

Announcer:Ladies and gentlemen, please welcome the moderator of our first panel, Obstacles Or Opportunity: Navigating a Slow Growth Global Economy, our moderator David Rubenstein, cofounder and co-CEO, the Carlyle Group. He's joined by speakers David Cote, Chairman of the Board and CEO Honeywell, Lisa Davis, member of the managing board of directors, Siemens AG, Michael Froman, United States trade representative, and Andrew Liveris, Chairman and CEO, the Dow Chemical Company.

D. Rubenstein:We have a very distinguished panel and we're going to talk about the global economy. Before we do, I'm just curious, how many people here think the economy's getting better than it is now? Raise your hands? How many people think it's going south? How many people don't know? How many people think the Export-Import Bank is the most important part of the federal government?

Why don't we start all the way on the far right, Andrew. Andrew of course is the CEO of Dow, and he's negotiated a deal to get himself out of business with DuPont, right? You will do a merger maybe by the end of the year with DuPont. Let me ask you right now, and ask all of you, Andrew you start and we'll go down the line, do you think the global economy is poised for further growth, or do you think we're heading into a recession at some point in the next six months or so?

A. Liveris:I'll start by saying, I think it's in between those two situations. Growth of the type we used to have I don't think we're going to get. Growth of a different nature, where it's very focused, and in the main consumer-led, with the two consumers that I think are really helping the global economy have any growth, the US consumer, which is roughly 17% of the global economy growing at 2% a year, and the Chinese consumer has appeared as 6% of the global economy, growing at 8% a year. If I take those two legs of the global economy, and consumption as a whole is 61% of the global economy, then if you say consumption is going to fuel demand, which is going to fuel selective growth, especially in those two economies, then I can bundle the rest of the world and say it can be neutral to negative, but it isn't, but it's heading that direction, so I think you get slow growth, but I don't believe it's recessionary.

D. Rubenstein:By the way, one more question before we go to Mike. Secretary Lu was talking earlier about inversions, and what he said the other day. Your deal with DuPont is not an inversion, but would you ever have considered doing an inversion? What do you think of the administration's policy?

A. Liveris:Boy, loaded questions. Dow and DuPont, as you may know, are both [NYAC 00:02:45] companies, and both global American icons. The industrial logic of this deal, by putting us together and then allowing us to go apart from three different entities, focused but still growing entities, was unique, and unique to the shareholder base of both companies. Obviously all of us look at being competitive on a global scale. I don't look at the tax inversion, nor does our board, as one thing that drives us. There are many things that drive us, such as the question you just asked me about consumption, so we don't make decisions based on tax code. We make decisions based on global competitiveness, period. Obviously the view to inversion, and how it gets tackled, all of us in the business community, I'd be interested in the other panelists, is, can we just have comprehensive tax reform please, rather than having a slimy approach? Please, and then we can go to places speak to whether inversion makes any sense at all.

D. Rubenstein:When you leave your current position, would you ever consider running for office?

A. Liveris:Only if you do.

Male:Touche.

D. Rubenstein:That's a long wait. Mike, your view on the global economy is, we're heading into a recession, or we're heading into higher growth?

M. Froman:I think the US economy will continue to do fairly well, and you've seen decent growth and job creation now, I think, for 70 months in a row. Last month, over 200,000 new jobs. We are concerned, obviously, about softness abroad, whether it's in Europe, in Japan, or in the emerging economies. I think one worrying sign, but something we can do something about, is the fact that global trade, that this group knows very well, is now growing slower than the economy as a whole around the world. For several decades global trade grew faster, almost twice as fast, as the global economy, and helped drive global economic growth, and right now it's expected to grow at 2.8%, slightly below, or at the level of, global growth. That's worrying, and that just puts a premium on doing everything we can to eliminate barriers, and eliminate frictions, to help expand global trade.

D. Rubenstein:Mike, you've spent many years now negotiating the trade agreement, Asia TPP. When is that going to be approved by Congress?

Male:Yeah, Mike?

D. Rubenstein:Do you think [crosstalk 00:05:10]?

M. Froman:We would to see approved as soon as possible. We're working with the leaders in Congress, the committees, to work through outstanding issues, to prepare the legislation, so that whenever the appropriate window opens up, that we'll be ready to move it forward, but we think it's very important to move it this year, in part because the rest of the world is not standing still. They're moving ahead with their own agreements that will carve up these markets at our expense, and under a set of rules that don't necessarily reflect our interests and our values, so we think it's very important that we get TPP done and we get it done this year.

D. Rubenstein:Mike, you have worked with Hillary Clinton, you've worked for Bill Clinton, you've worked with Bob Ruben, and you've worked with Barack Obama. Who's the smartest of those four people?

M. Froman:Absolutely President Obama. I've been privileged to work with a number of very ...

D. Rubenstein:They're all very smart.

M. Froman:Very strong people, and I've learned a lot from all of them. I think this president has laid out a very powerful vision of how to engage in the global economy, that we can't build walls between ourselves and the global economy. We can't be isolationist and expect to get the kind of growth that we need to get, to produce here and sell all over the world. We have to be engaged, we have to open other markets, we can't just be shaped by globalization, we have to be proactive about shaping it.

D. Rubenstein:Dave, what is your view on the global economy? Are we growing, are we slowing down?

D. Cote:First of all I appreciate the question, because after the one from Mike I was fearful of what you might ask me. That's much better.

D. Rubenstein:Wait a minute. This is only the first question.

D. Cote:My view really hasn't changed though over the last six, nine months. I said it's going to be a slow growth global economy, there'll be

puts and takes, but overall it's slow growth. I was momentarily more bullish back about 12, 15 months ago when oil prices went down as much as they did. Similar to Andrew's point I felt like, this is going to put money in consumers' pockets, historically they spend that money. That really hasn't happened.

If you take a look at governments, India actually did a smart thing, they kept prices where they were, got rid of the subsidies, but the consumers didn't see a benefit. In the US consumers, instead of spending about 80% of it like they used to, only spend about 50% of it. Europe, I would argue, has seen some benefit from it, but they've got a host of other issues. I was momentarily bullish, thinking that the economy would be better, and it never was. It just never turned that way.

