

Commerce Secretary Wilbur Ross Reviews His Department's Domestic and Global Responsibilities

The Honorable Wilbur L. Ross, Jr.
Secretary
U.S. Department of Commerce

July 25, 2017

Excerpts from Secretary Ross's Remarks

Did you ever think twice about your decision to become Secretary of Commerce? No. [Laughs.] No, it was – this country's been very good to me. My mother was a third grade schoolteacher in the public school I went to for grammar school. Father died when I was a teenager, so I kind of put myself through school. And things turned out very well. So I wanted to take this opportunity to give a little bit back.

Would you say the egos in Wall Street or in Washington are bigger? [Laughter.] [Laughs.] I think in size they're probably quite proportionate – [laughter] – but the denominations – the denominations are different. In Wall Street, the denomination is currency, it's money, that's the whole measuring rod. Here it's more titles, power, how many employees, prestige, where are you seated at dinner, that kind of thing. So it's a different set of self-gratifications. [Laughter, applause.]

Were you surprised by how the Democrats and Republicans don't seem to get along that much, you kind of expected that? Well, it's not as adversarial as a typical bankruptcy, I can tell you that – [laughter] – because, think about it. By definition, in a bankruptcy there's not enough to go around. So all the people in the different categories are fighting with each other and with you over fairly meager proceeds. So that's really contentious and very litigious. Washington, at least so far, hasn't been particularly litigious, regarding me. [Laughter.]

One of the things that you have to do when you become a Cabinet Secretary, certainly the kind of position you have – and you've been in Wall Street – you have to sell almost everything, or a lot of things....And isn't that kind of complicated, to do that? Well, it did complicate it. And some of it is still in process. On the harder-to-sell things they gave me 180 days, which – you know, it takes a while to sell some illiquid positions. The only thing that made me feel not too picked upon is that, when I looked at the financial forms of my predecessor, Penny Pritzker, one of the things they made her sell were her investments in my funds, so. [Laughter.]

When did you first meet Donald Trump? Well, I knew him a little bit from around New York for a long time, but first really got to know him in the Trump Taj Mahal restructuring.

Restructuring meaning that you had to restructure him? Not him, the Taj Mahal casino. [Laughter.]

How easy is it for you to access the President? Well, he interacts quite actively with the Cabinet members – not just with me, with all of them – and with the White House staff, because he likes to hear opposing points of view. He likes to make sure he's got all the points of view before he makes a decision. And I think some outsiders have confused that process with dissension. Well, it isn't really dissension, just that people disagree on policy issues.

During the campaign the President was critical of China in many ways, in terms of their trade practices. We have a gigantic trade deficit of, I don't know, \$300 billion or so a year, something like that. So what are you doing with respect to trying to reduce the trade deficit with China? And do you expect any tariffs or anything imposed on Chinese steel?

Well, that's a whole lot of questions. [Laughter.]

Pick any one you want. At the Mar-a-Largo session, President Trump and President Xi developed a very good relationship. And that created the opportunity for the hundred-day program. And we made some progress there. We got livestock back into China after 13 or 14 years. So that was pretty good. We got some biotech things approved. That was pretty good. We got two American financial firms licenses to underwrite bonds and clear them there. So there was some low-hanging fruit that came to pass, and that was good. Now, it's a more difficult phase, because now it's into trickier issues, bigger issues, more deep-seated issues. So it's a work in progress.

So take us through the day – the typical day of a Secretary of Commerce. You get up early, you exercise, you read the papers. What do you do on a typical day? And how does that – how does that compare to what you did before? Well, never before did I read *Politico* as the first thing in the morning. [Laughter.] But here, you have to do it for self-preservation – [laughter] – if for no other reason.

OK. So you get up early. And then are you on Capitol Hill a lot? You're traveling a lot? How much travel do you have in your current position? Well, not much more than in the private sector. My most recent trip was to Warsaw and then to the G-20¹ in Hamburg with the President. So it's no worse than it was in the private sector. It's more glamorous accommodations when you get there, but...

So like your predecessor, you pay for your own travel, is that right? Well, unless you're flying on Air Force One or a military aircraft, yes.

And is Air Force One as great as you thought it would be when you first got on it? Oh, yeah. It's quite extraordinary.

And when you're traveling with the President do you brief him very often, or is he on a separate kind of cabin and you just travel together? Does he get briefed on the plane?

No, he's constantly being briefed. He absorbs information at a much more omnivorous rate than anyone I've ever seen.

DAVID M. RUBENSTEIN: It may be hard to believe, but this is actually the 31st year of The Economic Club of Washington, and this is our first event of the new season. Thank you all for coming. Welcome to members and guests of the Club to this luncheon event at the Ritz-Carlton Washington, DC, Hotel.

We are very pleased to have as our special guest the Honorable Wilbur Ross, the 39th Secretary of the United States Department of Commerce.

¹ G-20 (Group of Twenty) is an international forum for the governments and central bank governors from 20 major economies.

Let me give you a little background on Wilbur. He is a native of Weehawken, New Jersey, which, as some of you may know from your Hamilton days, that's where Aaron Burr killed Alexander Hamilton, Weehawken, New Jersey. He was born there. Grew up in New Jersey. Went to high school in New York High School, Xavier High School. It was a place where he was the captain of the rifle team and also a member the track team. He later went to Yale, graduated in 1959 from Yale, graduated from Harvard Business School in 1961, then went to Wall Street and worked in a variety of different operations there, and then ultimately went to work for N M Rothschild, where he headed up the restructuring and bankruptcy practice, and became the leading practitioner of that in Wall Street, and became very well-known for his expertise in that area.

