

Secretary Michael R. Pompeo
Remarks to the Silicon Valley Leadership Group: “Technology and the China Security Challenge”

January 13, 2020
Commonwealth Club
San Francisco, California

January 14, 2020

SECRETARY POMPEO: Well, good afternoon, everyone. Thank you, Carl, for that kind introduction. And thanks, too, to Dr. Duffy and for allowing me to be here at the Commonwealth Club today and hosting me.

I’ve now had a chance to read a little bit about the Silicon Valley Leadership Group and its founding in the ‘70s to solve one of the era’s biggest problems: rolling energy blackouts. Sounds like you’re right back at it again. (Laughter.) I think I can do that joke. I’m from California. (Laughter.) I think it’s okay.

More seriously, it’s really an honor for me to be here. The work that’s been done here in the valley is unfathomable. The works of genius, the contribution to the world has brought prosperity to millions of people in California and across the world. Alongside American ideals of freedom and democracy, it has improved humanity. And what you’ve done – I can say this as having been in the private sector myself – is truly an act of service of the first order, an act of service in its own kind.

And I know today, too, that I speak to a special group in particular as your founder, David Packard, exemplified what’s truly special about our great nation. He realized that the American dream was real. He lived it. He was a patriot. He knew that American economic security was a part of corporate citizenship. He’d served as the secretary – a deputy secretary of defense in the Nixon administration. I was just a captain in the Army—that’s not bad for Mr. Packard. I’ll try to match him one fine day.

He said that “management has a responsibility to its employees, to its customers, to the community at large.” I think he was in that vein encouraging us all to “think bigger.”

And I want to talk to you about one specific topic today, the challenges and opportunities that the United States has with China. We need to think bigger, perhaps, and better as well. Because I am convinced that we can cooperate with China, as this administration has shown with what I hope will be in the next several hours the signing of a phase one trade deal. That’s a fantastic thing, I believe, for the United States. We’d welcome more of it.

But we also have to honestly confront tough questions about the national security consequences of doing business in a country controlled by the Chinese Communist Party. That especially goes for companies that develop some of our most sensitive technology, as many do here in this region.

I want to make some brief remarks and then we'll take questions that Carl presents. We'll – I'm happy to talk about almost anything with you. And you will see that I will speak very directly. So much of America's prosperity is generated here – here now and in the future.

It's astonishing to think of the earth-shaking innovations like Twitter. I know I watch one Twitter account in particular each and every day. (Laughter.) You should all know that freedom underpins every bit of this great work: the freedom to think and communicate what each of us wants; the freedom to innovate and protect your own property, your inventions; the freedom to compete; the freedom from cross-border sales taxes – until just a few years ago.

Even if you fail, as many of us have, our system is geared to help you to get up and get after it again. And I know so many in this room, so many entrepreneurs, wear failure as a badge of honor, because you learned and you improved and you continued to compete. It's how we all learn to execute our ideas and get them right the second time.

And this system, our idea of capitalism with free markets, has produced the greatest wealth and prosperity that the world has ever seen, and technology has played a huge role in that, and we all know it will continue to do so.

It is, when I travel the world, very clear that only in America could the titans of tech have risen from the garages and dorms of Palo Alto and Mountain View, and made and continue to make American freedoms possible.

Yet our companies do business in many parts of the world that don't enjoy these very freedoms. China – specifically the Chinese Communist Party – presents unique challenges, especially to your industry.

You all know these problems first-hand. I'll recount them, but I mostly want to ask for your thoughts. Look, I've heard business leaders share with me – frankly, mostly in private – their concerns: fears of getting hacked; fears of a Chinese state-backed company undercutting your margins; fears that a Chinese company will steal your idea, manufacture it in China, and then sue you out of business for patent infringement.

And the fact that I'm mostly told that in private, I think, is very telling as well.

It gets to a big point: that China's rampant theft of intellectual property is real, and that it's not just a problem for the particular company affected. Because that capacity to invest and create and protect those property rights underpins the entire innovation economy that we have here in the United States.