I don't see anything that causes me to feel like there's a recession in the offing, and I've felt like this for a while, and I still don't feel that way, but at the same time I don't see anything that says, "Wow, the world's just going to take off." We're going to just keep planning for this kind of slow, steady growth environment.

D. Rubenstein: In the corporate news world you also were in the news for maybe a large deal. That was not an inversion, but is that deal with UTC, is that off the table now?

D. Cote: Oh yeah, that was kind of a unique opportunity at that point in time, and as I like saying, they always felt it was a great idea when they were acquiring us, but when we said, "It is a great idea, we'll acquire you," all of a sudden it became, "This isn't such a good idea any more." It's dead.

Speaker 7: Should do a merger of equals David, that actually works.

D. Cote: That was one of the attempts also.

D. Rubenstein: You were on the famous Simpson-Bowles Commission, which recommended a lot of ways to reduce the deficit and the debt in the United States. Has the government of the United States adopted any of those recommendations of Simpson-Bowles?

D. Cote: They have adopted some. For example, one of the things that we'd talked about was, if you go back to this recessionary time, private sector everybody was taking zero-merit increases, zero bonuses, yet the federal government was going to continue to provide increases. That's when the President picked one of those proposals and went forward with, a zero at the time. Which took some courage. Telling people, "You're not going to get a raise," is not a easy thing to do.

By and large, there's still a lot of stuff left in the \$4 trillion of ideas we've proposed that still have not been implemented. I'd say it was a real learning for me, going from a private sector to being into a public sector type task force, to see the difference. I said one of my learnings was that all discourse in Washington is ruled by the three H's: histrionics, hysteria, and hyperbole. I found it remarkable that one of our recommendations was to increase the social security retirement age by a year, 75 years from now. I found it so ludicrous, I was embarrassed to vote for it in the proposal and said, "This is silly." I couldn't believe the amount of heat that got us. I kept saying, "My grandkids are going to be retired, it's not going to matter." This sort of thing just makes it difficult to get anything done. When you're trying to do trade, like Michael's trying to get done in the business community, you just find there's a lot of spurious arguments used to try to kill something.

D. Rubenstein: Lisa, you're specializing in the energy world. Are oil prices going up or are they going down?

L. Davis:Wow, you waited for me for that question, right?

D. Rubenstein:Tell us which way we can ...

L. Davis:I think if I look at the energy market in general, and maybe also just to comment on the global economy, I'm a bit where my colleagues are here in terms of the economy being fairly slow today, but we do see it a bit more positive going forward. Part of the reason for that is a bit of growth that we see in the energy space. If you look at energy though, there's a bit of two stories here.

One on oil and gas, obviously oil and gas has been a very difficult time the last two years. We do see customers and companies responding to the difficult market that we have today, focused very much on increasing efficiency, increasing productivity, reducing costs, identifying ways to better leverage CapEx, be more efficient in today's market. I do think the right behaviors are happening in that industry, and we will recover. If you look at the rest of the energy market, which goes to our bit more optimism about the global economy in general, the rest of the energy business, if you look at power generation for example, we see 2.5% per annum growth in power generation. This is really driven by, obviously, the growth in global population. Also the fact that we have a billion people today that do not have reliable power supplies, so a very strong need to improve that situation.

Also the fact that many industries today are electrifying, if you look at mobility for example. Even the oil and gas industry is shifting from fossil fuel generated power to electric driven power, just from an emissions perspective. Some very good growth and positive momentum in the overall energy business around, specifically, power generation, which will obviously support the global economy as well.

We see this really driven in three key areas. One is growing efficiency, just how do we leverage technology, how do we leverage the ability to use data more in the operations to grow efficiency in power generation? We also see a strong focus, obviously, on reducing emissions. Reducing emissions is driving the growth of renewables that we see in the global economy. Then also the desire for energy security, and how can countries focus more on supplying themselves if they don't have indigent hydrocarbon supplies? How can they grow in renewables as a result of that?

D. Rubenstein:Let me ask you, do you sell equipment to people that do fracking in the United States?

L. Davis:We sell equipment to the oil and gas industry in general, so to some extent those are operators that do fracking, but largely just the oil and gas industry in general.

D. Rubenstein:Your view on fracking is, it's environmentally safe, or not?

L. Davis:My background before Siemens is obviously all oil and gas, and I think any operation within an industry like oil and gas, an operation like fracking, can be done in a very safe fashion. It requires the proper attention to environmental rules, the proper attention to safety and health, and it's demonstrated in the fracking industry that can be done safely. I think in any industry you can also have operators that don't follow the proper rules, and give operations or processes or industries a bad name as well.

D. Rubenstein:Andrew, let me ask you a question. You are the child of Greek immigrants who grew up in Australia. Did you ever think you would rise up from there to run Dow, one of the largest chemical companies in

the world? How did that journey happen, where you rose up from modest means in Australia all the way to running one of the largest companies in the world?

A. Liveris:I'm going to have to give you a couple of bullet points and let you have the rest of the panel because that could be a long story. Very simply, I just admire America for so many reasons, and the similarity to Australia is the one you just hit on. We're countries of immigrants, and we have no artificial barriers, and when we do we have to remove them fast, like we are doing of late in things like the LGBT communities.

I will tell you that this aspirational model in the American economy drives the world, and I'm a good example of it. From the Outback of Australia, son of immigrants, college-educated, first in my family. The American model is what attracted me, and still attracts kids today around the world. You know that. This whole immigration debate in this country is ludicrous in my view because of, and I'm obviously white, and I'm of Greek descent, so I don't fit the classic minority, but sometimes I think of myself as a minority because of my globality and my views of the world.

I see a lot of Americans, ones on this panel, who understand the world, but you've got to get people who understand the world into America, and then people in America out into the world. This globality we're all living, which has arrived because of the internet, that didn't exist when I was going through the ranks at Dow, but Dow just kept giving me opportunities. Obviously I had something to give, but they kept giving me opportunities. I use that model at Dow today. I've had a 40-year career, but every year's been different. Every year's been a different career, every few months a different career. You've got to be able to give people the view that they can grow within the enterprise you're in. That's the view that I was given by all the people who've nurtured me at Dow, and I never imagined for a second, to answer that question, that I'd be on this stage.