In the late 1990s, he built a fund at N M Rothschild to invest in bankrupt-related and restructured companies, and then in the year 2000 built his own company called WL Ross. And he built that into one of the leading powerhouses in Wall Street, investing in bankrupt and companies that need restructuring, not just in the United States but around the world. In fact, for his efforts around the world he's been given awards by the Emperor of Japan for his efforts on behalf of things related to Japan, and also from the President of South Korea for his efforts in helping the restructuring of financial markets in South Korea. Over the course of his career, he's been involved with about \$400 billion of restructuring efforts. He has served as the chairman or lead director in 100 different companies in 20 different countries.

He has, outside of his financial practice, been involved in a number of activities. He was the head of the Japan Society of New York, a member of the Brookings Institution board, head of the Economic Council of Brookings, and been involved in a variety of other philanthropic activities. And he took the Secretary of Commerce job at the beginning of the Administration, confirmed on February 27th by a vote of 72 to 27 by the Senate. And we're very pleased and honored to have you.

SECRETARY WILBUR L. ROSS, JR.: Thank you, David.

MR. RUBENSTEIN: OK, so. [Applause.] You had a very successful career at Wall Street, and one of the most successful careers on Wall Street in recent years. You were the dominant figure in the restructuring and bankrupt investment world. Why would you want to give all that up to come and be – [laughter] – Secretary of Commerce in Washington, where you have all these people fighting all the time with each other? I mean, did you ever think twice about your decision?

SECRETARY ROSS: No, it was – this country's been very good to me. My mother was a third- grade schoolteacher in the public school I went to for grammar school. Father died when I was a teenager, so I kind of put myself through school. And things turned out very well. So I wanted to take this opportunity to give a little bit back.

MR. RUBENSTEIN: OK. So now that you're here, would you say the egos in Wall Street or in Washington are bigger? [Laughter.]

SECRETARY ROSS: [Laughs.] I think in size they're probably quite proportionate – [laughter] – but the denominations – the denominations are different. In Wall Street, the denomination is currency, it's money, that's the whole measuring rod. Here it's more titles, power, how many employees, prestige, where are you seated at dinner, that kind of thing. So it's a different set of self-gratifications. [Laughter, applause.]

MR. RUBENSTEIN: All right. So were you prepared for how venomous the atmosphere can be here? Because you obviously – you were in Wall Street for most of your career, but you were involved in the Brookings board and other things. You were not unfamiliar with Washington. But were you surprised by how the Democrats and Republicans don't seem to get along that much, you kind of expected that?

SECRETARY ROSS: Well, it's not as adversarial as a typical bankruptcy, I can tell you that – [laughter] – because, think about it. By definition, in a bankruptcy there's not enough to go around. So all the people in the different categories are fighting with each other and with you over fairly meager proceeds. So that's really contentious and very litigious. Washington, at least so far, hasn't been particularly litigious, regarding me. [Laughter.]

MR. RUBENSTEIN: OK. One of the things that you have to do when you become a Cabinet Secretary, certainly the kind of position you have – and you've been in Wall Street – you have to sell almost everything, or a lot of things.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: Were you prepared for having to sell all these things? And isn't that kind of complicated, to do that?

SECRETARY ROSS: Well, it did complicate it. And some of it is still in process. On the harder-to-sell things they gave me 180 days, which – you know, it takes a while to sell some illiquid positions. The only thing that made me feel not too picked upon is that when I looked at the financial forms of my predecessor, Penny Pritzker, one of the things they made her sell were her investments in my funds, so. [Laughter.]

MR. RUBENSTEIN: Well, I'm sure she thought it was still making a profit though, right?

So let's talk about your relationship with the President. When did you first meet Donald Trump?

SECRETARY ROSS: Well, I knew him a little bit from around New York for a long time, but first really got to know him in the Trump Taj Mahal restructuring.

MR. RUBENSTEIN: Restructuring meaning that you had to restructure him?

SECRETARY ROSS: Not him, the Taj Mahal casino. [Laughter.]

MR. RUBENSTEIN: OK. Right. But were you in an adversarial position a bit with him?

SECRETARY ROSS: Yeah, we were – Carl Icahn and I were on the bondholder side.

MR. RUBENSTEIN: And he was on the equity side.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: So how did you manage to develop a good relationship, since your job was to not give him so much equity?

SECRETARY ROSS: Well, we ended up with a very fair deal. We were happy with our end result, and so was he. And it's very interesting, since both Carl and I met him under quite adverse circumstances, we both turned out to be very strong supporters of him early on when he ran.

MR. RUBENSTEIN: Well, when he called you first and said, I'm going to run for President of the United States, what did you say?

SECRETARY ROSS: What did I say?

MR. RUBENSTEIN: Yeah. Well, did you say, you have a good chance? Or you say, call me later about something else? Or did you really think he had a chance? And did he ask you – did you immediately say, I think you have a good chance, I want to support you?

SECRETARY ROSS: No, I thought he had a good chance. I thought the harder part might be to get the nomination, because there were so many candidates in the primaries. But it soon became clear that he was the only one of them that really understood what was going on in middle class, working America.

