

NATIONAL PRESS CLUB HEADLINERS LUNCHEON WITH SECRETARY OF COMMERCE
WILBUR ROSS

SUBJECT: CREATING CONDITIONS FOR ECONOMIC GROWTH

MODERATOR: ANDREA EDNEY, PRESIDENT OF THE NATIONAL PRESS CLUB

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ANDREA EDNEY: Good afternoon, everyone. Welcome to the National Press
Club, the world's leading professional organization for journalists. My name is Andrea
Edney. I'm an editor with Bloomberg News, and I am the 111th President of the National
Press Club.

We are so pleased to welcome today's Headliner Speaker, the U.S. Secretary of
Commerce, Wilbur Ross. Before we begin, I'd like to ask everyone here in the room, if you
haven't already, please turn off your cell phones. If you're Tweeting today, we are Press Club
DC. And the hashtag for today's event is NPCLive.

I'd also like to introduce our head table guests. Please hold your applause until
everyone has been introduced. From the end, we have Charlie Clark, Senior Correspondent at
Government Executive Media Group; we have Francesca Regalado, Washington reporter at
the *Yomiuri Shimbun*; we have Stephen Gregory, Publisher at *The Epoch Times*; we have
Ellyn Ferguson, Trade Reporter at *CQ Roll Call* and an NPC Headliners Member; we have
Richard McCormack, Chief Speechwriter at the U.S. Department of Commerce; we have
Tim Warren, Managing Editor at *International Trade Today*; and Rebecca Glover, Director
of the Office of Public Affairs at the U.S. Department of Commerce.

Coming from this end, we have John Gallagher, Senior Editor at IHS Fairplay and a
member of the National Press Club Headliners team; we have Arthur Swift, Chief of Content
at Gallup; we have Herb Jackson, Washington Correspondent at *The Bergen Record/USA
Today Network*; we have Mrs. Hillary Ross, wife of our speaker today; we have Kevin
Wensing, retired Captain of the U.S. Navy, and Executive Director of FIRST Global and the

National Press Club Headlines member who organized today's luncheon; we have Mark Hamrick, the Washington Bureau Chief at Bankrate, and a former President of the National Press Club; skipping over just for a moment, skipping over our guest for today, just for a moment, we have Betsy Fischer Martin, who's Executive-in-Residence at American University and Co-Chair of the National Press Club Headliners Team. (Applause)

I'd also like to acknowledge the members of the Headliners Team responsible for organizing today's event, besides the people that I've already mentioned. We have Lisa Matthews, Joe Luchok, Lori Russo, Tamara Hinton, Danny Selnick and Bill Lord. Also, the Press Club staff, specifically Lindsay Underwood, Laura Coker and Executive Director, Bill McCarren.

Secretary Ross was sworn in as the 39th Secretary of Commerce in February of last year. And since then, he has been very busy with issues including tariffs, NAFTA, the Trans-Pacific Partnership and trade with China, just to mention a few things. On steel and aluminum tariffs, he told CNN recently, "In a can of Campbell's soup, there are about 2.3 pennies worth of steel. So if that goes up by 25 percent, that's about six-tenths of one cent on the price on a can of Campbell's soup. I bought this can today at a 7-11 and it is priced at \$1.99. Who in the world is going to be too bothered by that?"

On another front, explaining the decision to have the census ask if respondents are U.S. citizens, he wrote, "I find that the need for accurate citizenship data and the limited burden that the reinstatement of the citizenship question would impose outweigh fears about a potentially lower response rate." His department recently released a strategic plan for expanding commercial space activities and he has spoken about turning the moon into a gas station for the outer space.

Prior to assuming his current position, he was Chairman and Chief Strategy Officer of W. L. Ross & Co. Bloomberg markets named him one of the most 50 influential people of-- of the 50 most influential people in global finance. He is the only person named to both the Private Equity Hall of Fame and the Turnaround Management Hall of Fame. He has also been an 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.

He has been chairman or lead director of more than 100 companies operating in over 20 countries. His work brought him a medal from President Kim Dae-jung for helping South Korea during its financial crisis. And in 2014, the Emperor of Japan awarded him the Order of the Rising Sun, Gold and Silver Star.

A graduate of Yale University and Harvard Business School, he also served on the advisory board of the Yale University School of Management. We are so very pleased and happy, excited that he has taken time out of his busy schedule to be here with us today. Please join me in welcoming to the National Press Club Secretary of Commerce, Wilbur Ross. (Applause)

SECRETARY ROSS: Well, thank you, Andrea for that kind introduction. I'm glad my wife was here to hear the flowery note of it. You can never get enough credit at home. It's an honor to be addressing the National Press Club. When I was a student at Yale, my dream was to be a writer, so I joined a chorus called Daily Themes. That required a thousand words of fiction by 10:00 each morning. By the second week, I was out of material, so I dropped the course. As a result, I have great admiration for people like you who write professionally every single day.