I want to punch through to the major point here. We've got to keep America driving human freedoms, as exemplar. There's no other model like this, and as a non-American I can see it maybe easier than many of the Americans can.

D. Rubenstein:Mike, you went to Harvard Law School, and you were in the Harvard Law Review with someone named Barack Obama. Did you think in those days he would ever be President of the United States?

M. Froman:We all knew, he was very special even in law school. We served on Law Review together, I had certain classes with him, and he was an intellectual leader in our class, and of the Law Review. He managed the Law Review in a way that was bringing together a very politically diverse group of people. He had very conservative and very liberal people on the Law Review, there was a lot of debate on campus, and his goal was to try and manage it as one coherent place. We all thought, "This guy's got a future in politics."

D. Rubenstein:When he first called you and said, "I might run for President of the United States," what did you say?

M. Froman:I said, "I'll do anything I can to help you."

D. Rubenstein:You are committed to getting the TPP through, and so you'll stay until it's past, right?

M. Froman:I serve at the pleasure of the President, and I am looking forward to, ideally, serving out this whole term.

D. Rubenstein: Dave, you grew up in modest circumstances as well, in New Hampshire, and before you went to college you were a cod fisherman. I guess you concluded that wasn't a great way to make a living. What propelled you, how did you rise up from very modest means to run one of the largest companies in the United States?

D. Cote: First, I'm going to probably arrive at the same place that Andrew did, but at a different route. I was the first in my family to graduate from high school. My mom had two days, my dad had six months, so I come at the American dream stories ... It's a different route, but I come to the same conclusion that Andrew did.

I hated school. I think I told you I had a chance to do a summer internship at St. Paul's, who I'd never heard of even though they were five miles from my house, and declined it because I hated school and I preferred to work and earn some money. I felt it was a mistake, others say, "Things worked out okay." I'd say okay, that's probably true, but there's nobody calling on me, for example, to go there. Took me six years to get through school, I got a 1.8 my second semester of my junior year, and after my sophomore year I was no longer allowed to live in campus because I was considered a general troublemaker and they didn't want me to live there. Not the most auspicious start, and kind of reflective of my background I guess.

The thing that changed my life is, I had quit school for a second time, bought a fishing boat with a buddy, and we were fishing for cod off the coast of Maine. I'd say an early indication of my business acumen is feeling like commercial fishing was a route to riches, but I kind of figured that one out. What changed my life was, I got married, and all of a sudden my life was pregnant, and we were living in this 3rd floor unheated apartment in New Hampshire, where it gets a little chilly, and I got really scared. I just got really, really scared, because I thought, "I can't even support myself as an hourly employee, and fishing part time, how am I going to support a wife and family?" That caused me to go back to school, I quit smoking, I started exercising, and I just really started to buckle down. Started at GE, spent 25 years there, went to TRW, and then spent the last ... I'm in my 15th year as the CEO of Honeywell.

D. Rubenstein: You worked for Jack Welsh. What was that like?

D. Cote: Generally painful.

D. Rubenstein: He didn't give out a lot of compliments or things, tell you how great you were?

D. Cote: He'd take that as a compliment.

D. Rubenstein: No compliments, he doesn't hand out compliments?

D. Cote: I say generally he would take that as a compliment.

D. Rubenstein: All right. Lisa, you are in an energy industry. That's not famous for having a lot of women, to be honest.

L. Davis: No, it's not.

D. Rubenstein: What's it like running a 50,000 employee organization in the United States? You have 50,000 employees in Siemens in the United States and you run the energy operation; are you frequently the only woman at the table in the energy discussions?

L. Davis: Yes. Actually the business I run is Global Energy for Siemens, so it's well beyond just the US and beyond the 50,000. I find it a very exciting business. There are fewer women in the business, but I find it a business that really rewards hard work, rewards the ability to balance risk and reward and make decisions, and I find that's very capable, whether you're female or male it doesn't matter. I do find, and we work

hard in Siemens to encourage more women into the energy business. When I was with oil and gas, with Exxon and Shell, we did the same there as well, and you do see more women coming into the energy business now. To me it's more a reflection of creating an environment where people can really bring their best to the business, and we do that today.

D. Rubenstein:Do you have a rags to riches story as well? Did you start from modest circumstances also?

L. Davis:I wouldn't say it's quite as rags to riches as my colleagues here, but yeah, I went to school as a chemical engineer, I've worked hard. The thing I've really enjoyed in my career with the different companies I've worked for was, and it goes to what Andrew was saying a moment ago, it's having a career in every job you do. As I've gone through the oil business I've worked through almost every job you can have across the value chain, from producing the oil, exploration and production, to refining, to sales and marketing, to supply and trading, every aspect of the value chain.

I look at business, whether it's in oil or it's in energy today, as very much a value chain business, and how do you develop your skills, understanding where the business is made, where the margin is, and learn as you go across the value chain to deliver-

D. Rubenstein:You know a lot about energy, so let's suppose I'm going to a gasoline station, I'm going to fill up my tank. Does it make a difference, really, for the car, if I have premium or regular? Does it really make a difference?

L. Davis:Of course it does.

D. Rubenstein:Really? I never noticed the difference, okay.

L. Davis:I was a marketer as well, so obviously it makes a big difference in your car.

D. Rubenstein:You've worked at Texaco, you've worked at Exxon, you've worked at Shell. If I get the regular gasoline from Exxon or Texaco or Shell, is there really any difference, between the regular ...

L. Davis:I think if you get the gas ...

D. Rubenstein:They're all the same.

L. Davis:I obviously worked at Shell most recently, so I'll be loyal to Shell. Shell gasoline is much, much better than anybody else's.

D. Rubenstein:Really? Okay. Andrew, you know a lot about energy as well. In fact you've done a lot of work in Saudi Arabia. You've built a facility there with the help of Export-Import Bank. How much did the Export-Import Bank make it possible for you to build that facility, and how is it going?

