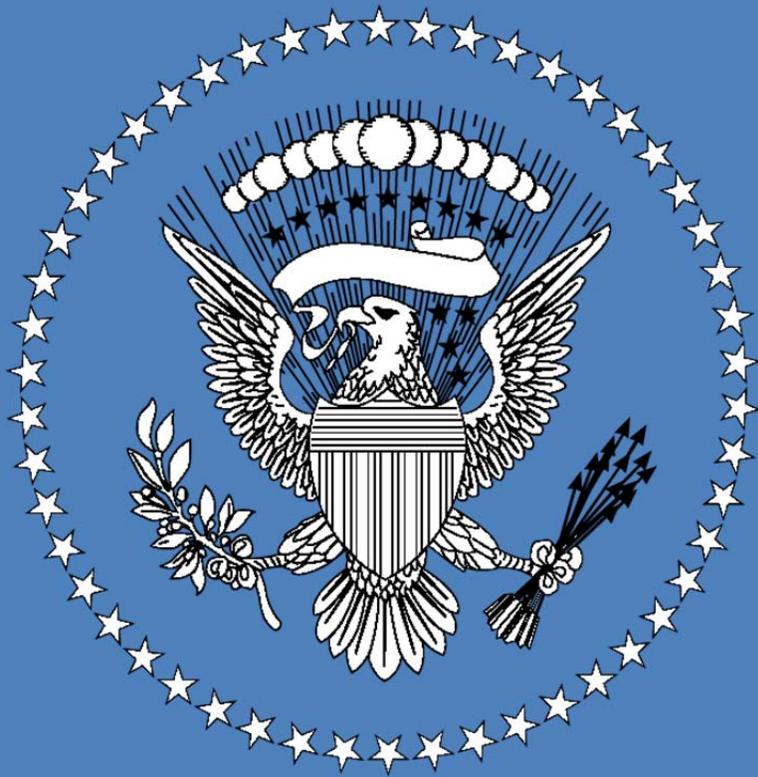


THE PRESIDENT'S EXPORT COUNCIL



Midterm Report

A Report to the President
Prepared by the President's Export Council

The President's Export Council (PEC) is a national advisory committee established by Executive Order of the President to advise the President on matters related to U.S. international trade. The private-sector representatives receive no compensation for their efforts on the Council. This report was prepared by the private-sector members. The views expressed in this report do not necessarily reflect those of the Administration or individual members of the Council.

This report and PEC letters of recommendation are available on the Internet.

To access the PEC's work, please go to www.trade.gov/pec or call the PEC Executive Secretariat at 202.482.1124

THE PRESIDENT'S EXPORT COUNCIL
WASHINGTON, D.C. 20230

December 11, 2014

The Honorable Barack Obama
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

The United States continues to make significant strides toward reaching the goals you have set for increasing U.S. economic growth through international commerce. Boosting exports remains a strategic and economic imperative for our country, given that the preponderance of new customers lies beyond our shores, especially in developing nations and emerging economies. To take full advantage of these opportunities requires the Administration and Congress to work together—with input from and in partnership with the private sector—in support of policies that benefit the American people.

Since our last meeting in June, the Council has prioritized a number of substantive and actionable recommendations:

- **Global Competitiveness.** We support your effort to prioritize trade policy, and we encourage completion of Trade Promotion Authority (TPA), the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), the Trade in Services Agreement (TiSA), and the U.S.-China Bilateral Investment Treaty (BIT).
- **Manufacturing, Services and Agriculture.** The travel and tourism agenda continues to be vital. To enable our nation to compete better in this sector, we recommend actions that would help increase the number of visitors to the U.S. while improving transportation infrastructure—including roads, rail lines, airports, and/or border crossings.
- **Small- and Medium-Sized Business Engagement.** We applaud the development of the Commerce Department's "one-stop-shop" to streamline information online available to businesses. The Council recommends that the Small Business Administration (SBA) play a more central role in coordinating with state and local stakeholders—which is essential to ensure that Federal trade tools, promotion programs, and resources (including access to capital), cater to the unique needs of these businesses, particularly in the areas of Rules of Origin harmonization and registering and protecting intellectual property.

