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REMARKS BY THE PRESIDENT
TO THE BUSINESS ROUNDTABLE

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THE PRESIDENT: Well, good morning, everybody. Happy holidays. I hope sales are good. (Laughter.) I want to spend most of my time, as I usually do, taking questions. I want to thank Randall and the rest of the executive committee for the opportunity to speak with you here today.

Let me just give you a sense of where I think our economy currently is, what's happening around the world and where I think it should be, and the chances for us here in Washington to accelerate rather than impede some of the progress that we've made.

Around this time six years ago, America's businesses were shedding about 800,000 jobs per month. Today, our businesses, including some of the most important businesses in the world that are represented here today, have created over 10.6 million new jobs; 56 months of uninterrupted job growth, which is the longest private sector job growth in our history. We just saw the best six-month period of economic growth in over a decade. For the first time in six years, the unemployment rate is under 6 percent.

All told, the United States of America, over the last six years, has put more people back to work than Europe, Japan, and the rest of the advanced world combined. And that's a record for us to build on.

At the same time, what we've been doing is working on restructuring and rebuilding our economy for sustained long-term growth. Manufacturing has grown. The auto industry has the strongest sales since 2007. Our deficits have shrunk by about two-thirds, something that very few people, I suspect, in the BRT would have anticipated in some of our conversations three or four years ago.

When it comes to health care costs, premiums have gone up at the lowest pace on record, which means that a lot of the businesses here are saving money, as are a lot of consumers.

On the education front, high school graduations are up, college enrollments are up, math and reading scores have improved.

Internationally, our exports continue to hit record levels. On energy, we have seen a revolution that is changing not just the economy but also changing geopolitics. Not only is oil and natural gas production up -- in part because of technological changes that have taken place -- but we've also doubled our production of clean energy. And solar energy is up about tenfold; wind energy is up threefold. Unit costs for the production of clean energy are dropping down to where they're getting close to being competitive to fossil fuels. And as a consequence, we've also been able to reduce carbon emissions that cause climate change faster than most of the other industrialized countries.

So the bottom line is, is that America continues to lead. I was -- Andrew Liveris and I were talking -- I was with his people in Brisbane, Australia, and at the G20, what was striking was the degree of optimism that the world felt about the American economy -- an optimism that in some ways is greater than how Americans sometimes feel about the American economy. I think what you saw among world leaders was consistent with what we know from global surveys, which is when you ask people now, what is the number-one place to invest, it's the United States of America. It was China for quite some time. Now folks want to put money back into this country.

And a lot of that has to do with the fact that we've got the best workers in the world, we've got the best university system, and research and development and innovation in the world, and we've got the best businesses in the world. And so a lot of you can, I think, take great credit for the kind of bounce-back that we've seen over the last six years.

Having said all that, I think we recognize that we've got a lot more progress to make. And I put it in a couple of categories. There are some common-sense things that we should be doing that we're not doing, and the reason primarily is because of politics and ideological gridlock. But I suspect that if we surveyed folks here, regardless of your party affiliation, you'd say, let's get this done.

Infrastructure is one area where we need to go ahead and make some significant investments. Anybody who travels around the world and looks at what airports outside the United States now look like, and roads and trains and ports and airports now look like, recognize that it makes no sense for us to have a first-class economy but second-class information. And that would not only help accelerate growth right now, it would also lay the foundation for growth in the future.

Tax reform -- an area which I know is of great interest to the Business Roundtable: I have consistently said that for us to have a system in which we have, on paper, one of the two or three highest tax rates in the world when it comes to corporate taxation, but in practice, there are so many loopholes that you get huge variations between what companies pay doesn't make sense. And we should be able to smooth the system out, streamline it in such a way that allows us to lower rates, close loopholes, and make for a much more efficient system where folks aren't wasting a lot of time trying to hire accountants and lawyers to get out of paying taxes, but have some certainty and were able to raise just as much money on a much simpler system. That's something that I think we should be doing.

Trade: In Asia, there is a great hunger for engagement with the United States of America, and the Trans-Pacific Partnership is moving forward. Michael Froman, who is here, has been working non-stop. I've promised his family that he will be home sometime soon. We are optimistic about being able to get a deal done and we are reinvigorating the negotiations with the Europeans on a transatlantic trade deal.

If we can get that done, that's good for American businesses, it's good for American jobs, and it's actually good for labor and environmental interests around the world. Because what we're trying to do is raise standards so that everybody is on a higher, but level playing field. And I think that your help on that process can make an enormous difference.

Immigration reform: I recognize that there's been some controversy about the executive actions that I've taken. On the other hand, I think the BRT has been extraordinarily helpful in getting the country to recognize that this is the right thing to do for our economy. We know it will grow the economy faster. We know it will help us reduce the deficit. We know that it gives us the capacity to bring in high-skilled folks who we should want to gravitate towards the United States to start businesses and to create new products and new services, and to innovate, and to continue the tradition of economic dynamism that's the hallmark of the United States of America.

I am still hopeful that we can get legislation done, because if we get legislation done, it actually supplants a lot of the executive actions that I've already taken -- which I've acknowledged are incomplete, allow us to make some progress, but they're temporary, and we could be doing a lot better if we actually get legislation done.

So the good news, despite the fact that obviously the midterm elections did not turn out exactly as I had hoped, is that there remains enormous areas of potential bipartisan action and progress. And I've already spoken to Speaker Boehner and Senator Mitch McConnell, and what I've said to them is that I am prepared to work with them on areas where we agree, recognizing there are going to be some areas where we just don't agree.

And I think one of the habits that this town has to break is this notion that if you disagree on one thing, then suddenly everybody takes their ball home and they don't play. I think that there's got to be the capacity for us to say, here's an area where we're going to have some vigorous disagreement, but here are some areas where we have a common vision -- let's go ahead and get that done, and build some momentum, start working those muscles to actually legislate, sign some legislation, give the American people some confidence that those of us who have this extraordinary privilege of being placed in leadership are able to actually deliver for the American people.