MR. RUBENSTEIN: Now, early in his career I think he supported a lot of Democrats. I think he may have been a registered Democrat. You were a registered Democrat. What converted you, let's say 10 years or so, to being Republican?

SECRETARY ROSS: Well, it was somewhat more than 10 years ago. I don't know exactly. There was no miraculous conversion, no one single event. I just came to feel that the policies were better guided on the Republican side and there were more candidates with whom I could identify.

MR. RUBENSTEIN: All right. So you were an early supporter of Donald Trump's. And at points in the campaign did you think he couldn't make it, or you never got despondent about the prospects? Did you think he was going to win towards the end?

SECRETARY ROSS: Oh, toward the end it was clear that he was going to win. And the reason it was clear, we would go to a town for a rally, and get there maybe at 1:00 in the morning, couple hours late. There'd be 1,500 people around the hangar at the airport waiting for him. And unlike the other candidate, it wasn't because Bon Jovi was there or some famous star. They were there to see the candidate.

MR. RUBENSTEIN: OK. So the night he won, did he call you and say: Thank you for your early support and I'd like you to be Secretary of Commerce? How did that come about?

SECRETARY ROSS: No, he was a little busy that night. [Laughter.]

MR. RUBENSTEIN: OK.

SECRETARY ROSS: But the most memorable thing about that evening, other than, obviously, the victory itself, was about 2:00 in the morning I was sitting with Carl and a couple of other Wall Street-types. And we noticed that the futures market had collapsed. It was down, I don't know, something like 700 points. So Carl excused himself and he went out and bought things. [Laughter.] I was – I was quite foolish. I stayed – I stayed at the party.

MR. RUBENSTEIN: OK. So I'm going to talk about the Commerce Department in a moment. Before I do that, I want to get back to your background. So you grew up Weehawken. Did you know that Alexander Hamilton was –

SECRETARY ROSS: Well, yeah, I actually grew up in North Bergen. North Bergen was too small a town to have a hospital, so that's why I was born in Weehawken, yes.

MR. RUBENSTEIN: In Weehawken. But did you ever see where Alexander Hamilton was killed?

SECRETARY ROSS: Oh, yes. I went there quite a little bit as a child, because my grandmother lived in Weehawken. And so she would – when she would be babysitting, she would take me over. It's actually a little park right up on the top of the palisades. And in those days, it looked out over big railroad yards, and it was a very exciting scene.

MR. RUBENSTEIN: So you went to high school in New York City, but you lived in New Jersey. Why did you travel an hour each way each day to go to high school?

SECRETARY ROSS: Well, my parents felt that I needed more discipline in my life, which continues to be true. [Laughter.] And so they sent me to the strictest school they could imagine, which was a Jesuit military school. [Laughter.]

MR. RUBENSTEIN: OK.

SECRETARY ROSS: And that happened to be in New York City.

MR. RUBENSTEIN: OK. And you became a rifle expert then, or?

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: And you were, like, at Olympic level?

SECRETARY ROSS: Well, yeah. I set the then-record over the Olympic small-bore course for the U.S.

MR. RUBENSTEIN: OK. Do you still do shooting, or no?

SECRETARY ROSS: No, I did a good job ruining my ears, because I never would put in the earplugs, like any wise-guy young kid. And so my hearing got very damaged. So I don't shoot anymore.

MR. RUBENSTEIN: OK. So you went to Yale. When you went to Yale, I thought you wanted to be a writer. How did that turn out?

SECRETARY ROSS: Yes, I did. I was an English literature major. 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. [Laughter.] So it ended up saving me from a life of poverty. [Laughter.]

MR. RUBENSTEIN: All right. So you decided to go to Harvard Business School then.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: And so how did you afford Yale and Harvard Business School? Your father had passed away.

SECRETARY ROSS: Well, I got financial aid.

MR. RUBENSTEIN: From – but you were in the ROTC, R-O-T-C?

SECRETARY ROSS: Yeah. And the ROTC was my spending money. In those days, I don't know if it's still true, in those days if you took Reserve Officer Training Corps, they paid you a little stipend each month. And that was my spending money.

MR. RUBENSTEIN: So after you graduated from Harvard Business School, you actually went into the military, is that right?

SECRETARY ROSS: Well, I had to. I had to. I got the deferral in order to go directly to the business school. And then I had to go in right after business school.

MR. RUBENSTEIN: All right. And did they know you were an expert shooter when you went in the military, or they didn't know that?

SECRETARY ROSS: Yeah, they were a little surprised. They hadn't done much homework. So they put me in the adjutant general corps. And I thought, that's OK. That sounds fairly safe. Doesn't sound too close to the battle line. But we did have to take rifle shooting. And they were

quite surprised that this effete easterner from Yale and Harvard Business School really knew how to shoot better than most of them.

MR. RUBENSTEIN: OK. So when you finished your military career, you then went to Wall Street.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: Did you always know you wanted to go to Wall Street?

SECRETARY ROSS: Well, no. What happened, in my – 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 my – the fraternity of which I was president, called me up 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.

Anyway, so 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 that – so Yale in the same year knocked me out of being a writer and introduced me to Wall Street.