- Export Promotion and Advocacy. To ensure that U.S. businesses are able to engage on a level playing field globally, we strongly recommend a multiyear reauthorization of the Export-Import Bank as well as a full panel of Board members to review transactions, implementation of the Trade Facilitation Agreement, and progress on initiatives aimed at enhancing North American competitiveness.
- Workforce Readiness. The Council commends the Administration on STEM education and veterans training to date. However, we believe that bolder steps must be taken to meet your Administration's own goal of increasing the number of STEM grads by one million in 2022.
- Export Administration. We commend the administration for making strides on export reform and encourage additional efforts to strengthen and streamline further controlled trade with our allies and partners.

We believe that these recommendations, documented in the attached report, form a solid foundation for future action, not only for the two remaining years of your Administration but also for subsequent Administrations that share the common purpose of maximizing America's economic potential for the future.

Thank you for your leadership and continued support of the Council's work.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McNerney". The signature is fluid and cursive, with a large initial "J" and "M".

Jim McNerney

SUBCOMMITTEE ON GLOBAL COMPETITIVENESS

We welcome the Administration's efforts to prioritize trade policy as a means of growing the U.S. economy, encouraging exports, and building open, rules-based market access and investment opportunities for American companies and workers. The launch of the Transatlantic Trade and Investment Partnership (TTIP) negotiations, progress on the Trans-Pacific Partnership (TPP) and on the Trade Facilitation Agreement (TFA), as well as engagement on key sectors at the World Trade Organization (WTO) are areas in which progress has been made this year, and we look forward to significant action in 2015 on the following priority issues:

- **Trade Promotion Authority.** The Administration should continue to work directly with Congress to ensure passage of TPA at the earliest opportunity, establishing the necessary mandate and process for the broader American trade agenda including emerging areas of trade concerns, such as localization barriers to trade, strengthening protections for trade secrets and restrictions on digital trade, including legitimate cross-border data flows.
- **Trade Negotiations.** The Administration should conclude a high-standard, commercially-meaningful, ambitious and comprehensive Trans-Pacific Partnership agreement, particularly with the goal of seeking high standard commitments on market access, agriculture, intellectual property and other areas previously detailed by the PEC that meet or exceed those included in existing U.S. trade agreements, particularly the high-standard Korea-U.S. Free Trade Agreement. Additionally, we urge increased engagement across all sectors of the TTIP negotiations, in order to achieve meaningful progress by the end of 2015. We welcome conclusion of the World Trade Organization (WTO), Trade Facilitation Agreement and progress to conclude an expansion of the WTO Information Technology Agreement (ITA) and the WTO Trade in Environmental Goods Agreement; and urge progress on the plurilateral Trade in Services Agreement (TiSA) which would significantly expand opportunities for services exports.
- **Bilateral Investment Treaties.** The Administration should work closely with the private sector to identify and pursue high standard commitments in the ongoing BIT negotiations. For example, in the China BIT negotiations, we encourage the Administration to endeavor to substantially reduce China's list of excluded sectors (the "negative list") and create a BIT that expands opportunities for greater investment and market access, including for innovative products and services.
- **Innovation.** As raised by the PEC in 2014, and as a priority element of the President's Advanced Manufacturing Partnership, we commit to working with the Administration to identify ways to implement a national multi-faceted policy framework that values and protects intellectual property and that includes long-term investment and policy changes to support our innovation ecosystem and to help ensure that investments in science translate to societal benefits.
- **Tax Reform.** As raised by the PEC in 2010, America's corporate tax structure continues to inhibit the competitiveness of global companies domiciled in the United States. The Administration and Congress should redouble efforts to seek meaningful tax reform to

support job creation, exports and competitiveness through enactment of both a globally-competitive corporate tax rate reduction and a territorial-type tax regime. The PEC welcomes the opportunity to continue to engage with the Administration and Congress to ensure meaningful, actionable tax reform.