One final point that I'll make: I started off by talking about how generally optimistic I am about the economic trends. There are some concerns on the horizon -- obviously Japan being weak, Europe being weak, means that the United States, even as we chug along, could be pulled back by global weakness, not only in Europe and Japan but also the emerging markets. So we're monitoring that and we're working

internationally to try to get Europe in particular to see stronger growth.

But, domestically, the area where I have the deepest concern is the fact that although corporate profits are at the highest levels in 60 years, the stock market is up 150 percent, wages and incomes still haven't gone up significantly, and certainly have not picked up the way they did in earlier generations. That's part of what's causing disquiet in the general public even though the aggregate numbers look good.

And one thing I'd like to work with the BRT on is to ask some tricky questions, but important questions, about how we can make sure that prosperity is broad-based. I actually think when you look at the history of this country, when wages are good and consumers feel like they've got some money in their pocket, that ends up being good for business, not bad for business. I think most of you would agree to that. And we've got a lot of good corporate citizens in this room; unfortunately, the overall trend lines, though, have been, even as productivity and profits go up, wages and incomes as a shared overall GDP have shrunk. And that's part of what is creating an undertow of pessimism despite generally good economic news.

I think there are some concrete things we can do to address that, and I'm going to be looking forward to working with the BRT to see if we can make progress on those fronts as well.

All right? So with that, let's open it up for questions. Randall, do you want to call on folks, or do you want me to just go ahead and start?

MR. STEPHENSON: If I could ask the first question and then we'll do that.

THE PRESIDENT: Please, go ahead.

MR. STEPHENSON: Your comments, sir, have been consistent as it relates to tax reform. We have been over the last couple of days talking a lot about what are those things that are most critical for driving job growth -- middle-income job growth -- and it always for us comes back to investment. The more we invest, the more we hire, the more middle-income wages grow. And as we think about what are those things that will drive business investment and that kind of job growth -- you've touched on it and you have been consistent -- tax reform. And to us, there is no single factor that could be more important.

And the question is, do you think it would be useful to have somebody within your administration that you appoint and say, this is a priority to me; we will work with the individual and Congress, and just see if this is a priority, if we could drive this through. There's a time frame here, it seems like to us, where there's something that could be done. Both sides of Congress seem receptive. And so we'd be really open to working with you, somebody specifically in your administration, to help you drive this through.

THE PRESIDENT: Well, Jack Lew is here, our Treasury Secretary, and my understanding is, he doesn't have enough to do. (Laughter.) So I'm thinking maybe we need to put him to work.

Let me get a little more detailed about the prospects for tax reform. We put out a white paper, a general concept on corporate tax reform, several years ago when Tim Geithner was still Treasury Secretary. I think BRT has had an opportunity to take a look at what our basic principles have been. They've been consistent. The idea has been close loopholes, lower rates. We have discussed the possibility of being able to bring in some of the dollars that are trapped outside of the country right now, and in a one-time transaction, potentially use that to pay for some infrastructure improvements. I think there is some openness to that.

And when you compare what we put forward with what Dave Camp, the current House Ways and Means Chairman, put out, his principles for tax reform, there's a lot of overlap. There are some differences, but overall, conceptually, he also believes lower rates, close loopholes, a minimum tax globally that ensures that folks aren't gaming the system but also allows you to be competitive with folks based in other countries that are operating on a territorial basis.

So there is definitely a deal to be done. I think two big hurdles that we're going to have to get over -- the first is the classic problem, which is people are in favor of tax reform in the abstract and sometimes more concerned with tax reform in the specifics. If we are, in fact, going to accomplish revenue-neutral corporate tax reform that substantially lowers the corporate rate, then we have to go after some deductions that people are very comfortable with. And there are going to be some winners and there are going to be some losers in the short term. Over the long term, there's going to be less distortion in

the economy, and capital will be allocated more sensibly. But in the short term, there are going to be some winners and losers -- including in this room.

The question then becomes, are folks willing and ready to go ahead and make that move for the sake of a simpler, more streamlined, more sensible tax system. Because, if not, it's not going to happen. All of you represented in this room have employees and businesses and plants all across the country in every congressional district, and if we don't have consistency and unity coming out of our top companies, then we're going to have -- I think the likelihood of us being able to get something done is low.

The second problem is one that is solvable, but is tricky, and that is Paul Ryan, at least in the past, has stated that -- and I think Boehner has echoed this -- that they don't want to just do corporate tax reform; they're interested in also combining that with individual tax reform, in part because they're concerned about pass-through corporations not being able to benefit the way larger companies do.

And we are actually committed to providing simpler and lower tax rates for small businesses as well. But what we're not willing to do is to structure a tax deal in which either it blows up the deficit -- essentially we can't pay for the revenue that's lost -- or, alternatively, that you get tax shifting from businesses to middle-class and working families. And so when you start introducing the individual side, it gets more complicated in terms of who's benefitting, what are the rates, how is it restructured.

My view is, is that if we start with the corporate side, it's a more discrete problem, fewer variables, fewer moving parts. We may be able to get that done, and then we can potentially have a conversation about broader tax reform. That may not be how the Republicans view the situation, and so that -- and that could end up being a hang-up.

One last point I would make -- and this relates to the issue of individual tax reform, but it also relates to one of the debates that was taking place during this lame-duck period, and that is about tax extenders. As a general rule, we are open to short-term extensions of many of those provisions to make sure that all of you are able to engage in basic tax planning at least for the next couple of years, and are not having to scramble during tax time, figuring out what exactly the rules

are. But more broadly, we'd like to see if some of those tax extender provisions, including things that I strongly support like research and development, are incorporated into a broader, comprehensive tax reform package.

