

BUSINESS ROUNDTABLE

Moderator: John Engler
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11:00 am CT

Coordinator: Welcome and thank you for standing by. At this time, all participants will be on listen only line until the question and answer session. If you'd like to ask a question at that time, please press star 1 on your touch tone phone and clearly record your name. Today's conference is being recorded. If you have any objections, please disconnect at this time.

I'd like to go ahead and turn the call over to your host for the day, Mr. John Engler, President of Business Roundtable. You may begin.

John Engler: Thank you very much. Because we got one on the phone, I'm just going to - we'll give you a chance to get a question when we get all done here but, right, I'm going to start with some opening remarks and then we'll kind of just open it up and be pretty informal. So if anybody wants to back and get -- except for the one on the film, it's pretty good lunch here you know make coffee or have a cookie or something, don't interrupt or don't bother me but I don't want to thank you all for joining us.

We wanted to talk a little bit about the roundtable priorities relative to trade for this year and next 113th Congress and David Thomas who really is a kind

of a key guy, he is our Vice President for International Engagement. He's here to help, you know, get into any of the real nitty-gritty detail on this as to - I won't know but he will or something and (Doug Overhall) he is the chair of our committee that handled international engagement and he's is the Caterpillar CEO but he has a scheduling conflict so he's not here he's out selling (unintelligible) somewhere in the world but our CEOs at the roundtable for the most part are the lead globally-engaged companies.

So they're American companies that must be able to compete abroad in order to be successful here at home. What I want to do is before we get into the policy agenda just a couple of facts that are important. Some of those factors in our little language and benefits of trade book, we periodically prepare that. We try to make sure each new session of the Congress has one that's updated but there some are facts on trade and investment that I think is pretty relevant.

In 2011, 38 million jobs in America or 1 in 5 depending on trade and exports and imports. That's about 24 million more trade today jobs for US workers in just two decades ago and certainly, that goes before the US negotiated and implemented a series of bilateral regional multilateral trade agreements.

(Unintelligible) nearly 14% of US GDP. Since '04, US exports have actually grown faster than overall US GDP. About 46% of our exports now go to the 20 free trade agreement partners. FDA partner countries -- when we look at the manufactured goods in 2012 -- we had a \$58 billion manufactured goods surplus with our FDA partner countries in volume.

Now expanding America's access to international markets is we think is vital for the US economy. As a matter of fact, the highest party for Congress and the administration ought to be to take steps that make the US more globally

competitive and to do that, we think that's a sure way to strengthen the economy and help rectify some of our fiscal hill.

So in to the specifics, we'll start with Europe because I think that's a big story and an important one. We were very encouraged by the recent announcement that the US and the EU will formally launch negotiations. This has been an issue that I know I've been involved with for a long time even when I was president of the manufacturing back in '08.

I gave a speech over in Belgium with the plan that they showed and - talked about the need to have an FDA Trans-Atlantic Free Trade Agreement and I came to the roundtable and after that (unintelligible) manufacture and here's another organization it was a very early and it's a long-standing advocate for ambitious US-EU negotiations on trade investment regulatory cooperation.

We're pretty passionate about belief that opening markets expanding trade in accordance with rules-based principle is a win-win for jobs, for incomes and growth on both sides of the Atlantic and also I think it's important that it can set an example for the rest of the world at a time when virtually the economy is interested in accelerating growth.

And I think it's one way actually as opposed being a threat to WTO, I think it actually might help the WTO see a way forward. Combine the US, the EU economy's account for about 45% of world GDP in terms of value, nearly 40% in terms of purchasing power -- so more trends to saying trades (unintelligible) consider more opportunity for American business and workers.

We also continue to back strongly the successful completion of a high standard Trans-Pacific partnership -- tough issues that are remain to be settled

but we're optimistic that our negotiators can get an ambitious agreement done this year.

We also support sort of multilateral negotiations which is a WTO trade facilitation agreement, sort of lateral negotiations such as international services agreement.

Now the strength in our bargaining hand to help complete these initiatives, we're calling in Congress for a new trade promotion authority. President should have updated authorities negotiate international trade and investment agreements and trade promotion authority last back in 2007 and we think it's a pretty good tool for the executive branch to effectively negotiate agreements - we get them passed by Congress. Along with the TPP depending on the US talks, we're going to make the trade promotion authority as key part of our advocacy this year.

Now, while the administration is also focused on trading when it comes to China -- other emerging growth companies -- we think the administration has the opportunity and show leadership by continuing to advance negotiations on bilateral investment trading with key trading partners. China and India is top of that list.

Exploring with the new government in China ways to improve the US-China trade relations and the investment relationship as well -- vigorously enforcing US rights under international trade investment rules -- I'm sure the US companies are not disadvantaged by discriminatory foreign policies, indigenous innovation policy, local preference requirements, the lack of effective intellectual property protection all harm US economic interests, unfair - undercut rules-based trading.

Now, one action that we can take that requires no negotiations but will increase US trade is this -- is trying to modernize our update and system (back) support controls that put US manufacturers at a competitive disadvantage, often against close allies all over the world.

And given the extensive nature of this agenda, one of the things I probably also recommend here (unintelligible) support is somebody getting named as the US trade ambassador pretty quickly. We need a person in place and they need to get to busy with a lot to do.