Looking ahead to emerging issues in 2015, the PEC has identified several areas for further work and progress, including:

- **Trade with Africa.** In 2000, Congress first passed AGOA to expand trade and investment with Africa and promote growth and opportunity on the continent. In support of renewing AGOA before September 2015, we urge Congress and the Administration to work actively with the private sector (including the President's Advisory Council on Doing Business in Africa) to ensure that AGOA appropriately focuses on commercial priorities, including those identified at the successful August 2014 U.S.-Africa Leaders Summit. We also urge the Administration to prioritize Africa's critical energy and infrastructure challenges, including Africa energy legislation, and encourage African countries to implement the Trade Facilitation Agreement, all of which will spur trade and private sector growth on the continent. Finally, we recommend resources be directed to USTDA's Global Procurement Initiative: Understanding Best Value, to further educate public procurement officials in African countries about sustainable practice and policies that integrate life cycle cost analysis and best-value determination.
- **Cyber-security.** As identified at the June 2014 PEC meeting, we commit to working with Congress and the Administration to identify meaningful areas of cooperation on cyber-security issues, including information sharing and data security best practices.

SUBCOMMITTEE ON MANUFACTURING, SERVICES, AND AGRICULTURE

We are pleased to provide the Administration this report to help prioritize trade policy with the goal of expanding the U.S. economy. The combined output generated by the U.S. manufacturing, services and agricultural sectors is a major contributor to domestic GDP and each of these sectors has recovered significantly since the economic recession.

We look forward to working with the Administration to help further expand the U.S. economy and we believe the following suggestions for trade policy present some of the best opportunities to prioritize in the next two years.

- **U.S. Infrastructure.** The Administration should set an ambitious goal of upgrading the nation's aging infrastructure network. Whether it is roads, rail lines, energy grids, pipelines, ports, airports and traffic control modernization, or border crossings, U.S. infrastructure is aging and non-competitive globally. Better infrastructure would expand our long-term productive capacity and reduce the all-in cost of U.S. goods and services, making our products more competitive globally and help drive U.S. exports. Large infrastructure projects have the added benefit of generating significant positive economic impacts and job creation. There is a tremendous amount of private sector capital available to be deployed if governments were to pursue a more aggressive public-private partnership strategy. To help fund infrastructure investments, we encourage the Administration to establish a National Infrastructure Bank and engage the private sector through public-private partnerships. The Administration should take a strategic approach to infrastructure and actively coordinate upgrades of infrastructure across key sectors, such as energy, transportation, digital communications, water and the environment.
- **Visa Waiver Program (VWP) and Tourism Promotion.** The Administration should continue efforts to encourage and facilitate travel to the United States by international travelers. We urge the Administration to support reauthorization of the Corporation for Travel Promotion (d/b/a "Brand USA"), the nation's public-private destination marketing partnership, as soon as possible. We further recommend expanding negotiations to add more countries to the VWP. The Administration should prioritize negotiations with NATO-allied countries, such as Poland, and countries with tremendous outbound travel potential, like Brazil. There have been significant security enhancements to the VWP, supported by mutual data sharing commitments required for entrance into the program. Agreements require participating countries to share information about known or suspected terrorists and criminals with U.S. authorities and maintain high standards for transportation security, border security and document integrity. We also applaud the recent announcement of reciprocal extension of the validity of short-term business and tourist visas between the U.S. and China from one to ten years, and of student visas from one year to five years. Supporting increased visitation to the United States drives exports and creates jobs.
- **Trade in Services Agreement (TiSA).** The Administration should conclude TiSA as soon as possible with the goal to seek ambitious commitments in all sectors and cover all modes of delivery. Such an agreement would significantly expand opportunities for increasing services exports.