Since we're in the midst of negotiations with China, that will be my main topic. Let's begin with two questions: does anyone doubt that China's trade surpluses with us have helped their economic growth? Second question: if their surpluses with us have been good for China, how can our trade deficits with them not be bad for us? I believe that deficits and surpluses do matter, but not all trade deficits are the same.

For example, United States has historically not been self sufficient in oil, especially before the shale oil boom. Therefore, a country supplying our needs should not be criticized for doing so because we otherwise would have to buy the oil from someone else. I call this a blameless deficit.

However, trade deficits caused by artificial means, like asymmetrical tariffs and non-tariff trade barriers, are not blameless. They are blameful and shameful. This first chart that this very sturdy man of your club is holding up for me shows that in 21 of 23 major product categories, China's tariffs are far higher than ours. A similar chart for Europe would show almost the same disparities. They both are far higher than the U.S. This is not comparative advantage. This is protectionism.

United States is the most open and the most exploited market in the world. Both China and Europe eloquently espouse free trade rhetoric but in actual practice are far more protectionist than the United States. Our trade policy's main objective is to make their real world behavior match their free trade speeches.

A second objective is to have our trading partners abide by the rules; a major rationale for admitting China to the WTO was the expectation that they would abide by the rules. But they have not. Instead, of the 424 trade actions that the United States has in effect against violations of the rules, half are anti-dumping or are countervailing duty cases against China. They have subsidized their industrial expansion far in excess of demand and have disrupted global markets. China has forced technology transfers from companies wanting to sell to its vast market and it has stolen intellectual property. All of these abuses have been well documented in the media, your media, not fake news.

A third objective of our trade policy is reforming prior errors made by earlier administrations. Just after World War II, it was U.S. policy to rehabilitate Europe and Asia after their sufferings from the ravages of war. At that time, the United States was the unchallenged economic power and had regular trade surpluses. We created GAP, which later morphed into the WTO.

We also made systematic and repeated trade concessions to which we remain bound today decades later. The policy error was that we did not time denominate these concession or provide other mechanisms to adjust policy as conditions changed. Concessions made to China or Europe that might have been totally correct 50 years ago are simply no longer appropriate today. Yet, we are locked into the present trading system with rules created for a different era.

Despite these blunders, our underlying economic strength enabled us to continue to have trade surpluses until the 1970s. We're now constrained by two-- I'm sorry, I prematurely asked him to put that up. It was just a little teaser. (Laughter) We're now constrained by two sides of a WTO pincer; one is the most favored nation clause, or MFN. This rule says that we must apply the same tariff to every nation with which we do not have a free trade agreement.

The second one is the so-called bound rate. This is the upper limit on tariffs we can charge foreign nations even with the application of MFN. The combination of MFN and bound tariff rates prevent us from having reciprocal tariffs. Because in most cases, our bound rate ceiling is at or near our very low MFN applied rate while other nations have higher levels of both. They, therefore, have little incentive to negotiate.

For example, our MFN tariff on passenger cars is 2 ½ percent. And so is our bound rate. We are stuck with it. Europe's tariff is 10 percent, four times ours. China's is at 25 percent, 10 times ours. Efforts over the last decade and a half to negotiate broad changes to these tariff rates have failed, in large part because of China's unwillingness to make concessions commensurate with its significant role in the global economy.

So China, the world's largest car market, is effectively closed to our exporters. This is not fair trade, this is not free trade. And there is an even more bizarre outcome regarding Mexico. NAFTA was to become a protective wall around the United States, Canada and Mexico for our collective benefits. But NAFTA did not stop Mexico which had high auto tariffs on non-NAFTA countries from signing a free trade agreement with Europe. That agreement permits Mexican producers of autos to enter Europe duty-free while auto producers from the United States remain subject to Europe's 10 percent tariff.

Automakers seeking exports to Europe derive several times more benefit from this tariff anomaly than from the lower Mexican labor cost when they move a plant to Mexico. Similar examples abound throughout the world.

In addition to problems with WTO rules, there are problems with the organization's mindset. WTO has 164 members, virtually all of which export products to the United States and want to export even more. Access to the U.S. markets is one of the primary benefits from joining the WTO. And each of these 164 countries has one vote equal to that of the United States.

You can only imagine how complicated a situation that is for our country. The WTO constantly complains that the increasing number of anti-dumping and countervailing trade cases brought by member countries indicates growing protectionism. It apparently does not

occur to the WTO leadership that more trade actions are brought because there are more trade violations. Why does all of this matter?

