

>> Announcer: Ladies and gentlemen, please welcome Executive Vice President and Chief Operating Officer of the Export-Import Bank of the United States, Jeffrey Goettman.

>> Thanks. Good morning. Hey! Wow. Thanks, Ambassador Gerrish, and thanks for your leadership at EXIM. Your incredible work at USTR and in China is changing the world. So just to get set, everybody's schedules have moved around a little bit and we're going to go right to our first guest. He's got a train to catch this morning and we agreed to get him out of here on time. So, we really appreciate having Larry Kudlow with us today. He's the Director of the National Economic Council and the right-hand man to President Trump for the President's domestic and global economic policy agendas. Let's give a warm welcome to Larry Kudlow.

>> Thanks very much, pleasure to be here. I have few things to say. For many years, I've written... Among my many sins, I used to write a column for many, many years. And so I'm going to do what you're probably not supposed to do but, I'm going to begin with my lead and just say, right up front, that the administration fully supports a fully functioning EXIM Bank. We stand behind you. I will also say, this is very funny, I will also say that the President's assistance for economic policy and the head of the NEC fully supports the EXIM Bank. So now, having said that, I'll get back to that in a little while. Going to give you your mission statement. I do want to say some other things, though, about what's going on in the world, on the economy and on trade. I'm here in some sense to sub for my very dear friend and colleague, Bob Lighthizer, who is in China. I think one of his deputies has told me that they just finished dinner in Beijing. God bless him, he and Steven Mnuchin are working on a trade deal. I just want to begin by, again, mentioning our economic policy and some of our economic successes. We're very proud of it. We've been here two years. I, myself, have now been here for slightly more than a full year. My view, my message has always been that President Trump is in effect rebuilding the U.S. economy. It's a very important theme that we'll continue. He's restructured and we've gone from pessimism to optimism. His views on lower tax rates, business tax rates in particular but also the individual tax rates across the board, have really helped to move the economy's trajectory higher. We're in the 3% growth camp, as far as the eye can see. I understand that others don't agree with us, that's fine, I've done these jobs before and once every 35 years I come down here and work in the White House, try to rescue it. The new GDP number is out today. I don't know what time it is, we're past 8:30 so I can just tell you that on a year-end basis, year end to year end 2018, we did stay at 3%, even while the winter numbers are marking down a little bit. Lower tax rates, massive deregulation across the board, reduction of paperwork and any number of regulations that we felt went way too far, in places like environment and gasoline emissions and oil. We opened up the energy sector. Unlike some of our friends in the opposition party, we believe that natural gas and oil

and clean coal have to be part of the mix. We've had an energy boom. We are now the dominant energy power in the world. He's been a massive job creator and more is coming as we begin to rebuild our pipeline structure, ports and terminals, LNG. All our friends in Europe are dying to, they want to import U.S. nat gas and LNG and I'm more than happy to do it. We've also had a different trade policy, as you know. The President is moving towards trade reform and having some success. In terms of the economy, Kevin Hassett and I, our CEA chair, your friend and colleague, long argued that if you lowered business tax rates, the biggest beneficiaries would be not the richest but actually the blue-collars. You know, average Americans. Hard hats. Manufacturing, autos. Coal, steel, energy, et cetera, et cetera. And that's precisely what's happened. We've picked up the productivity numbers, and again, I understand I can't talk about long-run here but the last couple years is what I'm basing this on and we're very happy with that progress. If you build a better capital stock and incentivize more business investment, you will pick up productivity and output per hour that does lead, not only to more jobs, but better paying jobs. So the average wages have moved up. I believe the last reading was 3.4%. The biggest gainer in wages is the blue-collar grouping, not the level, but their increase in wages is faster than white-collar. And in term of overall employment, the best performing sectors have been, again, I'll call them blue-collars, manufacturing, construction, and so forth and so on. It really reminds me of what we had when I last served here in the Reagan 1980s. We saw the same thing after his across-the-board tax cuts. In terms of the job figures, the unemployment rate is low, 3.8%. It stayed down for a good period of time. There is no inflation to speak of. Take those Phillips curves out and bury 'em. Shoot 'em, bury 'em, and all the models based on the fact that the argument is too many people working and succeeding and getting paid more is inflationary. I've never believed that, I'm actually the reverse. I think more people working, more people working successfully with better efficiency and productivity is actually counter-inflationary, it's a supply-side view. If you boost business investment, you boost the capital stock, you boost the productivity rate, you bring more people into the workforce, and yes, you pay them more, God forbid, somebody should get a wage increase in this country, God forbid, that lowers the inflation rate. Right? You create more goods and services, you produce more, and that can't be inflation. It cannot be inflation. And so, what we're seeing now whether you look at the official statistics or whether you look at the market price indicators, and bonds, and commodities, and so forth, the exchange rate, there's no inflation. And so, I think this is an ideal situation and I think it has a lot to do with lifting the burdens on taxes and regulations, and I expect it to change. Another thing we're very proud of, the best gainers for employment last year, 2018, were women. I think something around 65% of the new jobs came from women. Their participation rate has gone up. And the other thing I want to mention is, in terms of participation rates and concerns that we may not have enough folks to power the economy, people coming out of the woodwork.