- **Improving Data.** We welcome the steps announced by Secretary Pritzker in July 2014 to establish the position of Chief Data Officer to oversee improvements in data collection and to establish a Data Advisory Council comprised of private sector leaders to advise the Department on how to deliver data in more useable, timely, and accessible ways.
- **Information Technology Agreement (ITA).** We applaud the Administration's breakthrough in the negotiations to expand the list of products covered under the ITA. Eliminating tariffs on information and communications technology (ICT) products and components and ensuring the ITA evolves with the market will have significant benefits for U.S. consumers and businesses and the global economy. We applaud the Administration's steadfast support that led to the adoption of ITA as a condition of accession to the World Trade Organization (WTO).

Looking forward, we would like to draw the Administration's attention to three emerging issues:

- **Open Skies Agreements.** We urge the Administration to embark on pursuing more open skies agreements and open up additional flight routes between the United States and other nations with the goal of bringing down barriers to travel and trade.
- **U.S. Regulatory Standards.** There are a number of countries that have started to pursue policies to prevent the sale of products manufactured to U.S. standards or to leverage regulatory differences to impede market access. We urge the Administration to promote the acceptance of U.S. standards in foreign markets and to continue to lead efforts to promote regulatory cooperation practices. A sound scientific, risk assessment-based approach provides for a more efficient regulatory regime and allows U.S. exporters to fairly compete in global markets.

SUBCOMMITTEE ON SMALL BUSINESS ENGAGEMENT

We strongly support and are encouraged by the Administration's ongoing commitment to boost the capacity of U.S. small- and medium-sized enterprises (SMEs) to access international markets as a means of fostering U.S. job growth and a vibrant global economy. Since our Subcommittee began its work, we have made more than a dozen recommendations and are pleased to note some progress has been made on most of them. Highlights include Commerce's International Trade Administration development of a 24/7 online "one-stop-shop" to streamline information access and resources via www.export.gov, and a developer's portal to help strategic partners access exporting resources and data to widely disseminate among disparate exporting constituencies. In addition, the Small Business Administration (SBA) has increased training of counselors at its Small Business Development Centers, and the SBA's State Trade and Export Promotion initiative has granted \$68 million in matching-fund awards to states over the past four years to assist small businesses to enter and succeed in the international marketplace. The Export-Import Bank also has teamed with the Department of Commerce, the Office of the U.S. Trade Representative, the SBA, the U.S. Chamber of Commerce, the National Association of Manufacturers, and several lenders to make its Global Access for Small Business initiative a top priority to increase access to financing for SME exporters. We applaud the Administration for implementing the Global Procurement Initiative: Understanding Best Value as recommended by the PEC in 2013. Since its launch last year, USTDA has designed and executed comprehensive training programs to introduce sustainable practices and policies that integrate life cycle cost analysis and best-value determinations into public procurement systems in Vietnam and Botswana. The Administration should continue to support this important initiative and direct resources to USTDA so it can fully implement the GPI, which will help level the playing field for U.S. firms competing on international tenders. And most recently, efforts with the International Institute for the Unification of Private Law (UNIDROIT) have led to the first meeting of a study group this month in Rome to draft a fourth Protocol to the Cape Town Convention to cover Mining, Agricultural and Construction (MAC) equipment. Recent economic impact studies suggest this could increase exported sales of U.S. MAC substantially.

However, more is needed to expand SME exporting capacity. While SMEs account for generally 99 percent of the 27 million employer and non-employer private non-farm businesses in the United States - roughly half of all non-farm GDP- they accounted for only about 30 percent of merchandise exports between 1997 and 2007, a \$306.6 billion market.