Because the U.S. trade deficit is the largest in the world. It is unreasonable for one country to bear the burden of bolstering the economic fortunes of the entire planet. The U.S. is one of the least protectionist major countries and we have the deficits to show for it. China and Europe are highly protectionist and their positive trade benefits with us reflect it. A few charts will quantify these thoughts.

This second chart shows the relatively slow growth of China's economy prior to its entry into WTO. The black vertical line marks its entry in 2001. Note the remarkable acceleration in growth following their admission to the WTO. What changed? Just one thing: China joined the WTO on beneficial terms guaranteeing their access to the tariff anomalies I mentioned earlier. As shown in the third chart, even though our total economy has been much larger than China, their manufacturing output, the red line, surpassed ours beginning around 2009-2010. And the gap, as you can see, has widened since then.

And as you can see in the following chart, China's massive growth in output following its admission into the WTO has been reflected in the loss of American manufacturing jobs. The declining black line is American manufacturing jobs. The ascending red line is the U.S.-China trade deficit in goods. It is not just automation that has cost factory jobs; it is also substitution of imports for domestic production.

There are approximately 100 different ways in which China subsidizes its companies, even to the point of fostering continued expansion of unprofitable factories beyond the growth in demand. The dumping of products at subnormal prices is a significant cause of the recent crises in steel and aluminum. Once again, their behavior is very different from their words.

This fifth chart indicates in the little voice boxes each time China said it would be more restrained on steel. The very sharply rising red line shows their actual output. It went up almost every single time despite the statements to the contrary. And in 2017, reached an all-time record. We imposed duties in response to dumping, but they cleverly avoid trade actions by transshipping products through a third country or with a slight modification of the product or other devices.

This steel object I'm holding up recently became subject to a 25 percent tariff. China's response was to add this small flange at one end of the product. And the actual product is many years long, not just this little dimension. WTO rules requires such specificity in tariffs that this trivial change avoided the original tariff, as silly as that sounds. You can't make this stuff up.

This is what happens every day in the real world. And the problem with classic free trade theory is that it does not correspond to reality. The real world is filled with distortions like the ones I have mentioned. This explains why the president has insisted on a robust trade policy. And in terms of enforcing the rules, Commerce Department has initiated 75 percent

more trade cases than during the comparable period of the last administration. And we will continue aggressively to pursue violations.

But because of the loopholes I mention, more comprehensive action has become necessary. Two separate investigations, one on steel and the other on aluminum, have been completed by the Department of Commerce under Section 232 of the Trade Expansion Act of 1962. And in an investigation under Section 301 of the Trade Act of 1974, has been undertaken by the U.S. Trade Rep against China for intellectual property right violations.

The steel and aluminum cases are aimed at dealing with today's problems. The 301 is to protect our future from an already evolving negative trend in technology trade balance. This is the U.S.-China trade balance in high tech goods. You can see that back in 2000, it was more or less break even. It's gone down just about every single year, and now it alone is around \$150 billion, close to one percent of our whole economy.

China's announced decision to subsidize a dozen of the most promising technologies in order to become dominant in them by the year 2025 is a major issue. We welcome legitimate competition, but we cannot tolerate competition that is based on massive government subsidies and industrial cyber espionage.

Another demonstration of the importance of technology is that the Patent Office, part of the Department of Commerce, will issue its 10 millionth patent in June. This remarkable accomplishment far exceeds the patent activity of any other country and demonstrates, again, the importance of intellectual property to the United States.

Taken together, the 232s and the 301 are bookends around our trade policy initiatives. The logic beyond them is indisputable. Both focus on protecting key elements of the economic base that is essential for national security. But the retaliation lists published by China have created worry about a trade war. So let's analyze how far it might go.

As the president has pointed out, China sells us far more than we sell them, and given the lopsided balance, they would run out of targets for tariffs much sooner than we would. Also, their retaliations would negatively impact their own economy as well as ours. China buys no products from us if they have cheaper alternatives. Therefore, the tariffs they impose will come at a cost to them. This would be particularly true in agricultural products. China has 20 percent of the world's population but only 11 percent of the arable land. They cannot feed themselves so they must import to fill the gap, especially as their diets shift toward more protein content.

Take soybeans as an example. It is true that China is our largest customer. But it is also true that Brazil already accounts for a bit more than 50 percent of Chinese imports, while we are at 30 percent. For Brazil to replace us, they would have to increase their exports to China by 60 percent, 6-0 percent. But if Brazil could ship that much more at competitive prices, they would do so already. They have not been holding back just to help the United States.