As we stand here today, there are about a thousand open intellectual property cases with the FBI, nearly all of them somehow connected to China.

But it's – as you know, it's the application of that property that is just as troubling. There's a reason so many hackers and thieves – like the A.P.T. 10 group – are connected to the Chinese Ministry of State Security.

Under Xi Jinping, the CCP has prioritized something called “military-civil fusion.” Many of you will know this. It’s a technical term but a very simple idea. Under Chinese law, Chinese companies and researchers must – I repeat, must – under penalty of law, share technology with the Chinese military.

The goal is to ensure that the People’s Liberation Army has military dominance. And the PLA’s core mission is to sustain the Chinese Communist Party’s grip on power – that same Chinese Communist Party that has led China in an increasingly authoritarian direction and one that is increasingly repressive as well. It runs completely at odds with the tolerant views that are held here in this area and all across America.

So, so even if the Chinese Communist Party gives assurances about your technology being confined to peaceful uses, you should know there is enormous risk, risk to America’s national security as well.

This is a real problem, given that many of our most innovative companies have formed partnerships with the Chinese Government and companies that are linked to it.

Last year, a friend, the former Chairman of the Joint Chiefs of Staff, General Dunford, said as following in testimony before the United States Senate. He said, “The work that Google is doing in China is indirectly benefiting the Chinese military.”

Look, the commercial decisions are yours to make. You’ve got shareholders for which you hold – which hold you accountable, and boards of directors to which you have fiduciary obligations. And I know. I know your job is to make money for your shareholders. The Trump administration is all for it. Invent new things. Change the world. I get that. The small company I ran, we tried to do precisely that each and every day.

But I also want to remind each of you as Americans, as citizens of a free nation, that it is increasingly at risk from Chinese actions that may undermine the very freedom that you have to build your business and create. This is not to be alarmist. It’s not to be threatening. It is for all of us to be aware of.

Look, that’s already happened in Washington, D.C. We now see China for what it is, not what we wish it would be. It’s happened on both sides of the political aisle, and American companies have also rallied to patriotic causes. It’s a long history of that here in the United States. Any of you who have read history would remember that the so-called “Arsenal of Democracy,” also known as American manufacturing, was essential for our victory back in World War II.

Sausalito, just across the bridge, was home to an astounding operation that built one merchant ship a week during the entire war. Only American ingenuity could have done that.

And in the wake of September 11th when 3,000 lives were lost, financial institutions in New York volunteered pages upon pages of records which helped the FBI identify the hijackers that had committed this horrific terror.

So we'll talk about this today. How can your company extend this good legacy? How can we create unity to defend our companies and America's values? I'm convinced that we can do both.

I'm not here to demand that you get out of China. In fact, it's just the opposite. We want American companies to get rich doing business there. We want you to grow jobs here in America and build your companies successfully. We want to create conditions so that you can do so on a level playing field, in the spirit of respect between our two nations. Indeed, that's the whole point of President Trump's trade talks.

At the same time, we need to make sure that our companies don't do deals that strengthen a competitor's military or tighten the regime's grip of repression in parts of that country. We need to make sure American technology doesn't power a truly Orwellian surveillance state. We need to make sure American principles aren't sacrificed for prosperity.

So ask yourselves just a few questions: Who am I dealing with? What's the true risk-return calculus to doing business in China? Am I educating the senior leaders in my organization – my board, my employees, the C-suite executives – about the choices our company faces and what impact that will have, not only on our company but our community more broadly?

President Trump has taken action to confront China's theft and predatory economic practices. He's demanding respect and reciprocity. It's happening this very week when we sign the first part of a trade deal. He knows that economic security is, in fact, at the core of my mission set: to provide national security, to protect each and every one of you.

And we've put export controls on parts that go into the CCP's nationwide surveillance machine. We've applied much greater scrutiny to technology exports that could have military use. We've dramatically reduced the nuclear technology we share with China, even for nominally peaceful purposes.

Our government agencies are cooperating in new ways to stop the Chinese military from using our own innovation against us. And we're putting our allies and partners on notice about the massive security and privacy risks connected to letting Huawei construct their 5G networks inside of their countries.

