARY ROSS: Right. Well, as you know that's been very much under review. And so it's a topic everybody's quite concerned with.

MEMBER MARKS: Well, thank you, sir. And just lastly, appreciate your involvement in all the activities beyond SelectUSA. But as we all focus on the workforce here, because Made in the USA needs to be made by USA employees.

SECRETARY ROSS: Right.

MEMBER MARKS: And we appreciate everything you're doing in the workforce. And any way if we can assist in that.

SECRETARY ROSS: Sure. Well, the German companies have been very impressive to us. And the way they've been working with the community colleges, working with high schools. And sort of a modified apprenticeship program.

So, we -- Ivanka and I found very, very informative, some of those sessions that we've had. My guess is where it's going to end up is that we'll try to roll out some sort of an internet-delivered series of programs.
Because for giant companies like Siemens, you can make a one off arrangement with a community college in an area.

MEMBER MARKS: Sure.

SECRETARY ROSS: But there are a lot of businesses that only need three workers, five workers, six workers. Very hard for them to mount their own independent program.

So we need something that's kind of a canned thing as -- to the degree we can. Because there are a lot of common themes, welding is certainly one of them.

I see a lot of heads nodding. Because that's an important aspect of a lot of manufacturing. And there's no reason we can't come with some sort of a shelf product. So we're working on that.

The other thing we're working on maybe is, at least in my mind, the most important, is rebranding. Vocational training has taken on somehow a pejorative connotation.

When I was a kid, there was no
pejorative. Nobody felt that there was something bad about it.

And I was very impressed, it's a couple of the German/American companies have adopted this thing of hosting high school kids and their parents, so that they see what a real world factory is like.

Because the image that one has from olden days, of a big sweaty, smelly place where people are doing a lot of physical labor, is really not the way a modern factory, for the most part is.

And so once the parents and the kids see it and understand that these are pretty good paying jobs, it starts to change their conceptual approach to it.

So, I would urge all of you to consider doing things like that. Even if you're not going to work directly with the local school system.

Anything you can do to change the way that kids and their parents view manufacturing
labor, is a very good thing. And will help the
overall economy.

I see a lot of heads nodding. So, I
-- but I feel I'm among some converts.

(Laughter.)

CHAIR GARVEY: Yes. Exactly. Thank
you. Catherine, I know you?

VICE CHAIR SMITH: Sure. And let me
just follow up on that. And absolutely, you
know, many of us have aging populations in our
states as well.

So, attracting and developing young
talent is extremely important. There's some
national programs that we think do work, like
Dream It, Do It. Which is -- I don't remember
which agency it's managed out of.

But we encourage you to keep those
programs. The NIST Program and other
certification programs going. Because many times
manufacturing can start very young. And it can
be helpful.

And technology is also really
important I would say on the job front, in terms
of the need for more talent across the states.

And that's something that's again, I
think across all of the states, very important.
So thank you for that.

I wanted to ask you to dig a little
bit further on, you know, your ideas and support
for the foreign direct investment. Maybe it's
SelectUSA or other avenues by which you think we
can become more friendly to organizations that
have -- see the U.S. market as very attractive.

And of course, even more importantly,
will create, you know, thousands of jobs here in
the States if we make it easy for them to do
business.

SECRETARY ROSS: Well, I think the
best sales pitches are the four planks of the
President's program.

VICE CHAIR SMITH: Fair enough.
SECRETARY ROSS: Because high taxes,
over regulation, and underutilization of energy
have been big impediments.
Not just for purely domestic companies, but also for foreign companies coming in here. In many cases another area where there will be cooperation cross border will be infrastructure.

VICE CHAIR SMITH: Yes.

SECRETARY ROSS: We need everything.

VICE CHAIR SMITH: Absolutely.

SECRETARY ROSS: The handheld that you have is a more sophisticated device then our air traffic control. That's a little bit ludicrous.

Our grid system, severely out of date. Water system, sewage system, to say nothing of the roadways and bridges. There's been a real neglect of just fundamental maintenance, let alone new construction.

And I believe it's the case that it's 20 years since America initiated a brand new big airport. Now they've enlarged some as you're well aware.

VICE CHAIR SMITH: Yes.

SECRETARY ROSS: But in terms of a
greenfield of a big new airport, 20 years is a
heck of a long time.

VICE CHAIR SMITH: It's Denver, the
last one.

SECRETARY ROSS: And that's just
another one of the symptoms of the disease.
There are a lot more Flint, Michigan's lurking
around, and the lead in water problem.

And there's a lot of -- a huge amount
of leakage of water from poorly maintained water
systems. So there's a tremendous amount of need
there.

And while the public focus has been a
lot of, how are you going to finance it? I don't
think that's the main way to look at it.

To me there are a few buckets of
infrastructure. One is, the ones that have a
well-established, clearly defined source of
revenue, user charges or what have you, those are
a snap to finance.

Those can be done with tax exempt
bonds, with taxable bonds. They're easy to
finance and practically 100 percent sometimes, actually 100 percent.

There's a second category at the extreme opposite end. Which is ones that don't have a revenue stream at all.

And generally speaking, the big reason they don't have it is the local authorities don't have the political will to impose user charges. Those are the hardest ones to deal with. Because those are ultimately a matter of public policy.

Is it going to be public policy to have tax payer pay for it? Or is it going to be public policy to have users pay for it? So that's at the extreme other end.

In between is where I think privatizations and public/private partnerships can come. Those are the ones that have a revenue stream but maybe haven't been particularly well run as part of government, or maybe don't have an adequate revenue stream. The ones that are a little flakier let's say, for one reason or another.
That's where there's probably a need for private-sector equity to come in. But private-sector equity is quite expensive. So, that's the balance that one has to try to make.

VICE CHAIR SMITH: Right.

SECRETARY ROSS: During the campaign I floated a proposal about using tax credits to do it. That seems to be quite anathema to the Democrats in the Congress. But we'll see as things go on.

So, the infrastructure is, I think, the last sort of unfilled piece that directly discourages not just U.S. investment, but foreign investment as well. But in general, I think we're far less restrictive on foreign direct investment than most of the other big countries.

VICE CHAIR SMITH: Thank you.

CHAIR GARVEY: Thank you, Mr. Secretary. I will mention, I take your point about the airport, absolutely true.

We are in the process of doing a P3 on LaGuardia.
SECRETARY ROSS: Right.

CHAIR GARVEY: So it's not quite a greenfield. But, it could be.

SECRETARY ROSS: Right.

CHAIR GARVEY: Since LaGuardia is in such bad shape.

SECRETARY ROSS: Sure.

CHAIR GARVEY: It almost -- almost qualifies.

(Laughter.)

SECRETARY ROSS: Well, you may remember from the years ago when I was helping Mayor Giuliani. We made a bid to privatize the New York area airports.

CHAIR GARVEY: Right. I remember that. Yes.

SECRETARY ROSS: Both LaGuardia and Kennedy.

CHAIR GARVEY: Yes.

SECRETARY ROSS: But we weren't able to get the Port Authority to go along with it.

If they had, the world would be a very different
No, our airports are a disgrace.

CHAIR GARVEY: Yes. Well, we're trying on that one. Other -- yes, go ahead Elie.

MEMBER MAALOUF: Thank you, Mr. Secretary, for joining us today. I want to go back to the four pillars of the administration's plan.

Because fundamentally we rely on all four. And two in particular. We're a big business, five thousand hotels around the world, of which 35 hundred are in the United States.

But we're a big business that relies on small business. Most of those hotels are owned and operated by small businesses. By investors and entrepreneurs who put their own money and then put their own sweat into operating those hotels.