MR. RUBENSTEIN: OK. So you went to Wall Street. But how did you happen to specialize in an area that was very, I'd say, esoteric – bankruptcy and restructuring?

SECRETARY ROSS: Well, when I started out on Wall Street, I went to work for a go-go money manager called Emery DeVeigh, who probably nobody here knows because he's long since dead. And in fact, he died the week before I joined the firm. So he sold it on his deathbed to one of his clients, Bob Winthrop from Massachusetts. So by the time I got there, I had already changed jobs. It was now called Wood, Struthers & Winthrop, much more conservative firm, nice old-line firm.

Anyhow, they didn't like the venture capital fund that was attached to the firm. Since I was the youngest and most expendable person, they said: We're going to put you in charge of this thing. You have three years to get us out of it. Two ground rules: No new capital comes in and no litigation. And if you do all that, we'll give you X, Y, Z bonus. So I didn't. And it didn't take three years. It took two years. And that's when I started to learn about workouts.

MR. RUBENSTEIN: All right. So ultimately you went to N M Rothschild and you sort of built their and oversaw their restructuring business for 20-plus years, is that right?

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: So you were in the middle of every restructuring and bankruptcy, more or less, that came along Wall Street?

SECRETARY ROSS: Well, we were in a lot of them. We had a very, very big market share, as you know.

MR. RUBENSTEIN: So let's say – you're a very smart guy. But why didn't you start and be a private equity investor for – [laughter] – why did you be a banker, when you should have been a private equity person? Why did you wait so long to get into the investing business?

SECRETARY ROSS: Well, I've always been a late bloomer. [Laughter.]

MR. RUBENSTEIN: OK. All right.

SECRETARY ROSS: And you can see that by my adopting this new career now.

MR. RUBENSTEIN: OK. [Laughter.]

SECRETARY ROSS: So what happened was in – by 1997, because our fee structure was quite good, quite robust, only really good bankrupt companies could retain us. And I was trying to figure out some way to capture market share in the smaller bankruptcy. And so we saw that, well, they can't afford to pay the fees. Why don't we instead invest in them, and then that way we can capture revenues from both the big ones and the little ones. So we did that in '97. And by 2000, I, and the whole team, decided we liked the investing side better than the advisory side, because I was running both. And we were starting to run into ourselves a little bit because you – Burlington Industries would file bankruptcy. Well, do you compete to be the advisor or do you compete to own them? Running into too much traffic jam.

So went to the Rothschilds and said: I don't want to do this anymore. I'm going to just do the fund. And so we worked it out where I went out of the advisory business. They stayed in it. And they still have a pretty good market share in it. And we just did the investing side. So the original fund had been called Rothschild Recovery Fund. Naturally, when I bought it from them, they wouldn't let me use their name. So I modestly decided to name it after myself - [laughter] - the WLR Recovery Fund².

MR. RUBENSTEIN: OK. And one of the things that you did when you were in that business was, for example, you almost cornered the market on steel in the United States. You bought a lot of, let's say, bankrupt or not very successful steel companies. How did you decide that that would be a good investment?

SECRETARY ROSS: Well, what I had done – the first bankruptcy of LTV, which was the original steel company I bought – the old Ling-Temco-Vought – had done their first bankruptcy on behalf of the unsecured creditors as an advisor. And I had gotten very disappointed, they didn't – they followed our advice on the restructuring but they didn't follow any of the advice we gave them about how to fix the business. So it went back into bankruptcy. And the steel company was – one of the things was about to be liquidated. It was in a condition that had a little tiny trickle of molten metal going through the blast furnaces, because if you didn't do that, the refractory bricks would implode.

² WLR Recovery Fund specializes in buyouts with a focus on distressed and turnaround assets.

So there was an auction coming to buy the assets. And I felt that what they really needed was not just a cheap purchase price – although, they needed that and they got that. We paid \$90 million for assets on which they had invested \$2.2 billion over the prior five years. So it was a fairly good discount – [laughter] – from asset value. But what it really needed was a new contract with the steel workers.

So I called Leo Gerard, who then and now was the head of the USWA³, and said: Leo, your whole industry is going to go right off the chart because there was a lot of dumping, particularly out of China. And I'm willing to get this thing going, consolidate the industry. But we need some relief from the work rules. And we need some other things done so that we could use the people more efficiently. Leo agreed to it. And so and we handwrote this labor agreement on the back of a napkin at an Italian restaurant in Pittsburgh. And then the next day I went to Cleveland, which is where the auction was being held, and bought it.

MR. RUBENSTEIN: So, ultimately you sold all your steel assets for about –

SECRETARY ROSS: Oh, yeah, but first – then we bought Bethlehem Steel, we bought four or five others.

MR. RUBENSTEIN: You ultimately sold it for about \$4 ½ billion.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: So a pretty good profit.

SECRETARY ROSS: Yeah, well it took a few years, though. [Laughter.]

MR. RUBENSTEIN: OK. All right. OK. So you did the same things in the financial service area and textiles and so forth. And so you had a pretty good reputation. And then obviously, if we get back to the election, the election occurred. You were offered the opportunity of Secretary of Commerce. Did you know what the Department of Commerce really did, and it was kind of a Noah's Ark of things, it had 12 different units in it?