In order to do that, though, I also want to make sure that some provisions that benefit working families are included in that package: The child tax credit -- hugely important for a lot of working families. The EITC, earned income tax credit -- hugely important for a lot of working families, something that has historically been supported on a bipartisan basis because it encourages work, but it says if you're working full-time we're going to try to do everything we can to make sure that you're not in poverty when you're doing the right thing and taking responsibility. There is a college tuition tax credit that benefits a lot of families -- sometimes families who get caught, they're not quite poor enough to qualify for Pell grants, but they don't have enough money to be able to really manage college costs.

So there are going to be some working-class and middle-class and working-family provisions that have to be incorporated if we are to extend some of these other tax deductions and tax breaks as well.

But that, hopefully, gives you a sense of optimism on my part, but cautious optimism. I think that there are going to be some real challenges, but we are absolutely committed to working with Speaker Boehner and Mitch McConnell, as well as the BRT and other interests in seeing if we can get this thing done. I think the time is right. And you're right, Randall, that the window is not going to be open too wide and it's going to start narrowing the closer we get into the next presidential election -- which always seems to start the day after the last election.

Q Mr. President, Maggie Wilderotter with Frontier Communications. Thank you for being with us. And also thank you for explaining a little bit more what you're thinking about for tax reform. I also want to just underline that the tax extenders, until there is some reform that takes place, is really important to all of us in this room. As Randall mentioned, it is about capital investment that really drives income growth for middle-class families. Our company serves 30,000 communities in rural America, so that is important to us.

One of the other things that's important to us is the continuing resolution to keep the government going.

THE PRESIDENT: Me, too. (Laughter.)

Q Yes. Can you talk a little bit about how we make sure that we don't have fits and starts again on that subject?

THE PRESIDENT: I've been encouraged by recent statements by Speaker Boehner and Leader McConnell about their interest in preventing another government shutdown and I take them at their word.

The federal government budgeting process generally is -- how should I put it -- not ideal. Ideally, we would have longer time frames, greater certainty. We would be able to distinguish between capital investments that are going to have long-term payoffs and short-term operating expenses.

Historically, that's just not been how the budget process has been structured. And since the plane is constantly flying, it's hard to get in there -- maybe Jim has advice about how to switch up engines while the plane is in the air. So the tendency is just to kick the can down the road with a series of continuing resolutions.

There's been an effort to try to get back to regular procedures and to systematically look through these budgets. There was talk of an omnibus bill rather than a continuing resolution. And I think it will be useful for you to get directly from the Speaker what their intentions are at this point. But the one thing I can say for certain is that no one benefits by the government shutting down, and it is entirely unacceptable for us not to maintain the full faith and credit of the United States government. And we just cannot afford to engage in that kind of brinksmanship that we saw over the last couple years. Each time that happened, consumer sentiment plunged. It was a self-inflicted wound and we had to dig ourselves back out of a hole, despite all the efforts that had been made, simply because people's confidence in the system overall was shaken. So my strong hope is, is that we don't repeat that.

And part of the principle that can prevent that is what I already articulated. We have to be able to disagree on some things while going ahead and managing the people's business and working on the things where we do agree. Democracy is messy, but it doesn't have to be chaos. And I've been encouraged, as I said, so far by statements by Republican leadership.

And if, in fact, we can get some certainty on the budget at least for the next year, that then gives us the window to work on tax reform. The good news is in all this is the incredible progress we've made on our short-term deficits. Nobody talks about them anymore. I will say that's one of the frustrating things about Washington, is people are really good about hollering about problems, and then when we solve them nobody talks about them. We have made extraordinary progress in reducing our short-term deficits.

We still have some long-term liabilities that we've got to worry about, and some of those problems, though, have been addressed -- are being addressed by changes in the health care delivery system, which has been a huge driver of long-term federal debt. I think I mentioned earlier that health care inflation has gone up at the slowest rate in 50 years, far slower than had been projected by CBO or by the actuaries for Medicare.

As a consequence, we've already been able to book about \$188 billion in savings over the next 10 years in reduced health care outlays. And I actually think that we can get more done as some of the delivery system reforms that we talked about and are initiating through the Affordable Care Act are put in place.

So there's good news on the budget. But now what we've got to do is to create a framework in which not only do we keep our deficits low and we're able to start driving down our debt, but we're also able to make some core investments that I mentioned earlier -- in infrastructure; in education, and particularly early childhood education is an area where I think we can make a lot of progress; in basic research and science. I was out at NIH yesterday talking to a woman who had worked 10 years on the Ebola virus in great obscurity until suddenly everybody thought she was pretty interesting. And we're in the process now of phase two trials on an Ebola vaccine. But that kind of basic research investment is part of what keeps us at the leading edge.

So if we can create a budget structure that allows us to make those investments, keep deficits low, streamline our tax system, then I think the opportunities for American preeminence economically are very, very high.

Yes, Doug.

Q Mr. President, good morning. Welcome. Thank you for joining us.

THE PRESIDENT: Good to see you.

Q The four things you mentioned in your earlier comments -- infrastructure, immigration, tax and trade -- are sweet spots for this group. They're our highest priorities. Any one, or any combination, or all of them would lead to economic growth, job creation. And everyone in here wants to grow and everyone wants to add jobs, and we all want to raise pay -- believe it or not. It's what we want to do.

THE PRESIDENT: Oh, I do believe it.

Q We'd be interested in your comments on the priorities of those. As you look into '15 -- new Congress, new faces, certainly a changed Senate -- what's first, what's second? Kind of what's the lineup?

THE PRESIDENT: I think it's going to be very important for me to consult with Boehner and McConnell to find out how they want to sequence their efforts, because ultimately the challenges on most of this stuff has not been my administration's unwillingness to engage or get it done, it's been the complications of Congress and the challenges they have in their respected caucuses.

My instinct, though, is to get a process started on tax reform early, because you need a pretty long runway for that. It takes some time. As I said, we've already got some overlap in the frameworks, which will help, but that's probably a full six to nine months before we could really solidify something.