So two of the key pillars that you mentioned, which is tax reform and regulation, are fundamental to keep the small business growing. So that big businesses can prosper and
employment can grow.

    The tax reform is something that
they'd be very eager to see. So that they can
access cheaper cost of capital and reinvest more
of their healthy gains back into their
properties.

    SECRETARY ROSS:  Sure.

    MEMBER MAALOUF:  We, with them, invest
and open about two hundred hotels in the United
States every year. And we want to keep that pace
going.

    The second thing is regulation.

    There's a sea of regulation that you're looking
at. I can't comprehend most of it.

    But there are a few that have really
affected them over the last eight years, which
are around labor regulation.

    SECRETARY ROSS:  Right.

    MEMBER MAALOUF:  More restrictive
labor regulations. Particularly going to
restrict the franchise model.

    SECRETARY ROSS:  Right.
MEMBER MAALOUF: Upon which we and many successful American businesses have grown their enterprises. Going back and overlooking some of those franchise adverse regulations would be very beneficial. Not just to our business, but I think to American business in general.

SECRETARY ROSS: Well, I agree with that. I think Labor Department is one of -- and the NLRB.

MEMBER MAALOUF: Absolutely.

SECRETARY ROSS: Because it's not just regulations, it's also the interpretations that have been made, I think have been way over the top in prior administrations.

The whole thing defining of a joint employee, things like that are kind of strange to all, it seems to a lot of us. And some of those regulations in equity funds, which is where I come from, --

MEMBER MAALOUF: Yes.

SECRETARY ROSS: There was a proposed regulation that people even earning 150 thousand
dollars a year would be classed as hourly employees. Because they didn't have direct managerial responsibility. That's nutty. That makes no sense.

I think the prior administration, while it seemed to like employment, it didn't seem to like employers. And it seems to me there's a little illogic to wanting higher employment but not liking employers.

Because that's what you need in order to have employees. So, you're going to find there's a whole different mindset.

We have a very good new Labor Secretary. And I can promise you, he's very, very energetic. And he's going to get his arms around things.

We still have to make appointments to the NLRB. It doesn't have a functioning quorum right now. And maybe for the immediate moment that's okay.

So, on the theory don't do any more harm. But those vacancies will get filled. And
then that will be a functioning body as well.

MEMBER MAALOUF: Thank you.

CHAIR GARVEY: Thank you, Mr. Secretary. Other? Yes, Nancy and then Jeff.

MEMBER WILSON: Yes. Good morning, Mr. Secretary. Gestamp is in the automotive business.

SECRETARY ROSS: Sure.

MEMBER WILSON: And --

SECRETARY ROSS: Well, you remember, I used to be in that business.

MEMBER WILSON: Well, I wanted to say that you and I worked together. I owned a couple of -- if you remember the Oxford.

SECRETARY ROSS: Yes.

MEMBER WILSON: So, but -- nevertheless, in the Tier One supply, we clearly are supporting the President's initiatives. And we believe in fair trade.

SECRETARY ROSS: Right.

MEMBER WILSON: The concern that we have is, what does that mean to us at the end of
the day as far as, and I understand to the extent that you feel comfortable, do you have a vision of where we may end up with the extra F in NAFTA?

SECRETARY ROSS: Well, I think as it relates to automotive, the main area that we may or may not agree on, would be the rules of origin and how much to tighten.

I think everybody agrees they're not correct the way they are. TPP made some movement in that direction. We're inclined to think that there's more movement available.

But, we will be doing that in consultation with the industry. We're not going to just throw a dart into the wall and figure out the rules of origin.

And we do understand the complexities of the international channels of supply.

MEMBER WILSON: Yes, sir.

SECRETARY ROSS: We understand the supply chains. Having been part of it in 20 some odd countries, I have an appreciation of it.

But that doesn't mean that the present
means are adequate. I don't think they are.

MEMBER WILSON: Yes, sir.

SECRETARY ROSS: And they also, as I mentioned, not only have specific things on obsolete parts, they haven't addressed at all some of the things that will be coming in the future.

Your whole propulsion system is undergoing great change. Driver-less cars are another whole area.

And I think trade agreements need to be a little bit forward looking. And at least adaptable to new things as they come in.

We also feel quite strongly that because trade is so complex and because economies have changed so rapidly, that having some kind of an automatic review process every, say five years, is probably a good discipline.

Not a sunset provision necessarily. But some specified time period for rereviewing.

Because it's so complicated, these are thousands and thousands of pages long.
It's impossible to be sure you got everything right the first time anyway. Plus, the mind of man is pretty good at finding ways to get around rules.

So, it takes a little while to find out what they've done to skirt it. And therefore, what should be the corrective measure.

So those are a couple of examples of what we need. What we're not talking about is just arbitrarily constricting imports.

We think fundamentally, the best way to achieve our goals of lower deficit but more trade, is by encouraging exports and relieving barriers to export, both tariff barriers and especially non-tariff barriers.

And as you're well aware in automotive, some countries have had pretty bizarre non-tariff barriers. We find all that quite objectionable.

MEMBER WILSON: Thank you, sir.

CHAIR GARVEY: Okay. Nancy?

MEMBER McDONALD: Mr. Secretary, Kenny
McDonald from Columbus, Ohio. Our economy is growing. And we have opportunities that we've not had in quite some time. We're growing like crazy.

But it is a quite disruptive time as well. With a lot of industries being transformed, mostly by technology, and certainly as the forces of globalization continue, I would encourage maybe a few things.

To one that we also need to modernize our regulatory environment as business models are changing.

SECRETARY ROSS: Sure.

MEMBER McDonald: And we have a hub for e-commerce. We have needs for, you know, more customs agents, things like that as people are bringing things through our apparel hub in Columbus, Ohio.

SECRETARY ROSS: Right.

MEMBER McDonald: And then just finally, we had Speaker Ryan with us yesterday at an industrial park, and every speaker on the
panel was a manufacturer that needed more people. And was talking about the skills challenge that we have.

We would just encourage partnership with the federal government to bring national scale to what we're bringing in our local leadership to try and provide as much as we can from the state and local leaders and our dollars. That help would be greatly appreciated.

SECRETARY ROSS: Yes. Well, you've raised a lot of good points. Some of which, as you know, we've already covered here.

I spoke this morning, DHL had their leadership conference. And they're very proud of the expansion they're doing at your airport in Columbus.

And so we're aware of that kind of issue. And the skill issue is a huge and formidable one.

And indeed as we succeed with getting more employment here, that's going to be the biggest single challenge. The one thing about it
that gives me some hope is we have a very low labor force participation rate.

As you know, something like a third of the people of working force age do not even define themselves as being in the workforce.
We've got to change that.

We've got to change that both from an educational point of view, from a tax policy point of view. Because for some of those folks, the first job they get that takes them out of all of the support programs, effectively is a tax rate of 100 percent.

That's going to get addressed hopefully in the Congressional things. Because it's silly. Nobody's going to give up a certain amount of living for no work, in order to work and get nothing incremental that's meaningful out of it.

So, that's an area we're going to work a lot on. With our demographics, we can't afford to have a third of the working age population not even deem themselves to be in the workforce.
But, I hope that addresses your concern.

MEMBER McDONALD: Thank you.

CHAIR GARVEY: Nancy, and then --

MEMBER McLERNON: Yes. Thank you.

Mr. Secretary, we enormously appreciate your prioritization of foreign direct investment, and by being here today.

I think one of, if not the first political appointments you made was for Bret.

SECRETARY ROSS: Right.