A. Liveris:Firstly, because of this conference, and Fred and his leadership, and the EXIM Bank, we work very closely. It was the deal, US EXIM bank deal of the year in 2013, \$4.75 billion. It's turned out phenomenally well. The facilities have allowed 248 SMEs to participate from 33 states, creating 18,000 jobs in the US, so if you think about the value proposition ... Thank you, yeah, it's a wondrous thing.

One of the things that, I resonated with Dave, this commentary about when he served on the committee, and the 75 years from now point he made. I'm, like he, I'm a regular here in this town, and I do my best, as Mike will tell you, to work collaboratively, but some of the insanity that goes on around the US EXIM renewal, for example, this board member point, I just don't understand it. Because when we were dealing with the project Aramco, as you know, the world's largest energy company, they needed this project, they needed it for the technologies Dow would provide. This was

part of the early strategy of their company that we're now seeing in full color, to diversify away from oil and gas, and really solving the issues they have. In fact, if you go to geopolitics, Saudi Arabia and the US have been defined based really on oil, and security, and geopolitics. What the leaders of that company want, and want desperately, is to diversify their economy economically and connect the US and Saudi Arabia economically. They want the dialogue to be economic, and of course the politics will follow. This is an inversion of the Middle East relationship as far as they can see. The fact that we don't understand that very well, our deal was a signature deal that brought that thought together.

Because in Saudi Arabia, these 26 production facilities that US EXIM helped finance, and I'll get to the second part of your question in a minute, what it's done is, it's moved them down the value chain. An ecosystem gets created based on advanced technologies. As of this moment, we have 51 other projects downstream from us that are creating five times the job that our facility will create. We're enabling the diversification.

US EXIM, in that facility, Aramco said, "Why don't we go to US EXIM and get their support? Because we've got all the other EXIMs in the world offering this finance." I was trying to work with Fred to get this done, and the barriers to get it done were enormous, not the least of them no funding being authorized by Congress. We were shooting ourselves in the foot. Here we were with a partner that wanted US EXIM to participate, all the other EXIMs in the world ... Korea EXIM. We went to Korea EXIM, Korean Finance Minister sitting with me and the CEO of Aramco, sat in front of us and said, before we even opened our mouths, "We have \$5 billion for you right away."

We've got to get competitive globally, and US EXIM is a major weapon for US business to create jobs for US manufacturers. That is the part that I think, thank you, gets missed.

D. Rubenstein: You were involved in talking to members of Congress about the reauthorization, but now there aren't enough members to have a quorum.

A. Liveris: I know. I think Jack talked about it, I think we're all frustrated by it, all the business community that matters here. US EXIM is not Bank of Boeing. US EXIM is a bank that's competitive, that makes money, that needs to operate in the commercial environment called global competitiveness, and we've got to start that board as fast as possible, and get that third member appointed as fast as we can.

D. Rubenstein: You know, in October, who will be the longest serving Chairman of the Export-Import Bank in our country's history?

A. Liveris: Is it Fred?

D. Rubenstein: Right one, yes. Where is he? There he is, all right, and you think he's the best Chairman we've ever had?

A. Liveris: By far.

D. Rubenstein: By far, okay.

A. Liveris: I didn't know the other ones, but I think he's the best.

D. Rubenstein: They weren't as good. Mike, you had to negotiate several trade agreements, and to be very serious, when you're negotiating with foreign countries, and obviously they're equivalent of you, and then you're negotiating and talking with members of Congress, who understands the issues better, members of Congress or people you're negotiating with from foreign countries?

M. Froman:There is no way I'm going to answer that question.

D. Rubenstein:Let me ask you another. How long did it take you to actually negotiate the TPP?

M. Froman:We worked on the TPP intensively, really, for about five years, and I was in this job for about three years of that. The idea goes back, actually, to the late 90s, and the idea of ... This really started with four countries, and [inaudible 00:27:41] came to us and said, "Would the US join?" We said, the four countries themselves, that wasn't such an exciting proposition, they were relatively small countries, but if we could use this as a platform for our whole approach to the region, and as a mechanism for spurring on trade levelization and rule-setting more generally, globally, that we would be willing to do that. We had a good dialogue with them, they agreed to do it, we added more countries, we ended up with 12, and there are another 10 or so that have already come to us and say they want to join. We've had countries knocking on our door wanting to raise their standards in order to be part of this club, and of course we're having this debate about whether it makes sense to move forward now.

D. Rubenstein:There are five people still running for president of the United States. All five of them are against this agreement.

M. Froman:I believe one is for it, Mr. Kasich.

D. Rubenstein:I'm sorry, four of the five, 80%. One of the people was in your own administration, and she's against it. Why do you think it can get approved if four of the five people running for president are against it?

M. Froman:We're spending a lot of time up on the Hill talking to members, and we're going through the agreement, explaining what's in it, and now that's done, explaining how their constituents will benefit if it gets passed, and how they'll be hurt if it doesn't get passed, or if it gets delayed, as other countries move forward with their own agreements. We're already seeing it. Our cattlemen are losing out to Australia's cattlemen in Japan, because they already have an agreement in Japan. They have lower tariffs than we do, so we're losing 5% market share just by waiting and getting this done.

The response we're getting from the Hill, when you go through it on a member by member basis, is actually quite positive. They're obviously very concerned about the overall political environment, but on the substance of the agreement they're quite positive. We're hopeful, as we work through this period of time, we lay the foundation for it, that a window will open up, We're working with the leadership and the committees in that regard, that this can get taken up and acted on positively.

D. Rubenstein:The agreement you've negotiated, can it be amended by members of Congress, or there's no amendments?

M. Froman:No, under the Trade Promotion Authority, the reason we were able to conclude the agreement is that our trading partners had the confidence, or the comfort, that whatever they agreed to would be what goes to Congress, not that it would be reopened by individual members of Congress. That's the compact that's always existed, it goes back 40 or 50 years in terms of how trade agreements have been done. We are working with members of Congress on some of their outstanding concerns to see how best we can address those as well.

