

Announcer:Ladies and gentlemen, please welcome to the stage Secretary of the US Department of Commerce, Penny Pritzker and Doug Palmer, Senior Trade Reporter of Politico.

Doug Palmer:Hello, how are you?

Penny Pritzker:Good. How are you?

Doug Palmer:I'm fine. I'm fine. I'm used to interviewing people, not often in front of like 4,000 people or how many we have here but I'm game if you are.

Penny Pritzker:It's EXIM, there is lots going on in the world.

Doug Palmer:That's true. I always actually like coming to this event and because it's held in spring time every year and I always like walking up to the front of the hotel and seeing all the tulips and everything, it's sort of a nice spring ritual here in Washington. I know that you're very busy, you've been out and about doing a lot of things. I thought, first, that maybe we could talk a little bit about the economic outlook for US exporters. As I'm sure you're aware, there's actually a slight dip in exports last year of both goods and services and it looks like it might be another slow year in 2016. I just wondered what do you see as some of the biggest challenges facing exporters currently?

Penny Pritzker:Well, I mean exports are going to go up and down overtime depending upon the global economy and obviously, first of all, if your customer's economies are slowing down, that'll will affect you. The world economy has been slower as you're well aware of, China's slowing, Brazil being really slow, Russia relations are challenged right now. Some of the biggest markets that we do business with, there's challenges but on the other hand, incredibly strong relationship with Mexico, with Canada, with some of our largest trading partners. We've grown our trade relationship with Germany that now we're the number one trade partner with Germany which is a huge opportunity.

I think the strong dollars had an effect also but that seems to be ...

There's some air being let out of the tires right now. I think that ...

We have ... You have to think about exports as a long-term trajectory.

Having said that, what's not a long-term trajectory and something that we can focus on right now is market access and that's why trade agreements are so important. It's really critical that we ensure that our companies can have access when the conditions are right and particularly to the fastest growing markets in the world like the Asia Pacific region.

Doug Palmer:Sure. That sounds like a plug for the transpacific partnership. I was going to ask you about it in a few minutes.

Penny Pritzker:Sure.

Doug Palmer:I mean, you talked about that growth is slowing in a lot of key markets around the world. I mean, China in particular, there's been a slowdown and actually for the first time, I think, in ... At least, five or six years, US exports to China were down in 2015. Do you think that that's going to be a challenging market again this year?

Penny Pritzker:I think that ... I haven't looked at the numbers for the first quarter so I'm not particularly familiar with that per se. I think that China's economy is slower and so that will be ... Create some headwinds for some of our companies. On the other hand, growth for example. You can't say writ large what the relationship is like. For example, clean energy. Clean energy markets in China are growing very fast. It's the largest clean energy market in the world. We took a trade mission last year of clean energy companies to China and there's a ton of business to be done there. It's not that China doesn't have its own

technology, it doesn't have a comprehensive suite of technology so there's a lot of opportunity for American companies. If you think about EX-IM and the role that EX-IM plays, it's helping ... It helps our large companies but where it really makes a huge difference is for our small and medium-size businesses. It's really critical that we get EX-IM back on the playing field. 80 other countries have equivalent of export/import banks and we can't afford not to have all the tools in our tool chest for us to be competitive. We have great companies here that want to sell their goods around the world. We, at the Department of Commerce, we had the US Export Assistance Center in the foreign commercial service that are there to help companies but we need tools. We need to be able to show up and say, "Okay, if this is something that the country can't acquire without financing and if it fits into the export/import criteria, why aren't we helping to have that sale go through?" It supports jobs here. We know 11.5 million jobs in this country are supported by exports.

Doug Palmer:Right, right. Actually ... You sort of anticipated my question a little bit because I did sort of want to ask you about the interaction between the Commerce Department and the EX-IM Bank in terms of finding opportunities for US businesses around the world. Is there a lot of interaction there?

Penny Pritzker:We're partners.

Doug Palmer:Yeah.

Penny Pritzker:We're partners. We go to market together. This is not a competition. We have a great relations with the EX-IM Bank and we try to ... Our attitude is at the Department of Commerce, our job is to represent and be the chief commercial advocate for American business inside the government and externally and around the world. We work well with EX-IM, with OPIC, with US TDA and those are great relations.

Doug Palmer:Right. You sort of alluded to this earlier but I mean, we all know that EX-IM went through this near death experience last year, almost didn't get re-authorized. There's still a problem right now because it doesn't have a full board of directors and Senator Shelby, in particular, doesn't seemed to be interested in moving any nominations. Do you have any thoughts on that?