We look forward to significant action in 2015 on the following priority issues:

- **Technology-enabled SME Exporters.** Technology has democratized commerce by enabling small U.S. businesses to engage in exporting in a way that was unthinkable just a quarter-century ago. The Administration should lead our trading partners on new thinking to promote the exciting levels of trade occurring among small, technology-enabled exporters. Specifically, harmonization and simplification of international customs, liability, and consumer redress policies can remove barriers that prevent technology-enabled SMEs from reaching global markets. Also, a whole of government approach should be taken domestically to increase collaboration among U.S. agencies and ensure federal trade tools, promotion programs and resources cater to the unique needs of these SMEs.

- **Access to Capital for SMEs.** The Administration should work to develop, implement and expedite creative financing initiatives to make “early stage” venture capital funding more accessible to entrepreneurs. In addition, the Administration should work to increase processing efficiencies in existing programs. One such initiative the Administration should seek to accelerate and broadly publicize is the SBA One program, announced in June, designed to streamline the loan-application process for small-business owners and lenders through changes such as reduced paperwork and allowance of online applications. We would like to offer feedback on the process as it is rolled out to banks and communities to see how we can assist in communication outreach. We would also like to continue dialogue with the SBA about reviewing flexibility around existing 7A Loan and SBIC programs that could extend financing to start-up and early-stage companies that are developing innovative products and solutions. Furthermore, we encourage a renewal of Treasury’s State Small Business Credit Initiative program that assists small business with credit needs through various state agencies that manage these funds.
- **Regional/Metro Export Initiatives.** The Administration should develop a sustainable, networked platform to accelerate coordination and unification of existing local, state, regional and federal export resources and connecting them with SMEs. The Administration should also explore utilizing the SBA as a central catalyst uniting the broad range of export resources – from the International Trade Administration, Ex-Im Bank, USTDA, and OPIC to regional nonprofits, educational institutions and private-sector companies. Regional and metro-level coordination and harmonization of the myriad export resources and programs available to SMEs – coupled with measurable metrics – is critically needed. The top 100 metro areas alone account for 64 percent of the nation’s total exports.
- **Rules of Origin.** The Administration should increase efforts to streamline and standardize rules of origin between various countries as Free Trade Agreements are initiated, negotiated and developed to significantly reduce the complexities of accessing international markets by SMEs. A clear mechanism should be in place for U.S. exporters to access country-by-country existing rules of origin to ease access to critical export information. Furthermore, work should accelerate with the WTO’s Committee on Rules of Origin, which met in October to conduct its first review of new developments on preferential rules of origin for least-developed countries.
- **Intellectual Property.** The Administration should accelerate its work with the WTO and within trade agreements, particularly the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership to harmonize IP regulations and processes, to improve the simplicity, speed and cost of registering and maintaining all IP, and to develop standardized, consistent and commensurate enforcement regulations and penalties.

Following the fact-finding trip to Poland and Turkey by some members of the PEC in the fall of 2014, we note prospects for deeper engagement between small business communities on a country-to-country level. Our meetings illuminated the desire of each government to create more opportunities for small businesses to operate globally. Looking forward, we would like to see bilateral efforts that are conducive to deeper exchanges and engagement:

- **International SME Export Development.** The Administration should develop an ongoing connective mechanism that can be utilized with various country partners to provide a platform for mutually beneficial opportunities for development of U.S. and in-country SME export markets and trade facilitation.

SUBCOMMITTEE ON TRADE PROMOTION AND ADVOCACY

The Trade Promotion and Advocacy Subcommittee has identified high-impact facilitative initiatives that ease the burden on U.S. companies engaging in global trade. One such recommendation was to advance the effort of creating a “single window” portal for traders to report import and export data to U.S. trade and customs agencies with the intention of simplifying paperwork, reducing costs and developing new efficiency processes. The Administration has now set a deadline of December 2016 for all 47 U.S. agencies to be on the single window platform. The Subcommittee also recommended enhancements to the way that the government engages small and medium-sized businesses in export promotion and outreach efforts. One manifestation of that effort was the re-development of the International Trade Administration web presence via *export.gov* and the extended outreach and collaboration across all levels of government through the Metropolitan Export Initiative.

