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Transcript

CHINA IN THE WORLD PODCAST

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Guest: **Penny Pritzker**

Episode 99: “What’s Next For Commercial
Diplomacy With China?”

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Haenle: Welcome back to the China in the World podcast. Today I'm honored to have our first former cabinet secretary ever to join the podcast, former secretary of commerce Penny Pritzker. Penny Pritzker is in Beijing, having just joined the Carnegie Endowment for International Peace Board of Trustees in February of this year. She was the former secretary of commerce in the Obama administration from 2013 to 2017, where she was a key member of President Obama's economic team and the country's chief commercial advocate. Prior to that, she served 21 years primarily as a business builder. She started out in law school, going on to business school, she started five companies, she led dozens of businesses across a range of sectors—without a doubt, one of the United States' most successful entrepreneurs, impactful policy makers, and philanthropists. It's a pleasure to have her on the podcast today. Thanks for joining.

Pritzker: I'm thrilled to be here. Thanks, Paul.

Haenle: I just wanted to start out—secretary of commerce—it's a big job, and I'm not sure how much our audience understands what the secretary of commerce actually does and what the commerce department is responsible for. It would be good to hear what you saw as your role as secretary of commerce for President Obama.

Pritzker: That's a good question because there are a lot of people who don't understand the commerce department, so I'm happy to give my take on it. First of all, it was an honor of a lifetime to be able to serve our country and serve as secretary of commerce. As you said, I came out of a business background. I spent twenty-seven years in the private sector building businesses, so I tried to bring that experience into my government role.

The president asked me to do three things; it was important to ground the work we did with what the president had asked me to do. He asked me as secretary to really build a bridge to the business community. Second was to be the voice of business in the policy making process, both domestically and around the world. And third is to be the chief commercial advocate for businesses, both domestically and around the world. Frankly, the bar was low. The relationship with the businesses community at the time that I came in was not where it needed to be, and the president wasn't happy with it. So he was focused on that, and the policy, and our position in the world.

But there was also, as you said, a department to run. What does that department do? I thought about the department as a service organization. We did everything from counting the fish in the sea and telling you how many fish you could catch, to providing weather, to executing the census--which is required by our Constitution--, to helping American companies do international trade all over the world, to working with the White House and Congress to develop an internet policy for the United States, to giving American companies a patent or a trademark which they needed to protect their intellectual property. We were also in charge of economic development for the country, so we worked with the states and the local governments to help them attract investment. We were responsible for setting the standards with the private sector for different aspects of our economy—everything from fire hydrants to nanotechnology. And working with the manufacturing community to set policy and really help our manufacturing community get back on its feet. That's the whole list, but as you can see—

Haenle: --It's diverse.

Pritzker: It's very diverse. But the way we thought about it, and the way we went about it, was when I arrived, I worked with the leadership in the Department of Commerce, both the career leadership and our politically appointed leadership, to develop a strategic plan which we called our "open for business agenda". And we took our first hundred days, we went out and listened to our number one stakeholder, which was the business community. We tried to get people in place because we had a lot of vacancies. We worked as a leadership team to put together a strategy. And by leadership team, I mean sixty for seventy of us worked together on this plan. So we brought the breadth and depth of the department together. And then we went to the White House and to Congress and sold our strategy to them. You know, getting approval from the president.

And there are really five pillars to our strategy. First was innovation. We were going to work on manufacturing. We were going to work on our digital policy. We were going to work on making sure we had a skilled workforce. Second was data. We produced a ton of data--forty terabytes of data a day at the Department of Commerce. How do we unleash the power of that data, particularly at a time of artificial intelligence? Third was exports and foreign direct investment. How do we approve both for the American businesses, for foreign businesses, but predominantly for American people, because both result in job in America—good jobs in America. How do we provide good environmental intelligence? So understanding not just the weather, but flooding and droughts, and all the ways that the environment can affect commerce. And finally, we committed to do it with operational excellence. How do we improve the way we operate? And it took a lot of collaboration. We created a culture of collaboration during my tenure. But it was one that I think was productive for the American people, for American businesses, and for the Administration and Congress.

Haenle: I never realized how diverse the agenda was of the commerce department. That's a wide ranging agenda, and it's not, I think, well known. At least, it was not to me. You talked a little about policy. Your role in helping President Obama develop economic policy as a key economic advisor to President Obama. Can you talk a little about the role the commerce secretary plays in the interagency, and the crafting of economic policy, and how the commerce department would interact with other agencies in terms of formulating a U.S. foreign policy—the economic piece of that, more broadly?