SECRETARY ROSS: Well, yeah, sure, I had done some research on it. But also, the part that had me particularly interested, and to some degree had the President very interested, was its relationship with the trade – the trading, the international trade, the enforcement and all that. And so I thought it was a combination of a conglomerate – which it was. We have the National Weather Service. We have the Census Bureau. We have the Patent Office. We manage the fisheries in the country. It's a whole mélange of things. But one common theme. And the common theme is collecting and providing information. We put out 40 percent of all the factual data that comes out of the U.S. government, comes out of the Commerce Department.

³ USWA is United Steelworkers of America.

MR. RUBENSTEIN: Well, when you wake up every morning, can you get the Weather Service to tell you exactly what the weather's going to be? Do you get the special priority or something? [Laughter.]

SECRETARY ROSS: Yes. And if it's not to my wife's liking, she says: You should change the management there. [Laughter.]

MR. RUBENSTEIN: OK. All right. OK. So let's talk about some of the things that the President committed to in the campaign and you're working on. Let's take – start with NAFTA⁴. During the campaign, the President said he was going to, I think, get out of NAFTA. Subsequently he said he's going to renegotiate it. And you're in charge of the renegotiation, is that right?

SECRETARY ROSS: Well, Bob Lighthizer is the statutory authority. He's the U.S. Trade Rep. But we have a collaborative relationship.

MR. RUBENSTEIN: OK. All right. What do you think is likely to happen? And what's wrong with NAFTA? Why is the President not so happy with it?

SECRETARY ROSS: Well, first of all, it's 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 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.

MR. RUBENSTEIN: Right. So would you expect – you haven't technically started the renegotiation yet.

SECRETARY ROSS: No, we're not allowed to. Only Congress would call the Trade Promotion Authority fast track. [Laughter.] The President announced his intention to renegotiate NAFTA 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.

MR. RUBENSTEIN: OK. And how long do you think it'll take before there is some agreement or you realize there can't be agreement?

SECRETARY ROSS: Well, you never know. And it's probably a big mistake to set a particular date. But the political calendars both here and there suggest it should get done pretty quickly. And what's on the political calendar? Well, first of all, the fast track authority expires in July of

⁴ NAFTA is North American Free Trade Agreement.

2018, unless the U.S. Congress extends it. Given the way Congress is acting right now, who knows what they will decide to do. So that's one time-limiting factor. Also, in the summer of next year, Mexico has their presidential elections. And one of the leading candidates is a relatively anti-American candidate, I would say. Third thing is, you have some big provincial elections coming up in Canada. So the political calendar, to say nothing of our own midterm elections in the fall of next year, that all argues that quicker is more likely to be conclusive than later.

MR. RUBENSTEIN: OK. So when you're kind of resolving these kind of strategies, you do this with the Special Trade Representative and the White House trade person, Peter Navarro. But ultimately you brief the President. So when you go in and talk to the President, do you say – call him Donald anymore, or you don't do that? Do you call him Mr. President –

SECRETARY ROSS: No, he's the President. He's not Donald anymore.

MR. RUBENSTEIN: OK. And is it as easy to get him on the phone as it used to be, or is it harder? Can you get to see him whenever you want, or how hard is it?

SECRETARY ROSS: Well, he interacts quite actively with the Cabinet members – not just with me, with all of them – and with the White House staff, because he likes to hear opposing points of view. He likes to make sure he's got all the points of view before he makes a decision. And I think some outsiders have confused that process with dissent. Well, it isn't really dissent, just that people disagree on policy issues.

MR. RUBENSTEIN: OK. Let's talk about Canada for a moment. Since, I think, the Continental Congress, we've been having disputes with Canada over lumber. It's gone on for hundreds of years. And now I think you've imposed some tariffs on lumber coming in. What's the problem?

SECRETARY ROSS: Yes. 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.

MR. RUBENSTEIN: Well, there's also a complaint, I think, by the Commerce Department about dairy, that the milk being produced in Canada is, let's say, subsidized, I guess. Is that an ongoing problem you have to worry about?

SECRETARY ROSS: We do not have an official trade case at this point. But the President has made very clear his displeasure with the milk program in Canada.

MR. RUBENSTEIN: OK. Let's talk about China. All right, during the campaign the President was critical of China in many ways, in terms of their trade practices. We have a gigantic trade deficit of, I don't know, \$300 billion or so a year, something like that. So what are you doing with respect to trying to reduce the trade deficit with China? And do you expect any tariffs or anything imposed on Chinese steel?

SECRETARY ROSS: Well, that's a whole lot of questions. [Laughter.]

MR. RUBENSTEIN: OK. Pick any one you want.

SECRETARY ROSS: At the Mar-a-Largo session, President Trump and President Xi developed a very good relationship. And that created the opportunity for the hundred-day program. And we made some progress there. We got livestock back into China after 13 or 14 years. So that was pretty good. We got some biotech things approved. That was pretty good. We got two American financial firms licenses to underwrite bonds and clear them there. So there was some low-hanging fruit that came to pass, and that was good. Now, it's a more difficult phase, because now it's into trickier issues, bigger issues, more deep-seated issues. So it's a work in progress.

MR. RUBENSTEIN: OK. And what about Taiwan? Recently you imposed some tariffs on steel coming in from Taiwan. Is that a big problem that we have now?

SECRETARY ROSS: Well, 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.