And too, protecting America's innovating – innovative capacity is at the center of what we're trying to do in these talks. We'll do our part in the government and we'll keep ramping up our enforcement. You should know that we're on your side. But defending freedom and national security isn't just the government's job; it's one for each and every and citizen. I know you'll all be part of that. You're a natural fit. There's hardly a community in the world that prioritizes environmental, social, and governance principles more than does Silicon Valley.

Look, the hard questions that I posed earlier don't have easy answers, and I am certainly not here today to tell you what the answers are. Every company is different. I know you all will figure it out. I know that because you are visionaries who have transformed the world. Your companies are built on the ethos of bringing good things to your fellow man, and I know you'll get it right. As America's Secretary of State, I'm hoping you'll do that soon. America is facing a

challenge from China that demands every fiber of your innovative skill and your innovative spirit.

Thank you for your time today. I look forward to taking questions about almost anything. (Laughter.) Thank you all. (Applause.)

MR GUARDINO: Excellent.

SECRETARY POMPEO: Thank you, Carl.

MR GUARDINO: Well done. Secretary of State Pompeo, thank you for those excellent remarks reminding all of us that we are Americans as well as entrepreneurs. It is my pleasure to ask you a few questions before we collect question cards from our Silicon Valley Leadership Group and Commonwealth Club audience.

Secretary Pompeo, let me begin. You talked about U.S. and China trade relations. Many Silicon Valley employers large and small engage in trade with and do business in China. Are there opportunities to ensure greater fairness between U.S. employers and our Chinese counterparts?

SECRETARY POMPEO: Yeah, I don't think there's any doubt about that. Look, I'm happy to take responsibility for this in two ways. One, I ran a small company. We had an office in Shanghai. And then I was a member of Congress, where I probably didn't do all that I should have. I think this recognition that there is this upended trade relationship that fundamentally doesn't permit that a company like the small one that I ran to invest in China in the same way that they could have invested in the United States, that these – the reciprocity has just simply been missing, that the imbalance, the unequal treatment didn't treat American employers, American companies, American innovation fairly, and gave the Chinese too much room to run.

And we hope we can fix that – fix that not by containing China or restricting China, but rather just the opposite of that, by ensuring that we have exactly the same opportunities to sell our products, to build our businesses, to invest, to create joint ventures with the – with Chinese companies to help China be successful. There are still several hundred million people in China that need to be lifted out of poverty. America should be a part of that, but we've got to do so in a way that fundamentally treats American businesses the same way in China that Chinese businesses are treating here – treated here in the United States. And we've made real progress in these three years, and we are still working on that project.

MR GUARDINO: Secretary Pompeo, you alluded to this in your formal remarks: phase one deal, possible phase two. The current tariff dispute with China seems to have reached an opening for improved trade relations with the phase one deal anticipated to be signed this Wednesday. How do you see the next phase of a trade deal developing, and what do you think are the key component parts of a phase two deal?

SECRETARY POMPEO: I'm going to – I'm going to take a pass on that, only in the following sense. I've seen the phase one deal. It's real progress. It's good stuff. It took a lot of

energy and a lot of effort. I applaud Ambassador Lighthizer and Secretary Mnuchin for their diligent effort.

It also took a President who was prepared to convince the Chinese we were prepared to take action that was going to be cost-imposing on them to convince them that this wasn't just something we should talk about for the next 50 years, but rather had to be dealt with in real time. The President was serious about that. There were – there were those that critiqued that path forward and his use of tariffs, but I think it ultimately has gotten us to a place where we will have a better set of trade relationships come this Wednesday than we had before that with a lot of work still in front of us.

MR GUARDINO: Secretary Pompeo, you mentioned 5G in your prepared remarks as well. The administration has put a great deal of emphasis on 5G technology. Why does the administration view this as critical to our technology dominance?