MEMBER McLERNON: Which sort of signified the importance of the work of SelectUSA. So, we're really pleased about that.

One thing that I'd like to recommend in terms of the activities of SelectUSA, which has largely to date been focused on sort of reaching outside the United States to bring in new investors, is also to focus on some of the companies around this table. Right?

So, foreign investment each year, about 65 to 70 percent come from the companies
that are already here.

SECRETARY ROSS: Sure.

MEMBER McLERNON: And so adding to sort of the work of SelectUSA, in addition to that promotional work, which has been fantastic. And the team here has been great.

But also taking a look at case work to help the companies that already know how great it is to work here and to do business here. To help them on some of the challenges, especially those that are unique to being a non-homegrown company.

I think that by having a firm that is headquartered outside the United States, not being homegrown, make this deliberate decision to invest and employ people here, fits right into this administration's goal of sort of winning at the global economy.

And so I just sort of offer that up as something to think about as SelectUSA looks at their portfolio going forward.

SECRETARY ROSS: Sure. I'm afraid they've just added a couple now.
(Laughter.)

DIRECTOR VOLCANSEK: Geez, and I'm looking forward to it, sir.

(Laughter.)

CHAIR GARVEY: Very good. I think -- yes, Chuck --

MEMBER WHIPPLE: Yes. Mr. Secretary?

Mr. Secretary?

SECRETARY ROSS: Oh, I'm sorry.

MEMBER WHIPPLE: How are you sir?

SECRETARY ROSS: Good.

MEMBER WHIPPLE: In addition to working with SEDC, I also work for a technical college. I recruit companies to the technical college.

And I echo your sentiments about how we need to rebrand our technical institutions. I think to be able to change mind sets of kids and parents is going to be essential.

I mean, I think that it's going to be important for us as we look at our workforce, demands going forward, that there is a pool of
talent coming through these institutions that are able to assist the needs of businesses going forward. Apprenticeships, I think we need to focus on those as well.

And lastly, I think that we need to encourage the relationship between the technical colleges and community colleges, and secondary institutions to ensure that not only that these young people are having an opportunity to look at the technical track in lieu of what historically has been a four-year track.

SECRETARY ROSS: Right. Well, I hope somebody here can come up with how we rebrand.

CHAIR GARVEY: I was thinking that. That's really a big challenge.

SECRETARY ROSS: Because that's really an important thing. I don't know what the new brand should be. But we've got to change the vocabulary.

CHAIR GARVEY: Right. Right.

SECRETARY ROSS: Words really do have meaning. So, we welcome any thoughts that any of
your companies might have.

CHAIR GARVEY: Sure. I know that Irene and --

MEMBER SPANOS: Yes. Good morning Mr. Secretary. I'm from Oakland County. We're one of the suburbs that make up Metro Detroit area. Obviously automotive is a big sector in our community.

I just wanted to comment and complement your staff, SelectUSA and EDA. We've gone to every single summit. We've gotten real results from the summit.

There are four companies, five companies that have invested over 22 million dollars in our community that we met at the summit.

SECRETARY ROSS: Wow.

MEMBER SPANOS: And these are real life companies that we would never have the opportunity to meet. We partner with various departments within the Commerce Department.

We used an EDA grant to revitalize --
to do a redevelopment program for the City of Pontiac, which is one of those automotive/
manufacturing towns that needed to reinvent themselves.

And we're implementing those programs now. So we worked very closely with your team here. And we continue to work closely with you.

One thing that the State of Michigan and several of our States across the country do participate in, is Manufacturing Day. And we have really embraced this in taking our high school students to show what real manufacturing is today.

And that has been very successful in our state. And I'm sure throughout the other states. So, that rebranding is definitely something we're behind as well.

SECRETARY ROSS: Great. And my warden just looked at me --

(Laughter.)

CHAIR GARVEY: I saw that. We saw that warden. That's some tough -- that's a tough
role. Yes.

SECRETARY ROSS: Yes. So, I thank you. Enjoy the rest of your session.

CHAIR GARVEY: Thank you. We will.

Thank you very much, Mr. Secretary.

SECRETARY ROSS: And you can continue to grill Jeremy.

CHAIR GARVEY: All right, sir. Thank you. Great. Thanks so very much.

I apologize to the last two folks who did not get an opportunity to say something, but we'll continue that discussion. Perhaps have Jeremy first, if that's okay.

Would you like to make a comment before Jeremy begins? And Fred is still here, of course. And --

MEMBER McGUIRE: Okay. The comments on trade probably more specific. So, we can keep going on that.

CHAIR GARVEY: Okay. All right.

Thank you. Jeremy, thank you. And thank you very much for your patience in waiting.
MR. KATZ: I'm happy.

CHAIR GARVEY: And we're so absolutely delighted to have someone from the NEC here, and your Secretary. Really appreciate your being here.

So with that, I will turn it over to you.

MR. KATZ: Thank you. Thanks for having me. I worked here in this building in 2001 to 2004. And it brings back a lot of memories.

I remember about this time I was 24 years old. And I went with the Secretary at the time, Secretary Evans, to Ohio. I haven't thought about this story in a long time.

And I was the only staffer sent with the Secretary, and I had no idea what I was doing. Because I'm from Chicago and never worked in politics or in Washington before.

And we went to a -- so I'm the only staffer. We go to some manufacturing plant in Ohio, named Rimrock. I remember it because I got
the jacket and it was a memorable day.

And so I'm with the Secretary. We do this tour of this manufacturing plant. I thought it was really fun, really interesting.

Everybody was excited to shake his hand. Because he was -- the administration was new. And you have the wind at your back.

And the Secretary sat down for an interview with a radio host about the economy. And I had done no prep for the Secretary.

CHAIR GARVEY: Oh, no.

MR. KATZ: I hadn't thought that that was like any part of my role. I just thought I was a VIP getting to go on this tour.

(Laughter.)

MR. KATZ: And so they started asking the Secretary about the trade deficit and the new information that came out this morning from the Commerce Department on the trade deficit. And what did he think about that?

And he looks at me with this death stare. Because he didn't even know me really.
And I'm trying to explain to him with hand
gestures what happened with the trade deficit.

(Laughter.)

MR. KATZ: You know, they're recording
like I guess we are here. And then they asked
him about jobless claims. And I'm trying to show
him the job standards now.

(Laughter.)

MR. KATZ: And it was a disaster. And
I thought to myself, okay, I've been here for two
months. And I've just lost my job. It was a
good run.

And the Secretary, you know, he was
from Texas, a Texan, and he was George W. Bush's
best friend. And he had big cowboy boots on.

And I was very intimidated by him
because I didn't know him. And I was new. And
he said -- I said sir, I'm so sorry.

And from that moment on, he called me
-- my nickname for four years was radio man,
because of that interview.

(Laughter.)
MR. KATZ: And so when I came here today I was having some memories of doing that.

(Laughter.)

MR. KATZ: At that time I haven't been back in a while. So I'm the Deputy Director of the White House National Economic Council today.

It's the -- the National Economic Council is part of the White House. So there are policy councils within the White House.

There's the National Economic Council, the National Security Council, the Domestic Policy Council, the Homeland Security Council. And those councils are meant to help develop, implement, and advise the President on policy.

So our portfolio is focused on domestic and international economic issues. There are two deputies. So I kind of handle the domestic portfolio. And then a colleague of mine also actually, who worked at the Commerce Department back during the same period of time, he's the international deputy.

So it is what -- this was billed to me
as insights from the White House. So I'll just
give you my insight in terms of what it's like to
be there.

Then happy to take or duck any
questions that happen.

CHAIR GARVEY: You're not going to do
hand gestures.