So getting started on that early -- understanding there's not going to be a vote any time soon and there's going to be a lot of contentious debate -- I think would be helpful.

With respect to trade, we hope to be able to not simply finalize an agreement with the various parties in the Trans-Pacific Partnership, but also to be able to explain it to the public, and to engage in all the stakeholders and to publicly engage with the critics, because I think some of the criticism of what we've been doing on the Trans-Pacific Partnership is groups fighting the last war as opposed to looking forward. And so that may be something discrete that we can get done if we're

able to have a good, solid debate and everybody feels like it's been transparent and they understand exactly what it is that we're trying to do.

Infrastructure I think gets wrapped up in tax reform. The challenge for infrastructure has been that -- it's not that I think my Republican friends don't want infrastructure. I notice whenever we get a project going, they're at the ribbon-cutting. I think it's the pay-fors, how do you pay for it. And they're very sensitive, as you know, to anything that might be construed as a tax. Of course, it's hard to pay for things if you don't have some sort of revenue stream.

And I've been exploring -- I had a conversation with Larry Fink a while back, and Larry has been bringing together some people to see how we can do more in attracting private investment into infrastructure construction -- which is done fairly effectively in a lot of other countries, but that's not been our tradition, so our tax structures and legal structures are not optimally designed to get private capital and infrastructure. But we're working on that. But I do think that if we are successful with tax reform that may give us an avenue for a one-time big push on infrastructure.

But it's hard for me to envision this Congress being able to vote on a big infrastructure bill on its own, because I don't know where they would get the money for it. I've got some proposals, but I don't think they're likely to adopt them.

And finally, on immigration, I think that's something that probably comes last. I suspect that temperatures need to cool a little bit in the wake of my executive action. Certainly, there will be pressure initially within Republican caucuses to try to reverse what I've done, despite the fact that what I'm doing I think is exactly the right thing to do. We have to prioritize how we allocate limited enforcement resources, and we should be focusing on felons; we should not be focusing on breaking up families who are our neighbors and our friends and whose kids go to school with us.

It's temporary, and as soon as Congress passes comprehensive legislation, it goes away. But I don't think that that's something that this Congress will be able to do right away. My suspicion is they'll take a couple of stabs at rolling back what I've done, and then perhaps folks will step back and say, well, rather than just do something partial that we may not be completely satisfied with, let's engage with the President to

see if we can do something more comprehensive that addresses some of our concerns, but also addresses my concerns as well.

So I think that's probably the sequence -- get tax reform rolling. Make sure that everybody understands, from my perspective, it's going to have to be balanced. We're not going to leave EITC or the child tax credit behind and just do a corporate piece on its own. But if we can get that ball rolling and we can get trade done -- and then there's some things that we haven't really talked about. I mentioned, for example, patent reform. There's still more work to do there. Cybersecurity, an area that is of great interest to a lot of people in this room. Some areas that shouldn't be ideological at all, don't require huge expenditures of money, do require that we reorganize ourselves to respond to new challenges and new threats. Then you could see an environment begin to emerge of productivity in Washington -- which would be exciting. I love signing bills. (Laughter.)

David.

Q Could you provide a global perspective for us? You were recently in China, and them now being the number-two economy in the world, us building peaceful commercial ties with them while not turning a blind eye to the things that we know are issues is important. And it feels like you made some progress there with greenhouse gases and other things. And then could you take a moment to talk about some of the trouble spots in the world and how you're thinking about Russia and the Middle East and Korea and what we have to deal with there?

THE PRESIDENT: Well, let me talk about economics and then I'll talk about geopolitics. I've touched on earlier the economics, and many of you have great analysts, so I'm probably not telling you anything you don't know or are not experiencing concretely in your businesses.

The United States stands out as an economy that's going strong at the moment. Japan is contracting in a way that has surprised many analysts and I know surprised Prime Minister Abe. He's got new elections. There's a delay in the consumption tax, the second phase of it, that was slated to go into effect. They're pursuing fairly aggressive monetary policy. But I don't know whether they're going to be able to pull out of the current variation on what's been a pretty long-term slump any time soon, and they've still got some debt overhang that they've got to address.

In Europe, the debate has generally been framed as austerity and prudence promoted by the Germans, versus a desire for a looser set of fiscal policies among the southern countries. If you look, the truth is, is that Spain, France, to a lesser extent Italy -- most of the big countries in the south have been engaging in some pretty serious structural reforms. They haven't done everything that they need to do in terms of providing labor flexibility, for example, but they are making strides in addressing many of those issues. But right now, what you've got is an environment in which the dangers of deflation and really weak demand in Europe chronically, over a long period of time, I think are more significant than dangers of overheating economies and inflation in the European Union.

And we have -- I joke sometimes that I'm an honorary member of the European Commission -- and Jack certainly is, Tim Geithner before him -- we have spent a lot of time trying to manage through various crises that pop up in Europe. And my concern is, is, is that because there's not a current financial crisis and the markets are relatively calm, that we're not paying enough attention to just the overall weakness of the European economy.

And we keep on poking and prodding, suggesting to them that -- in our own circumstances, for example, we were able to reduce our deficits in part because, yes, we raised some taxes, but in part because we grew faster. And if you've just got weaker demand chronically, then it's actually harder to get out of a hole than if you had stronger investment and stronger demand there.

The emerging markets I think have been slower than anticipated. China has a fairly good rationale for that. They're trying to shift away from a model that was entirely export driven to a model that recognizes they need stronger demand inside of China. And they've got a nascent, but growing middle class start to have enough confidence to spend some money.

But that requires a complete reorganization of their economy. They've got a real estate situation, in part because of state-sponsored spending, that is always at risk of overheating. And so the new normal that they're anticipating means that they won't be growing quite as fast as they had before. If they grow at 7 percent, we'd take it, but for them, that's significantly slower. And that then has ramifications in

terms of demand for commodities, which, in turn, affects a whole lot of emerging markets.