People who had left the labor force, not even counted as unemployed, are now coming back in. And I've seen some very good newspaper reporting on this, very fair reporting, glad to see it. Probably some of that is wage increases, which lure them in. I think some of that is the whole issue with job training and retraining, as my colleague, Ivanka Trump, would talk about re-skilling. A lot of these companies who need folks, you may not have the requisite skills, you might not even have the normal requisite education, but the companies are willing to take them in and train them and literally, teach them the skills. I think that's a very important part of the story. I expect much more of this as participation rates rise. There's 7.3 million job openings, according to the latest labor department JOLTS number, there's 6.5 million unemployed. But there's this reservoir of people that were discouraged, at the margins, I suppose, but now they're coming back and this is terrific stuff. And the job training and re-skilling is a very important part of our program, so I'm very proud of that. There's always glitches in the overall numbers. The fourth quarter, I mean, we had the government shutdown, that had an impact. In the first quarter, the seasonal adjustments are always terrible. Kevin Hassett, my pal, 2010 to 2018, every single first quarter is a low number, and the Commerce Department just doesn't seem to want to fix the seasonals. I don't know why, I've long argued that the Department would make a lovely condominium complex with it. That was a joke, just kidding. It's early in the morning. But they could do their job and help us on the seasonals. But we'll stick with our 3% forecast as far as the eye can see and I respectfully acknowledge our critics on that, but let's just wait. Let's just wait, you know? We had a long patch, we had a long patch under Republican and Democratic administrations and Congress. Really, from 2000 to 2016, less than 2% growth, or just about 2% growth. Way, way below trend, capital stock and business investment and productivity and real wages. It's just interesting. But from the end of World War II to 2000, 1947 to 2000, the United States grew a 3.5% after inflation, annually. So I've never bought the secular stagnation. I think what we have is policy stagnation, and President Trump and his growth and prosperity messages has turned that around. It's a great honor for me to be a part of that. So I'm going to stay optimistic. Let me say a few words on the trade story and then we'll come back to the EXIM. I know the eyes of the world are on China trade talks and I want to get to that in a second. I just want to remind everybody, we have a very good deal with our neighbors in Mexico and Canada on what we now call USMCA. NAFTA 2.0, USMCA. And we need to get that passed and I want to ask you, this morning, to help us get USMCA passed. And I want to note, this is a bipartisan trade deal. The best trade lawyer in America is my colleague, Ambassador Robert Lighthizer, runs USTR. He and I are very close, we talk every day, and as I said, I was more than honored to sub for him while he's doing the Lord's work in China. There are two parts to USMCA, one of them is what I call the old economy. More domestic content, higher wage laws. By the way, Mexico, because of this deal, their unions are going to get more authority and power than