Before I open up the questions and we're going to take questions in any of these areas, just maybe a final mention of cyber security because I mentioned earlier the need to protect the intellectual property, such protection has to be part of our conference strategy moving as a nation to protect the national and economic security from what are - we understand and realize are very serious in growing all cyber security threats and we're taking a close look at yesterday's (unintelligible) gradually to mitigate the mitigate trade secrets. And last month, our committee here information technology committee chaired by Ajay Banga -- the CEO MasterCard -- issued a report, more intelligent, more effective cyber security protection.

And it's not obviously directly on point but it certainly is related and so if you want to take a look at those recommendations that is available online in the focus areas on stronger public-private partnerships with legal and private sections.

Interestingly in some of the conversations with the administration, there are literally are companies in this nation that has been acting anm(unintelligible) because of the consistent (unintelligible) so remarkable.

With that, let me just open it up a couple of - you have in front of you a report that was written by (Matt Slaughter) and it's something that we're trying to do emphasize the importance of trade because it's not just - I mentioned our company is being global presence of (VRT) member companies but when you're a global company like Caterpillar, they're taking with them thousands and thousands of suppliers -- many of them are not global. They're medium and small size companies all located here.

But their incomes and their growth also depends on the (unintelligible) trade and we tried to document and. Professor (Slaughter) does in his work or report some of that. So with, that let me just maybe I'll open it up and glad to take anybody's questions now.

Man: Thanks. (Unintelligible) also important. On the fast track, the TPA, a lot of us wonder if it's safe to abstract open-ended debate and discussion on it or is it perhaps more prudent to say okay we - yes, here's TTP almost ready or here's whatever it is, it's having it more agreement specific.

John Engler: You know - that is - that started the debate over in Congress as well. And I guess I think that it would be important for the legislative branch to make it clear that our chief executive has the authority to negotiate a deal when negotiate it's going to get enough of (unintelligible) time period.

I'm afraid that it's going to get closer and get specifics, then it's easy to have a second guessing opportunity on the part of Congress while we - you know, before we go this far, maybe we ought to change that or and actually one of the things that we talked about in advance trade promotion authority -- David has worked out these issues in the past (unintelligible) -- but part of the challenge you got is also giving the executive some assurance and scenarios that, you know, this is where we're prepared to go.

And I think the fact that we - this is one of those times that maybe divided government - actually if you look back to last year as divided as the government, it's actually (unintelligible) trade, we got quite a few things going on a more bipartisan basis.

I mean you got the three agreements (unintelligible). There were a couple of others (unintelligible) bank that we authorize. Not these are necessarily easy, fun to watch but they did get done and that's kind of in contrast with lot of other areas but just on the - if, you know, the whole the TPA problem, you might want to make that...

Man: Sure. I'm happy to expand on that but I think what, you know, we got good momentum coming out of last Congress as the governor mentioned and we also have a number of trade initiatives on _____ or soon to begin and, you know, TPA is really an important tool for thinking about how we can strategically perceive and each of those negotiations and pursue our country's priorities in those.

The roundtable things that TPA is negotiating objectives which were last written over a decade ago (unintelligible) updated a lot of business issues have emerged or evolved over that last decade and TPA creates an opportunity to engage in a dialogue with the administration in congress to update those objectives and make sure they inform the trade initiatives that we pursue over this course of this year and in the future.

Man: One (unintelligible) more than half percent and probably 2/3 of the House weren't there last time (unintelligible) trade promotion authority. You've got a - so part of the reason you want to have - again to have that conversation I

think now is due to education of the Congress on what's involved and, you know, where do trade agreements come from.

Man: The Japanese prime minister is going to be here as you know. Do you expect any progress towards getting Japan into the Trans-Pacific partnership? Do you expect them to join eventually? I mean (unintelligible).

John Engler: I think if there were high standards agreement, they were negotiated in place. I think you'd love them -- the Japanese -- to participate. I think given the status of where we are today -- and well Mexico and Canada recently were added -- I don't expect to see Japan come in the initial round. I know they got their own elections later this year.

I think that, you know, one of the objectives has been from the beginning to get what we call high standards agreement in place with almost coalition to volume and I think it's important that that gets done and then, you know, you would invite others to come on board and I would hope there'd be some momentum after that to the point that we could get there.

Man: (Unintelligible) Korea (unintelligible) including automobiles and beef and God knows what else, everything short of Kimchi. What do you anticipate will be the hard nut to crack first with the Pacific agreement and then the European agreement?

John Engler: I think the Pacific agreement, you know, certainly intellectual property always remains a challenge. (Unintelligible) related I heard from the (unintelligible) folks that they had some real interest in that area.

There will be -- what else, David, on TPP?

Man: Also competing with state owned enterprises...

John Engler: Yes. That's...

Man: ...electronic commerce issues and there's an example of issue (unintelligible) that's evolved, you know, over time and also, we're dealing with other (unintelligible) protectionism dealing with domestic intelligence policies (unintelligible) domestic firms over international companies that want to do business in these countries.

Man: That's especially (unintelligible) nobody (unintelligible) target on the service side (unintelligible) builds a pretty tough to even - even today so...

Man: So we buy American.

Man: Yes. No I mean we're not...

Man: (Unintelligible) fall on one side, believe me.

Man: What about Europe?