India -- Modi has impressed me so far with his willingness to shake up the bureaucratic inertia inside of India. But that is a long-term project and we'll have to see how successful he is. Brazil -- challenges, but they just completed an election and I think they recognize they need to grow faster.

So I guess the overall global picture -- and, Jack, you can correct me if there's anything that I'm saying that's wrong -- is people continue to look to America for economic leadership. We need some other engines to be pulling the global economy along and we're pursuing diplomatic policies and consultations to try to encourage that.

On the geopolitics, my meeting with President Xi I thought was very productive and obviously we had some significant deliverables. He has consolidated power faster and more comprehensively than probably anybody since I think Deng Xiaoping. And everybody has been impressed by his clout inside of China after only a year and a half or two years. There are dangers in that -- on issues of human rights, on issues of clamping down on dissent. He taps into a nationalism that worries his neighbors and that we've seen manifest in these maritime disputes in the South China Sea as well as the Senkaku Islands.

On the other hand, I think they have a very strong interest in maintaining good relations with the United States. And my visit was a demonstration of their interest in managing this relationship effectively.

Our goal with China has been to say to them, we, too, want a constructive relationship. We've got an integrated world economy and the two largest economies in the world have to have an effective relationship together. It can be a win-win for both sides, but there are some things we need them to fix. And we are pressing them very hard on issues of cybersecurity and cyber theft, mostly in the commercial area. It is indisputable that they engage in it, and it is a problem. And we push them hard on it.

One thing the BRT can do is to help us by speaking out when you're getting strong-armed about some of these issues. And I know it's sensitive because you don't want to be necessarily penalized in your operations in China, but that's an area that's

important. Same thing with intellectual property. We are pushing them hard on that.

One of the ancillary benefits of the Trans-Pacific Partnership is to create high standards in the region that then China has to adapt to, as opposed to a race to the bottom where there's no IP protection, for example, and China is really setting the terms for how trade and investment should operate.

President Xi is interested in a business investment treaty. That could be significant because it could help to change the environment in which you are able to invest in China without being discriminated against relative to domestic firms. We've got a lot of work to do on that, but that's a work stream that we've set up.

So I think we have to be cautious and clear-eyed about our relationship with China, but there's no reason why we should not be able to manage that relationship in a way that is productive for us and productive for the world.

I'm less optimistic about Russia. I have a very direct, blunt and businesslike relationship with Putin. We had a very productive relationship when Medvedev was President, even though Putin was still the power behind the throne. In part because I think the situation in Ukraine caught him by surprise, he has been improvising himself into a nationalist, backward-looking approach to Russian policy that is scaring the heck out of his neighbors and is badly damaging his economy. And sanctions are having a big bite on their economy.

We continue to offer them a pathway to a diplomatic resolution of the problem. But the challenge is this is working for him politically inside of Russia, even though it is isolating Russia completely internationally. And I think people should take note of how unified we have been able to keep the Europeans on sanctions and penalizing Russia for its behavior, despite the fact that it's tough on the Russian economy -- or on the European economy. But people have recognized there's a core principle at stake that helped to establish peace in Europe and prosperity in Europe that can't be ignored.

But if you ask me, am I optimistic that Putin suddenly changes his mind-set, I don't think that will happen until the politics inside of Russia catch up to what's happening in the economy inside of Russia -- which is part of the reason why we're going to continue to maintain that pressure.

And finally, in the Middle East, you are going through a generational shift, a tectonic shift in the Middle East, and it is messy and it is dangerous. Part of it is sectarian schisms between Shia and Sunni, and conflicts between states that engage in proxy fights that are far more bloody and vicious and significant now than the conflict between Arabs and Jews. And you're seeing that primarily in Iraq and Syria.

And I am confident about our ability to push ISIL back in Iraq. Syria I think is a broader and longer-term -- more difficult, long-term proposition, in part because the civil war has gotten so bad and the interests of outside parties are so conflicting that it may take time to let that thing settle down. But obviously we're very active not just militarily, but diplomatically.

The longer-term problem in the Middle East is -- and this relates to the economy -- the whole region in some ways has gone down a blind alley where too often Islam is now equated with rejection of education, modernity, women's participation -- all the things that allow you to thrive in a modern economy. And that's not uniformly true, but too often those forces inside of Islam have been elevated, and moderate voices and voices that recognize Islam should be compatible with science, education, tolerance, openness, global commerce, productivity -- too often those voices have been silenced.

So the question now becomes are we able to strengthen some of those voices. That is a generational problem. And some of the things we're doing, for example, are entrepreneurial summits for Muslim small business leaders, and that's the kind of thing that we want to continue to promote and where we think the BRT can be very helpful.

But in the meantime, a big chunk of my job is just making sure that we help to contain the damage that's being done inside of the Middle East and then hopefully, over time, build towards a better future there. That's not a two-year project; that's going to be a longer-term project.

That was a long answer, but it was a big question. (Laughter.) He said he wanted to go around the world and I did that pretty fast.

All right. In the back. Fred.

Q Mr. President, you mentioned infrastructure in your opening remarks, and the BRT I think would echo the fact that our highways and bridges are deteriorating, and the lack of investment is creating congestion, which is retarding economic activity.

THE PRESIDENT: I want my FedEx package moving smooth through our infrastructure.

Q "60 Minutes" did a very good piece on this problem the other day. So the Highway Trust Fund, which provides the funding for all of these infrastructure improvements ran out of money in August and it was papered over with a patch based on some pension accounting.

So now you have bipartisan bills in both the Senate from Senator Corker, a Republican, and Senator Murphy of Connecticut. You have, as of yesterday, a bipartisan bill in the House with Congressman Petri, a Republican, and Congressman Blumenauer, a Democrat, and you had the Chamber of Commerce and the head of the AFL-CIO jointly testify in Congress about the Highway Trust Fund, the gasoline and diesel tax, and you've got the entire industry supporting an increase in highway taxation to fund these infrastructure improvements. So why not, before the Congress goes home for December, just pass a bill that takes the two bipartisan bills that I just mentioned up and solves the problem? Because come May, it's going to run out of money again because the patch is over. I would think that would be a great opportunity for you and the new Congress to show some bipartisan success here.