MR. RUBENSTEIN: Well, the President has said in the Mar-a-Largo summit, and in fact he had a very good meeting with President Xi. He said, you know, we have some differences on trade, but if you help me on North Korea, maybe we can ameliorate some of the trade actions we might take against China. But how long would it take before you determined whether you've gotten the help you want from President Xi on North Korea?

SECRETARY ROSS: Well, I think you should ask President Trump that.

MR. RUBENSTEIN: Well, OK. Well, if you will help him come here, I'd be happy to ask him. [Laughter.] But, all right, so.

SECRETARY ROSS: One of the problems we don't really have with North Korea is they don't export a lot. So it doesn't really come on my plate.

MR. RUBENSTEIN: All right. Well, let's talk about another part of the Commerce Department for a moment.

SECRETARY ROSS: But what did come was one of the big Chinese companies was violating the sanctions in telecom equipment, both to North Korea and to Iran. And so we got a negotiated judgment on them of somewhat over a billion dollars to –

MR. RUBENSTEIN: This is ZTE⁵?

SECRETARY ROSS: Yeah, ZTE.

MR. RUBENSTEIN: OK. So that cost almost a billion dollars. OK. So let me talk about another – for a moment – another part of the Commerce Department. You have the Census Bureau.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: Now, under the Constitution, every 10 years you have to have a census. I think the last one cost roughly \$12 billion, or something like that. And do you have enough money for the census, which is projected to cost a little bit more this time? And do you have a new Census Bureau chief coming?

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: Yes? OK, all right. [Laughter.] All right. So you're comfortable that the U.S. is ready to embark on a census in 2020?

SECRETARY ROSS: Well, I have the unique relationship to the census of any prior Commerce Secretary, in that one of my odd jobs for spend 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. [Laughter.] 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.

MR. RUBENSTEIN: And is there problem – do you think you will announce a new Census Bureau chief before this happens in 2020?

SECRETARY ROSS: Oh, yes. Oh, yes.

⁵ ZTE is a Chinese multinational telecommunications equipment and systems company headquartered in Shenzhen, Guangdong.

MR. RUBENSTEIN: OK. And do you think that people are responsive – when you were doing this as a census taker, enumerator, people might have responded to you. But people today, as you said, don't want people coming to their houses as much. Is it hard to get data compared to –

SECRETARY ROSS: Well, we're going to find out. About 60 percent of the people actually respond either by mail or by internet. So thank God for that, otherwise we'd have to hire a million and a half people rather than 500,000. So it's the other 40 percent that you have to try to go door to door in some fashion or another, or follow up mail, follow up on the internet.

MR. RUBENSTEIN: So take us through the day – the typical day of a Secretary of Commerce. You get up early, you exercise, you read the papers. What do you do on a typical day? And how does that – how does that compare to what you did before?

SECRETARY ROSS: Well, never before did I read *Politico* as the first thing in the morning. [Laughter.] But here, you have to do it for self-preservation – [laughter] – if for no other reason.

MR. RUBENSTEIN: OK. So you get up early. And then are you on Capitol Hill a lot? You're traveling a lot? How much travel do you have in your current position?

SECRETARY ROSS: Well, not much more than in the private sector. My most recent trip was to Warsaw and then to the G-20 in Hamburg with the President. So it's no worse than it was in the private sector. It's more glamorous accommodations when you get there, but.

MR. RUBENSTEIN: OK. So like your predecessor, you pay for your own travel, is that right?

SECRETARY ROSS: Well, unless you're flying on Air Force One or a military aircraft, yes.

MR. RUBENSTEIN: And is Air Force One as great as you thought it would be when you first got on it?

SECRETARY ROSS: Oh, yeah. It's quite extraordinary.

MR. RUBENSTEIN: And when you're traveling with the President do you brief him very often, or is he on a separate kind of cabin and you just travel together? Does he get briefed on the plane?

SECRETARY ROSS: No, he's constantly being briefed. He absorbs information at a much more omnivorous rate than anyone I've ever seen.

MR. RUBENSTEIN: OK. So today let's talk about another part – NOAA. You have NOAA, the National Oceanographic and Atmospheric Administration. Now, they worry about the purity of the ocean and presumably the environment. And is that what they do?

SECRETARY ROSS: Well, that's part of it. The largest single task of what they do is managing the various fisheries in the country. I never knew that there was so much political importance to red snappers, to flounder, to salmon as now. I had gotten a little taste of that in the

confirmation hearings, because I would say maybe 20 percent of the questions were about fisheries. And there's a lively interest. For example, there's competitiveness between recreational fishermen and commercial fishermen, because there are only so many pounds of each type of fish that they're allowed to catch in a year, because the objective is to try to have the maximum sustainable catch so that you keep the fishing going. And there's – naturally, the commercial fishermen would like to have the whole quota, the recreational guys would like to have it. So there's a lively interchange between them.

MR. RUBENSTEIN: One of the other bureaus you have computes the GDP⁶ of the United States.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: And I always notice that every quarter they come out with a GDP and then they revise it.

SECRETARY ROSS: Yes.

MR. RUBENSTEIN: So why don't they just come out with the one number and not have to revise it? Is that just –

SECRETARY ROSS: [Laughs.] Well, there's a contest between speed of putting it out and accuracy. So they try to put out the first preliminary estimate as close as possible to the date. Obviously, you don't have all the information in. So it's generally revised two or three times. But we've been trying very hard to get the timeliness better, but more importantly to get the first estimate better. So we're trying to reduce the difference between the first and the revised estimate, because those estimates move markets, as you well know.