Pritzker: So President Obama and his key advisors understood that the economic power of the United States was an arrow in our quiver. We have our military power, we have our strategic power, we have our diplomatic power, we also have our economic and commercial presence from around the world. So the way that it would work technically is the National Economic Council, which I was a member of, and the National Strategic Council—I was invited to join both. On the economic side, I was present all the time and all the economic issues would be discussed and present would be the treasury secretary, the U.S. trade rep, sometimes the labor secretary depending on the issue, sometimes the state department depending on the issue, so the various part of the federal—

Haenle: --And they have an economic bureau at the state department as well.

Pritzker: Yes. But their job is a little different. It's mostly about reporting of the economics within countries as opposed to how we engage in commerce with those countries. So it's a little bit of a different point of view. And so we were invited into these councils to bring the point of the business community. And you would be surprised on the national security side, particularly today because so much of our innovation occurs within our private sector, where the national security issues would implicate our commercial position, so sanctions, or taking various positions as it pertains to technology and it relates to our national security. So the secretary of commerce would be present in those conversations with the goal of not only bringing our judgment to the table, but also to represent how this will implicate the U.S. business community.

Haenle: And so, you came to do this job, you came from 27 years of running businesses into the government bureaucracy. How was that adjustment? And what were some of the difficulties, what were some of the things that were, frankly, easy going from private into the public sector?

Pritzker: Well, first of all the toughest thing were the acronyms. Everybody spoke in, you know, a few letters and I had no idea what people were talking about. But fortunately I wasn't shy in saying I have no idea what that means, could you please explain it to me? But seriously, on day one, we tried and I tried listen—listen to our stakeholders and understand what was important to them, what were their priorities. Because it's not the job for the Secretary to describe the priorities, it's the job of the Secretary to help the administration understand what the American business community and what our economy would need for the benefit not just of our business but for the American workforce.

Haenle: And so having that 27 years of experience—

Pritzker: Was invaluable, because it gave me insight into what it's really like out there and how we could be helpful. But frankly, I went on a listening tour. We went to eight different parts of the country in the first hundred days and listened—we did roundtables. In just the first hundred days, I met with over 400 CEOs to hear of different sized companies, everything from bicycle manufacturers to the head of GE, to the technology companies, to understand what are their issues.

And that helped us then create our priorities and develop a strategic plan, and it helped give confidence to the breadth of talent at the Department of Commerce to say, this is what our constituency wants us to be working on. Working on a skilled workforce, you know, that was an issue I heard from all sizes. Working on trade agreements. Businesses of all sizes said we need trade agreements. They said, we're struggling with our supply chain or we're struggling to get market access. And they wanted tax reform, which we were unable to get done, but they recognized that we had a noncompetitive tax structure. So, it helped to identify what are the priorities for us. And, you know, I was really gratified. Just last week, one of the senior career officials told one of my lieutenants that our strategic plan was the most effective work that she had done in her forty years government. And she felt that her work was more impactful because she knew we were all moving in the same direction—it was as if she was off on a tangent. So, that was really great.

Haenle: And so, coming out of the Obama administration, looking back on your experience as commerce secretary, what are the things you feel most proud about in terms of the accomplishments, and where do you think the U.S. going forward still needs to focus on?

Pritzker: So I'm really proud of a lot of the work we did, but I'll name a few of the things. First of all, Select USA, which was, we created a real program to spur inbound investment into the United States. Why did we do that? Because it's good for the American people. It's good for the American workers. Those companies provide jobs that pay more. And so, I was really proud of that program, and we had a huge impact, I think, just in the couple of years we did the program I think we impacted about 23 billion dollars' worth of investment.

Second, we created the first ever digital agenda. You know, we focused on a free and open internet, privacy, cybersecurity, access to high speed broadband for all Americans, new technologies—really understanding the impact of new technologies, and then creating policies that would help the department and the administration support our views on each of those issues. We completed the EU-U.S. privacy shield, which was a renegotiation of the safe harbor that we had, that allowed 290 billion dollars of transatlantic digital commerce to go forward after the Snowden revelation.

We focused, for the first time, on a skilled workforce. You know, typically that's solely been the purview of the labor department. But the reality in the 21st century, and given technology change, you really need the commerce and the labor departments to work together on that, because what the businesses need needs to be fed into the processes created by the labor department.