THE PRESIDENT: I'll tell you, Fred, if I were running Congress, I'd potentially take you up on that offer or suggestion. I think I probably already would have done it.

In fairness to members of Congress, votes on gas tax are really tough. Gas prices are one of those things that really bug people. When they go up, they're greatly attuned to them. When they do down, they don't go down enough. And so, historically, I think there's been great hesitance.

So I guess what I'd do is separate out, Fred, a short-term problem and the long-term problem. Short term is we've got to replenish the Highway Trust Fund. And I will engage with Speaker Boehner and McConnell to see what they think they can get done to make sure that we're not running out of money. Because we've got a whole bunch of construction projects

that are in train right now that -- set aside the stuff that we need to do, just keeping going on the stuff that is currently operating would be endangered if we don't replenish it.

The question is going to be, is there a formula long term for us to get a dedicated revenue source for funding the infrastructure that we need that is not so politically frightening to members of Congress that it's reliable. The gas tax hasn't been increased for 20 years. There's a reason for that. And if that's your primary source of revenue when the population has -- I don't know what it's done, but it's gone up X percent; GDP has gone up X percent -- we've got -- your business, Fred, has completely transformed over the last two decades, and yet we still have the same mechanism to try to keep up.

It's probably a good time for us to redesign and think through how do -- what is a sustainable way for us on a regular basis to make the investments we need. And this may be something that we can introduce into the tax reform agenda. It may end up being too complicated and we got to do something separate, but we've got to figure this out. We are falling behind.

Dave, you were asking earlier about China. I do not take potential competition from China lightly, but I am absolutely confident we've got better cars than China does. And I'd much rather have our problems than China's problems. That I'm confident about. On the other hand, the one thing I will say is that if they need to build some stuff, they can build it. And over time, that wears away our advantage competitively. It's embarrassing -- you drive down the roads, and you look at what they're able to do. The place that we stayed at for the APEC Summit was this lavish conference center, and it probably put most of the conference centers here to shame. They built it in a year.

Now, you've got an authoritarian government that isn't necessarily accountable. I understand we're not going to do that. But if they're able to build their ports, their airports, their smart grid, their air traffic control systems, their broadband systems with that rapidity and they're highly superior to ours -- over time, that's going to be a problem for us.

So, Fred, I guess the answer is, I'm going to talk to McConnell and Boehner to see what we can do short term and to see whether these bipartisan bills have any legs. They'll have

a better sense of head counts. And I'll have to talk to Harry Reid and Nancy Pelosi as well. But even if we were able to get something done, it would not be the kind of 10-year solution that we need. The best I suspect they could do would be to stagger through another year. And we've got to have a better way of planning and executing on infrastructure investment.

And I'll be engaging with the BRT and you, hopefully, and others who are interested to see if we can come up with something. And I've got to check in with Larry to see if he's figured out whether we can get all that global capital on the sidelines to start helping us fund some infrastructure projects here in the United States.

Yes, Greg.

Q So just to pivot back to immigration for a minute. It remains a top priority unequivocally of BRT. We are of the mind that the policy and the politics can still align sometime in 2015. We are steadfast and consistent in comprehensive or broad-based reform and all the components that come with that. We agree with you on timing -- maybe it's for, whatever, second quarter, summer, whatever it ends up being, but there's still an opportunity to do that. As we go down this path in what appears to be a piecemeal approach with multiple bills that can advance, I just wanted to make a comment. We all collectively need to be mindful of the sequencing and the packaging of those individual pieces of legislation and how they're viewed so we don't talk past each other. You know what I'm saying.

THE PRESIDENT: I do. I mean, Greg, look, let's be blunt. BRT has a great interest in the high-skill visa issue and H-1Bs, and making sure that STEM graduates are available to work and ultimately start businesses here in the United States. I'm for that as well.

There was a limit to how much we could do on that front through executive action because something like H-1B visa numbers are clear, statutory, not subject to a lot of executive interpretation. But, for example, we could administratively make sure that folks who had been approved for green cards, that process was accelerated so that they weren't stuck and their employers weren't hobbled in terms of utilizing those personnel in a more efficient, effective way. So that's component one, and I know that's a preeminent interest to this room.

There's an agricultural component. There wasn't a lot we could do administratively on the ag sector, but those whose businesses keep track and are related to what happens in agriculture understand that we should have a more efficient system for managing fairly, justly, agricultural workers who are vital to the economy.

And, frankly, this is one of the few areas where it genuinely is true that it's hard to find Americans to do those jobs. Sometimes that's overstated. Sometimes the question is - and I hope I'm not offending anybody here -- but sometimes when folks say, we can't find anybody it's because you don't want to pay as much as you'd have to, to find some folks.

But in the ag sector, that's hard work, and it's hard to find enough American-born workers to actually get it done. But we've got to treat them fairly and make sure that it's good for workers, good for business. That we could not do much about through executive action. So those are two big components that are of interest to this group that need to get done.

Border security -- the truth is, we're already doing a lot. We're going to be doing more as a consequence of the executive actions. There was a spike in concern about the borders because those kids had been coming up from Central America during the summer and it got two weeks of wall-to-wall coverage until everybody forgot about it. It does reflect real problems in Central America with their economies and violence, but also active marketing by smugglers to parents, saying that they could get kids in. We brought that back down so the numbers are now below what they were two years ago.

Overall, the border is less porous than it's been any time since the 1970s. And we make huge investments down there. We can still do more, but the truth is, were working that part of it real hard.