Brazil also has issues with climate variability and with its transportation networks. And those limit its ability to export materially more than it already does. Realistically, then, to fill the additional Chinese demand, they would have to divert some soybeans now sold elsewhere. In return for a higher price to China, they might be willing to disrupt existing customer relationships. But if they did so, the market that had formerly been supplied by them would now open up for U.S. producers.

So at the end of the day, it would be, at best, a somewhat pyrrhic victory for China. This is especially true because food is a much higher percentage of income in China because their incomes are much lower.

Against this background, two weeks ago Treasury Secretary Mnuchin, U.S. Trade Rep Lighthizer, Larry Kudlow, Peter Navarro, and I spent two days in China. It was an interesting week; 30 hours on the plane and 30 hours of negotiating. I don't know which was more tiring.

We negotiated with a delegation of senior Chinese leaders from its various ministries and led by Vice Premier Liu He. Before landing in China, we sent them an extremely detailed list of our needs. And they responded with a similarly detailed but, as you can imagine, quite different list of their proposals. The gap remains wide. As has been announced, China's Vice Premier will soon come to Washington to follow up on those discussions. It's difficult to handicap the outcome, but my hope is that the strong personal relationship between President Trump and President Xi will facilitate an agreement, just as it seems possibly to be doing relative to North Korea.

One sure thing is that the president meticulously honors his campaign promises, and key among them is making our trade relations with China much more fair. Some pundits have said this activity on trade will result in retaliation and undo the benefits of deregulation in the tax cuts. That is an exaggeration. If China retaliates with a 25 percent tariff on 50 billion of our exports as threatened, we would lose a major fraction of that volume, but not all.

For the sake of argument, assume that we did lose all of that volume. The hit would be \$50 billion, a big number, and this would be painful to the direct targets but it would have less than a 3/10 of 1 percent impact on our \$18 trillion economy, less than 3/10 of 1 percent. And it would be partly offset by the reduced imports of the goods on which we had imposed our original 25 percent tariffs. Some portion of those would be produced domestically.

Also, the president has directed the Agriculture Department to use all of its power to ameliorate the impact on farmers. The inflationary effects would be even more muted. Replacing \$50 billion of Chinese imports with either our own production or imports from elsewhere would likely cost a lot less than the tariff percentage.

But let's pretend that we had to absorb the full 25 percent of the tariffs, \$12.5 billion. This is even more of a rounding error, 71/1000 of 1 percent, well within the margin for error

of any economic forecast. And following the same logic, it would take \$180 billion of tit for that to cause a 1 percentage point reduction in GDP.

However, this is far more than the total of \$130 billion in goods that we export to them. Any tariffing on goods amounting to more than 130 would have no effect because we don't sell it to them right now. Also, some of the food and lots of the technical products would not be readily replaceable. Therefore, there is no real world circumstance where China could cut our GDP by that much. We simply don't export enough to them for that to be able to happen.

Now, at the \$180 billion level, which is \$50 billion more than our total exports to them, the maximum inflationary impact would be \$45 billion, or one-quarter of 1 percent of our economy. Given the various offsets, the actual impact on inflation of retaliation would be even less than that.

Instead, China could easily reduce our trade deficit by purchasing from us a larger percentage of their existing \$1.5 trillion of imports. A 10 percent diversion of imports that they make already from other parties to us would almost double our total sales to them. To do so, they might have to get around their own trade barriers, both tariff and non-tariff. But the more difficult challenge for them probably would be the intellectual property area. They are rapidly ramping up their own R&D but they're still years behind us in semiconductors and a variety of other products.

Respecting our intellectual property, therefore, would slow but not stop their efforts to move their manufacturing up the intellectual value added scale. For example, the Commerce Department's recent enforcement actions against ZTE, China's second largest telecom equipment manufacturer, essentially caused them to cease operations. President Trump Tweeted yesterday that we will review that action, but it does demonstrate China's dependence on U.S. technology.

Given all of these factors, I hope that we can make a fair deal. But if it doesn't happen, a trade tit for tat will not be economically life threatening to the United States. I look forward to hearing your questions. (Applause)

MS. EDNEY: Thank you, Secretary Ross. When Chinese economic envoy Liu He visits Washington this week, what are the main topics that you'll be discussing?

SECRETARY ROSS: Well, there will be a lot of things. One will be tariff barriers. Another will be non-tariff trade barriers. A third will be the force partnerships and force technology transfers for companies operating within China. Next would be the discriminatory practices in the procurement area. And finally, of course, the big question about respect for intellectual property rights. It also wouldn't surprise me if they would bring up the ZTE, but our position has been that that's an enforcement action separate from trade.

MS. EDNEY: Can you give us a few more specifics on what specifically we'll be seeking from the envoy regarding intellectual property rights?