SECRETARY POMPEO: So I did mention 5G. It's broader than that, this challenge. But with respect to 5G we see so many countries that are completely unprepared for what installing 5G technology in their nationwide systems will do for their security. You go to European countries and they're keenly aware of the need to protect the private information of their citizens, their health care records, all of the things that none of us want out in the public space, and yet they're prepared to make that – allow that information to transit across Chinese infrastructure.

And I remind them – and this is an imperfect analogy, and I'm deeply aware of that – but none of us would have installed Soviet technology. Right? We would have never allowed our private citizens to go – to work across that. This is technology that the Chinese Communist Party will have access to this information. How they'll get it, when they'll get it, how much of it they'll decide to have access to, we can all debate. But make no mistake about it, they'll have the capacity to get at this deeply personal information.

It makes – it makes it harder, as someone who ran the Central Intelligence Agency for 18 months; if it's not done properly, the close information-sharing relationships we have with these countries are potentially at risk. We will never permit U.S. sensitive information to transit across a network that we knowingly believe is not a trusted network, and this technology, for all of its glory – indeed, some of the things that make it so special – create those very risks in spades.

MR GUARDINO: Secretary Pompeo, let's pull back just a little bit to the overall role of the State Department. Government operations can seem like a black box to individuals who don't work in policy and --

SECRETARY POMPEO: Even to some of us who do. (Laughter.)

MR GUARDINO: What would you want the average American citizen to know about the work that you do and the work of your patriots at the State Department?

SECRETARY POMPEO: Oh, goodness. So a couple of things. The team of people who decide to come to the State Department either as civil servants to work, to take the Foreign

Service Officer test and try to engage the world, putting America's best forward diplomatically, are truly people who care so deeply about the same things I talked about here just a few minutes ago.

We don't get it right every day by any stretch of the imagination, collectively, but the effort and the risk that they take – you saw this just this past couple of weeks in Baghdad, where there were many of the folks who work directly for me who were at real risk in not only the embassy in Baghdad but embassies throughout the region. They were prepared to leave their families, go into hardship places, take real risks for themselves – all for the purpose of working to deliver America's message, America's diplomatic message, so that we can be a force for good in the world.

It's a powerful team, a big team. If we get it right, a lot fewer of our boys and girls will have to ever go into armed conflict, which creates enormous risk and has enormous cost. I take that on board every morning with my counterparts at the Secretary of Defense, knowing that if we do our job at the State Department, we can save an awful lot of American military lives.

MR GUARDINO: Wonderful. And Mr. Secretary, if I may just say, working with your team these past three weeks in preparation of today, they're an outstanding group of American citizens.

SECRETARY POMPEO: That's very kind. Thank you.

MR GUARDINO: Let's talk about cyber. As a leading member of the administration, you have unique access and insight into United States national security matters. What can you share with us about the extent of hacking aimed at the – at our United States Government?

SECRETARY POMPEO: Boy, I want to be very humble in this room talking about cyber threats. (Laughter.) So many of you are on the front lines not only in protecting information for our private industry but assisting the United States Government in making sure that we're thoughtful and capable in defending American national security networks as well, governmental networks.

The place to begin is that the threat has changed over the last eight to 10 years. As more items become networked, the cost of inflicting harm on these networks is reduced, and so you see the cyber attacks, the threats from nation-state actors like Iran, from North Korea, from Russia, from China, are real, sophisticated, and broad. But now we face them from non-state actors as well, whether that's al-Qaida or ISIS or others who are something more akin to criminal gangs.

So the threat from the cyber risk to American infrastructure is real. The good news is – and I am thankful and I want to thank folks in this room – many in private industry have expended enormous resources to ensure that these networks are protected. We've done real good work. Since I came into Congress back in 2011, I've watched us become more nimble, more capable, at defending our financial infrastructure, our energy infrastructure – these things that pose real costs if we get it wrong. And many of you have been helpful, too, in taking America's

most sensitive networks and making them more secure as well. The threat is real, the cost is cheap, and we need to be ever-vigilant.

MR GUARDINO: Secretary Pompeo, as Secretary of State you enjoy close relations with many foreign leaders. How do your counterparts view the challenge of supporting international trade while also protecting vital technology?