And then there's the issue that I did deal with in executive actions, although not for everybody, and that is the 11 million people who are here undocumented but the vast majority who are law-abiding. And the one principle I guess, if, in fact, we can still get a comprehensive deal going forward, even if it's somewhat piecemeal, is I am not going to preside over a system in which we know these folks are in the kitchens of most restaurants in the country, are cleaning up most of the hotels that all of you stay in, that are doing the landscaping in most neighborhoods where you live, whose kids are

going to school with our kids, and we tolerate it because it's good for us economically to have cheap labor and services, but we never give them a path to be part of this country in a more full and fair way.

That's just not who we are. That's not how most of our forebears got to the point where we had the opportunities we've got today. So I'm not going to perpetuate a system of that sort.

I've taken executive actions. What I'd like to see, and I'm happy to negotiate, is to see if we can solidify that into law. But it's going to be hard, I think, for me and for other Democrats to vote for a big package that says, all right, were going to still not deal with that and just deal with those aspects of it that are of core concern to the BRT. That doesn't mean I can't have that conversation, but I want to be honest about the complications of us doing something piecemeal.

Q Well, and we support --

THE PRESIDENT: I know you do.

Q The components.

THE PRESIDENT: You guys are all there. You guys have been terrific on this. I have no complaints at all, and, in fact, I have only gratitude for the way that the BRT stepped up. I think everybody here sincerely understands what immigration has meant to the life of this country.

And just in terms of macroeconomics. It's not a sexy argument to make to the public, but we are younger than our competitors. And that is entirely because of immigration. And when you look at the problems that China, Japan, Europe, Russia, are all going to have, a lot of it just has to do with they're getting old. And we stay young because we're constantly being replenished by these striving families from around the world. And we should want that to continue.

All right. I'll take two more, what the heck. Right back here and then right over here.

Q Mr. President, almost everyone agrees that U.S. Trade Representative Michael Froman is doing a herculean job of driving trade agreements around the world. It seems to be common sense that more access to global trade is good for the

creation of U.S. jobs. How can we get TPA passed so that Michael can have the clear support that he needs to drive these agreements?

THE PRESIDENT: Well, I'm going to be talking to McConnell and Boehner, Reid and Pelosi, and making a strong case on the merits as to why this has to get done. It is somewhat challenging because of a factor that I mentioned earlier, which is Americans feeling as if their wages and incomes have stagnated.

And there's a half-truth that is magnified I think in the discussions around trade that global competition has contributed to some of that wage stagnation. It's an appealing argument. I think when you look at the numbers, it's actually an incorrect argument that over time, growth, investment, exports all have increased the capacity for working families to improve their economic standing. But I say it's a half-truth because there's no doubt that some manufacturing moved offshore in the wake of China entering the WTO and as a consequence of NAFTA.

Now, more of those jobs were lost because of automation and capital investment, but there's a narrative there that makes for some tough politics. We have to be able to talk directly to the public about why trade is good for America, good for American businesses and good for American workers. And we have to dispel some of the myths.

Part of the argument that I'm making to Democrats is, don't fight the last war -- you already have. If somebody is wanting to outsource, if any of the companies here wanted to locate in China, you've already done it. If you wanted to locate in a low-wage country with low labor standards and low environmental standards, there hasn't been that much preventing you from doing so. And, ironically, if we are able to get Trans-Pacific Partnership done, then we're actually forcing some countries to boost their labor standards, boost their environmental standards, boost transparency, reduce corruption, increase intellectual property protection. And so all that is good for us.

Those who oppose these trade deals ironically are accepting a status quo that is more damaging to American workers. And I'm going to have to engage directly with our friends in labor and our environmental organizations and try to get from them why it is that they think that -- for example, Mike is in a conversation with Vietnam, one of the potential signatories to

the TPP. Right now, there are no labor rights in Vietnam. I don't know how it's good for labor for us to tank a deal that would require Vietnam to improve its laws around labor organization and safety. I mean, we're not punishing them somehow by leaving them out of something like this. Let's bring them in.

On the environmental front, I haven't looked carefully at the environmental laws in Malaysia recently, but I suspect they're not as strong as they are here. It's not a bad thing for us to nudge them in a better direction, particularly since we now know that environmental problems somewhere else in the world are going to ultimately affect us.

So I think that there are folks in my own party and in my own constituency that have legitimate complaints about some of the trend lines of inequality, but are barking up the wrong tree when it comes to opposing TPP, and I'm going to have to make that argument.

But I will tell you, though, when you talk to Boehner and McConnell, that some of those same anti-trade impulses are more ascendant in the Republican Party than they might have been 20 years ago as well. And some of you may have encountered those in some of your conversations. And this was why it goes back to the point -- we're not going to get trade done, we're not going to get infrastructure done, we're not going to get anything done in this town until we're able to describe to the average American worker how at some level this is improving their wages, it's giving them the ability to save for retirement, it's improving their financial security.

If people continue to feel like Democrats are looking after poor folks and Republicans are looking after rich folks and nobody is looking after me, then we don't get a lot of stuff done. And the trend lines evidence the fact that folks have gotten squeezed. And obviously, 2007, 2008 really ripped open for people how vulnerable they were.

Nick.

Q Mr. President, thank you for being here today. We talked about many issues that are on the 2015 agenda for the Business Roundtable. One of the real pervasive issues that I know you've talked about before is the regulatory burden in this country, and still it remains the major issue that many of us deal with.

In my industry, American Electric Power, we're in the midst of a major transition in our industry. We have environmental rules, obviously, that we continue to advance and have done quite a good job of reducing greenhouse gas emissions and so forth. And I know that we've had billions being spend on mercury removal at the time when we're now having greenhouse gas rules being put in place that even independent system operators say that there will be impacts on the reliability of the grid.

And I know you've been seriously responsible and involved with the reliability implications for our grid due to Super Storm Sandy, from the cyber physical standpoint. And it really is interesting for us to see this transition occurring. We've got to be reasonable and rational. And it goes to the overall regulatory question: How do we continue to make progress -- and I'd like just your views on -- you've talked about this before -- how do you see the progress that's been made and what you anticipate occurring in the next couple of years relative to removing some of this regulatory burden that makes us all uncompetitive?