In the coming two years, more action is needed in the following areas to ensure U.S. exports can benefit from the gains made to make trade less costly and more efficient:

- **Trade Facilitation Agreement (TFA).** We applaud the Administration’s success in breaking the logjam at the WTO and finally getting the TFA concluded. Attention must be turned to rapid implementation in the United States, as well as the development of mechanisms that will encourage other signatory countries to be ambitious in their undertakings. Moving quickly to implement the TFA will serve to extract the benefits of the agreement, which is expected to streamline border procedures, increase transparency and reduce inefficiencies. The 159 WTO Members agreed to take steps to publish customs rules and procedures on the internet; issue advance rulings on tariff classifications; establish pre-arrival processing procedures; allow the release of goods prior to final customs determination; adopt trusted trader programs and establish expedited shipment procedures among other measures. The agreement will help address barriers that hamper U.S. exports and the participation of small and medium sized companies in global supply chains. The agreement has a complex implementation timeline, with different requirements for countries depending on their level of economic development. The extent to which the United States can lead in developing capacity building mechanisms that enable countries to undertake pragmatic and ambitious obligations when implementing the TFA the more U.S. exporters will benefit.
- **Export-Import Bank.** Ex-Im Bank faces several hurdles in 2015, including passage of a multiyear reauthorization prior to June 30, 2015 and the nomination and Senate confirmation of two Board vacancies. With sixty other official export credit agencies around the globe supporting their exporters with trade finance, the Ex-Im Bank’s authority cannot be allowed to lapse. Doing so would put U.S. businesses – small and large – and their workers at a significant competitive disadvantage in the global marketplace. Consultations with Congressional leadership to prioritize the reauthorization of the Bank, as well as submitting Board nominations in the near-term are critical to ensure that U.S. exporters have a level playing field. Congress is contemplating reforms to the Bank that aim to mitigate potential risk to the U.S. taxpayers. The PEC urges the Administration to work with Congress to accelerate and complete the legislative oversight process to ensure that the Bank has a

quorum of Board members and is fully re-authorized to continue lending before the June 30 expiration date.

- **North American Competitiveness.** Timely implementation initiatives within the U.S.-Canada Beyond the Border (BTB) Perimeter Security Agreement and the Regulatory Cooperation Council (RCC) Plan are critical to businesses operating in an integrated North American Supply Chain. One item in the BTB that would make significant impact on improving North American trade and supply chains include harmonizing trusted trader programs between Canada and the United States. This initiative has been set in motion but has yet to be realized. Under the RCC, more progress is needed to harmonize the safety standards for food, auto vehicles, consumer products and other commodities. Both Canada and the U.S. have among the highest standards of health and safety in the world, founded on strong and effective procedures for the development, assessment and marketing authorization of these commodities. Establishing harmonization on standards would greatly reduce costs for businesses operating in both countries, allowing businesses to focus on areas of growth and reducing friction within the North American supply chain. Alignment of regulatory regimes in the area of road, marine, and the rail sector will enhance the efficiency and safety of these vital modes of transportation. Looking forward, the same bilateral approach to regulatory cohesion is needed with Mexico. The lack of concise, succinct and harmonized regulations between U.S. and Mexican federal authorities increases the cost in regional supply chains, therefore it is necessary to:
 - Leverage the U.S.-Mexico High-Level Regulatory Cooperation Council and learn from the lessons drawn from its equivalent between the United States and Canada.
 - Harmonize where possible federal regulations related to customs, food, health, safety, consumer and security requirements of both countries. Agency certifications should be bilateral tending to mutual recognition. It is important to implement a “tested once” principle. Thus, a product tested in one country would meet the standards set by the other.
 - Enact rules that prioritize regional content rather than national content. Manufacturing supply chains call for disciplines such as “just in time” production, in which small batches of parts are constantly fed into bi-national production and assembly lines.
 - Material bound across the border and into an assembly and manufacturing plant suffers from multiple touches, as it is loaded and unloaded up to a dozen times before reaching its destination. There is a need for a regulatory regime that fosters the creation of a shared, bi-national supply chain process that regains competitiveness and operates in a more transparent and market-consistent fashion as it operates domestically in each country.