SECRETARY ROSS: Well, I think it's pretty clear. We would like them to respect the rights of our companies; not force them to give up codes, not force them to localize data, not force them to do any of those things. That's the biggest area. And then there are also illicit uses of intellectual property by hiring people away who have in their head trade secrets which they don't honor once they go over there. So it's a whole myriad-- same things that you've been reading about and hearing about throughout the weeks.

MS. EDNEY: Thank you. Mr. Secretary, President Trump recently Tweeted-- or he Tweeted over the weekend asking your department to "get it done" when it comes to getting ZTE back into business. This question has a couple of parts. One, will you? And if so, how?

SECRETARY ROSS: Well, ZTE did do some inappropriate things, they've admitted to that. The question is are there alternative remedies to the one that we had originally put forward? And that's the area we will be exploring very, very promptly.

MS. EDNEY: Thank you. And how does that message work with known sanction violators?

SECRETARY ROSS: What?

MS. EDNEY: Sanctions violators?

SECRETARY ROSS: Well, what ZTE did was they violated the sanctions both against North Korea and against Iran. That was the original case. We then settled that for a fine of \$1.16 billion and an agreement to do lots of other things. The Texas court appointed an examiner. He rendered his report. We then followed up and it turned out that a number of the statements that the ZTE had made to us were simply inaccurate and not correct, both during the negotiations and after. So that's what led to the second round and in that round, our initial thought was to impose the bad lists so that they could not receive exports of high tech material. And that's what led, as I mentioned in my prepared remarks, that's what led to the shutdown.

MS. EDNEY: Can you confirm whether you are willing to get Beijing to ease agriculture tariffs?

SECRETARY ROSS: Well, we're opposed to their discriminatory sectors in all sectors, in agriculture, in non-agriculture. We're also opposed to their non-tariff barriers. They have lots of non-science based restrictions that essentially are tailored to keep U.S. goods out of China. At one of the meetings where they raised the problem of the so-called mad cow problem, I pointed out to them that both the president and I eat quite a lot of American beef. And that other than the fact that we're in public office, there are no signs of mental instability as a result. (Laughter)

MS. EDNEY: Thank you. And I would point out for our viewers online and our viewers of the live broadcast, in this room there are a number of people who are not members of the working press. So any reaction you hear is not necessarily that of the working press.

SECRETARY ROSS: I assume she's referring to applause and laughter with that. (Laughter)

MS. EDNEY: Or anything. Do you or the president dispute intelligence agencies' warning on cyber security risk of ZTE phones? And if not, how will the U.S. mitigate that risk of restrictions being lifted?

SECRETARY ROSS: Well, I have great respect for our national security agencies and our national intelligence agencies. The president, I and the rest of the cabinet get very detailed briefings every day and so I can assure you we know even more about the situation than the leaks would let on.

MS. EDNEY: Can you tell us a little bit about that?

SECRETARY ROSS: Well, since it's classified, it obviously wouldn't be appropriate.

MS. EDNEY: All of it is classified?

SECRETARY ROSS: What?

MS. EDNEY: All of it is classified?

SECRETARY ROSS: The part that would be interesting is classified. (Laughter)

MS. EDNEY: Okay, fair enough. Where do negotiations stand with the EU on steel and aluminum tariffs?

SECRETARY ROSS: Well, I've had discussions with Commissioner Malmstrom, who's their trade person maybe eight or ten times since we originally announced the 232 results. We're continuing the discussions. I'll be talking with her again tomorrow. And as we get closer to the June 1st deadline, hopefully we'll come to a reasonable conclusion. If not the tariffs will go into effect.

MS. EDNEY: If the EU agreed to a quota on steel but did not agree to lower tariffs on autos, would that be enough to exempt the EU from the steel tariff?

SECRETARY ROSS: Gee, I really think that's a little bit hypothetical. They haven't yet agreed to anything on either score. So I think we'll just have to see what comes from the negotiations.

MS. EDNEY: For aluminum and steel tariffs, would the country's exemptions be permanent or continue to be decided one month at a time?

SECRETARY ROSS: Oh, I don't think we would do the one month at a time except if we're in continued negotiation. For example, Canada and Mexico also have the postponement until June 1st. So depending where we are with NAFTA on June 1st, the president will decide whether or not to extend their situation. So it's unforecastable at the moment.

MS. EDNEY: So NAFTA talks have been hot and heavy. They continued over the weekend. Were any agreements reached this past weekend in NAFTA talks?

SECRETARY ROSS: Well, I don't believe that any of the big hot topics, the rules of origin, the sunset provision, the dispute resolution provision, labor things, the big topics like that are still a work in progress. And those are very complex issues, particularly rules of origin. So eventually, it will come down to every comma, every semicolon, every everything before we can figure out if it's something that's workable.