Penny Pritzker:I don't get it. I really don't get it because frankly, as I said, we need all the tools in our tool chest. The EX-IM Bank, I think in 2015, fiscal year 2015, supported 2,300 small and medium-sized corporations being able to do business. That EX-IM Bank is a net ... Is profitable or let's put it another way, doesn't cost the taxpayers any money and it helps American competitiveness and it gets us at the table. Even if EX-IM ... For example, we were down in Argentina with the president last ... Not last week, the week before and the number one issue on President Macri's topic of discussion with the President of the United States was please to ask the EX-IM Bank to come back and do business with Argentina.

For them, it was a vote of confidence in their economy. Obviously, there's a process for that to occur which we explained to President Macri. The point is, the presence and the activity of EX-IM Bank serves many, many functions. Not only helping our own economy and helping our own businesses but it also can serve a stamp of approval to an economy if EX-IM is able to do business with that economy. That means that that economy has met a certain standard of credit standard and capability of

paying their bills. It's a very, very important tool in many aspects of, not just the American economy, but around the world.

Doug Palmer: Okay. I noticed that one of the, sort of, themes of your tenure at the Commerce Department has been this idea of commercial diplomacy. I think that that's been around for awhile but I understand like last year for example, Foreign Policy Magazine named you Commercial Diplomat of the Year. What are your ideas on this ... On commercial diplomacy? Is it mainly government officials like yourself advocating on the part of business or is there something more to it than that?

Penny Pritzker: Yeah, let me try and explain what commercial diplomacy is. The idea is a pretty simple one but where did it come from? I've been to probably close to 40 countries around the world since I've been in this position, a little less than three years and I haven't been to a country yet that doesn't want more American businesses and doesn't want more American products. It's why we need the EX-IM Bank. Commercial diplomacy is the opportunity for the US government to work hand-in-hand alongside our private sector with foreign governments to talk about policies those governments have that are impeding either greater engagement by American business, greater ability for American products to enter their markets. We address policies like everything from intellectual property protection or trade secrets protection to rule of law to access to the markets or customs arbitrary processes or arbitrary use of the tax, their tax code to prevent the market access for American businesses. It's a partnership between the federal government and our private sector to work together. I'll give you an example. The president had the ASEAN Leaders Summit, I don't know, about six weeks ago in Sunnylands and we were out there and we organized for Satya Nadella of Microsoft and the CEO of Intel and ... Or of Cisco and Ginni Rometty of IBM to meet with the leaders from the ASEAN countries together with our federal government.

These leaders of the ASEAN countries want more growth in their digital economy. They want to see more activity, more innovation, more entrepreneurship, greater digital products in their economies. These leaders, we're able to explain to them, "Look but you also have policies that are preventing us from coming in to your countries such as data localization or limits on the ability to engage with their digital economy or censorship for different things like that." It was able to connect the dots for these leaders as to you say you want one thing but your policies are in a very different place. It's not just our federal government explaining this which we do but when they hear from a business leader who says, "If you were to change your policy, we would be more likely to do more in your country or enter your country, etc."

That is far more effective. What we found is having US companies, large and small, at the table with us, traveling with us around the world, working not on their book of business, not on the issues necessarily. They're solely important for their company but on behalf of American business writ large we found that we're having greater success. I think commercial diplomacy is an important tool in our foreign policy tool chest and one that our administration has embraced and it's something that benefits the United States. It helps to create American jobs and greater opportunity for our companies.

Doug Palmer: Right. It sounds like it's less about making sales in the short-term although I assume people would be happy if that happened but creating a long-term environment for business?

Penny Pritzker:It's really ... Exactly. It's really about addressing the business environment in different countries and we've done it in Indian for example. We created ... We elevated the commercial relationship between the United States and India equivalent to our strategic relationship. Now, Secretary Kerry and I do a joint meeting with the Indian government, the commercial group meets and the economic side meets on one side and the strategic meets. Together we meet all the same time. That's a kind of ... That's allowing us to make progress. One of the things that we've done is we've married that meeting with the US India CEO form. The agenda on the commercial side is influenced by what the CEOs in both countries think would be most effective so that we can increase the amount of trade that we're doing. That's good for India, that's good for the United States and by elevating the commercial dialog to be equivalent to the strategic dialog, it gets more attention in both our governments.

Doug Palmer:I remember back during the hay day of the National Expert Initiative that cabinet officers, when they did overseas trips, they would suppose to advocate on behalf of American businesses or a particular business deal. Does that sort of stuff still go on?

Penny Pritzker:Well Doug, we were on the Advocacy Center at the Department of Commerce and we have not stopped. That is something that, frankly, Ron Brown created when he was Commerce Secretary and we do greater and greater volume year after year, not only in dollars but also in the number of companies that we advocate for. What we do is it's a whole of government approach. We act as the coordinator with the company who buys our service to have, whether it's the Secretary of Commerce or the Secretary of State or the Secretary of Defense or the President or whomever in our federal government, as they're traveling around the world. If a US company is competing for a procurement in another country, we will advocate on their behalf and it's been a very effective program. Thank you.