John Engler: I think Europe is a little - it's different this year. Size, in - go back - I would go back to '08 or talking back this over in Europe and we (unintelligible) this made sense that - we never (unintelligible). I mean some people trying to get off all of this (unintelligible) issue. It's the regulatory differences that's the dual ruling bureaucracies, if you will -- the ruling regulatory schemes -- and then the other non-tariff barriers.

I think with Europe though, you'll have specifically - there a lot of, I ,guess they would probably been intellectual property or, you know, sort of the

regional preferences of Parma ham or a champagne or a local cheese where you got these names. So their egg is (unintelligible).

I would hope that there is a way around that because if I look trade rumors (unintelligible) and what was important -- lot of the (unintelligible) issues came first and I understand the importance. The importance is getting a deal done in the United States Senate but manufactured goods of each month were greater than the total egg trade in an annual basis.

So clearly, the magnitude and the importance and I think, you know, just today, Ford Motor was announcing the return of some jobs from Spain to Cleveland. One of their new engines that they're having a lot of successful.

I think that the weakness of the European economy has sort of persuaded them and this probably is a special appearance of the Germans and the French I think that this is - the time has come for this. So I think there is a - I think the environment is favorable. I will say that we've watched carefully the development on the EU-Canada agreement which has take it longer than it was thought to because it's been required.

They were very optimistic at a midpoint last year -- actually on this - right here in this great floor, we had Mexican, Canadian and US CEOs together for a meeting back in September and at the time, there was a lot of optimism on the part of Canadians that they could have this wrapped up or they would wrap up by the end of the year. They didn't get there.

Intellectual property is problem on that. There is some egg issues that were involved in that and some of the intellectual property interesting (unintelligible) Canadian side and some of their maybe some weaknesses up there.

So I've been curious to see what that agreement would like and how ambitious it would be but I think the bureaucracies - I think we're left to bureaucrats on both sides of the Atlantic it probably wouldn't have done. So I think this is really an opportunity for people to (unintelligible) to - if they can exert themselves in negotiations.

The EU-US or even at some point probably (unintelligible) the EU, you know, you get to actually a very good place and I give you the numbers really, half the global economy (unintelligible).

Man: The weakness in the European economy a concern...

John Engler: What?

Man: The weakness in the European economy, is that a concern making a trade deal or...

John Engler: I - yes, it's a concern but it's a concern for just the health of the whole global economy and because so many of our companies have a significant amount of their exports (unintelligible) dedicated towards the EU so it has an economic impact here. It's clearly taking some percentage off our own GDP rate here.

Europe is almost - and it hasn't been fully (unintelligible) going faster and you make up some of that but that is the legacy more growth there (unintelligible) I mean the foreign secretary (unintelligible) couple of weeks ago (unintelligible) growth. We think trade is a key component of having greater growth and so I think the slow growth probably is the part of imperative on the part of the EU thinking to try to work out a deal with the US.

There's tremendous economic benefit if you could just get to the point - Wall Street Journal (unintelligible) talking about - and we've already said this is kind of the maybe an entry point mutual recognition and that I think Europeans care a lot about their health and safety of their people.

I think US (unintelligible) likewise so could we recognize the safety of a vehicle made in Europe if they recognize the safety of a vehicle made here. That would eliminate to need to mutually crash each other's cars. (Unintelligible) -- that's a funny example, yes.

Man: Going back to Japan for a second. I'm wondering how hard you expect or you think the administration should press towards (unintelligible) to join and to some degree, should they be willing to scale back ambitions from the agreement in trying to bring Japan in?

John Engler: Yes, I'm not bought at all or a little bit or...

Man: A little bit enough?

John Engler: I'd be reluctant to do that in order to bring Japan and that would be - I think that there is an opportunity - I mean we're down the road now. I mean you get different - I mean at times different people give you different assessments on how far down the road we are but I think we are far enough down there would be - it would take a lot of time to bring Japan and then try to bring that up and I think it brings several other issues to the table.

So I would - I think the better approach is to make it very clear that there will be strong interest in Japan coming in as soon as we have a, you know, high quality agreement in place but not necessarily an invitation to, you know, come now.

(Unintelligible) by ourselves to give anyway but I think it's an interesting collection of countries that are at the table now and I think that's challenging enough and we'd see if we can (unintelligible) done before we expand further (unintelligible)...

Woman: I'm interested in the impact of inexpensive natural gas on manufacturing. So - and then I'm not clear about what the overall vision of this organization is on (LNG) exports. Where are we in that? Where is this organization and also what do you think just likely happened?

John Engler: Well, you know, next week, we're going to actually have an energy report out and we don't - we just simply recognize that there is a - while there's a (unintelligible) going on, of course with this 20 nations where there is an FDA, there are no limits on exports of natural gas.

The only regulatory question is the US approval of, you know, I guess the permitting, if you will, of the construction of new export facilities. There's a quite a few that had been discussed that will not be get build. I suspected not all of those do get built.

But we have not - I would think, you know, some of these CEOs are talking about but the general disposition of most roundtable companies is that they have trade and there's a recognition that the gas availability in the US provides a manufacturing advantage is going to be here for a number of years. Those who have that advantage will make it clear that they don't want to see it lost any sooner than it might be but on the other hand, the national security and trade benefits of gas exports also are strong support.