(Laughter.)

MR. KATZ: No. No. I've learned.

I've learned after 16 years not to do that.

So it's -- what I'd say is it's, first
of all, it's really exciting and interesting to
be at the White House today. It's a fascinating
time.

When I took the position, I thought
kind of what I still think today, which is that
with a Republican President and a Republican
Speaker and a Republican Majority Leader that
there would be a real ability to move on an
agenda.

I think what's really interesting
about this President is he's unlike any other
President we've ever had in that he never held elected office. He's a business man. He did big things.

And I think regularly he was told during the course of his business career, you can't do that. That's not possible. You're thinking too big; you're dreaming too big.

And to his credit, I think he just kept sort of pushing forward. And you get that sense on the team.

And so there are some big ideas that he has that he is aggressively pushing us to move on. Some of which the Secretary talked about.

But from the National Economic Council's perspective, the issues that are taking up most of our time today are taxes, tax reform.

Are health care. And this is in no particular order. And infrastructure. Those are the sort of big issues that we've been focused on with the President, trying to move on.

And I think that there's a -- there are unique opportunities to get something done.
I think that the President's agenda is all about -- it's actually pretty simple.

He's got a simple prism when we're talking about policy within the White House. And that is, does it create jobs? Is this going to help create jobs and grow the economy?

Some people talk about a new normal in terms of economic growth. And I think the President fully dismisses that idea and thinks that there is nothing holding us back from three percent growth in the not too distant future. And hopefully more growth.

And so when we look at different questions -- and the questions for the President are definitionally hard ones. They're not easy ones. It's all about, how do we create jobs in this country? And how do we grow our economy?

So at the National Economic Council we deal with taxes and retirement. We deal with healthcare, infrastructure, technology, telecom, cyber security, agriculture, energy and environmental policy, and financial policy, as
well as trade and global financial issues.

So I guess the final thing I'll say is
that there's just a very impressive team around
the President. The Secretary, who I won't get a
chance to compliment in front of him, but I'll
just tell you this because it's true, really has
the President's ear. He's there all the time.

What I learned from working here in
the Bush years and then going over to the White
House and spending time in the Chief of Staff's
office, is that a Cabinet Secretary both runs a
department, which is important because there are
thousands of employees here at Commerce. And he
or she also is a senior advisor to the President
of the United States.

And one's ability to influence the
President is very dependent on how the President
views that Cabinet Member. If that Cabinet
Member isn't viewed with a tremendous amount of
respect, you're not at the White House all the
time.

And you're not in the room. Like the
-- a song in Hamilton, you're not in the room.
And you're not listened to.

This Secretary is really wise. And
he's really smart. I think he's well-respected
by the President. So he's got his ear.

And on issues that you were talking to
him about, you're talking to a very impactful
Commerce Secretary. A uniquely, I think,
impactful Commerce Secretary.

So I could keep rambling, but I'll
open it up, and I'm happy to address any
questions you have about the White House or about
the President or the agenda that we are pursuing.

CHAIR GARVEY: I guess one question
I'd have, if you don't mind my starting. Do you
see in terms of legislative agenda, for example
with tax reform or any of the other -- I applaud
by the way, those initiatives. They are critical
and important.

Do you see any timeline in terms of
agendas, in terms of legislative action?

MR. KATZ: Yes, I mean -- yes. So on
specifically your question on tax, our goal is to get it done this year. I think not for talking point purposes, but in truth, I think we think we can get it done this year.

I think that we think we're, as you know, I think it was two or three weeks ago, each day, it feels like one long day for me. So I'm not sure when it was.

CHAIR GARVEY: I bet it does. Yes.

MR. KATZ: But, I think it was two or three weeks ago, Secretary Mnuchin and Gary Cohn came out in the press briefing room, and they unveiled a one-pager of principals on tax reform, on the personal side and on the business side that had to do with lowering rates, promoting growth and simplifying the code. We put that out there. I think there's been a very good reception thus far.

And we are regularly now meeting with both members of the House and Senate. So yesterday, we had the Senate Steering Committee in. And the day before we went up and saw the
Senate Finance Committee.

And there's something kind of happening each and every day so that we can hear from both leadership and rank and file members as to what is important to them. And we're also listening to outside groups.

And those are genuine listening sessions. Where we're trying to see kind of what is important to both elected representatives and the business community and people.

So, I think, you know, our goal is as soon as possible. But I think it's very achievable for this year. And I couldn't tell you exactly what day or when.

But I think it's a this year proposition. I think healthcare is in that same bucket. I think people thought that healthcare was alive and then was dead. And now it's alive again.

And you know, it now goes to the Senate. And I think my lesson from having been here a decade is not to bet against the Majority
Leader, Senator McConnell.

So he's got a tall order in front of him. But I think it's achievable. And he's got an incredible team. And he knows that institution as well as any human being ever has.

And so, we're working with the Senate now to try and help make healthcare something that passes that chamber.

CHAIR GARVEY: Thank you. Yes?

MEMBER FINKLE: Chairman, Jeff Finkle.

MR. KATZ: Hi, Jeff.

MEMBER FINKLE: With the International Economic Develop Council. Your name came up the other day when Kenny and I were meeting with the Chief of Staff of Senator Portman.

And he said you were the go to guy.

So, it's good to meet you.

MR. KATZ: Yes, nice to meet you, too.

MEMBER FINKLE: So anyhow, I just want you to be aware that in the -- a number of people around the table work in the economic development space.
And we kind of see ourselves as your force multiplier to grow jobs. There are about five thousand organizations in the states that are doing economic development.

They're trying to create, retain, expand jobs and develop tax base in their communities. And there's various definitions of economic development.

So that number could move depending upon how you define it. And they employ about 25 thousand people. And we do a lot with this building as Irene was saying.

We're one of the principal partners, I think, with SelectUSA. We are a principal partner with EDA and MEP Programs. And some of our members run MEDA Programs as well.

And so, you know, these are -- we're pleased that all of them were reappropriated as part of the omnibus. And look forward to working with you.

MR. KATZ: Yes. Thanks for those comments. First off, I'm a huge fan of Senator
Portman and his Chief of Staff, Marcus Sakowitz. They're -- I saw Senator Portman up close again, when I worked here.

Both being the Budget Director and the United States Trade Representative, and doing both those jobs really well. And being a good, you know, Senior Senator.

He's an amazing -- he's an amazing person. He's impressive. Thank you for your comments.

I think look, from my perspective, here's -- well, when I listened to what you guys were telling the Secretary about Section 385, about NIST, about Dream It/Do It, the thing that's most helpful to me, and I loved your comment. I love that phrase about being a force multiplier. I think that's spot on.

The thing that's most helpful to me at the NEC is just specific recommendations and ideas that I can actually go run to ground that will help on the Economic Development front. On the job creation front.
Again, our role at the NEC is to identify for the President what from his perspective and the White House's perspective ought to be Presidential priorities. And then to -- so identify issues and then to run a policy process.

So, what does that mean? That means that if we're going to make a decision on infrastructure, which we were talking about before, and how do we start building airports again, you know, you whispered Denver.

Like you knew the last one was Denver. We want to build again. It isn't just one department or agency that can make that decision. There's a -- in the case of infrastructure, I think something like 16.

So the job at the NEC is to identify what are the issues that the President is going to help drive? And then how do we bring together all of those agencies to debate around a table like this, how best to go about achieving the President's goal?
And then to bring to the President a recommendation that brings forward divergent use? So somebody might love NIST and somebody might not love NIST. And of somebody wants to grow NIST or you know, why? And if somebody doesn't, why not?