Doug Palmer:You mentioned some of the digital trade barriers like data localization and stuff like that. I know that recently, you all had announced a new set of digital attaches, I guess, to be located in six or eight key markets: Brazil, China, Japan, India. Could you talk a little bit about ... Behind that and what those [crosstalk 00:15:30]?

Penny Pritzker:Sure. Our digital trade officers is their formal name. Their job and they are in places like ... Also, ASEANA including the markets that you mentioned. Their job is to work with both digital companies and non-digital companies to help them navigate in country the barriers or challenges or regulations that affect doing business. It could be doing businesses for a digital company or could be doing business for a non-digital company that's having issues around local digital regulations. It's been a ... There's been a lot of demand for this kind of expertise to be in those foreign markets to help our American companies navigate more easily. It has been very well-received. I'm quite excited about it. This is what we do, we try to respond to what the market needs.

Doug Palmer:Right because I think a lot of people see digital trade as a real growth area for the United States.

Penny Pritzker:Our digital services, I think, we do about \$400 billion a year of digital trade right now, digital exports and it's the fastest growing aspect of United States services exports and so, why wouldn't you be helping that effort grow?

Doug Palmer: Yeah. I don't know if you've noticed but trade agreements have gotten some negative attention in the presidential campaign. How ...

Penny Pritzker: I missed that.

Doug Palmer: You did?

Penny Pritzker: I've been under a rock somewhere. No.

Doug Palmer: With all that negative rhetoric, are you guys still optimistic that you can get transpacific partnership done this year?

Penny Pritzker: I am optimistic that we can get it done and the reason is let's step back and talk about why is this important and I think that we could leave political rhetoric aside for a minute and let's talk about the fact that the strength of our country or the strength of any country is very much depended on the strength of our economy and being able to sell our goods and our services into the fastest growing marketplace in the world is critical to the strength of American business. We cannot ignore 95% of our customers are outside the United States, we cannot ignore the fact that there had been over a hundred free trade agreements that had been executed in the Asia Pacific region alone since the year 2000. That means other countries' companies have easier access into those markets than our companies do. We can't forget that 11.5 million people's jobs depend upon our ability to export.

Now, I'm not ignoring that trade agreements can have an impact on some workers and that globalization can have such an effect or that technology can have an effect. That's why simultaneously our administration has been so focused on skilled workforce training, apprenticeships, internships. I was just in Dallas yesterday meeting with the entire ecosystem within Dallas that's working on workforce training. This is something we take very seriously to make sure that our workforce is globally competitive. We have to do that at the same time. We also we have to do ... Make sure that our trade agreements insist that other countries' labor standards and environmental standards are raised. That helps make American workers more competitive and we know that but let's not forget that the Asia Pacific region, the middle class there is going from 500 million to 3.2 billion in the next 15 years.

If our companies are not present in that growth market, we're going to fall behind and the companies that are present are going to become bigger and bigger competitors of our American leading companies. Those companies need EX-IM. They need support, they need help with the financing but we also need these trade agreements to give us better access. Bring down tariffs, 18,000 tariffs will be eliminated and so, this is a real opportunity for America to lead, to set the standards for global trade in the 21st Century.

Doug Palmer: Right. Well, my understanding is that the administration is trying to resolve some outstanding concerns that various industries have raised and they're also waiting for the International Trade Commission to release its study on the economic impact of the agreement which is expected, I think, currently in mid-May. I guess my question is though since the administration, obviously, feels strongly about this, I mean do you think that President Obama will submit this back to ... Will definitely submit this back to Congress for a vote?

Penny Pritzker: I do. The president is all in for TPP. He's completely committed to it. We had a meeting this week, we're very, very focused on getting this done and trying to get it done as soon as possible. He recognizes what's at stake, he recognizes how important this is to American industry and the growth and stability of our economy, as well as

our national security, how important it is that we play a leadership role in the Asia Pacific region. This ties back to the conversation we were having earlier about commercial diplomacy. The greater presence the United States has around the world, not just military presence, not just diplomatic presence but our commercial presence, is an extension of America's power. It's an extension of our values. It's really important that we get this agreement done now.

Doug Palmer: Well, we're getting close to the end but we still have a little bit of time and there was a couple of general issues I wanted to ask you about. One was Cuba. I know that you've been very involved in the opening there and then, just so we don't forget about it, I want to talk about the Hannover Trade Fair before we wrap up. What's next on Cuba, do you think? Is there anything more the administration can do or is it really sort of up to Cuba at this point to ... ?