MS. EDNEY: Regarding rules of origin, Canada is currently asking for comments on aligning their NAFTA customs rules for making country of origin to align with U.S. standards. How significant is this loophole for transshipment of steel and aluminum into the U.S.? That is, how much foreign steel was making it into the U.S. by being routed back and forth between the two countries?

SECRETARY ROSS: Well, we have a significant interest in all countries with whom we're involved having better safeguards against transshipment. It's not a situation unique to Canada. Europe has already announced a whole bunch of potential safeguard actions. Those will probably come into play some time in June or early July. Part of the theory of why we did both steel and aluminum on such a broad basis is what I had mentioned earlier; namely, the rules of trade are so specific that it's kind of easy to get around them if you don't have a blanket solution. So we have imposed the tariff provision on countries that even sell us little or no steel or aluminum because we don't want them suddenly to become a transshipment vehicle.

There's one company which for the moment will remain nameless to protect the guilty that doesn't even have steel mills that recently started shipping steel to us. So, that's a little bit aggravating, as you might imagine.

MS. EDNEY: Yes. If NAFTA has not concluded by June 1st, what would be your recommendation on exempting Canada and Mexico from Section 232 tariffs on steel and aluminum?

SECRETARY ROSS: You'll be the first to know on June 1st.

MS. EDNEY: Really? Promise?

SECRETARY ROSS: On June 1st, or maybe a little before.

MS. EDNEY: Or maybe a little before? Okay, thank you. To what extent is China coordinating its allies in responding to U.S. tariffs?

SECRETARY ROSS: Well, that I don't know the answer to. I do know that the vast majority of countries have agreed with us either to accept the tariffs that we put on, or to accept quotas which produce a similar result. The most noteworthy and the first of which was South Korea. As you know, they agreed to accept the 10 percent tariff on aluminum without protest and to take a quota on steel equal to 70 percent, seven-zero percent, of their average shipments from 2015 through 2017.

Other countries have agreed to a little different quotas. It all depends on what their history with us has been. But I would say the vast majority of countries are not going to make any serious opposition.

MS. EDNEY: All right, thank you. What trade or other actions do you anticipate, or are you taking, regarding foreign companies doing business with Iran, Russia or North Korea?

SECRETARY ROSS: Well, the North Korea sanctions are already in place. I'm not aware of any immediate plans to change them. The president has announced that there will be more sanctions on Iran. As far as I can tell, it's his intention to keep ratcheting up the pressure on them to bring them back to the table, just as he did on North Korea with some hopeful early results in the case of North Korea.

MS. EDNEY: On April 8th, the Treasury Department announced sanctions against Vladimir Putin's former son-in-law, Kirill Shamalov, and specified that he was designated for his activities in the energy sector. If you take Shamalov's ties to the Putin regime into account, can you tell us why you kept your stake in the shipping company, Navigator Holdings, which earns millions of dollars each year transporting energy for Shamalov's company, Sibur, for almost a year after you were confirmed as Commerce Secretary.

SECRETARY ROSS: Well, the Office of Government Ethics did not require the sale of those holdings, number one. Number two, they were fully divested prior to these sanctions, well before the sanctions, coming in on April 8th. Prior to April 8th, there were no sanctions on that company so there was no reason not to hold them.

MS. EDNEY: What has been the biggest adjustment for you in moving from the business world where people reported to you, to the world of government where you report to many with different and sometimes conflicting interests? And how would you rate Congress as a boss?

SECRETARY ROSS: (Laughter) I hope you have two days for that full answer. No, the most gratifying thing about the people in the department has been the-- we have 47,000 people and the most gratifying thing has been the very high quality of some of the long-term

civil servants who've been in there. I find them extremely capable technically, relatively non-ideological, and amazingly, especially because of the very trapezoid-like government pay structure, very willing to work late at night, even work on weekends. In fact, they did this past weekend because of this speech.

MS. EDNEY: Thank you. You have described a strategy of pursuing new trade relations, “With our country adopting something like the mentality of a large industrial customer and playing suppliers, namely our trading partners, against each other.” Now that you are in the middle of trade negotiations, what differences have you seen between the processes of business negotiating with potential business partners where it’s driven by profit, and trade negotiations between nations which are driven by politics and special interests?

SECRETARY ROSS: Well, that is the big difference. You'll probably notice last week when the Canadian lead-in negotiator was here in the States, she spent 2 ½ hours in negotiations with us and about 40 hours lobbying Capitol Hill. And that's not an unusual ratio for foreign countries. They try to get around us through the political process. It’s a lot the same reason why on their tariff list they’ll pick a particular product from one state, maybe where Mitch McConnell is from, pick another product from the state where Speaker Ryan is from, pick another product from a state where Chairman Brady is from. They're trying to be very sensible about putting the maximum political pressure on us.