SECRETARY POMPEO: So it's fascinating. The same thing happens in, I think, every institution. If I talk to my counterparts on the national security team, they're with us, and then it goes over to their commerce department and treasury department, and they've got a different outlook, a different optic. It makes perfect sense – each charged with a different mission.

But what I've found, whether it's with our European counterparts or our counterparts in Southeast Asia, they take on board our technical analysis that we provide them. This for us isn't about politics. Indeed, some of the best 5G technology isn't – it is right – it's in European countries, not here in the United States – some of the folks that could most directly and most quickly challenge Huawei. So this isn't about selling American stuff. It's not an American commercial effort. It's a national security effort.

And so they've got to make their own balances, too. Some of these countries aren't countries with great wealth, and so when the Chinese show up with Huawei technology and it's cheap and it's ready and can show up, I understand the appeal. And so we have to help them understand the risks that are associated with that, and then each country gets to make its own sovereign decision.

MR GUARDINO: Let's talk a little bit about our ongoing relations with North Korea. Relations between the United States and North Korea saw both breakthroughs and challenges in 2019, and many believe that North Korea continues to pose a cyber risk to the United States. How do you see such relations progressing in 2020?

SECRETARY POMPEO: So my son joked with me the other day that I've now spent more time with Chairman Kim than anybody, including Dennis Rodman. (Laughter.)

So we continue to be in conversation with them about convincing them that it is in the North Koreans' best interest to deliver on the commitment that Chairman Kim made now, goodness, 18 months ago in June of 2018. It's been slow. It's been two steps forward and a step or two back. I still remain hopeful that North Korea will make the right decision, not – certainly the right decision for the world, but the right decision for the North Korean people as well.

The weapons systems that they have do pose a real risk. America doesn't pose a security risk to the North Koreans. We want a brighter future for them. And if we can get the right arrangement, if we can get the sequence right, and we can have serious conversations about it, I still hold out hope that we can convince Chairman Kim to move away from the nuclear weapons as their great wall of protection and convince them that there is a brighter, even more secure posture that they can have without those nuclear weapons.

It's been a challenge for an awfully long time. The sanctions that we have put in place on North Korea along with the rest of the world – these are United Nations sanctions, global sanctions, not American sanctions – have certainly caused Chairman Kim to think seriously about the right path forward for his people. I hope we have a successful 2020. It would be – it would be great for America. It would be great for the world. It would be great for the region as well.

MR GUARDINO: Amen. Secretary Pompeo, as we are about to segue to questions from our Commonwealth Club/Silicon Valley Leadership Group audience today, I want to remind our audience that you wear many hats and have worn many hats – the hat as a U.S. Army captain, as a Harvard Law review editor, as a CEO, as a member of Congress, as a CIA director, as a husband, a father, Secretary of State. There's only one more hat that I hope you will wear this weekend, and that is the hat to be a fan of our San Francisco 49ers. (Laughter and applause.)

SECRETARY POMPEO: Very nice. That's very kind. Thank you.

MR GUARDINO: Now, if things go well for both of us this weekend, you don't have to wear it the next game.

SECRETARY POMPEO: Yes, as a Chiefs fan I'm sitting there --

MR GUARDINO: Yes, yes.

SECRETARY POMPEO: -- not wanting to be too close to it. (Laughter.)

MR GUARDINO: We'll move it to my side of the table. (Laughter.)

We have wonderful questions from our Commonwealth Club/Silicon Valley Leadership Group audience, and since we're both proud Italian Americans whose grandparents came here at the turn of the last century, let's start with that: immigration.

Silicon Valley was built in large part through the brains and on the backs of immigrants who came to this country, risked all, worked in American companies or started their own. What do you view as the administration's role moving forward to ensure that the U.S. remains an attractive place for attracting the top talent from around the world?

SECRETARY POMPEO: Yeah. So it's a great question. We have to remain so. None of our businesses can survive without making sure we have the right human capital and access to that. We've taken a view that says we want to make sure that immigration is lawful.