And then allow him to make those decisions. So I guess my only ask to you, is I'm happy to give you my card. And if there are specific regulations that you think ought to be reexamined, if there are programs that you think have been particularly effective, that kind of stuff is very useful, for what it's worth.

CHAIR GARVEY: That was great. I guess that I would ask the committee, is do you think that Jeremy brought enough cards?

(Laughter.)

CHAIR GARVEY: That is a great offer. Thank you. Thanks very much.

MR. KATZ: Yes. Yes. I had to buy my cards myself. A hundred and 40 dollars. And I'm happy to hand as many out as I can.
CHAIR GARVEY: Great. Perfect. Yes, Chris. I know you --

MEMBER CAMACHO: Well, thanks for your time, Jeremy. So our organization runs a strategy for Metro Phoenix.

And we had 65 individuals here last week, 14 mayors and about 35 CEOs came to D.C. And I can tell you the interaction with the new Administration and many of the new Secretaries, there was a lot of confidence leaving Washington.

And one of the meetings in particular, you know, that I'll draw attention to was Scott Pruitt at EPA. And certainly I think the focus on mitigating and reducing regulation that's been a barrier for a lot of our manufacturing base.

MR. KATZ: Yes.

MEMBER CAMACHO: Particularly semiconductor and advanced electronics and aerospace and defense in Arizona. But one of the questions that I have is when we met with Vice President Pence, there was a discussion about the trillion dollar transportation modernization
plan.

And kind of a change in approach away from simply having "shovel ready projects" and ensuring that you have local revenue sources for these large projects. And so I'd live it if you had some perspective further on -- our mayors heard it loud and clear that there must be, you know, revenue sources to draw from.

That are in place. That can be a truly a public, public/private potentially opportunity for transportation infrastructure. Meaning local dollars met with some federal dollars with potentially some private.

Which was different from what we heard a couple of years ago. Which was essentially, you know, compete for the existing dollars that maybe available from the federal government.

So, what I'm taking back, and what we took away was that we have our cities now working together on instead of just relying on our state, you know, DOT dollars transferred to our Department of Transportation dollars, our cities...
are now stepping up looking at a long term vision
of the economy.

That again is different from an
historical approach. So any perspective
specifically on the transportation element. And
what kind of recommendations you would have for
many of us that work at the regional level, to
instruct our cities to be ready, you know, to
access these dollars as they come forward.

MR. KATZ: Yes. So, I hear you loud
and clear on -- that this will be different.
That's correct. This will be different.

And the idea of, you know, having skin
in the game for, you know, States and localities
is absolutely something that we want to see
happen. You know, this is -- we're getting,
we're talking to the President regularly about a
new approach to revitalizing the country's
infrastructure in a profound way.

If the President has experience with
something, it's building. And it's kind of
dreaming big and thinking of both how to
modernize a crumbling infrastructure and help
develop transformational projects.

So we're, as I mentioned to Jane
earlier, we're having kind of ongoing discussions
about how are we going to generate a trillion
dollars of investment activity in infrastructure
across a -- you know, we're dreaming big too in
terms of how you define infrastructure.

So we're in the process of having
almost daily meetings at the NEC about how to do
this. How to engage with mayors to make sure
that there's buy in from people for example in
Phoenix.

And we're going to the President
regularly as we kind of sharpen our pencil. And
we get ready to unveil some ideas on both air
traffic control reform, which was mentioned
earlier. And then more broadly, infrastructure.

So you're going to be hearing a lot
more from the President on it in the very near
future. But it is different. I agree with that.

And it isn't just looking to spend a
trillion dollars in, you know, federal stimulus money that's just sort of pouring out of the federal government and looking for shovel ready projects. That's not the vision.

And I also take your point just on the team. I do think that people like Administrator Pruitt and Secretary Ross, there's a really, you know, there's a really impressive group around the President.

And a huge -- you know, my big take on being at the White House is when you have a really good team. Which I'm sure is true for all of you guys and where you work.

If you have really good people around you, only good things come from that. So there's a really good impressive team around the President that I think is helping unleash the animal spirits of this economy to get people excited about how to grow.

I was walking out of the White House yesterday, and I ran into Phil Gramm, Senator Phil Gramm in Texas, who is like, you know, one
of my favorite, I mean, just a lion of the
Senate. And just a really smart, impressive guy.

And one of the points he was making to
me is he said, you know, we were talking about
tax. And he was talking about how he likes the
plan and what we're doing.

And he said, you know, when Reagan was
President, he said President Reagan used to talk
about eliminating regulations. And how important
the regulatory front was to the American economy.

And Gramm said, he didn't really hear
the President at that time. He didn't really get
it. He just thought it was all about tax. And
he's come around.

He's said it's both the -- it really
is, you know, you can have a huge impact on
growing our economy if you take on, in a
meaningful way, regulations.

And I think when you have people like
Ross and Pruitt and the President, they're not
afraid, I mean, they're not afraid, they're not
afraid to make decisions. And they have the
right instincts. I mean, they really do have the
right instincts.

And so, anyway, there's more to come
on this. But I'm happy to follow up with you,
Chris. And provide you a lot more detail.

There's also somebody on our team at
the NEC who is -- his name is D.J. Gribbin, who's
running point on infrastructure. Infrastructure
is not traditionally an issue that the National
Economic Council has within its portfolio.

And when I took this job, that was one
of the first things that Gary Cohen told me, is I
want us to drive this. And so we've been doing a
lot.

So there's a -- it's a much longer
corresponding. But I'm happy to lead you into
probably more.

CHAIR GARVEY: Thanks. That's great.

Other comments? I want to hear from some folks
who haven't had a chance if you don't mind,
first.

MEMBER IYER: Of course the U.S. is
the second largest market for us outside India.
And we are invested in many companies which try
to have economic growth in the U.S. and it's
transportation, agriculture, technology.

And the question I have is for rural
America. We do a lot of business with small
industries, with our dealers. And we do a lot of
expansion both in employment within our company
as well as employment with dealers in
communities.

We also engage with local community
colleges to create job growth. And I totally
agree with how do we get the workforce, the local
workforce to connect with the local communities?

So while we are focused on the
industry and growth in cities, what do we do for
the rural America? How do we build that
connection of resources and funds from the
industrial area to the rural? In the rural
America?

MR. KATZ: Yes. Well, I guess I could

-- I'm happy to keep talking. I would love --
what would be value to me, for what it's worth, is to hear some ideas from you on some of these questions, if people have them.

Because again, what I would say is that for me personally, there's a limited amount of time that I have in this build -- you know, each day is intense.

What I would love to do is get some ideas from you on some of these really important questions for the country. If you have recommendations from your own businesses, your own, you know, experiences.

I think it would be more valuable as opposed to me talking at you.

MEMBER IYER: Sure.

MR. KATZ: If you have ideas for me, I would love to hear some of them.

MEMBER IYER: Sure. Sure. No, absolutely. No, we are doing a lot of initiatives. Both from an employment standpoint as well as a workforce development standpoint.

And also investing in the local
infrastructure, along with the dealers.

MR. KATZ: Uh-huh.

MEMBER IYER: And colleges. But, we have to see what kind of resources we can get from the federal. I don't have any ideas at this point in time.

But certainly I take your point forward, to say what could we do from -- as a tractor business. So we are from Delhi, so what can we do as a tractor business to support development beyond cities to rural America.

MR. KATZ: Okay.

CHAIR GARVEY: Yes. I think that's a great -- by the way, I think that's a great question for the Committee. And I think all of us can go back to, you know, either the groups that we represent or our own companies.