And in the case of China, they're blessed by the fact that they don’t have a November election. So there's not much we can do to reciprocate in terms of lobbying.

MS. EDNEY: What are your thoughts on the current level of the U.S. dollar, and how does the current level help or hinder you in your talks with China on ZTE specifically?

SECRETARY ROSS: Well, the dollar is really more the province of Secretary Mnuchin. So I would urge you to invite him here, and I'm sure he’ll be glad to discuss at a great length.

MS. EDNEY: You know, we would love to have Secretary Mnuchin here. Secretary Mnuchin, please come to the National Press Club. I do know that you have commented on dollar levels in the past. Perhaps you could let us know where you'd like to see it or what you'd like to see happening with it by the end of the year?

SECRETARY ROSS: Well, it really is Secretary Mnuchin’s province, not my province. But clearly, the level of the dollar relative to other currencies does factor in to trade balances. It does factor into everything. All interactions between our economy and other economies are interrelated in some way, shape or form. So nothing happens in the abstract.

MS. EDNEY: Yes. (Laughter)

SECRETARY ROSS: I think that was a very grudging yes.

MS. EDNEY: All of that is true. Okay, moving on from the level of our currency, have you spoken with Special Counsel Mueller or been asked by him about Bank of Cypress and money going to Trump?

SECRETARY ROSS: No.

MS. EDNEY: President Trump. Okay, thank you. Can you state clearly if you accept NOAA findings that humans are the primary drivers of climate change?

SECRETARY ROSS: Go on, the question has more to it.

MS. EDNEY: It does. Can you describe how climate science informs Commerce Department policy, especially in regards to fisheries. But the first question, if you could address first?

SECRETARY ROSS: Sure. Well, I'm not going to get into the climate debate. Commerce Department's NOAA has issued various reports that reflect the thinking of their scientists and those reports, in general, have been reviewed sometimes favorably, sometimes less so, by other people in that field. So, I think I'll just let that record speak for itself.

As to fisheries, one of the great surprises to me on both in the confirmation hearing and even more so now that I'm occupying this job, has been the amount of congressional attention to fishing, especially to red snappers. I've spent so many months about the allocation of fishing capability between the commercial fishermen and the sport fishermen in the Gulf of Mexico that for a whole month, I refused to eat any red snapper. I had more than had my fill of it every day.

So fisheries are a very complicated area; many, many, many species. Each one has a whole regulatory apparatus around it. But I have one particular ax to grind. And that is more than 80 percent of our seafood consumed in the U.S. is imported and that seems a little bit silly to me given the coastlines we have and given everything else. So one of my objectives is to try to change that trade deficit into a trade surplus. It should be a thing that we're very good at. It is a thing we're very good at and so we're going to try to fix that. So that's a very big preoccupation and I've been working a lot with the fisheries group and with the private sector how to solve that problem. That strikes me a lot of the seafood being imported here is grown in aquaculture under conditions that would never be permitted for a U.S. company. So it's a kind of subsidy of them.

There also are some health issues with some of those imports. So, we're going to try to deal with that, and we're also going to try to deal with how do we get to the maximum sustainable harvest in our waters and how do we bring in selected elements of aquaculture done properly on our own part. So fishery is a very complicated question, but a very, very important one.

MS. EDNEY: Thank you. We've discussed a lot of trade issues here today.

SECRETARY ROSS: Yes, I've noticed that.

MS. EDNEY: Moving to a very U.S.-centric topic, the census. You announced during a Senate appropriations hearing that you submitted to the White House the name of your census director nominee. Can you share that name with us today?

SECRETARY ROSS: Well, of course not. That would be a violation of all sorts of rules.

MS. EDNEY: Okay. Any hints?

SECRETARY ROSS: You'll know the name if and when White House approves it and the formal process begins.

MS. EDNEY: Do you have any idea when that might be?

SECRETARY ROSS: No, I don't know.

MS. EDNEY: Okay.

SECRETARY ROSS: But I do know I have very strong confidence in the existing leadership. The two top people are longtime career people, 20, 30 year people. I think they're doing an excellent job and wouldn't be such a bad thing if they were there for quite a while.

MS. EDNEY: Thank you. The addition of a citizenship question in the 2020 census drew swift bipartisan opposition, including from states attorneys general and groups such as the American Statistical Association, and others. Is there any chance that the 2020 census will not ask people their citizen status?