So I would say that we haven't had to take a position. We don't - there's nothing in front of us or anyone where that's required but we're well aware, you know, with our members here have expressed concerns about long-term supplies, others are on the supply side. They were excited about the long-term prospect so - but I think as a matter of policy exporting natural gas is legal today and will continue to be export.

Man: (Unintelligible) two questions. One is, are you saying that some of the thorniest (unintelligible) issues you set aside in order to go ahead make a wider deal...

(Jose Rutger): I would say not set aside, kept in perspective sometimes, you know, sometimes - I remember going to Hong Kong during the (Doha) round that we - the first 2-1/2 days there. There were four African nation talking about (cotton). The whole world is sitting there and we got a conversation about (cotton) going on that - (unintelligible) agreement in terms of what's on the table, what the opportunities are and this is how we gotten side tracked over here.

I think it would be foolish - David's been in the, you know, this is the (unintelligible) either way it means working on tax issues but you don't overlook or you don't discount the importance of (unintelligible) issues but in terms of the politics of trade but in terms of the potential gains in that there in - the other sectors actually are (unintelligible) what's on the data.

I mean one (unintelligible) on that or that...

Man: Hold on. I think coming from the roundtable's perspective, you know, going back a year and a half, our CEOs were pushing an ambitious scope. The US

(unintelligible) that they cover trade investment and regulatory (unintelligible) management issues in all sectors.

And that is really good. They're first to make sure we don't sell ourselves short in starting this new initiative and that all those areas be on the table and that either US and EU governments and leaders will have to show a political will, you know, as they embark on these talks to address tough issues. As in this case in the TPP talks, right now too (unintelligible).

John Engler: From an egg standpoint, you know, I got tell you this is probably a good time to be having this conversations with commodity prices where there are land values (unintelligible). I means it's a pretty good time and in the American agriculture. Again it would look like it's going to be pretty strong for a while. You're seeing rising incomes in some parts of the world where it's (unintelligible) for '14 and for - so - I think we've - I think - it's in good place I just didn't want (unintelligible) by reference that it did - you don't want the EU-US conversation to end up going to (Doha) (unintelligible) where we have the other - we got to egg out in front of everything else, kind of had to wait and as it turns out they were got done.

Man: So (unintelligible) there's a push last year to exclude acts from the discussion and that it kind of...

John Engler: I don't think...

((Crosstalk))

(Jose Rutger): I mean everybody got - yes - you know, it's the - there is an affection for agriculture and sort of a - in some ways - I mean I (unintelligible) a farm in central Michigan and (unintelligible), I mean I love agriculture but it's not - I

think you kind of work through this and nobody's out to destroy anybody else's agriculture but you - there are some trade opportunities and at times, there are some barriers that get put up, I think, that are unduly trying to protect local markets.

Man: And just on the - my second question was, what concessions do you think the US should be prepared to make in order to make, you know, outside of European and is it about (unintelligible) America, is it about access - market access for you (unintelligible), is it about the Jones Act. What do you think the US should be prepared to open up?

John Engler: Well I think we just need to go prepared to get into an honest conversation because your question is an important one. I mean trade negotiations have (unintelligible) be a win-win or they don't get done. Nobody's going to conclude this something to take away and in this case you can sort of see what the opportunity would be in that, you know, some of the non-tariff barriers come down.

We have a key interest in that happening. We already sort of spot everybody from a tax perspective. They get to, you know, the VAT systems. They're putting the VAT tax on our (unintelligible). We don't have any comparable like that.

But yet, the US competitiveness has -- especially in the manufacturing sector - - and in part because of the question no one ask what the natural gas our energy prices are highly competitive. We're drawing investment back here so we got a lot of things headed in the right direction. This could really open up the opportunity to have some markets.

And so, we got a lot at stake and where you're going to have (unintelligible) and have a nice benefit, you're also going to have to be, I think, pretty forth coming because it's two-ways. Yes.

((Crosstalk))

Woman: On the trade promotion authority, can you talk more about what you'd like to see in terms of how many years or how many agreements or whatnot. (Unintelligible).

John Engler: Well I, you know, I personally would - that's something I wish we didn't have to keep renewing that. I wish we can have an authority would be there for a president to have because you - I think even the most trade sensitive number of Congress recognizes that 535 members can't negotiate trade deals. That has to be executive.

So let's put a process in place. Periodically it'll be in need of updating because as David said we're at that point now but while we're updating, it shouldn't mean that it doesn't exist. That would be my view of it. That probably is not what Congress is going to decide. I mean they like to have these things come around periodically.

And it's been interesting because it's happening under Democrat and Republican administration. So we've seen a little bit like a debt ceiling to trade, you know, I mean because we're seeing people who are in - have to fight harder for it and the people who are out while we'll consider your request - I think the president though has a strong bipartisan majority in the Congress on most trade issues.

I think we saw that last year. I think it's still there and so I think it's was opportunity, you know, they're probably a little sensitive because it's the Congress giving them the authority but I think they should be aggressive in asking for it and let's be supportive of getting it resolved.

I can imagine trying to negotiate with somebody who looks across the table because, you know, it might - going to end up like Columbia, Panama and Korea if we get a deal because I think it's five years to get (unintelligible) I think it's been changed a lot, maybe we should wait.

I just think it's a frankly more bargaining hand.

((Crosstalk))

Man: In the (unintelligible) that point, you know, where we are as a roundtable now is building on that momentum that the governor talked about last August and, you know, the one hand it has been ten years since the last TPA -- over half the (unintelligible) wasn't there then.