And give it some thought and perhaps get back to you. And we could discuss among ourselves. Jan? Okay.

MEMBER ROGERS: Okay. I just wanted to --
CHAIR GARVEY: Okay. Sure.

MEMBER ROGERS: To comment as well.

I really represent the rural America. Idaho is a rural State. And I'm assuming that there are many rural States. And what -- to your point, there are -- it's not an equal playing field.

They don't have -- small rural communities don't have the same resources available to them that a Phoenix does. Or you know, even somebody even middle to major metros.

And you can probably tell by my accent that I'm not actually from Idaho. But, I hail from Dallas. So I have this perspective from, you know, being raised and working in a major metro. And now I'm small and rural.

So it's, I think, it's important that a number of the programs that Commerce has available to rural communities now are really the only things that help level the playing field.

So, I would really love to work more closely with you and your team as it relates to rural. So that we're not, you know, because
infrastructure issues are incredibly important there as well.

But for CDBG is an example. We wouldn't ask.

MR. KATZ: That's an ask.

MEMBER ROGERS: Yes. But for CDBG in our State specific. And in one of my communities that I worked in for many years, we were able to land Chobani in a town of 45 thousand people.

And we leveraged a million dollars in CDBG money because of the infrastructure that we needed to get to the ground to help, you know, pull that company in. That was a 450 million dollar deal.

I will say --

MR. KATZ: Congrats.

MEMBER ROGERS: Yes. Yes. Over eight hundred jobs now. But that million dollars made a difference --

MR. KATZ: Yes.

MEMBER ROGERS: In the beginning.

Along with what the State was able to put in and
what the committee.

So leveraging those federal resources are critically important to create -- to job creation in rural America. And so that's a -- that is an example.

MR. KATZ: Yes. That's helpful.

MEMBER ROGERS: EDA --

MR. KATZ: What were you going to say about EDA?

MEMBER ROGERS: EDA actually, another -- which was another -- has been another important program specifically even in Idaho.

In fact I think we have received one of the largest EDA grants west of the Mississippi. And it was to create an innovation center at our local community college. So we leveraged that EDA grant with local and State funds to create that -- I mean, to build that building so that we had that resource available to us.

So, and there are a number of other EDA projects that have helped us create
industrial parks. Again, but for, we would not
have this business and these jobs in America.

MR. KATZ: Yes. I would love -- I
will hand you a stack of cards. I'd love to hear
both the programs that you think are working
really well, and why.

And on the other side of the ledger,
are there programs that aren't working as well
that could be modernized or changed? And what
are those?

I'm happy to try and work with, you
know, Alex here to -- that would be useful.

MEMBER ROGERS: Yes. Those are just
a couple of examples that I -- but really I think
the rural America issue needs to be as equal as
urban.

MR. KATZ: Yes.

MEMBER ROGERS: And I'm being --

MR. KATZ: I think if the President
were here, he would fully embrace that view.

CHAIR GARVEY: Thanks Jan. Yes, and
then I'm going to ask Mark too so we can wrap it
I know we're running a little bit tight on time. We do want to get to some of our recommendations. This has been a great discussion.

MR. KATZ: Okay. Sure.

CHAIR GARVEY: So we -- well, go ahead.

MEMBER McGuire: Chairman, I'm Ying out of Austin, Texas.

MR. KATZ: Hi.

MEMBER McGuire: So, one idea is implement programs similar to Hub Zone Programs. So in Austin, you know, we have a --

MR. KATZ: Can you tell me one more time, what's program?

MEMBER McGuire: Hub Zone.

MR. KATZ: Okay.

MEMBER McGuire: Historically underutilized business zones. So, in east Austin, you know, we were underdeveloped and past poverty. And since we have implemented a Hub
Zone Program, you incent business moving there.

So you get tech credit, you get training credits. Now it's booming. It's a matter of 15 years.

So you would make the rural area as a large Hub Zone, and you give specific incentives, whether it's tax, whether it's training credit or other incentive, to attract large companies or mid-sized companies there.

And attract foreign companies to go there as well. So that's probably one way to develop with the private money.

MR. KATZ: Okay.

CHAIR GARVEY: That's great. Thank you.

MR. KATZ: Thank you, Ying.

CHAIR GARVEY: Yes, Mark?

MEMBER BEARIAULT: Jeremy, I just wanted to say that we're very pleased to hear you mention cyber security as a topic at NEC. It's a topic that's very dear to the Kudelski Group.

I think that what I would encourage
the Administration is to consider cyber security as infrastructure. And we talked about infrastructure as crumbing in terms of roads and bridges, but really the digital infrastructure, it's not crumbling. In many cases it hasn't been built yet.

And I think if the Administration can make this -- raise this topic beyond what we read in the papers, it is a topic that impacts businesses and growth.

MR. KATZ: Yes.

MEMBER BEARIAULT: And I'm not sure, you know, personally that regulation is the answer here. Because regulation tends to lag behind the cyber criminals and the threats.

But I think leadership at the White House level, I think is critical to encouraging the private sector to work with the public sector in devising solutions.

MR. KATZ: That's a helpful comment.

Thank you.

CHAIR GARVEY: Thank you. Well, with
that Jeremy, thank you very much.

MR. KATZ: Yes. No, thanks for having me.

CHAIR GARVEY: I cannot tell you how helpful and -- this is, I thought a very exciting discussion. Really appreciate it.

MR. KATZ: Yes.

CHAIR GARVEY: And I don't know, is it easier for someone in Commerce to send your email to us? Is that easier then --

MR. KATZ: Sure.

CHAIR GARVEY: Because those cards are very precious.

MR. KATZ: Who do I --

CHAIR GARVEY: If you had to pay for those, yes.

(Laughter.)

MR. KATZ: Okay. Here you go.

CHAIR GARVEY: So this has been truly great. Thank you.

MR. KATZ: Yes, yes. No, thank you for having me. Thank you so much. Good luck.
CHAIR GARVEY: We really enjoyed it.

And to you as well.

MR. KATZ: Yes, yes Really good.

Thank you. I have three kids and a wife in Chicago. And so this all happened so quickly that I'm trying to go back on Sunday nights and get back here on Mondays.

But it is -- it's very exciting.

CHAIR GARVEY: That's wonderful.

MR. KATZ: It's very interesting. And again, this President has no issue kind of tackling big things. Which is fun.

He really is bold. And would love to hear specific recommendations and ideas from you.

CHAIR GARVEY: Good.

MR. KATZ: Some of the things you said, actually I will follow up on. And I mean, even that last comment about just thinking about cyber security as part of the infrastructure, all that's helpful.

This has actually been helpful to me.

So, thank you.
CHAIR GARVEY: That's terrific. I'm glad to have you back in town.

Well, that was a great morning session, I thought. And thank you to the President and to your staff for organizing a lot of that. It was very, very helpful to us as a Committee.

And I know that we have a couple of members who have a hard stop a little bit early. So I want to try to get to a little bit of the path forward while everyone is still here.

So, and I'll -- let me start and tell you what I got from this morning. And perhaps some may want to add to it.

But, certainly the Secretary talking about the four priorities, was extremely helpful. Hearing the committee members, I heard some echoing of those priorities that might be a way or areas that we might want to tackle.

One was more work on regulatory reform. I thought that came out sort of loud and clear that there may be some more additional work
there.

The whole notion and concept of workforce development, how do we do that? How do we think about rebranding as the Secretary talked about, some of the vocational training. That was another area that I thought seemed to align well with the Secretary's comment.

And then the whole notion of tax reform. Whether any of those elements of tax reform would help on some of the foreign direct investments.