Again, I think at the end of the day the economics are absolutely compelling. It's going to add \$130 billion a year to our economy, it's going to increase exports by \$350 billion, it's going to raise labor and

environmental and IP and the state-owned enterprise standards. It's going to keep the internet open and free. The alternative is, if cede see that role to China or others, the rules of the road for this region, and for the world more generally, for the global economy more generally, are not going to be ones that benefit our workers and our firms. Our whole focus here is to create the right framework for producing things here in the Untied States, tearing down barriers to other markets, raising standards so we have a level playing field, so that we can make things here and sell them all over the world.

D. Rubenstein:Have any of the people who are against the agreement who are running for president called you for a briefing yet on what's in the agreement?

M. Froman:No. The agreement is on the web, it's open to everybody, you're welcome to read it. We have summaries on the web, we have fact sheets, so there are short forms and long forms you can read, and we do stand ready to answer anybody's question about it.

D. Rubenstein:Dave, when you were dealing with Simpson-Bowles you dealt with a lot of members of Congress and the administration; what is your take on Washington DC? You don't live here, but would you ever consider going into government for appointed position, or running for office yourself?

D. Cote:I like what I'm doing. I like what I'm doing. If I could get back to trade though, we couldn't have a better person negotiating with all these other countries, and negotiating with the Congress to explain all this, than Mike. Because he's done just an amazing job working with all these other countries, and he's actually respected by both sides of the aisle. He's not just viewed as a Democrat from the Obama administration, but well-respected on the Republican side also. If we have any chance of getting this done, I think Mike, you're an instrumental part of it.

D. Rubenstein:Dave, you sell a lot of products to the two major manufacturers of commercial aircraft, Airbus and Boeing. Do you think it's likely that at some point, an emerging market country, China or Brazil, will have a company that can compete with Airbus or Boeing, or really we're going to have these two manufacturers dominating that business for the foreseeable future?

D. Cote:It absolutely will happen. If I could put this into even a broader context, I oftentimes say there's two macro trends that are going to affect us in this century, and it's why we need to do things like get our debts sorted out, do free trade. First one is China likely becoming the number one economy in the world, eclipsing the size of the US, and the second is the IT revolution.

As part of that China growth, they are investing hugely in Comac, and they are extremely serious. I've always said, this is not about the C919, this is about the 929, the 939, the 949. They're just going to keep coming. If you go back 40, 50 years ago when they were first talking about Airbus, there was a feeling at the time that Airbus would never be able to catch up to Boeing either. Embraer is also very serious, and an extremely capable manufacturer, and the aircraft they've been producing are quite good. Yes, I see a future where those two are going to be extremely competitive.

D. Rubenstein:In the 1960s an airplane called the Concorde was developed, a supersonic transport, and now we don't have it any more. There's no supersonic transport. Do you see any aircraft manufacturer producing, in our foreseeable future, an supersonic transport, or is that gone?

D. Cote:I think that's going to be a little tough. I'm not a technologist, but when I talk to my own folks it still looks like ... You can do it, it's not that the technology's not there to do it. It's doing it cost-effectively, is the tough part. If you tell somebody, "We'll be able to get you to London in three hours," which is really nice, but you now have to pay 20 times a normal commercial ticket, there's a market for it but it's not huge, and generally not enough to be able to pay for it. That's the issue that we've had, whether we've looked at it for biz jets or for commercial aircraft. At some point I'm sure technology will get there, but right now it doesn't seem to be.

D. Rubenstein:Let me ask, for all of you, it's often said that US manufacturing has fallen behind and we're not competitive with emerging markets in our ability produce things at low costs. Do you find that you have to ship jobs off shore from your own companies because the manufacturer here in the United states is not high-quality or cost-effective? Lisa?

L. Davis:We're actually seeing, from the Siemens perspective, we have 75 manufacturing locations in the US, and we're actually bringing more jobs into the US now. We actually see it being a good time to be a manufacturer in the US. You have low energy prices, obviously some great educational institutions to provide skilled labor, and it's also a great time because if you look at what's happening in manufacturing, it's really a shift to digitalization. The US is uniquely advantaged in that space with our software capabilities and such. From our view, it's a good time to be a manufacturer here.

D. Rubenstein:Andrew, are you manufacturing a lot here as well?

A. Liveris:You may know, I actually wrote a book called Make It In America. We saw manufacturing decline through the last few decades, and people were labeling it wrong. They were talking about it as labor offshoring. It absolutely, totally wasn't that. It was all about whether we could actually take manufacturing in its new form and get it redefined and recast so we can attract people to it. I don't mean people from college necessarily, maybe not quite commercial fishing David, but certainly really transform the notion of interns and apprenticeships and skilled labor for the modern digital age of manufacturing.

This term, "advanced manufacturing," has come about, and I co-chaired President Obama's task force on this. Really redefining the manufacturing value chain, the SMEs that are part of it, and very critically the education pipeline, especially around apprenticeships, and this whole notion of what we can do toto keep that competitive, really rests on our education system and our entrepreneurial environment. As we add regulations we lose entrepreneurial environments, and that's the thing we've got to be afraid of.

I just did a session with Tsinghua University MBA students in Beijing, 300 or 350 of these MBA students in a room, and I said, "What's your aspiration?" I asked them the question, "Who wants to join an SOE?" Hardly any hand went up. "Who wants to join a corporate like Honeywell or Dow or Siemens?" Lots of hands went up. "Who wants to be entrepreneur?" Hardly any hand went up. In my view they will get there. Their system hasn't quite created the entrepreneurial ecosystem this country has. This country's entrepreneurial ecosystem will keep advanced manufacturing here and growing, because of skills, and because the intensity of what we need to do is innovate, invent and innovate, not low-cost labor. I think that's the wrong conversation.

D. Rubenstein: Did you ask how many wanted to join private equity? You didn't ask that?

A. Liveris: It crossed my mind. It probably should have, sorry.

D. Rubenstein: Highest falling of mankind, you didn't ask them that, okay. Dave, what about manufacturing in the United States for you? Do you do a lot of manufacturing here or are you shipping it off shore?