ever before. We raised the domestic content, or the so-called North American content, 75%. There are wage stipulations in that that will be very solid. I believe the Japanese and German and so forth, the foreign car makers will continue to come to the U.S.A. We've talked to them. They will abide by the treaty, they're very happy with us, we're going to give them lower emission standards, 21% corporate tax rate and a very nice work and living environment in the United States, and they're coming. USTR estimates that in the auto area, I hope I get these numbers right, in the auto area, there will be something of an order of magnitude of at least 80 billion dollars, of new auto slash manufacturing direct investment. 80 billion, that's a big number. And in a job sense, probably something on the order of 70,000 to 80,000 new jobs. That's a great start and I think that's the old economy part of USMCA. We've opened up the ag sector, some. Dairy sector's been opened up. It ain't perfect, but it's really good progress, so the farmers will do much better. You know, we want to help the farmers, the ranchers, all, the cow people. And we want to help the steel, aluminum, autos, et cetera. But here's the point I want to make to you also. The new economy provisions in the USMCA are very important and sometimes overlooked. In particular, I think the proudest achievement there is a brand new set of intellectual property protections. And that is so important from the standpoint of generating new innovative, inventive, entrepreneurship which will be protected, copyrights and patents. It's a huge breakthrough and may prove to be one of the real sleeper factors in the economic growth outlook, as a result. We've also opened the door on digital services, financial services, various pharmaceutical, biologic services. It wasn't easy, but again, this new economy stuff that complements the more traditional, conventional economy, and that's why I think it's a good deal, and we have paid, Bob Lighthizer has paid enormous attention to his Democratic friends. I will say, Speaker Pelosi, has been very kind. She had Bob speak to the entire Democratic Conference a few days ago, and he's met with smaller groups of Democrats. And most Republicans, we had 25 or so GOP House members in the Cabinet Room with POTUS the other day, they're going to be helping too. I'm pitching it to the GOP side, so it's a bipartisan deal. It's a pro-growth deal and I would greatly appreciate it if you would really consider and maybe get out there and just help us get this thing passed. I believe we can get it passed. If there's votes, I believe we will win the vote in the House. I don't want to predict, it's up to Ms. Pelosi, but you can help us to push that. It is enormously important. Now, second trade point is China, and I'll stay general here because obviously, the negotiations are live and hot, but we've made enormous progress there. It takes time, step by step, you slog through it, but this is the broadest, deepest, largest scale trade negotiations in the history of U.S.-China trade relations and maybe the history of any trade relations. This is literally soup to nuts. And, to my friends in the media, who are always asking me, you know, why wasn't the meeting March 29th, or April. This is not time-dependent. This is policy and enforcement-dependent. Please understand this. If it takes a few more weeks, or if it takes months,

so be it. We have to get a great deal, as the President says. It works for the United States. That's our principal interest. And, we are attempting not only to reform trade relations between the two great countries, but frankly, to change China's approach in a number of key areas. Now, we've made great progress. Steven Mnuchin, Treasury Secretary Mnuchin, and Bob Lighthizer are over there now. I'm glad I didn't, they've got to come back so I could one day trip, oh my gosh. Liu He, the Deputy Prime Minister, Deputy Premier, and President Xi's top guy on trade and the economy, will be here next week to continue this thing. And we're gaining on it, we're getting close. We're getting close, but we're not there yet. We're not there yet, and hopefully they'll have made some progress in Beijing and more progress come President Trump will undoubtedly meet with Vice Premier Liu He when he comes here next week. Those two get along very well. President Xi and President Trump get along very well. I was at the dinner, I guess the now-famous dinner, down in Buenos Aires and I saw the chemistry. So, I can't make any announcements this morning, all I'll say is, things are moving in the right direction. And one key point I want to raise, we will have significant market openings with respect to commodities. And you've read about this in the papers, I don't have any numbers yet, numbers will come last, tariffs will come down, non-tariff barriers will come down, agriculture, energy, industry will get a lot of movement on that. I think to our side, more importantly, certainly in the longer-run, is the so-called structural changes, which we insist on. Again, IP protection to stop the theft, and ironically, it's not only theft of intellectual property by the United States or other foreign investors, it's IP laws regarding Chinese companies inside China. They steal from each other. And to some extent, they welcome this. Now, there is a court system in China, there's the National Assembly, legislature, and of course, the Politburo. That's an enforcement issue. We're also gaining, made good progress on the issue of forced transfer of technology, which is really an ownership issue, right? These joint ventures, they own 51 or more, our guys own 49 or less, that gives China a chance to force American companies to put the blueprint on the table and that's where the technology stealing occurs. That has to stop. We've made very good progress there and they're going to give us tremendous increases in ownership, I think up to 100%. On the financial services side, they are negotiating other areas and the so-called untouchable areas on that have shrunk enormously, so that's a good thing. Cyber-hacking and interference is another issue, and finally, enforcement, Mr. Lighthizer has put together a very ingenious protocol to deal with complaints. The evidence will show up at one lower level then it moves to a middle level, then it moves to the principal's level and if the complaint stands there will be tariff actions and we have asked the Chinese not to retaliate. If they're breaking these laws, then there should be no retaliation. So, Mr. Lighthizer has said that in his Congressional testimony, I have nothing to add more today, but we've come a long way. And again, it's not time-dependent. I'd like the Federal Reserve to be data-dependent, but I don't want my trade talks