THE PRESIDENT: I think it's a great question. It's probably a good place to close because I think this is an area where I'd like to see us do more together.

I've said before to my staff -- I haven't said this publicly, so I've got to be careful here. You get a little looser in your last two years of office. (Laughter.) And this is a little tongue-in-cheek, but it will get to a point. The Republicans -- and maybe I'd throw the BRT in here -- are actually about 25 percent right when it comes to regulatory burden. Now, you say the numbers are different. But what I mean by that is nobody wants to be regulated, and there are some regulations that are burdensome on businesses. They'd rather not do them, but the common good that is served is sufficiently important, the benefits so outweigh the cost that, as a society, we should go ahead and do them.

And we were talking about China earlier. I would just point to one simple example, and that is you would not want your kids growing up in Beijing right now, because they could not breathe. And the fact of the matter is that used to be true in Los Angeles -- as recently as 1970. And the reason it changed was because of the Clean Air Act. And in my hometown of Chicago, the Chicago River caught fire right around the same period, and because of the Clean Water Act, you now have folks

paddling down the water and fishing. And the commercial renaissance of downtown Chicago is, in large part, driven by a really big, radical piece of environmental legislation that, at the time, people said would destroy our businesses and our competitiveness.

So there's an example of something that -- it's inconvenient, it's tough, but it's the right thing to do. And, over time, I actually think it's not only good for our quality of life, it's actually good for our economy. Because we've got some really innovative companies here and you guys figure out how to adapt to those regulations.

But remember what I said at the beginning -- you're actually about 25 percent right. What is absolutely true is, is that as we comb through our regulatory structures, there are old regulations that have outlived their usefulness. You have regulations on railroads that don't take into account GPS, so they have folks doing a whole bunch of stuff that doesn't acknowledge technologies that have sprung up over the last 20 years. You have regulations that are poorly written. You've got regulations that are not properly synced up so that you have different agencies with different responsibilities and so compliance costs end up skyrocketing. You have regulations that squash innovation, because at times some of the agencies, the regulatory agencies treat every problem like a nail and only have a hammer, and aren't engaging with industry enough to think, all right, here is the problem we're trying to solve, is there's a smarter way of solving it.

So what we've tried to do is to set up a structure in which we can engage directly with various industries, explain here's the goal we're trying to accomplish, solicit as much feedback as possible, and then try to design systems that provide some flexibility, allow for creative adaptation, but still hit the mark, still hit the goal.

And, for example, on the power plant rule, which obviously you're having to spend a lot of time with, I recognize that this is a big expense for a lot of companies. On the other hand, I think Gina McCarthy has tried to have a sufficiently open process so that she's working with not only industry, but on a state-by-state basis, recognizing not every state is the same, to figure out is there a smarter way for us to do this, but still meet the mark of reducing our overall carbon emissions.

What I'd like to do in these last two years is figure out how we can improve the system to find that 25 percent -- and

again, we may not always agree on what the 25 percent is -- and can we institutionalize it so that it outlives my administration.

We already instituted a cost-benefit analysis system that -- or we inherited one that had been instituted. It was controversial for a while -- mostly criticism from Democrats. I actually believe in cost-benefit. I think it makes sense for us to engage in a vigorous review. And my essential rule has been we're not going to promulgate new regulations unless you can show a significant benefit relative to costs. And we've been able to do that. We've been able to document it in the most rigorous way possible.

But are there some other institutional things we can do to build the process so, for example, there's more input on the front end rather than the rule gets promulgated, published, and then there's this big, cumbersome, inefficient, unwieldy process of comments. Are there smarter ways of doing that? We're spending a lot of time on the regulatory look-back process, digging back into old rules and seeing what don't make sense.

So what I'd like people to do, the BRT to do is, perhaps industry by industry, work with Jeff and let's inventory what are the rules that bother you most. We'll go through them. I'll tell you, if it's child labor laws, I'm probably going to hang to them. We're going to keep that rule. If it's some basic issues around environmental protection, I'm going to be -- want to preserve them. But in those instances where there are significant costs, I may say we're not going to change the goal; do you think there's a smarter way of doing this, because we're willing to listen if you think there is. Less command and control, more market incentive -- we're open to it.

And on that list, I suspect there may be four or five regulations out of 20, 25 where you can persuade us, you know what, this actually should just be eliminated. It doesn't make sense anymore. Or it should be replaced. And we will be open to doing that.

The Job Council that we put together, that some of you participated in, gave us a list of recommendations, and some of them involve, for example, streamlining infrastructure projects. We adopted almost all those recommendations. And business was absolutely right -- it wasn't that they minded having an environmental review; they didn't like the idea of having permitting, environmental review, all this stuff go consecutively, and you end up with an eight-year time frame,

when, if you put in on parallel tracks, you could compress it down to one year.

So we are open to common sense. And what I have assigned Jeff to do and my entire Cabinet to do -- Penny Pritzker and Tom Perez and others -- is to sit down, listen to you, and if you can show us either that something is counterproductive and doesn't work, or there's a smarter way of meeting the goal, we will embrace it, happily.

There are going to be times, though, where we just disagree on the goal. And I'm going to be -- workers' safety -- my instruction to Tom Perez is I want our workers to be safe. And we now do have probably the safest workforce that we've ever had in history. Made huge strides on that, partly because of just continuous improvement that you've instituted in your own companies. This has been good for workers. It's been good for business. But, frankly, if it hadn't been for some initial laws to prod you, some of it just wouldn't have happened.

So we're going to hang on to worker safety rules. The question then is going to be, is there a way, for example, for us to enforce it in a more efficient way and a less disruptive way, but continues to hold you accountable. That's a conversation Tom Perez is going to be happy to have.

All right? Happy holidays, everybody. It's good to be in America. God bless us. Thank you. (Applause.)

END

12:57 P.M. EST