D. Cote: There's a couple of things to, I guess, talk about there. Over the last 14 years since I've been CEO, we've gone from about 40% of our sales outside the US to about 55% of our sales outside the US. Outside the US has been a huge driver. As part of that we've also always tried to localize as much as we could. Even with all that, last year we exported from the US about \$5 billion of our total sales, so US manufacturing is still really important for us.

At the same time, getting back to this IT revolution that we were talking about, and what is going to be important about advanced manufacturing, if you take a look at all the stuff Honeywell makes, you'd say we make jet engines, small jet engines, make auxiliary power units, entire cockpits, control systems for a building like this, or for an entire petrochemical plant, turbochargers, chemicals ... You'd tend to say, "If I were to look at the composition of their engineering talent, it's probably mechanical, electrical, chemical, that's what they're doing." If you were to take a look at our 23,000 engineers, you would find that about half of them, 11,300 of them, are developing software. It's much more software-driven today than it ever has been. This whole internet of things, we just have to drive the hell out of as a country.

For us, for example, it's at three levels. It's at simulation, product enablement, and then software as a service. That's going to become increasingly important, and it's going to be part of what keeps us competitive. As long as we keep investing in it, this gets back to the competitiveness agenda that I always talk about, we've got to be driving the hell out of math and science education in our middle schools and high schools if we're going to be able to compete in this century with China in that IT revolution.

D. Rubenstein: Mike?

M. Froman: Can I just comment on this? Because I think there's a broad perception somehow that we're not manufacturing any more in this country, and that's just not true. I don't have exact figures with me, but I understand that we're near an all-time high in terms of manufacturing production. We're doing it with fewer workers than we did before, largely because of technology and automation, but we've also added 900,000 manufacturing jobs over the last six years, including about 1/3 of those in the automobile sector. We're a major exporter of automobiles and auto parts from the United States. I think what's really happened here over the last few years is that, between the rule of law, the entrepreneurial culture, the skilled work force, now the abundant sources of affordable energy, it's made the US a much more attractive place for people to bring production to.

A couple years ago there was a story in the New York Times about a European auto company. It was deciding whether to put their next North America factory in the US or Mexico. They ultimately chose Mexico, and they said, "It's not because of the labor costs." Because when you take everything into consideration, they viewed US workers as productive as Mexican workers. It was because Mexico had more free trade agreements with other countries around the world, and they could produce it in

Mexico and ship it to more countries duty-free than they could from the US. That's a competition we shouldn't lose. That's within our control.

D. Rubenstein:Mike, many people who are opposed to TPP, or some people, say, "Look, we had NAFTA and that didn't work out." When you try to defend NAFTA, which I'm sure you could do, what would you say about the benefits to NAFTA for the United States versus Mexico and Canada?

M. Froman:I think the view is, whether you are a fan or a critic of NAFTA, TPP isn't NAFTA, and trade policy and trade agreements have evolved greatly since that time. One of the big issues around NAFTA was, let's look at the labor and environmental protections in other countries. Now, in TPP, we have the strongest enforceable labor and environmental obligations, that are designed both to improve the lives of workers in these other countries, but also to level the playing field for our workers.

Right now, because we're such an open economy, we compete with low wage workers all over the world. The question is, what are we going to do about it? Are we going to engage with other countries and try and raise standards around the world so that we have a more competitive and level playing field, or are we just going to let the status quo exist and not do anything about it? Our view is, we should be proactive and actually do something.

D. Rubenstein:I didn't give you a chance to talk about your rags to riches story, but I would like to ask you one question about your background. You can talk about your background, but you went to Harvard Law School, as I mentioned, with Barack Obama, but you never practiced law. Is that right?

M. Froman:I only summered at law firms.

D. Rubenstein:What did your parents say? They sent you to Harvard Law School and you didn't practice law. Did they say you wasted three years, or what did they say?

M. Froman:They have been very supportive of my career in public service. I will tell you, juts to do the rags to riches story, my father is an immigrant. He was born in Germany, left as a refugee, lived in what was then Palestine, and then came to the United States for college. He came with a cardboard suitcase and almost no money in his pocket, and we have benefited greatly from that American story. He was the first one to go to college in his family, and I was privileged to get a good education with his support, and hit is quite remarkable to be on a stage like this when we think of where our collective beginnings were.

D. Rubenstein:Still, they're not upset you didn't practice law, right?

M. Froman:He was not upset.

D. Rubenstein:Today, would you all collectively say that, if you were going to build a facility in the United States to manufacture something, is there one part of the United States you think is better than the other, or they're all equally good? Is it the south, the west? Is there any part where you get better workers, any part where you have better labor laws? Is there any part, Andrew, that you think is better than any other part to build a manufacturing facility?

A. Liveris:It's a dangerous question but an easy answer for me, because affordable energy, which Mike just spoke about, has dictated where we're investing lately. We have \$6 billion of projects, as we speak, on the US gulf coast between Texas and Louisiana. Those are two very big locations for us because of the wonderful infrastructure down there around pipelines and gas networks. Just as a little side point to Mike's point,

there's actually 260 projects right now, worth \$160 billion, creating 5 million new American jobs in the next five years thanks to affordable energy, and the entrepreneurial action of our oil and gas industry. We've got to keep remembering that all industries get entrepreneurial in this country because of what's happened with responsible fracking. I would tell you that our preferential investment in those states, where we've been citizens of those states for over five or six decades, I call our company, I'm sure David said the same about Honeywell, as a company of communities. Our employees feel at home in those states because they're citizens, and live in the communities. We export that model. We have great success in other states as well, with or without affordable energy.

Lately, with our innovation culture taking deep root, we're in Indiana in a big way, we're starting to take root in Michigan in a big way, in Ohio in a big way. We have 15 strategic universities we're partners with, we draw talent from them and we start to actually create, if you like, that talent pool to be an ecosystem of its own right in those states. Governor Snyder from Michigan, who's had a tough time of late, likes to say his new stat, in his tenure, Michigan's gone from being an exporter of brains to now being an importer. In other words, all the universities in Michigan are now keeping jobs in that state. You need governors, and government, that collaborate with local regulatory environments, and are your partners. Where we have that in this country, we get preferentially drawn to them.