Penny Pritzker: Well, first let's step back and talk about what we've done. It was a real pleasure for me to be able to go on the president's historic trip to Cuba and in some respects, it was an ability to recognize all the work that has been done which is ... We played, and the Treasury Department had played, a very significant role in changing the regulations as it relates to Cuba. We are still subject to an embargo and the regulations are compliant with the embargo and the laws. Treasury has created licenses that now make the ability to pay for things by the Cubans and by Americans of Cuban goods more easy. We've created commercial licenses that affect the ability of American companies to sell goods in certain categories that are allowed under the embargo. As a result of these new policies, now you have direct mail, you have direct telephone, you have direct flights, you have the ability for ... It's easier for American companies to do business in Cuba and it's also easier for Americans to visit.

Now, we cannot do business writ large. There are still restrictions under the embargo but what was really exciting is we were welcomed. The streets were lined when the president ... During the president's visit. People were clapping, they were excited that he was there and I think that this openness, this engagement is really important and that's what the president was trying to accomplish by normalizing relationships.

Isolation hasn't work, let's engage, let's embrace, let's see what we can get done together. Nothing signified that more than the president ...

Both presidents did a press conference, which I don't know how many of you in this room saw, but that was the very first time the Cuban people had seen their president do a press conference. It was a pretty extraordinary moment in time. This is the kind of things that can happen that can affect change.

Doug Palmer: Right. Well, just on ... Just a technical question, I know that you had been involved in a couple of like Cuba regulatory dialogs. Would you expect there'd be another round of those before the end of the administration or ... ?

Penny Pritzker: We're continuing it. It's almost a continuous effort in terms of regulations. One of the things that's really hard to imagine is if you think about it, we didn't really know how the Cuban economy worked. We didn't know how to engage with them and so, the more that we've engaged with them, the more we understand how their economy works, the more it's clear. It becomes clearer how to evolve our regulations to legally allow for certain engagements. Given that we have an embargo and we have statutory restrictions as to what we can do and so, the dialog,

the regulatory dialogs have helped us to achieve what we've achieved today and will continue along that effort.

Doug Palmer:Okay. Lastly, I wanted to talk about the Hannover Messe?

Penny Pritzker:Mm-hmm (affirmative).

Doug Palmer:Is that how you say it? Hannover Messe Trade Fair which I understand the president is going to. Why is the president going to a German manufacturing?

Penny Pritzker:Well, first of all, Hannover Messe is the largest trade fair in the world and the president is going for a number of reasons. First of all, to send a message of how important the relationship is between the United States and Germany and that we're partners in every way. Not just in national security, not just in addressing some of the world's most challenging problems whether it's [inaudible 00:26:14] or Ebola but also, as it relates to commerce. The US, as I said, is now Germany's top export market and we do about \$234 billion of goods and services trade so a very important commercial country for us. The president is also going ... It's an opportunity for him to talk to the German people. I think the opening ceremony gets about 10 or 12 million Germans that watch and participate. My guess is that it may even be larger with the president as the featured speaker.

The reason we're the featured speaker, the president, is we're what's called the partner country. It's the first time in history that the United States has been the partner country at the ... At the Hannover Messe. What it allows us to do is to showcase US technology, innovation, entrepreneurship at the fair, to promote and build business relationships so that we can do more trade as well as promote foreign direct investment here back in the United States and to promote our select USA efforts. We're taking the largest delegation of US companies ever to the fair, over 400 companies and it's an exciting moment. We've never ... The United States has never engaged commercially at the fair in such a robust way and we're really looking forward to it and having the president there is a real bonus.

Doug Palmer:Do you think TTIP will be part of the agenda or at least, lurking in the background a little bit?

Penny Pritzker:TTIP will absolutely be part of the agenda. In fact, it will not be in the background. It will be something that we'll talk about and we have a number of events coordinated around that. It's very important. There's a lot of momentum behind the negotiation of TTIP and we need to keep that up.

Doug Palmer:Right. I mean, one reason I ask is because it seems like there's a fair amount of suspicion about TTIP in Europe and even in Germany and I just wondered if the president would be trying to reassure the Europeans on that front.

Penny Pritzker:I think that we have to remember that whenever you're in a negotiation, there's suspicion until it's made transparent and open. I mean, think about TPA and TPP, everybody had all kinds of concerns but once it's made available, then it's easier for people to understand. TTIP has got a great pace. I think our US trade rep, Mike Froman, is doing a hell of a job. He's working very closely with his counterpart. I think they're having weekly meetings and so there's a lot of momentum there and the president's presence will certainly help with that momentum.

Doug Palmer:Okay. Well, I think we're about out of time.

Penny Pritzker:Terrific. Thank you.

Doug Palmer:Thank you very much.

Penny Pritzker: Thank you for having us.