We unlocked our data. We created new ways for our data to be made available. We created something called the Commerce Data Service, where we not only brought in outside expertise from the technology world to help us make our data more available, but we also taught our own folks how to make our data more available. So we didn't just provide fish, we taught our folks how to fish.

And then Manufacturing USA. We managed the network of the fourteen new advanced manufacturing institutes that were created under the Obama administration, and we created the first one ever by the Department of Commerce. So I was really proud of that.

Finally, our international engagement. I visited 37 countries; I worked on commercial diplomacy. Whether it was with Ukraine or Tunisia—with Mexico we tried to build bridges, not walls—with India we really raise the importance of our commercial relationship to be equivalent to our strategic relationship. We built the India Business Council, focused on entrepreneurship.

We opened up Cuba—we played a huge role in opening up Cuba and normalizing our relations there. Export, trade expansion, enforcement in terms of steel dumping into the United States, aluminum dumping and others. So I'm very proud of the work we did.

Regrets, or the work we did...My biggest regret was that we were unable to get TPP approved. And I really, to the minute it went down, was working on it. And the business community was very much behind it. I really think that by walking away from TTP we gave up our leverage to do trade by a rules-based order that benefits not just the United States but benefits all the countries and their peoples engaged in TPP. And you see know the TPP 11 proceeding, and I really promote that. I think it will be good for their countries and good for their peoples. That's probably my biggest regret.

The work that needs to go on around exclusive economic growth is significant. You know, the mistrust of trade, is really grounded in the fact that there's such diversion for those who have opportunity or wealth and those who don't in the United States. And we failed in helping workers feel confident in that they have the background and the skills and the training they need to be able to adapt to a 21st century world that really has enormous automation, digitization, artificial intelligence, and globalization. And so those are important things that have to happen.

For the secretary of commerce particularly, the day to day work around the census is really, really important. What funding goes to what parts of the country depends very much on the census. The 2020 census is really important. The weather service, every day, the Department of Commerce provides weather information. All the fancy apps that we have, all the data rides on the fact that the United States provides basic information about weather that then gets presented by the private sector. Trade agreements. Enforcing those trade agreements that we do have is really important work that goes on at the Department of Commerce. And then, really embracing the fact that we have a digital economy. What are the rules that ought to be in place around that digital economy I think is really important work that continues, as well as making sure that our government data—it's a public good—it should be unleashed, particularly at a time whether we're using data to define what are the right decisions to be made. I know in my businesses I've used data that comes from the government, since I started thirty plus years ago, and we need to do that—not just for business but for individuals now have the power to use that data how in their phones and in their computers.

Haenle: Well first, congratulations. The agenda that you had as commerce secretary—incredibly important for the United States, for the business community, and your accomplishments are quite impressive. Couldn't agree with you more on the Transpacific Partnership. I think, quite a disappointment to see us walk away from that. You know, we're here in China, and initially when the TPP was brought up by the United States you hear a of criticism from Chinese saying to was a tool of the United States to contain China. You know, over time I heard more Chinese experts and officials talking about how good it would be for China to join the Transpacific Partnership in terms of pushing their own economic reforms and having an outside goal to push them, like the WTO back in 2001. And so I think, TPP-11, as you mentioned, is still here and at some point in time the United States can get back to the TPP because I think it's very important for our presence in the region.

Pritzker: I agree. I think that as important as participating in the multilateral organizations like the World Bank or the IMF and others is to participate in multilateral trade agreements. It helps set standards that are good for the American people, not just American businesses, and I think that's something that, quite frankly, I think we were not good at explaining.

Haenle: Yeah. One of the things we haven't talked about yet it terms of your role as secretary of commerce is your participation in the U.S-China Joint Commission on Commerce and Trade (JCCT) and the Strategic and Economic Dialogue. You know, you and I have talked in the past about the need to get these kinds of forums to move away from just an exchange of talking points, official talking points that the two sides bring together. You used innovative approaches in your interactions with the Chinese delegation, Vice Premier Wang Yang as your counterpart. Can you talk a little bit about the kinds of things that work. Right now, we have to Comprehensive Economic Dialogue, which is the Trump administration's approach to try to address these issues. What were some of the things from a standpoint of innovative approach that you saw working and what can we learn from them?