D. Rubenstein:By the way, Andrew, when you travel around the world, and you travel a great deal, you're probably out of the country half the time I guess, do people ever ask you what's going on with our presidential campaign? Do they ever ask you?

A. Liveris:Every single time, every single opportunity, even this Tsinghua University thing I just mentioned, even those students mention it. There isn't a country in the world, and I was just in London this week, and I was asked by a senior government cabinet minister there, secretary, it's just preoccupied all things United States right now.

D. Rubenstein:What do you say?

A. Liveris:Sorry?

D. Rubenstein:What do you say?

A. Liveris:I'm an Australian citizen, I don't vote in the US It's the easiest answer I've got. I've learned pretty much that ... I saw what Jeff did the other day, with what happened with GE. If Dow gets commented on, I will talk. In the meantime, this country's a democracy, and let's see how the system plays out in the next many months.

D. Rubenstein:Dave, when you build facilities, do you have any preference anywhere in the United States where to build them? By the way, what do you say to people when you go outside the United States and they ask about the presidential campaign?

D. Cote:I tell them I'm an Australian citizen ...

A. Liveris:You're welcome. Join me.

D. Cote:When it comes to location, I think the southeast right now, and has been for a while, is generally a better location overall. Just to give you a small example of what I've gone through in New York State, so this is just a chance to complain about my own little farm up there, I had a farm that I bought, had one employee, who was unpaid at the time, so he just ran a kennel and that sort of thing. I thought okay, my job, I've got to make sure I'm careful, I got to do stuff right. I hired a tax

accountant, said, "Look at all this stuff, make sure that I do this right." He said, "Federal law you're fine, state law, you've got to pay minimum wage for whatever the hours are." I asked him, started to do that, hired an external agency to do the payroll so that everything would be done correctly. Remember, this is minimum wage, 20 hours a week. About six months into it, I get this note from the New York State Workers Comp Bureau saying, "You have not paid worker's comp for this three month period. You are being fined \$33,000." I get ahold of the tax accountant, I get ahold of the payroll guy, I said, "What are you guys doing? How can this thing get messed up?" He said, "You don't owe it, they got it wrong." It goes on for months, they come back, said, "It'll be a \$1,000 fine and they'll let it go." I said, "No, I'm not going to pay that, I didn't do anything wrong." Goes on for a couple months, they said, "Really, just pay it." "All right, I'll do it." Four months later I get another bill from them. "You did not pay worker's comp for a second period, your fine is \$34,000." I have to go through the whole thing again. I go another three months, I get a Dunning note from a credit and collection agency for \$74,000 from New York State. Yeah, you can look at it and say, "CEO of Honeywell, he can afford this." What if I'm that poor schlub just trying to make pizzas, and I'm trying to have an employee, and I'm trying to start my pizza place? That is not a place you want to start a small business.

D. Rubenstein: So you're not manufacturing in New York.

D. Cote: I now have two and a half employees and it's killing me, but I make sure that we do everything absolutely right. It's just, states, I don't think, always recognize what they're doing to suppress business creation in their own state. I see less of that kind of, let's say oppression, in the southeast than I do in the northeast.

D. Rubenstein: Lisa, you work for a company that's headquartered in Germany. Do they ask you about what's going on in our presidential campaign ever?

L. Davis: Yes, I get a lot of questions about that.

D. Rubenstein: What do you tell them?

L. Davis: I say I'm from Australia as well. I would say though, to the other question you had about manufacturing, we see from a Siemens perspective, we have activities in healthcare, and energy, and industry, and infrastructure, so we typically see a lot of opportunity to build manufacturing facilities broadly across the US, and we typically look at locations that are closer to the customer. Whether it be, we have a train factory in Sacramento for example, healthcare facilities in Southern California, Chicago area, energy facilities in the gulf coast, to Andrew's point about the strength of energy there. We see quite an attractiveness throughout the US for manufacturing facilities.

D. Rubenstein: Andrew, whoever's the next president of the United States, let's suppose he or she calls you up and says, "Come to see me on January 20th of next year," 2017, and they say, "Give me your advice, one or two things that I should do to make the country a better place, and a better place to make the business community able to do what it does better." What would you recommend to that person?

A. Liveris: I want to pick up on the point made, I think, by at least Mike and Dave about this internet of things, and this very early stage of the information age we're in. I like to use the term, we're traveling at the speed of live. Interconnectivity and globalization have come together

now, and so it's passe to think of national borders, and that's why trade agreements and the like are so important.

I know David's very big on this too, global competitiveness is what live every day. What I live every day changes every day because of this volatility we're all in. A lot of it's caused by geopolitics, but a lot of it's caused because we're getting information flooding at us, and really decision-making's getting harder and harder and harder. Please don't add new volatilities through government policy. Really try to dampen the volatility in your country as much as you can.

Because the nation states that are dealing with holistic competitive policies, and I know some of them are dictatorships that are top down and so they have other issues, but certainly a global competitiveness agenda for our country is very needed. It covers all the pillars of policy. Instead of salami-ing it, instead of conveyor belt policy development where, "This comes along, I deal with this," US EXIM reauthorization, or trade bill this, trade bill that, we need to get a holistic view on competitiveness which is all the things that I think Dave mentioned earlier. Tax and trade and education, et cetera.

That shouldn't be too hard. We have the brains. A collaborative environment between administration and Congress for the national agenda, independent of which party you're in, means that we get these brains in a room for 90 days, invite business in there, because business really works hard to put in place the right policy frameworks, and then get that going in your first semester or trimester of your administration. I think we've had attempts at that, but unfortunately they get salami'd and siloed for all the reasons they do.

D. Rubenstein:I'm curious, you grew up in Australia as we mentioned. How can you manage not to lose that Australian accent if you're living here all these years?

A. Liveris:I'm an Australian citizen and I ... I don't know, I think it's trans-Pacific. When I go back home, Australia, I get ridiculed quite often, that I sound like you.

D. Rubenstein:That's not good. Dave, you're from New Hampshire, you seem to have a New Hampshire accent. Have you ever tried to lose that, or you like that New Hampshire accent?