So those were at least three. I thought Jan's comment at the end about rural, it may still be something that we want to consider.

So, it maybe that this committee, and I'll open this up as a question, it maybe that this committee wants to think about perhaps different work groups then what we've had before, thinking more, reflecting some of the priorities we heard. And then working at it that way.

So, that's one thought. And I'd be open to any suggestions that anyone might have.
MEMBER McLERNON: Hi, Jane. Just a couple of thoughts. One, I like the idea of changing up the working groups to reflect the items that the Secretary talked about.

But I also want to pick up what Jeremy said in terms of put listening sessions that the NEC is doing on tax policy. Because as tax policy is getting crafted perhaps sooner rather than later, I think it's really important for the inbound community to be part of those listening sessions.

For the large extent, inbound companies are united with the U.S. business community in terms of the tax direction that we want to see the code going.

But there are some unique issues for foreign companies in the tax space. And sometimes they can get buried when you're in listening sessions with U.S. multinationals and so forth.

So, would love to be able to, Fred, work with you or others at Commerce to ensure
that we are part of that listening session. And
to be able to talk about the tax related issues
that might be particularly important for inbound
companies.

CHAIRMAN GARVEY: And Fred, I should
ask you if you have -- based on what you've heard
this morning and some of the comments from the
committee, if you have anything that you'd like
to advise us on, or direct us on? Or any
thoughts or comments about this?

DIRECTOR VOLCANSEK: I think the
Secretary did a wonderful job of laying out the
policies and the suggestions. I think that you
all have asked wonderful questions.

I think that it would be -- what is
incumbent upon us is exactly what you said.
Let's maybe form some of these new working groups
around the issues that came up this morning.

Me adding to that, I'm looking forward
to the additional work.

(Laughter.)

DIRECTOR VOLCANSEK: And --
CHAIR GARVEY: I'm sorry.

DIRECTOR VOLCANSEK: But I do want to emphasize that it is important that we stay close together on our communication. And I'm going to be reaching out to you all and, you know, on a personal basis so that we make this SelectUSA be more then it just was originally intended.

And so I'd like to leave it at that.

CHAIR GARVEY: A challenge we welcome.

So thank you. Thank you very much.

And let me ask the other committee members if reconstituting the work groups, if the topics we've mentioned make some sense? Jeff, anything to add to it?

MEMBER FINKLE: Yes. The thing that I would add was a part of the conversation that was going on here may not fit neatly under four of those -- those for categories the Secretary talked about.

I mean, you know, how do you build infrastructure using some of the existing federal programs, EDA, Rural Development Programs, the
Department of Agriculture, I'm not sure fall neatly anywhere in some of those.

And even and I'm -- this maybe a reach, the EXIM Bank is important to a lot of externally focused exports. It's not the FDI necessarily, but it is certainly supportive of FDI in its own way.

And how do we make recommendations to the Secretary around some of these various tools that already exist that the Administration's just in some cases learning about and how they're used? This is a largely business focused Administration.

And many of the business leaders don't know of some of these tools. And I think maybe we have an opportunity to help enlighten them on how to -- that -- how these can be essential to their mission.

CHAIR GARVEY: Here's a question, just from me. I mean, how are you defining infrastructure when you're talking about some of the rural economic programs?
MEMBER FINKLE: Right. So, EDA for instance --

CHAIR GARVEY: Yes. Okay.

MEMBER FINKLE: Will fund roads. It will fund expansion of utilities. And in fact, you know, if you look at many of the deals, that is in fact their portion of funding.

And also true in the Rural Development Administration. And if you -- skipping outside of this agency, you know, CDBG, probably 60 percent of it goes for, you know, roads, sidewalks, sewers.

And the President's trying to figure out how to come up with a trillion dollars in infrastructure. If you start taking pieces of things that already exist in government, they're a down payment. A small down payment, but they leverage.

CHAIR GARVEY: Leverage. Yes. And of course Jeremy suggested and asked that we take a stab at what programs are working and what ones are not working so well.
So perhaps that's one avenue too.

MEMBER SPANOS: I think that's -- yes.

I absolutely think that would be helpful for this Administration and for the new.

Because not all of the programs out there are as helpful as others. And --

DIRECTOR VOLCANSEK: If all we talked about is the programs that, you know, that are helpful, --

MEMBER SPANOS: Exactly.

DIRECTOR VOLCANSEK: You know, what happens is, this President is about change.

MEMBER SPANOS: Right.

DIRECTOR VOLCANSEK: And you know, he's given instructions that have clearly said that if you give me one new one, what are the two that you're going to take away?

MEMBER SPANOS: Exactly.

DIRECTOR VOLCANSEK: And so I think that we need to be -- we need to set ourselves apart.

MEMBER SPANOS: I agree.
DIRECTOR VOLCANSEK: And provide that type of feedback.

MEMBER SPANOS: And we know that to be the truth. We know that to be the case. Not everything is working as well as it could be.

That there are some things that are really critical. Maybe more -- to maybe areas other -- not all areas are created equal, like rural.

DIRECTOR VOLCANSEK: I think the timing is more important than anything right now. You're talking -- especially on issues like that. Because a lot of changes that are going to be coming up are going to happen sooner than later.

MEMBER SPANOS: Right.

DIRECTOR VOLCANSEK: And so it isn't the kind of thing that you can go back and sit back on, you know, and contemplate. You need to be thinking very seriously about that information.

And I'll be glad to sit down with Peggy and our staff and talk about some of these
issues. And then I'm going to say one thing, you know, this is my second Administration. I served in the Lincoln Administration.

(Laughter.)

DIRECTOR VOLCANSEK: And -- oh, no. I -- excuse me, not quite that far back. But, no. But, this is my second Administration. And my second time to work within the International Trade Administration.

And it's exciting to see the changes that have occurred. But there are more changes that are coming up. And we need to be forceful.

I have never seen a Secretary -- well, let me just say this. My email, you know, now includes SWLR. And he reaches out.

And when I have a question, I reach to him. And he answers. So, you can't have a more proactive or -- he's an exciting man to be with.

So, anyway, I just wanted to emphasize that we create the information. Let's work together on it. And then we can pass it on.

VICE CHAIR SMITH: But we hear as
well, be swift in some of these early assessments
of programs that are under existence. The ones
we don't like or do like.

So that we make sure to get that
information before decisions get made.

DIRECTOR VOLCANSEK: Yes.

VICE CHAIR SMITH: All right so that's
very good.

CHAIR GARVEY: That maybe an
immediate. Yes.

VICE CHAIR SMITH: Yes.

MEMBER MAALOUF: One question Jane is,
there's this yes, moving quickly, but against
which targets? Right.

So if you're going to put force
against which target, there's a lot out there
when you talk about infrastructure and technology
and tax and regulation. But there are a lot of
forces that are going to move in those directions
too.

But I thought I heard from the
gentleman sitting next to me, Jeremy was, give me
some specifics.

CHAIR GARVEY: Give you some specifics, yes.

MEMBER MAALOUF: I'm very busy. I have a lot of priorities. Give me something I can shoot at. Give me a target, 385. One program.

CHAIR GARVEY: Right.

MEMBER MAALOUF: There are -- I think maybe you want to think of our topics, ones that we endorse that are broad. And ones that we are very specific targets against so they can run with it.

CHAIR GARVEY: And we have very specific recommendations. Right. Right.

MEMBER MAALOUF: We want you to. Add to this the track from that, modify this because it helps investment. And to stay to our subject, which is investment.

And then there are some broader things that we endorse for, of course, development.

CHAIR GARVEY: Right.
MEMBER MAALOUF: And other things like that. Which frankly, are a bit outside of our scope.