So there is always a need to continue to educate. We're already doing that in terms of finding ways to continue to show the benefits of trade and our trade agreements over the last - more than two decades.

And, you know, that's important we think to lay a strong foundation for an updated GPA and we're in the middle of those efforts now and we plan to play a leadership role this year on advocating for TPA.

Man: Do you expect those to come out at the end of the year or...?

Man: We're certainly hopeful with the range of trade initiatives that we talked about that there'll be - and serious discussions between the administration and Congress and the business community on ways to update - advance the authority and hopefully pass (GPA). So that again it can really be an important tool for guiding - attending trade initiatives as well as future ones down the pipe.

Man: And it's also one of the working groups that German camp set up so, you know, they're going to be looking for trade issues.

Man: (Unintelligible).

((Crosstalk))

Man: Well my question had to do with GPA too. I mean some people put this a little different and you called on Congress to pass it. Other people say urge Obama to ask for it and to make a push. I mean do you think it's important that the White House is actively out there asking for trade promotion authority and helping to make the change or it's just...

((Crosstalk))

John Engler: Yes I think it's - I mean I think it needs a lot of (unintelligible) knowing that and you got to have the Congress (unintelligible). I mean I think both Senator Baucus and Congressman Camp the two key chairs here are - I think certainly willing to work on this.

You know there is always in the congress and question what's going to get the priority but this is one of those things where I think you're trying to change the

tone in town. You have pick on things where there is bipartisan support. This is one.

I think working bipartisanly on some issues, it gets work bipartisan work on other issues. I mean it's not a given but I think getting in practice to try and do some things together to help the thing so I would - and I guess I think this one is so much in the national interest that there is just not - the case against that's pretty weak.

And who's going to make that case. I mean some people (unintelligible) trade agreement but they're like.

Man: Well, (unintelligible) what you're saying but I mean it was controversial the last time they did it and it did create quite a big (unintelligible) it was different situation where the Republican President asking for it from a Democratic...

((Crosstalk))

Man: ...the Democrats were...

John Engler: Yes, I mean it is like (unintelligible) a little bit. I mean the guy (unintelligible) have to ask for it and, you know, the Congress (unintelligible) kind of gets the...

Man: Yes.

John Engler: But I think on this - yes, it never have a good strong support from the president. I mean you would think - I mean that could happen a couple ways. One, they could name the new USDR head, you know, and that person is part of their confirmation hearing could then be (unintelligible) the important need

to have that and say that would be one of their priorities as head of USDR that the president said, you know, help me get this renewed, you know, I mean I don't - I've (unintelligible) anybody's, you know, (unintelligible) how you do that. That's how - that's one way you could do it.

Woman: Hi. Back to EU for a second. You mentioned a couple of these (unintelligible) issues but are there specific trade barriers that your organization would like to see, you know, come down, are you part of a trade agreement?

John Engler: I mentioned (unintelligible) there are a lot of things. I mean there are silly things like bumper hikes, you know, there are some difference being required, you know, placement of actual lights on cars that (unintelligible) I mean I know a little bit more of the (unintelligible) coming from Michigan but that, you know, I mean I'm sure GM always will be a thornier issue but I mean we even have this for Canada and just on how things were packaged.

Yes, I don't think there'll be a disagreement on (unintelligible) putting in (unintelligible)...

((Crosstalk))

John Engler: ...is a bad idea but take FDA approvals, medical devices probably get approved in two years quicker and in the EU than they do here, you know, pharmaceuticals, you know. We've lost some R&D because the approval processes in Europe is faster. It's gotten complicated to the point where somebody is - a few months back (unintelligible) something approved in Japan before they've gotten approved here and said that has never happen before.

Man: I would believe it.

John Engler: Yes so that wasn't a compliment for Japan necessarily but it was a commentary where they are. So I think there is a number of those kinds of issues. There's a need for - I think there's a need in some areas for harmonization but I figure the huge benefit for the EU-US in reaching some agreements on an FDA relative to high standards for the rest of world.

I mean we have very high standards for instance pollution devices or equipment. One area is that we've long advocated for the idea that there ought to be probably a global FDA or a global sectoral on pollution, environmental cleanup services and (unintelligible) you're saying that you want to reduce a pollutant in the air or in the water (unintelligible), why wouldn't you then - why would put a (unintelligible) barrier there on (unintelligible) to do that.

Hopefully, those would be some areas. We don't have (unintelligible) a lot of (unintelligible) differences. There are some that would get addressed but I think labor standards and environmental standards themselves per se are quite high on both sides of the Atlantic.

But there is an awful lot of compliance in (unintelligible) up there but, you know, you talk to the auto companies, you talk to some of the drug companies, you talk to financial services, there's a whole host of issues where there are slight differences which translate then into significant compliance cost. (Unintelligible).

Man: So, I just you mentioned on one of the handouts, before it was media resources (unintelligible) trade, that just sort of chronicles over the last year and a half (unintelligible) activities promoting them (unintelligible) initiative, you know, kind of half way down and mentions a white paper that, you know,

a key part (unintelligible) a lot of business dialogue on - in that was written in November 2011.