SECRETARY ROSS: Well, first of all, it did draw lots of opposition. It also drew lots of support. There are a dozen or so states whose either governors or attorneys general have come out publicly in support of adding the question. It's not a novel question. It's been asked every year on the American community survey in the exact same form that we're planning to do on the census this year. Sixty-one million families have already been exposed to the question and the sky has not fallen. So I don't think the sky will fall when we add it to the census itself in 2020.

What we are doing to try to assure the maximum participation that we can achieve is several things. First of all, we're going to be spending roughly \$500 million on advertising for the census explaining to folks why it's important and explaining why under Title XIII there is no risk that their data will be used for immigration or any other purpose other than compiling the regular census statistics.

That law has been in effect for a couple of decades. There has never been a violation of it. And I don't think there will be because every census employee who has access to the data takes a lifetime oath not to reveal it. And the penalty imposed by law of someone

convicted of violating that is some combination of up to four years in prison and \$250,000 fine. That's a pretty stiff impediment for people to leak.

We also are taking extreme measures for cyber security so that we can try to protect as best one can against intrusions there. And Homeland Security and various other government agencies have been helping us with that. So, people do not need to worry that their privacy will be abused by the census.

Number two, to facilitate people for whom English is not their main language, we are going to have instructional material in 12 languages available. The basic census forms themselves will be printed universally in both English and Spanish. We will have a very active call center operation and those will have multilingual resources available to them.

And then finally, we're working with community groups, community hospitals, community social organizations, community advocacy groups, trying to get their cooperation to explain to the population why it's important for them to participate. So we're doing everything that we can to maximize participation in the census.

We're also putting the citizenship question last so that someone who, for whatever reason, feels uncomfortable with that question, at least they can deal easily with the questions with which they're not uncomfortable.

MS. EDNEY: We have less than a minute left of today's luncheon.

SECRETARY ROSS: Thank God.

MS. EDNEY: (Laughter) I'm going to ask you two questions just very quickly, if you can help. You have known Donald Trump from his early days in business in New York. Has the presidency changed him at all?

SECRETARY ROSS: That's a very interesting question. I don't think so. I think he's had more impact on the national thought process than the accession to the presidency has had on him. I think he's very much the same person as before. It's just that his focus now is on big public issues, not on the next real estate transaction or the next other transaction. So his focus has changed. I don't think the person has changed at all.

MS. EDNEY: And finally, I wanted to ask you about the president's space agenda. How do you see that being rolled out and can America remain a leader in space commercialization?

SECRETARY ROSS: Yeah. We've been given at Commerce the task of becoming one stop shopping for the commercialization of space. Space is becoming a reality much sooner than you would think. There's probably going to be space tourism no later than next year. One space operator has already gotten 600 people to prepay \$250,000 each for a space ride, suborbital space ride, so it's coming.

What's also coming will be space eventual mining activity on the asteroids. They're very rich in minerals. There'll be space colonization, perhaps, of Mars. And the most interesting of all, the man in the moon will someday be a gas station attendant. And what I mean by that is this. In order to get very big payloads to Mars, they'll be using rockets that go just with enough fuel to get to the moon, then refueling on the moon, which has very little gravity and therefore it's an easy re-launch. And that's how we'll be able to make it much more economical.

So you'll be seeing in coming days some editorials from me that explain it in greater detail. But I really think that space, it's already a \$340 billion industry. I think it will be a trillion dollar industry before we get too much older than we are already. And so I'm very, very excited about it as the last truly new frontier.

MS. EDNEY: Well, thank you very much. Before we conclude today's event, I'd like to let you all know about a couple of upcoming events. On May 17th, we have a luncheon with SBA administrator Linda McMahon. May 22nd, the former President of Mexico, Vincente Fox, will be here speaking. June 14th, we have a book event with Harris Faulkner; and June 20th, we have a book and breakfast even with Jon Meacham, author of "The Soul of America: The Battle for our Better Angels."

Secretary Ross, thank you very much for joining us here today. We'd like to present you with a mug. We give this to all of our honored speakers. We hope that you will use it in good health and that you will soon come back to the National Press Club to pick up another.

SECRETARY ROSS: Well, thank you very much. (Applause)

MS. EDNEY: Thank you.

SECRETARY ROSS: This may be one of the few gifts that the Office of Government Ethics will let me accept. They will, of course, have to put it through their appraisal process, so I'm not likely to see it for a couple of months. But when it does come back, I'll be happy to use it. Thank you.

MS. EDNEY: Wonderful, thank you very much.

SECRETARY ROSS: Good to see you.

MS. EDNEY: Thank you. This luncheon is adjourned. And I would just ask that everybody stay seated for a moment. The Secretary has a tight schedule and we'd like him and his staff to be able to exit and then once they've gone, everybody else is welcome to leave. Thanks very much.

END