MR. RUBENSTEIN: OK. So back to trade. The Trans-Pacific Partnership (TPP), was there ever any chance that the President was going to agree to put that forward, or he never was going to consider it?

SECRETARY ROSS: I don't think there was the political will in either side of the aisle for TPP by the time of the election. The Democratic candidate had announced she was opposed to it, just as President Trump had announced he was. And while there are some people in the Congress who miss it, and indeed there are some very good features to TPP – and some of those are features we will be trying to build on in subsequent trade negotiations.

MR. RUBENSTEIN: OK. Now, recently Japan has announced a trade agreement with the EU⁷. And are you working on a bilateral trade agreement with Japan?

SECRETARY ROSS: Well, Japan hasn't yet said that they are prepared to negotiate a bilateral trade agreement. The U.S. actually has very few trade agreements. It turns out Mexico has many times as many trade agreements as we do, and mostly with far bigger countries. For example,

⁶ GDP is gross domestic product.

⁷ EU is European Union.

they have with the EU. So a car that's produced with Mexico goes into the EU tariff free. A car produced in the United States has to absorb a 10 percent tariff going into the EU. So there's just one example of where another country, Mexico, much smaller country, negotiated a far – negotiated a pretty good FTA⁸ with the EU. We do not have one at this point.

MR. RUBENSTEIN: We have a trade agreement with South Korea, is that right?

SECRETARY ROSS: Yes, we do, called KORUS⁹.

MR. RUBENSTEIN: But President Trump has said he thought it was not that favorable to the United States. Are you considering renegotiating that?

SECRETARY ROSS: Well, we have triggered the notification of the consultation period that hopefully will begin pretty shortly to address the issues that we have with that agreement.

MR. RUBENSTEIN: All right. Now, if Brexit¹⁰ proceeds, then the U.K.,¹¹ would they be a good candidate for a bilateral trade agreement? And do you think that's possible?

SECRETARY ROSS: Well, right now the EU cannot legally negotiate a trade agreement. So the most that can be done is sort of sculpting of things. But their own negotiations with the EU are going to – are quite unique in a number of regards. Most notably, there's never before been a situation where two nations that already have no trade barriers between them are negotiating a free trade agreement. That's a quite unique set of circumstances, and will present an equally unique set of challenges.

MR. RUBENSTEIN: So what about our relationships with, let's say, other – in Latin America. Do we have any trade problems – leaving Mexico aside – are there any trade issues with Latin America that you're concerned about?

SECRETARY ROSS: Well, the CAFTA-DR¹², CAFTA-Dominican Republic agreement, is one of the relatively few trade agreements we have trade surpluses every year. They generally run \$4 billion to \$5 billion a year collectively with the Central American, including Dominican.

MR. RUBENSTEIN: Now, is it your view – is it the Administration's view that trade deficits by their nature are negative? In other words, sometimes you could say trade deficits are positive because in the end we are selling – you know, well, we're buying a lot of things, let's say, very cheaply, that's keeping inflation down in our economy. But there's no view – your view is always that a trade deficit is a negative?

SECRETARY ROSS: No, I think it's a little more complicated than that. I think there are fair reasons for imports and bad reasons. The fair reasons are ones like we're not self-sufficient in

⁸ FTA is Free Trade Agreement.

⁹ KORUS FTA is Korea-U.S. Free Trade Agreement.

¹⁰ BREXIT is Britain's exit from the European Union.

¹¹ UK is United Kingdom of Great Britain and Northern Ireland.

¹² CAFTA-DR is Dominican Republic-Central American Free Trade Agreement.

energy, so we have to import energy. Even though we're doing very well with the shale, we're still a net importer of crude oil. Well, that's nobody's fault. You can't blame Canada for selling us crude oil. We have to buy it from somewhere. What's not reasonable in the import side is subsidized product, product coming in below cost, product coming in at deeply discounted, subsidized levels. Free trade didn't contemplate products coming in illegitimately. And so it seems there's no contradiction whatsoever between very strict trade enforcement and free trade. You do need rules of the game.

MR. RUBENSTEIN: OK. Based on the data that you get now from the Commerce Department, do you think the U.S. economy is in reasonably good shape? Are you worried about anything in particular about our economy?

SECRETARY ROSS: Oh, I think it is in reasonably good shape. And what it really needs to get to the 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 trade – the tax reform.

Energy, he's 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 CEO¹³ 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.

MR. RUBENSTEIN: So you've been running the Commerce Department since February with no confirmed people under you, is that right?

SECRETARY ROSS: That's – yeah, I guess that is correct.

MR. RUBENSTEIN: Right. So has that been a kind of a difficult challenge? And do you expect that you'll send people up or do you expect they'll be confirmed soon? It would be easier for you if you had more confirmed people, I assume?

SECRETARY ROSS: Oh, yeah. Well, we have a whole lot in the queue. One of them, having her confirmation as we sit here. So there'll be help coming. But one of the gratifying things about Commerce has been at the – within the department, the career people, there are quite a lot of very highly skilled, very dedicated, very serious people. And they're rising to the challenge. So we have in an awful lot of positions acting people.