We laid out various areas on strategic importance to this initiative and we were very encouraged to see from the high level working group final report came out that it had a similar ambitious scope to it and also address as I see it was pointed out in that white paper that, you know, it could be ambition here between the US and the EU that could set an example for other countries and for, you know, strong rules, the road as part of the multilateral trading systems.

So you'll see some of those transformation and some of these publications over time.

John Engler: Yes. The (unintelligible) is interesting because that really was our sort of (Merkel) and (Bush) when that was being developed but it's never had the highest level sponsorship certainly on this side to be able to move much to fruition. It's a complete conversations but it's never sort of quite (unintelligible).

This is actually - this is the way, you know, jump right past that and...

Man: (IBR) question.

John Engler: Yes.

Man: Yesterday's in a (senate) announcement - well, the government announcement and the various revelations, it started really sort of interesting discussion amongst (unintelligible) and friends of are we approaching the time when American business needs to talk about retaliation if the international system

doesn't have an effective way to deal with mostly our Chinese friends on this matter.

You know, the stocks net example was raised and part of point out we know actually that was pretty close to an active war. We blew up a division. (Unintelligible) too far but the conversation was interesting because it, you know, the tone of it was, you know, the businesses have been privately complaining -- not whining -- complaining for years about (IBR). I mean billions being lost, you know, and yet, there is really no legal remedy that would effective, that we've - look, have you guys been thinking about, you know, what do we do - job owning just doesn't seem to be doing it?

Can you talk - can you use the word retaliation without making it a worst problem than it already is? What - how should we be thinking about this?

John Engler: Well it was interesting. (Unintelligible) Chairman (Rogers) and (Phelps) (unintelligible) and, you know, yes, it was a cyber security hearing but I mean the clearly the kind of question you're asking was on the table that day and the point that was being made is that, you know, there's different kinds of hacking that goes on and that trying to continue from somebody just, you know, some hacker working independently, you know, wanting to get, you know, into your photos or your, you know, some of your records versus somebody else taking another level of trying to disrupt then taking it to the final level where actually destruction, you know, which gets, you know, the thought was that there is a fair amount of this that can be repelled by the business community itself through proper coordination.

There is some - in the legislation that has bipartisan support, the House has bipartisan (unintelligible) they're back at it and they think they've got a fair bit of support built in the Senate this time would allow for the collaboration

among business and then make sure there are liability protections built in place so that if, you know, something comes - if I notice something in my company and I tell you and you're - you say, "Well I'm not sure that's enough."

Then you don't act on it and then get hit, something happens, you shouldn't be liable, you know, there is a sort of - there's a way in which you want to (unintelligible) if we're in the same business and there is only three of us in that whole space and we're talking to each other. That is to me were some kind of - there is no impact trust violation there.

So there's a way that you got to protect the environment in which you can share the information. Then you also have a level of - and at least some of these testimony was that that might capture 80% of the incidents -- significant number -- but then there are some and I think this is what the - and actually the CEO (unintelligible).

((Crosstalk))

John Engler: ...he was on the same panel. He got a (unintelligible) about some of the stuff that not in the detail of this - that they sort of released this week but there is a certain level of sophistication where, you know, it's probably government is going to start it first. And, in fact, we've urged the government from the National Security Community -- the intelligence community I guess is what they prefer to be described -- the intelligence committee that there are - they've noted the tax that maybe business itself wasn't aware what's happening.

They need to be able to - they need an environment where they can pay that to the business and that needs to happen. And one of the challenges is to figure

out how those relationships work, who can be trusted, and how do you work this in such a way that you're able to deal with the threat that's going to come out next week, not be focused on something that's already happened then we figure out it happened last month and that the environment changes so quickly. It's not sort of exactly in the nimbleness and the flexibility of exactly what government had as its forte.

And so you're trying to figure out how do you - and that's what the conversation is and we think this scenario where I think the administration is working hard to come up with some of the right answers. I think Congress and again this scenario where there is strong bipartisan support (unintelligible) that can go on the wall is (unintelligible) together on this.

So and to the question - the real end of your question is (unintelligible) what does retaliation mean? I think there has to be through the government role in defending US economic interests, so I think that's what the administration is trying to get at yesterday.

And government, only government, we can't criminally prosecute somebody. The government has to do that. And so how they're organized, how they FBI is involved, how the case is made, what form it is and, you know, all of that matters and I think that there is strong support from the business community to have government taking a look at this and saying, "You know, we're committed to protecting our nation's economic well being."

And that certainly we're protecting our investment and intellectual property. I mean we - you - our companies here, the 210 member companies here to approximately 2/3 of all the private sector (unintelligible) country is a really big issue here.

You wouldn't be able to justify that expenditure as easily in the future if you knew the minute you figured out the formula - figured out the process, it went right out the door because somebody was reading your system. So it's a tough issue. I guess (Tim) and then back to over here. (Unintelligible).

Man: I have a couple of questions for you. On the EU trade deal...

John Engler: (Unintelligible).

Man: Good answers. Thanks.

John Engler: Okay.

Man: On the EU trade deal, we're talking about it now but a just a few months ago, we're on the verge of a trade roll rhythm because of the Emissions Trading Scheme (unintelligible) whole world (unintelligible), do you see that coming back up and causing any more problems in the fundamental differences?

And the other question was on the trade promotion authority. You mentioned that you were looking for ways - you were talking to Congress about ways to update and enhance it. I was just wondering if you could be more specific about what - how you'd like to see them in?