CHAIR GARVEY: They are. And they're longer term.

MEMBER SPANOS: Except talent leads business development today. It is -- it didn't use to be that way. But today in today's world, in today's global world, talent leads business development.

So, it's taken on a different aspect of economic development. And we're, as an EDO, actually -- we actually have someone in place that is a talent, attraction, and business development person.

Because without that, it isn't happening. We're not getting the -- we're not going to get the business.

MEMBER McLERNON: There is a bit of unique aspect to this group. I mean, we talked about the German apprenticeship programs. There's Swiss apprenticeship programs.
There's not only in the manufacturing space, but also in the white collar services space. It also is particularly helpful for, I know, rural areas.

And so to Eli's point, I think that it's important for us to stay focused on the foreign investment stuff. But there are some unique things there because of the company sitting around this table and the EDOs that work with those companies, know some of those specialties that can help, you know, bring that message home.

MEMBER WILSON: Yes. Just very quickly to add to your comment.

From a business perspective, when I look at investing, and our last project was close to two hundred million, it's about the workforce. It's not about the infrastructure.

It's about do I have enough capable people to execute the technology that we're bringing to the business. And so this is -- I know it is outside our scope.
And you've been very lenient to allow us to add this as part of our discussion. So, I do think to your point, we want to get some specificity in a target.

We do want to get a target, but prioritize these targets. So, I don't want my vote here is well, I know we're foreign direct investment focused, I think that these elements such as workforce development, whether it's rural or city or urban, it should be a part of our agenda.

MEMBER McLERNON: And the same can be true about infrastructure, right? So, our companies have more experience with those public/private partnerships because of their global heritage and experience.

So if we look at some of these very macro issues, but we look at it through the lens of what we're instructed to do, maybe that helps to give this purpose.

MEMBER McDONALD: Very quickly. I just -- I wrote down that we, you know, we want
to be specific about programs. The department that impact the work we have to do.

The policies, those are the four areas that, you know, we were directed about. The tax, regulatory, energy, trade.

And then platform I think is where, Jeff's point about workforce, infrastructure, the platform in the Commerce Department as a coming together of labor, infrastructure. All these other elements that impact, it all comes back to the economy.

I think that's where we can comment on all three. And certainly be specific about programs. We're being fairly specific about policies.

And I think we can be fairly prescriptive on platform as well on the things that impact particularly foreign investment, but investment overall, of all of our business stuff.

So, and that means it gets at some of the cross cutting nature of these issues that we're facing.
CHAIR GARVEY: Yes. It is striking how many are cross cutting. You've really heard labor mentioned. You heard, you know, the Department of Transportation.

I mean, just by virtue of what was being discussed. Yes?

MEMBER CLARKE: And I think also what I heard again and again was this focus on jobs. Does it create jobs?

And that links between foreign investment and jobs, I think is something that we need to pay a lot of attention to. And if we look at the channels of FDI into the United States and which channels create the most jobs.

I mean, there's a lot of small businesses investing here that generally -- I mean, nationwide, 75 percent of jobs are created by companies growing from ten people to 30 people. Which I think is kind of staggering.

And I know the work we do, the number of FDI projects we do, an increasing number of them are small companies. They have taken
something to market successfully in their home country. And now they're coming to the U.S. and they're feeling out the market.

And they face a different set of challenges, I think, then you know, then the Siemens or the InterContinental Hotel Groups who operate a lot like American companies because you all have been invested here a long time.

So I think that might also be another lens that's important.

MEMBER SPANOS: Our Japanese company is exactly what you've just described in rural America.

MEMBER McGUIRE: So previously we had four committees. And three out of four in our last meeting recommended technology enablement.

Which is to have single platform to aggregate this disbursed regional data and make it accessible to foreign investors, so it's easier for them to make decisions. And coupled with AI and data analytics tools, actually allow Peggy and Fred's team to do more with less.
So, would you consider, you know, specific technology enablement solution be part of our scope going forward?

VICE CHAIR SMITH: Well, and I would add that some of those recommendations are being acted upon. It might be useful to update this committee on the work that we're already doing that came out of those recommendations at some point.

MS. PHILBIN: And we can do more in the future. But I was thinking of mentioning that several of you have talked about how can we narrow down and make these actionables in a fairly quick time frame that it's meaningful?

And I think that's an outstanding formula. One of the things you recommended, it's small, but it's now completed.

And that is you asked for some opportunity for an infrastructure symposium or a place to bring together experts to provide education and information to the economic development community. We are doing a symposium
on infrastructure, by invitation at the summit

for two hundred economic developers.

And the value of that is, we picked

this because we're also trying to stay in the FDI

lane. Where do we work with these issues?

And the issues is competitiveness for

foreign direct investment. And which I think

several of you mentioned.

So we are bringing in a number of top

leaders in infrastructure to focus on P3. And

where the capacity issues are, locally,

regionally, and on the State level.

We think that's the beginning of the

conversation. And I would recommend that some of

these things you're mentioning, they are big

chunks of issues.

And you gave us the opportunity in the

last recommendation that was more narrowly

focused, and we jumped on it. But, we think it's

the opening now for broader conversation on

infrastructure, which we intend to do after the

summit.
So there's one example of how you can frame effectively, both an immediate win so to speak. But also provide us and others opportunities to build on your recommendations.

CHAIR GARVEY: That's great. Thank you. And I think that point about actionable items, which really ties into what Elie was saying too.

We've got to be very specific. So, it is an important one as well. So, if I could just at least make an attempt at summarizing, I will certainly add to it.

I mean, what I've heard today is definitely the agreement that we reconstitute the workforces that we -- or the work groups that we have.

We use the Secretary's priorities as the sort of basis as Kenny suggested. And others have suggested as well that we make those the basis of the next work group.

We base it on priorities. We create out of those priorities, we recognize that some
are more actionable quickly than others may be.
And some may take longer term.

    But, I think that will give us a great
deal to discuss, Fred, with you and with your
team over the next week or so, a couple of weeks.
And try to go back to everyone on the committee
to see which group you'd like to be in.

    Does that seem to be acceptable to
folks?

VICE CHAIR SMITH: I see nodding
heads.

CHAIR GARVEY: Nodding heads. Nodding
heads. So with that, is there any other business
or any other point that anyone would like to make
before --

DIRECTOR VOLCANSEK: Thirty-eight days
to the summit. I sure hope everybody is planning
to be there.

CHAIR GARVEY: You know, Fred that --
yes, you might want to mention it. I think
really having folks -- yes.

    Fred, mention how encouraging our
companies, encouraging folks to attend would be very critical and important. Is that --

DIRECTOR VOLCANSEK: Yes, ma'am.

Absolutely. And so I just want -- we are moving ahead.

We seem to be very close to being on target to meeting the goals that we're wanting to accomplish.

And I just would encourage everybody here to please, you know, consider companies that might, you know, benefit from being there. And anything that we can do to help, we want to do.

CHAIRMAN GARVEY: Great.

VICE CHAIR SMITH: Thank you again.

CHAIR GARVEY: Thank you all very much. And with that, we'll adjourn the meeting for today.

And I guess we're going to try to have another meeting in September. But there will be lots of workgroup discussions.

VICE CHAIR SMITH: And I think we want to thank you. We realize you all have
incredibly busy schedules. And I think this conversation is phenomenal.

So thank you all for all you do for us at the Department of Commerce.

(Whereupon, the above-entitled matter went off the record at 11:22 a.m.)
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CERTIFICATE

This is to certify that the foregoing transcript

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was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

[Signature]
Court Reporter