Pritzker: I observation when I came to my first JTTC that we were really ready with our talking points to each other and, probably, that was okay for the first time because I had so much to learn. But I also realized we weren't going to produce much out of that. So I came back to the United

States and first talked to my partner in that effort, my co-chair if you will, the U.S. trade representative, then with the administration and said, let's reimagine the JTTC and what did that mean? And then, of course, I communicated with Wang Yang and said let's try something new and see if we can be more effective. And we did a number of things. First is, we took a dozen issues that we thought we could make process on, six from the U.S. and six from China, that were outstanding irritants, and we tasks our teams to really fix those problems. And then we took another dozen issues that were harder and we said we're going to work at our level with each other to help resolve these issues.

Haenle: Among these would they be, sort of, market access issues, IPR, forced technology transfer, industrial policies—

Pritzker: Yes. And some of them would be very specific. We would go deep. We weren't going to be superficial. We were more interested in can we actually fix a problem, let's say, whether it was regarding seeds and how we get access for our seeds into China or how we are going to get access for various pharmaceuticals. We were not going to live at a level where everybody had a nice little report at the end but it didn't mean anything. Having said that, then we made the agreements we had to make sure people lived up to the agreements.

Haenle: These are the issues that will determine the future of the health of the U.S.-China trade and economic relationship, which is why I think it's so important to make progress.

Pritzker: I think it's extremely important to make progress but it can't be superficial progress. I also think it's important to talk about the tough stuff. And some of the things that we did it terms of talking about issues that were not ripe for being resolved were we were sit together, whether it was the issue of, let's say, excess capacity, or, frankly, state owned enterprises and letting business live beyond their economic viability. Instead of saying you need to bankrupt companies, what we did was we would sit together and we would listen to experts from both countries on these very complex issues. And we would listen as government leaders to experts from both countries so that we could understand the issues and the ramifications of that to each other as well as to the world. And then what we would do is take those learnings and then set our teams to go to work. So there was an aspect of building trust, and there was an aspect of building understanding.

Haenle: Together, learning.

Pritzker: Learning together. And I think that was effective. And you saw, you know, a major agreement in 2015 regarding intellectual property, and I think some of that came from those kinds of conversations. Obviously that got done at the president's level, but we did a lot of work in those areas. And so I think the approach was valuable. Doesn't mean we couldn't constantly be reevaluating and learning how to do better, but I felt, and Vice Premier Wang Yang was open to that idea and it helped us build trust.

Haenle: Yeah. You know, an effort to move away from talking points and find real, constructive, concrete ideas to make progress, I think, is very healthy. And that right now, addressing these really important structural issues, is something that we need to be talking about.

Pritzker: It's hard, regardless of what countries you're sitting across from, when there's a hundred people behind you on both sides listening to your every word. You want to be well thought out. And so finding a way to have a real conversation about the challenge of resolving a problem, assuming your counterpart wants to resolve it, is the trick I think for engagements. And looking for ways to do that, where folks feel that there is a genuine interest in figuring out solutions is key.

Haenle: And finally, you've talked a lot about the importance of a skilled workforce, and you've also talked a lot about automation and technology advancements and artificial intelligence and how that will affect the kind of workforce that we need in the United States. Seems to me that, you know, China is facing similar challenges. In your view, is this an area where we should be working together on?

Pritzker: I think this is the defining issue of our time, frankly. It's how do we ensure that our peoples have confidence that they are prepared for the work opportunities of the 21st century, and I think that exists both in the United States and in China and many other countries around the world. As we face a world where automation, artificial intelligence, autonomous vehicles are really part of our lives, and if they're not here in present today they are going to only more so over the next five or ten years. This is today. It's not something that is decades away. And you see the angst in the United States, expressed by peoples' concern. But, it's a similar issue for China. China is becoming a more mature country, and the work that occurs here is more developed and sophisticated, and therefore the technologies that are used will be sophisticated in both countries. This is an area, I think, governments really are not prepared for. And I think it's an opportunity for learning. It's a place where Carnegie-Tsinghua could play a role. I think it's a place where dialogues ought to occur. I think it's an opportunity to really help governments. The governments turn to the private sector and say, hey, you can't just innovate the people out of the capacity to support their families. That's not going to work. So how do we do this? Because you're not going to put the innovation genie back in the bottle, and so this is an area that we could work together on and learn from each other.

Haenle: One of the most defining issues of the 21st century. That's a powerful statement and I agree and I hope this is an area that the U.S. and China can work on together. Secretary Pritzker, thank you very much for coming to visit the Carnegie-Tsinghua Center in Beijing and thanks for joining the China in the World podcast.

Pritzker: Well Paul, thanks for having me and it's a real pleasure to be here.