John Engler: Once you take the TPA part, I'll do the - just - in terms of some of the big issue, there's no question. There are - I mean (unintelligible) carbon would be a difference in - so is that a trade policy or not, it's not - be - wouldn't be clear that would be something that you would try leave in there...

Man: Emission regulations because we have fuel regulations very...

John Engler: Yes but they are (unintelligible) safety regulations or I mean it can be a - I mean it can be emission on auto or crash worthiness of an auto or (unintelligible) of a drug I guess or content maybe. I mean something - (unintelligible) where it get into your (unintelligible) products that (unintelligible) genetically modified, you know, plants cannot be in there.

The food chain and that or how do you - you know, I think there are - I think there is a way to have more streamline regulation while still allowing for differences but I think it's - I think there is a way to achieve that. We've always looked at that, you know, there is - you can (unintelligible) the things where we're quite different in our approach or you can focus on the many areas where there is quite a bit of a broader agreement but (unintelligible) differences and I think you would get a lot of that resolved.

You would be - and maybe create processes where you could address other things. You could make that - you could make a lot headway.

Man: All right.

John Engler: TPA just (unintelligible).

Man: On TPA, in terms of enhancing and updating TPA, again it's the point that just in TPA, it's negotiating objectives for over a decade old and there is a lot of new and emerging business issues and challenges for our CEOs in their company.

Examples include the intellectual property right issues whether it's related to the internet and (unintelligible) commerce or otherwise. There's other electronic commerce issues. There is a device of state-owned enterprises and they're spreading around the world...

((Crosstalk))

John Engler: State-owned enterprise is a big deal. As David mentioned a couple times a week, we don't want - I mean, you know, you're dealing with some nations where it's so hard to tell where the company and the government begins and vice versa and what that means in terms of their - everything from their (unintelligible) status to the availability of say commodities which might be part of their core product and how the pricing is done on that.

There is a host of those issues. There (unintelligible) I mean, you know, the TPA, I guess, but they're not big in the export markets. There aren't too many of those kinds of things.

Man: Yes. And (unintelligible) regulatory cooperation issues and then you see an effort in the Trans-Pacific partnership (unintelligible), you know, formed by the executive order this administration put out, I think, in 2011 to start to get into some regulatory cooperation issues. The roundtable is hoping that the US-EU initiative that there is even more of a focus on regulatory cooperation issues -- those sort of horizontally with that very different regulatory approaches.

And the governors talked about the importance of finding more compatibility (unintelligible) different regulatory approaches as well as vertical. Regulatory cooperation issues in various sector and the governors talked about some of those sectors today as well whether it's autos or pharmaceutical or chemicals or other sectors of growth for our country particularly (unintelligible).

Man: You might also see things like where the antitrust policy (unintelligible) but I would think you would see EU and US both be - in exactly the same place and

the same (unintelligible) this kind of, you know, some indigenous innovation, you know, that won't stand. We're not going to try to put these kinds of - these kinds of barriers in place. We're not going to try to say if you do this and then our country (unintelligible) intellectual property could be here.

I mean so there could be some really and that's where we say the - this could be a north star, if you will, for other agreements around the world and it could for (Doha) show a way, you know, what is it - what's the post (Doha) world look like.

Well, if you have half of the worlds (unintelligible) services and this one big region, you know, that others come in under those rules, could this become a way where there's a pretty substantial coalition of the willing economic interest come in together to operate at a high standards level. That'd be pretty exciting.

Man: Yes. (Unintelligible) putting it back to TPA. I mean TPA is just really an important tool for adjusting those other issues in a strategic way across the range of trade initiatives that we talked about today.

Woman: We have a question on the phone so...

((Crosstalk))

John Engler: Okay a couple more here. I've got...(Loren) was one, (Debbie) was one. I think (unintelligible), okay. (Unintelligible) do this two here that I - thank you (unintelligible). All right we'll take the phone questions for it. How was that?

Woman: Okay.

Man: (Unintelligible) just to the 12 to 1 literally I have a 2 o'clock deadline.

John Engler: Okay.

Man: So may I...

John Engler: Yes.

Man: My question was just following up on (Chris)'s in terms of cyber security because I mean the way to describe it, it's almost like you know US corporate crown jewels are just, you know, stolen right and left and eventually whatever competitive advantage that we have, you know, in terms of innovation will be lost and, you know, it will be in the hands of Chinese.

So I just wonder I mean maybe that's overstating it because kind of the impression one gives and I just wonder, you know, whether, you know, information sharing, company best practices and bringing more prosecutions I mean is that enough of a strategy to stop it?

I mean doesn't it have to be (unintelligible) for China to stop these practices?

Man: I don't (unintelligible) for a moment government to government conversations where I mean, you know, imagine United States and far back in Michigan and we had some group outside of Detroit and they were engaged in basically trying to steal everybody's intellectual property around the country, you know, or they were taking (unintelligible) Canadian intellectual property or whatever.

(Unintelligible) you'd call Washington (unintelligible) crazy people in Michigan, they're doing that so I think we need to do the things we just talked about and then continue to ramp it up.

But I think there's a definite role for government. (Loren) I'll let you...

(Loren): (Unintelligible) the USDR I remember a little thing you did a couple of weeks ago and you said you thought (unintelligible) would be imminent.