SUBCOMMITTEE ON WORKFORCE READINESS

Although America is emerging from the 2007-2009 recession, employment for U.S. workers faces a dual crisis. Vulnerable populations, such as those without degrees and veterans, are still facing difficulties securing good-paying jobs while, at the same time, U.S. firms are reporting unfilled jobs in high-skills industries. Progress has been made to encourage community colleges and high schools to provide terminal degrees and industry-related experience to students in order to better prepare them for direct entry into the workforce. In addition, recent reports show high school graduation rates have increased.

We recognize the Administration's continuing efforts to improve STEM education and training, including its proposed STEM-oriented budget of \$2.9 billion. We are encouraged that some of the recommendations made by the Subcommittee are reflected in the final budget for fiscal year 2015, specifically the inclusion of funding for research on new methods of STEM training and investments in evaluating the effectiveness of STEM programs. In addition, we also recognize the Department of Education's recent \$35 million in grants to train 11,000 new STEM teachers over the course of the next five years.

Over the past four years, we have seen commitment by the Obama Administration to address the need for increased skills training for America's workforce, including veterans. Recently announced federal grant programs will provide needed assistance to address the skill gap across all industries. These programs include (1) the American Apprenticeship Grant Program (AAG); (2) the Trade Adjustment Assistance and Community College and Career Training (TAA-CCCT) Grant Program; and (3) the Job-Driven National Emergency Grant (JD-NEG) Program. The President's Advanced Manufacturing Partnership (AMP) is developing scalable apprenticeship models in high-need advanced manufacturing, and the Administration has invested nearly \$1 billion to upgrade community colleges to train workers for advanced manufacturing jobs.

Additional action is needed in the following areas:

- **High School Preparation.** Substantial work is still required to prepare our high school students for entry into trade schools, college, or the workforce upon graduation. Although high school graduation rates have increased, it is not clear that there has been a corresponding increase in the quality of education students are receiving. Recent reports show that only 26 percent of twelfth graders scored as proficient or better in math on recent standardized tests, and only 38 percent rated as proficient in reading. Both rates are unchanged from the last test conducted in 2009. These numbers show that nearly two-thirds of high school students are lacking basic skills needed to obtain gainful employment. We applaud the growing variety of delivery models which allow students/parents additional options for education, such as vocational high schools, flexible home-schooling, and day schools, public or private, offering increased vocational training choices. But ongoing obstacles such as finding qualified instructors, costs of vocational training, some aspects of core curriculum standards, and resistance to change, still need to be addressed. Successful cases where local area businesses have partnered with schools to reduce these barriers need to be encouraged and shared. We further encourage the administration to communicate the availability of good jobs in technical sectors and where to find appropriate training paths,

while at the same time, encouraging educators and career counselors to experience those areas for themselves through internships or the like.

- **Apprenticeship Programs.** Work is still needed to expand apprenticeship programs in industries other than construction. While the Administration is making progress to expand this model through targeted programs, we encourage communications support to highlight and spread best practices of apprenticeship models further into the manufacturing sector, and other fields such as education and health care.
- **STEM Education.** Bigger steps must be taken in order for America to develop a competitive STEM workforce. The Administration must encourage partnerships between industry stakeholders and educators, legislators, and others to produce more opportunities to enter STEM careers. Work remains in changing the educational experience for students interested in STEM fields. Schools must adopt teaching practices that have been scientifically validated as effective and replace standard laboratory courses with discovery-based courses. In order to implement the recommendations of this Subcommittee and to accomplish the Administration's goal of increasing the number of STEM graduates by one million by 2022, we recommend establishing a Presidential Council on STEM Education.
- **Veterans Skills Training Programs.** Substantial work is required to strengthen training programs for America's veterans. In particular, skills programs like Get Skills to Work, Helmets to Hardhats, and the United Association Veterans in Piping Program have shown that skills acquisition and skills matching can be significantly accelerated and yield substantial results for businesses and workers. These types of programs should be replicated in other industries to expand training opportunities for veterans and transitioning military. Members of the PEC are willing to work with the Secretaries of Defense, Labor, and Veterans Affairs to expand these programs to help transition veterans to gainful civilian employment.