MR. RUBENSTEIN: So you knew the President well before. You know him well now. Would you see there's any – could you see any difference you can describe in how he handles things

¹³ CEO is chief executive officer.

before compared to now, or is he a different person? Has he changed his personality very much, or is he the same person that you knew before?

SECRETARY ROSS: Well, I think he's fundamentally the same person that I knew before, sure. He had no – why would he change?

MR. RUBENSTEIN: Well, it's a lot of pressure. And maybe he changes a little bit? No?

SECRETARY ROSS: I don't think so. I don't think so. He's probably more resilient than anybody in this room, except maybe you, David. [Laughter.]

MR. RUBENSTEIN: Well, I'm sure he's more resilient than me. OK. So, all right. So you've been in the job a while now. It's a job that, you know, you're confirmed for as long as you want to stay. But let's suppose that at the end of President Trump's term – let's suppose he just serves one term –

SECRETARY ROSS: Well, that's not the plan.

MR. RUBENSTEIN: OK, let's suppose he serves two terms. So would you want to stay all eight years? Do you have a plan of how long you would like to do this? And when you eventually do leave, whenever it be, it might be four years, eight years, is there something you'd like to do, beyond what you've been doing in your career already?

SECRETARY ROSS: Well, as to the first, as long as I can play a decent game of tennis and as long as he wants me to stay, I'll stay. So that's the easy part. What to do afterward, that's a harder question. But being a late bloomer, I'll find something. [Laughter.]

MR. RUBENSTEIN: OK. But how do you compare the social life in New York and Washington? Is it tougher here or tougher in New York?

SECRETARY ROSS: Well, I've found Washington to be a very welcoming place. Now, admittedly, it's kind of a one-company town. And if you're fairly high in the one company, it helps your social introduction. [Laughter.]

MR. RUBENSTEIN: Right. Right.

SECRETARY ROSS: But seriously, it is a pretty welcoming town.

MR. RUBENSTEIN: So you find when you're Secretary of Commerce people laugh at your jokes more, or – [laughter] – you play tennis, people give you an easier pass on tennis things? No, it doesn't happen that way?

SECRETARY ROSS: [Laughs.] No. I think they all know it's inappropriate to give gifts to Cabinet officers. [Laughter.]

MR. RUBENSTEIN: OK. So right now you would say you're very content with the job. And what is the most important message you'd like people to have today, that you would like to convey – as Secretary of Commerce – that you would like to convey on the part of the Administration? Any one message about the economy, business, the Commerce Department?

SECRETARY ROSS: Yeah, I think the real message is: 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. You had mentioned before my vote on confirmation. It was reported out of the Senate Commerce Committee with unanimity. So all the Democrats on it voted for me, as did the Republicans. And when it got finally to the floor, it was 72 favorable votes. So it was not a close thing. Nonetheless, I was delayed a month and a half or two months for no particularly good reason.

MR. RUBENSTEIN: Do you remember of the names of the 27 people that voted against you, or? [Laughter.]

SECRETARY ROSS: Yes. In fact, somebody in the Administration sent me the actual roll call, Senator by Senator. And I have it up behind my desk on the wall. [Laughter, applause.]

MR. RUBENSTEIN: OK. Well, we're – thank you very much for a great job and appreciate your coming. [Applause.]

SECRETARY ROSS: Thank you. Good to see you.



**The Honorable Wilbur L. Ross, Jr.
Secretary of the U.S. Department of Commerce**

Wilbur L. Ross, Jr. was sworn in by Vice President Mike Pence as 39th Secretary of Commerce on February 28, 2017. Secretary Ross will be the principal voice of business in the Trump Administration, ensuring U.S. entrepreneurs and businesses have the tools they need to create jobs and economic opportunity.

Secretary Ross is the former Chairman and Chief Strategy Officer of WL Ross & Co. LLC and has over 55 years of investment banking and private equity experience. Mr. Ross has restructured over \$400 billion of assets in the airline, apparel, auto parts, banking, beverage, chemical, credit card, electric utility, food service, furniture, gypsum, home-building, insurance,

marine transport, mortgage origination and servicing, oil and gas, rail car manufacturing and leasing, real estate, restaurants, shipyards, steel, textiles, and trucking industries. He has been chairman or lead director of more than 100 companies operating in more than 20 different countries.

Named by Bloomberg Markets as one of the 50 most influential people in global finance, Mr. Ross is the only person elected to both the Private Equity Hall of Fame and the Turnaround Management Hall of Fame. He previously served as privatization advisor to New York City Mayor Rudy Giuliani and was appointed by President Bill Clinton to the board of the U.S.-Russia Investment Fund. President Kim Dae-jung awarded Mr. Ross a medal for helping South Korea during its financial crisis and, in November 2014, the Emperor of Japan awarded him The Order of the Rising Sun, Gold and Silver Star.

As a philanthropist, Secretary Ross recently served as Chairman of the Japan Society, Trustee of the Brookings Institution and Chairman of its Economic Studies Council, the International Board of the Musée des Arts Décoratifs in Paris, the Blenheim Foundation, the Magritte Museum in Brussels, and the Palm Beach Civic Association. He was also an Advisory Board Member of Yale University School of Management

Secretary Ross is a graduate of Yale University and of Harvard Business School (with distinction). He and his wife Hilary Geary Ross have four children, Jessica Ross, Amanda Ross, Ted Geary, and Jack Geary.