

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring The Honorable Wilbur
L. Ross, Jr., Secretary of the U.S. Department of Commerce**

July 25, 2017

“I was an English literature major [*at Yale University*]. But what I really wanted to be was a fiction writer. So in the sophomore year at Yale they had then, and still have, a course called Daily Themes. Every day you had to put in 1,000 or more words of either poetry or fiction writing. And by about the end of the third week, I was out of material. So it ended up saving me from a life of poverty.”

“*[I was introduced to Wall Street at the]* – end of my sophomore year. Right after I found I couldn’t be a writer, a man called Horace Isleib, who was very involved with running Yale’s pension fund and who was the advisor to the fraternity of which I was president, called me one day and he said: ‘Wilbur, what are you going to do this summer?’ And I said, ‘Well, Mr. Isleib, same as I always do, I’m going to be a car parker at Monmouth Park Jockey Club down in Ocean Port, New Jersey.’ It was the last cash-paying job that I ever had. He said, ‘No you’re not. I’m leaving the university, joining an investment boutique. And you’re going to come along and learn something about a real job.’ So Yale in the same year knocked me out of being a writer and introduced me to Wall Street.”

“The President announced his intention to renegotiate NAFTA (North America Free Trade Agreement) right around the time I was confirmed back in February. And finally, around middle of August, we’ll actually be able to begin the negotiation.”

“First of all, [*NAFTA is*] obsolete. Any agreement that was done that many years ago, before there was a digital economy, before there were all kinds of things that now are commonplace, that as a minimum needs an updating. Second, some of the particular provisions in it are especially inappropriate now. For example, they had what’s called rules of origin, meaning how much of the parts in the particular product – mostly, importantly, automotive – had to come from within NAFTA, and how much could come from outside. A fairly commonplace concept to have in a trade agreement. But whoever drafted it thought he was being very, very clever by specifying the parts to which these percentages applied. Well, that was great back then, but half those parts aren’t even used in cars anymore. And there are whole lots of parts, particularly electronic ones, that weren’t even covered by it. So that’s one of the examples about how obsolete it is.”

“Canada does not have a free market system, in our view, for what’s called stumpage – namely, the right to cut trees down and make them into logs. The forests in Canada are pretty much owned by the Provinces. And as far as we can tell, they give very big discounts, which then let the Canadian lumber people have very low-cost lumber, which they ship down here in a dumped, subsidized fashion. So the American industry brought a trade case on them. We haven’t made final findings yet, but our preliminary finding was that there were subsidies, there was injury to the American industry. So we levied a billion – \$100 million a year tariff on the lumber coming out of Canada. And the way that it works, it was actually retroactive to several months before. So every day they’re paying a tariff. But what I’ve been trying to do, as we did with the sugar with Mexico, is to get a more permanent, negotiated solution rather than just this temporary tariff.”

“We have imposed steel tariffs on 35 countries for countervailing duties, anti-dumping, subsidizes, the whole variety of things. Steel is in global overcapacity in a quite massive manner, in that there’s about 2 billion tons a year of steel capacity and there’s only about a billion and a

half tons a year of steel demand. So that's a half-a-billion tons a year of excess capacity. And in the case of China, they're half the whole world's capacity, and they probably have more than half the whole world's excess capacity."

"I have a unique relationship to the census of any prior Commerce Secretary, in that one of my odd jobs for spending money when I was at Harvard Business School, I was actually a census taker in Scully Square in Boston, which was quite an interesting experience, in that they give you a big white – like, a school patrol belt that you put on and a big badge. And in parts of Scully Square, the least-likely way to gain admittance to a residence is to show up with a badge. And so it was a very interesting experience. And what I later learned, shouldn't just be called census taker. Should be called enumerator. So I became an enumerator. And that's the big challenge. The Department of Commerce right now has 47,000 employees. We will add 500,000 temporary employees to do the census in 2020. So it's probably the largest rollout of a field force in the private sector ever. It's a huge management challenge."

"The U.S. actually has very few trade agreements."

"I think [*the economy*] is in reasonably good shape. What it really needs to get to 3 percent or so growth on a consistent basis is all the parts of the President's plan. One part is tax reform. And that's a very, very important one so that we can be globally competitive, so that our companies don't have to run away in order to pay lower tax, and so that we can bring back the offshore corporate money that's been trapped in a kind of tax prison. So we need the tax reform. Energy, he's (*the President*) already been unleashing a lot of the energy. And that's a very good thing from a cost-competitiveness point of view, from a balance of payments point of view. Regulatory reform. I think it's up to something like 800 rules and regulations that we've done away with, and more to come. And just about every CEO who comes into Congress, first thing they are is grateful for regulatory reform. It had really gotten, we think, quite out of control. In the last two years of the Obama administration, I believe something like 7,000 new rules and regulations were put in. Now, is the U.S. really such a wild and woolly place two years before that we needed 7,000 additional rules and regulations? We're very skeptical of that."

"Congress has got to find a way to work together. This divisiveness there is not good for the country. It really isn't. And especially there are lots of issues on which I think there is a common ground, but there doesn't seem to be too much willingness to get to them."