D. Cote:Actually I did try to lose it when I was younger, because I'd get to more places for the first time, and they'd say, "Are you from Boston?" I'd say, "No, I'm from New Hampshire, but how the heck did you know?" I kind of joke about, I can remember being in the 6th grade, and the teacher saying, "People from around the country like to hear us say, 'Park the car,' and 'Harvard Yard.'" I can remember sitting there going, "Park the car and Harvard Yard. Park the car and Harvard Yard. What's so funny about that?"

D. Rubenstein:If the next president of the United States, he or she, called yo up and said, "Come to the Oval Office on January 21," what would you say to him or her about what he or she should do to get the country right?

D. Cote:I agree with Andrew on the overall global competitiveness agenda. That's going to be number one. If I had to pick one item with in that, that has to get addressed, beyond trade, which we need to do because it's imminent, debt. The Simpson-Bowles Commission did a great job of finally awakening everybody to the significance of the problem, but the problem's not going away.

As much as people are kind of getting enthused about lower deficits right now, those deficits are going to start to grow as my generation, the baby boomer generation, starts to retire, and we start hitting the Medicare rolls. It's going to swamp us. To the extent that we make changes today, it'll be a lot more effective and a lot less painful, on the system and for the recipients. To the extent we wait for the crisis, which is our strategy currently, may not be the stated strategy but that's what's happening, it's going to be a debacle at some point, and that's not a place that we want to get to.

D. Rubenstein:Mike, you've sat in the Oval Office many times in the cabinet room. Tell us, for those of us who haven't been in there, what is it like to sit in the Oval Office and advise the President? Does he say, "That's a crummy idea, that's a good idea"? How do you persuade a President of the United States to do what you want?

M. Froman:I'll talk about this President, he welcomes the debate over the substance. He is very good at digging into the details, and looking at the trends, and figuring out how to weight the costs and benefits, and then giving good direction to his cabinet and his other senior officials on how to execute it.

D. Rubenstein:If you've think he's made a mistake do you say, "Mr. President that's a dumb idea, that's not a good thing to do"? How do you tell him that?

M. Froman:I say, "There may be another way of looking at this ..." He welcomes that, and I think he actually thrives on seeing the debate among his advisors, and with him. He's a extraordinary reader, in that every night the gets sent a briefing book up to the residence, and the next morning he comes down, he has read, not only read, he's basically memorized it. When you sit and do a briefing with him he says, "Don't tell me anything that's in the briefing book, I've got that. What isn't in the briefing book that I should know?" When a foreign leader comes in and he meets with him, he has really digested the points that he needs to make, and often times makes them much better than the talking points themselves, and he makes them his own.

D. Rubenstein:You've been in the private sector, you were at Citi in between your terms at the Clinton and Obama administration, and you've obviously been in government. Where is the decision-making process better, in the private sector or in the government?

M. Froman:I think there is ... It's another no-win, no way in ...

D. Rubenstein:You know the answer!

M. Froman:There are benefits to both in terms of decision-making and incentivizing. I have to say, and all three of these people represent very large organizations, I think the challenge in large organizations, whether they're private or in the government, is that you need to digest enormous amounts of information and data, you need to be able to tee up decisions, and you need to build consensus among teams. Often teams with very diverse perspectives, they're representing different parts of the business, or different parts of the government, in order to execute effectively. In that way there are similarities between the two.

D. Rubenstein:Lisa, you know the energy business very well. Suppose I said I'd give you \$1 billion, leave your company and just invest \$1 billion in energy. Where would you put it?

L. Davis:I see today that, if you look at the energy of the future, we're really looking at a combination of gas and renewables. I see a lot of growth in the renewables business, obviously supported by COP21 and G7

last year and such, and a lot of opportunities. The technologies in the renewable space are getting much more competitive, to where they're on parity with fossil fuels now. I see that being a significant growth area.

D. Rubenstein: We have two minutes left, so very quickly, Andrew, what message would you like to give to everybody here? When they go home to wherever they're from, what message would you think they should take away from this conference and from being in Washington DC about the economy and our government?

A. Liveris: I think the new world order of business is collaborative within the intersections of business, government, and civil society, and the way forward is, the long term gets set by our ability to operate on a planet that has got boundaries, obviously. You've got to bring the long cycle and the short cycle together in what I would call dual horizons. Like flying a plane, you look out to the horizon because you've got to know where you're going, but the controls in front of you deal with the turbulence of the moment. That balancing act is, no matter if you're small, medium, or large, and whatever institution, is today's balancing act.

D. Rubenstein: Mike, the most important message is, other than TPP?

M. Froman: I think we're having a real debate in this country about the role of the US in the world, and how best to shape that world. We are, in my view, one vote away from either cementing our leadership in the global economy, including the Asia Pacific region, or ceding that to others. That has broad economic and political and strategic ramifications. I would just say to this audience, you're all involved in the world, and you understand this better than most. It's important that your voices be heard about how engaging in the world, and having access to the se markets, and how that allows you to help create jobs and build production here in the United States, is absolutely critical to this debate. I hope that you'll all be active in expressing your views as part of this overall debate.

D. Rubenstein: Dave, what message would you like everybody to take away from this conference?

D. Cote: Going back to something I said earlier, I would think about everything you advocate for and think about in the context of those two macro trends that I think are going to define the century. One is China likely becoming the number one economy in the world, and the second is, how do we participate in what's likely an IT revolution that'll go on for at least another 100 years? If we start to think about it that way, and you think about trade, you think about debt, patent law, math and science education, it seems to me that it causes you to act a little differently than maybe you would otherwise.

D. Rubenstein: Lisa, final word?

L. Davis: Yeah, I would just emphasize what was mentioned earlier about the importance of being competitive, whether it be from a country perspective, a government perspective, leveraging EXIM Bank, whether from a company perspective, how do we leverage talent, trade, et cetera. To me the answer to the future is all about, how do we make sure that we're competitive in everything we do?

D. Rubenstein: Thank you all, and Fred thank you for inviting us, and thank you all very much.