to be time-dependent. We'll get there when we get there. And it will be a historic moment. And let me conclude, talk a little bit about the EXIM Bank. The EXIM Bank. I love the EXIM Bank. Here I am, standing before you, promoting the EXIM Bank. So look, let's have a moment of honesty. I'm not, as a free market guy, a big fan of government subsidies and government credits, with concessionary market discount rate terms and whatnot. It's not my favorite thing in the world. However, and this is a very big however, as a free trader and a free market economist, I will say this. EXIM Bank can be working with us and helping American interests around the world because the geopolitics have gotten much tougher and the competition has gotten much tougher, and yes, a lot of this too, revolves around China. Now let me step back. One of the things I've learned in the past year from President Trump, is tariffs can be used as very effective negotiating tool. And I think that's particularly the case regarding China. I do think our tariffs brought them to the negotiating table. And in other trade relations, the threat of tariffs have played a big role, and like China, sometimes we put tariffs on them. I look at the EXIM Bank the same way. It's not a tariff matter, but it's an export credit lending matter, which we believe will be very helpful in the new, tougher global competition. I want all the American companies to succeed and be profitable, but I really want see you go out there and beat China to the punch. Everyone. You are a financial tool and a national security weapon. That is how I'm looking at this. And whether it's South America, Africa, Asia, Europe, I want to go head to head with China and others to make sure we can whoop 'em. And if you need the export credit and if you can show it and prove it, then you'll have it and you'll have our support. You will have our support on a daily basis. Since 2015, the EXIM Bank has really been, I guess, stopped out. There's no quorum on the board. I think we've nominated, I believe, five people. Kimberly Reed who is here, we expect to be the next President. I interviewed her months ago with former Chief Kelly in the White House. I think she thought I was going to be an evil dragon, I'm not, really a very nice person. Well-mannered, respectful, but... But most all, I want America to win. I want America to win. And you can help us win. And that is why we support you. And although it might not be pure free market economics, nonetheless, it is a national security issue, somewhat akin to my support of the President's tariffs, when it comes to international trade that we want to be free, fair and reciprocal. You're sort of part of that overall effort. And it is very important. Your economic security, your national security, that's why we're going to support you and we're being tough. We're being tough, as I said, because the geopolitics of the world have gotten tougher. It's not only China, it's others. And you can help us develop, I think, areas. I mean, you look around, what's happening in Venezuela, you might play a role in that. Other development banks might play a role in that. Sub-Saharan Africa, you might play a role there. Asia, you might play an important role there. My hope is that you'll be as transparent as possible. EXIM Bank actually, in terms of its portfolio, is pretty good. My working knowledge of it, the default

rates are very low, so somebody in there knows how to be a banker and that's also a good thing. I would prefer that you open to the door to as many smaller businesses as possible. A lot of small, American businesses now routinely do overseas export import operations, maybe you'll help them some more. Maybe not only the big guys who get your support. But, you're part of our effort and I'll step back and end on this note. I've had long conversations with President Trump who has been wonderful to me in the year that I've been here. You know, I am the free trader in the House but again, he has taught me how useful tariffs can be, tough tariffs can be, to negotiate toward a goal of zero tariffs, zero non-tariff barriers, and zero subsidies. That's a growth goal, an important growth goal. And we actually have submitted some legislation recently, it may need some amending but the basic point is reciprocity, you know, if you're at 80 and we're at 10, that's got to change. And if it works right, we can all move towards zero, that's good. And then we are now, for administration, is sometimes called protectionist or isolationists, consider the following: we've negotiated the USMCA in this hemisphere, which is huge, we're very close to a historic deal with China, which is huge, we are also negotiating with Europe, which was dead a year ago, and we are also negotiating with Japan, and we completed a deal with South Korea. For an administration that's not supposed to be for free trade, we're working pretty hard and successfully towards free trade. And I'm really proud to be part of that, and so I'm just saying EXIM, you will help us. And, if anybody out there, I can't meet you all because I do have to make a train, I do like to meet everybody, if anybody out there is involved in the 5G telecommunications thing, please get moving. Get moving! Alright? Go. Just go! We're winning the race here at home, but they're very tough overseas on systems and standards, so please, personally, I'd give you ten dollars and who knows what concession rate if you'd go and kick some butt on the telecom 5G thing. That's the the sort of thing we want America to do. And then you'll help us in our effort for free, fair, and reciprocal trade, and the United States, you know, sure, President's America first, but he never said he's America alone. He just said somebody's got to pay attention to the folks at home who have not done well for the past 20 years. So whether it's taxes or regulations or energy or trade or banking, we're picking our game up and rebuilding the economy and the security of the U.S. That's what we are trying to do and I think the early returns are pretty darn good. So help us, please. Help us. Thank you for having me here this morning.