John Engler: I did say it was going to be imminent and I thought people were (unintelligible) nodding there was going to be so I don't know what's going on.

(Loren): Is there any update on the names that you've been hearing?

John Engler: No. I keep hearing (unintelligible) name and, you know, it's been (unintelligible) I mean (unintelligible) and I think that maybe I'm - maybe that's (unintelligible) - he is a very intelligent, very able person so he could - he would - they could do a lot worse (unintelligible) so I'll tell you that.

Man: He could be wearing different (unintelligible).

((Crosstalk))

(Loren): I want to ask about some - would you pass again on (NTPP) obviously with the prime minister coming in. He's supposedly going to kind of put forth a proposal that says we want to join - we want to wall off some of these industries, I haven't heard specifically (unintelligible).

And I've talked to the automakers again and obviously people are - business groups sound very opposed, obviously to Japan's entry, you want it down the line, what really do you guys kind of need to see Japan be doing down the road here maybe the next year or two?

Obviously, they've got some...

((Crosstalk))

Man: They probably should go to through their election. Get their new government...

Man: (Unintelligible) government, you know, they've had a lot of changes in recent years. They've got a lot of challenges. I think they need to get their own stability in place and then come back.

At the same time, we're already - well down the road now I think the (unintelligible) would raise - result a lot of the question being raised probably counterproductive to getting TPP done. I think it might be faster for Japan and for everybody else if we just include this and then they'd know what would be involved in coming in or not.

(Loren): What do you guys mean, is it more market access? Obviously, there's more market access is a huge issue. Are there certain points that you know need to happen?

((Crosstalk))

John Engler: (Unintelligible) bilateral. In the multilateral region, there's is a lot market access. There is a lot of rules of behavior and approach that these countries

many of whom are parts of existing FDAs so there is this - for them, there is some commonality based on what's already been previously agreed to.

Man: Yes and if you think about Canada, Mexico and Malaysia each joining, you know, over the course of what, the last two years, the TPP countries -- not just the US but each of the existing TPP countries -- nobody expected Canada next to Malaysia each meet the high standards that they were negotiating.

And I think that's a - that the roundtable has supported as well and the second (unintelligible) point about the importance of keeping the momentum moving forward in the TPP talks.

Man: Yes. It's really about the momentum pro-TPP -- not Japan at all, I mean, in a sense. I mean there's - they're probably just a little bit too late to this party, you know, on the phone.

Woman: Okay. (Collin), we're ready for you.

(Collin): US trade. I just have a question about, I guess, one about TPP, one about the US-EU. On the US-EU, you know, obviously a main objective is going to be regulatory cooperation and some of that might, you know, could involve possibly, you know, tweaking the mandates of some of these regulatory agencies here in the US.

I mean to what extent are you guys looking at, you know, at to what extent will this need to happen? Well, we say the FDA, will they need to be - look at their mandate again which is I guess right now pretty much focused on domestic protection of US citizens.

But, you know, are we looking at a situation where, you know, we're going to have to have some major sort of, you know, work done on the mandates of these agencies and what's Congress, you know, what are they going to - how are they going to - you know, the Congress committees that have oversight, how are they going to sort of handle that or react to that?

And then on TPP, I mean what is just sort of your, you know, general observation on if they can actually complete this deal by this October and formal deadline and what still needs to be done in your eyes for this to be successfully concluded in that time period?

John Engler: Well I guess that's why I'm being kind of resolute here on we're not Japan would - the door would open and they would try to come in because I think that would throw us off the deadlines (unintelligible) the goals.

So I think it's the key to current alignment. I think they can reach agreement. They've got to work hard. I mean we got to have somebody represent us (unintelligible) table I mean, you know, that's sort of important but I think - and I think in some ways, the announcement that the US the EU are going to talk probably helps accelerate those at over at TPP.

I think there's a - there might be a desire to get that one done first on the parts some of the other countries that are there which, you know, they would say, "Well, you know, we've got kind of a high ambition that will set the bar high for the US-EU negotiations. We got to get that done, get that place."

As far as the regulatory bodies, yes, I mean I think that's sort of different than, you know, we had to deal with this in, you know, commerce have had to deal with some of this in the past, agriculture for sure has dealt with some of this. There can be an impact but the - I don't think is should be feared because

again the payoff in terms of the jobs and growth and incomes, we think, is sufficiently high that it warrants the greater level of cooperation.

You know, we've - I guess, I'll say it this way, I heard on most side of the Atlantic reports of how cooperative regulatory bodies have been, their approach has been, "Yes, we'll work together. We can harmonize. They can do it our way."

You know, that is exactly the kind of spirit (unintelligible) but that's how - so the regulatory mindset - that's why they're not negotiating free trade agreements, you know, because they would, you know, "Sure, we can do it. You do it our way."

So I think there is give and take that would be required but I don't think it would be contrary to mandates but I think it might help inform agencies that, you know, their policy is not being developed in isolation and that somehow the US is not an island, in this case, but we're part of a global trading scheme.

So good question for that. I think probably we've lost everyone here. Did you have any - did you want to follow up? You had to wait all the way to the end. I'd give you that opportunity if you want. Otherwise, we'll wrap this up but...

Man: I've sort of lost track.

((Crosstalk))

John Engler: (Napoleon), do you want to follow up? Okay. I think we'll wrap it up. Thanks, everyone. Thank you very much.

END