SUBCOMMITTEE ON EXPORT ADMINISTRATION

As stated in our previous letters of recommendation, we believe that U.S. national security and the competitiveness of U.S. companies depends upon an efficient, transparent, and predictable system for reviewing sensitive and high-technology exports. Since the announcement of the Export Control Reform (ECR) Initiative in 2009, the Administration has made great progress restructuring the export control lists in line with the stated goal to build “a smaller yard with higher fences”. As stated in our June 6, 2012 letter, the Administration has achieved other important milestones toward establishing a 21st century regulatory network that focuses public resources on areas that pose the highest risks to our national security interests. We commend the Administration’s continued commitment to modernize the U.S. export control system and are confident that these efforts will have positive long-term effects for U.S. exporters of controlled items, including small and medium-sized enterprises. We also look forward to our continued engagement with the Administration in the following areas that still require further action.

- **Technology Release Process.** In January, 2012 the Department of Defense (DoD) announced a restructuring of the Technology Security and Foreign Disclosure (TSFD) process in an effort to take a more proactive approach to technology release, created a single DoD entry and exit point for all reviews, and prioritized and consolidated the plethora of review groups, procedures and timelines. These structural changes and positive developments were welcomed and sustain the goal to “identify and promote technology release decisions that support security cooperation priorities”. But there are several process and structural improvements that could be taken in the near-term that would have a significant benefit for government-industry collaboration on technology transfer issues, including:
 - Consider further DoD or interagency consolidation and integration activities to improve transparency, predictability, and reduce the number of steps needed for TSFD review and action. In this connection, the Department might consider establishing an industry advisory group to help guide this process.
 - Establish normative timelines for DoD technology release policy and technical reviews to provide industry with greater predictability.
 - Compile interagency archive of TSFD decisions to accelerate review of new cases which can benefit from past precedent.
 - Formalize the completed ad hoc changes to existing TSFD regulations, policy, and documents.

These are just several low-cost, low-risk reforms that could be put in place to facilitate pre-licensing coordination of technology transfer policies and technical parameters. We believe these simple yet high-impact measures would enhance increased technology security while also providing clear guidelines to industry to support interoperability and capacity-building with allied and partner nations at a time in our nation’s history when we face unprecedented threats and such efforts are more important than ever.

- **Completion of and Updating of the USML/CCL Review.** This continues to be a complex and challenging process but remains the number one priority for implementing meaningful

reform measures. The Administration should ensure that all pending categories are reviewed and either finalized or proposed by the end of calendar year 2015 and that an interagency process is established to keep both lists updated.

- **Single IT System.** We continue to believe that completing the move of the remaining departments and agencies involved in export licensing to USEXPORTS, the single IT system, will streamline the licensing process and introduce commonality between the agencies that will improve regulatory clarity and reduce the interpretive burden, particularly on small and medium-sized exporters.
- **Trusted Exporter/Trusted Trader Program.** We welcome the increased collaboration with the Commercial Operations Advisory Committee's (COAC) export working group and ongoing efforts to further define the concept of a trusted exporter or trusted trader program.

The members of the PEC stand ready to advise and assist in the establishment of these or other measures that continue to build on the significant progress already achieved by the Administration in the area of export control reform.