I remember – I remember when I was a member of Congress, I would have people call my office and say: My family member is in country X. How can they get there? And we would help them fill out the paperwork and it would be six, eight, 10 years if everything went right. And we have people who are coming here illegally, and that never made any sense.

We ought to have an immigration system that is fundamentally based on the rule of law. President Trump is trying to do that. One that welcomes human capital to come here and

promote our businesses. And if we get it right – if we get both pieces of this right – we will still have folks like our family members who came here, who wanted to be American, who wanted to participate in this great American dream, and they will be available not only to make sure that we continue to grow our innovation economy, but to build the central – build on the central understandings that our founders created about what’s – and what has made this place so unique and so special and given me these incredible privileges that I’ve had.

MR GUARDINO: Wonderful. My family was from Sicily. Yours?

SECRETARY POMPEO: From Pacentro, a little town in Abruzzo.

MR GUARDINO: Oh, how beautiful.

SECRETARY POMPEO: Yeah.

MR GUARDINO: Yes. Wonderful.

SECRETARY POMPEO: Pretty neat place.

MR GUARDINO: Have you been back?

SECRETARY POMPEO: I had a chance to go back there just a few months ago, which was a lot of fun. I hadn’t been back. My father never got a chance to go back. So it was really, really quite special.

MR GUARDINO: They won’t let me go. (Laughter.)

Secretary Pompeo, what thoughts do you have on helping Americans rebuild trust in each other as well as our government at all levels?

SECRETARY POMPEO: It’s – having now been in Washington for 10 years, having sworn to my wife it would be 10 years and no more – I’m at the end of my current license – my obligation every day, and I’m sure I fall short from time to time – my obligation is to do my level best not to be part of the bickering, not to be part of the partisanship, to always do my level best to tell the truth to the American people of what we’re doing, why we’re doing it, to accept when people are critical when they – when they say, boy, we think you’ve got it wrong. That doesn’t truly ever bother me. If we have a good, lively discussion about policy – how we get it right, what the attendant risks are when we don’t – those are valuable conversations that I try to take on board and I tell my team at every level to take on board as well.

But I watched – it is an incredibly partisan environment. There are attacks taking place that are a direct result of personal animosity and not based on what indeed is best for America. I hope, as I perform my function around the world trying to deliver American diplomacy around the world, that I’m not part of that, that I’m doing my level best every day to represent President Trump and this administration. The American people gave us a mission set, gave the President a mandate. We’ve tried to deliver on that every day. And I hope that everyone, from wherever

they come, whatever part of America they come from, whatever party that they belong to, that they'll be part of that, too.

Take your – take your shots. Criticize me for the things we do or the policies we adopt. That is in the finest American tradition. But I've seen too much that wasn't about that, it was different from that, and that's not productive. And to your point, or the point of the question, I think – I think it does reduce trust in government and as the American people stare at their leaders who they've entrusted to be good stewards during their time of service.

MR GUARDINO: Yeah. Mr. Secretary, thank you for that thoughtful answer. I think we both agree. I'm a firm believer that we can lift ourselves up without tearing others down, and thanks for living that type of life of integrity.

SECRETARY POMPEO: I'm sure some will go find the video clip where I didn't quite live up to that – (laughter) – during my time in Congress. I am an imperfect soul, for sure.

MR GUARDINO: As we all are. Secretary Pompeo, our next Commonwealth Club question: “You will meet with Japan and South Korea's foreign ministers tomorrow. With regards to North Korea, what do you want to discuss with your counterparts?”

SECRETARY POMPEO: So the resolution of the issues in North Korea are going to take a global perspective and a regional perspective, and my Japanese counterparts and South Korean partners are central to that. In fact, in some ways the issues impact them more. The launches that took place from North Korea, the short-range ballistic missiles that were launched over the past several months, certainly posed more of a risk to them than they do to anyone here in the West Coast or in the United States.

I want to talk to them about how we're going to approach the next months, what the opportunities are for continued negotiation and conversations. I also want to make sure that we're all talking to China in the same way. The issue of North Korea is unlikely to be resolved without the Chinese Government also weighing in, making very clear to the North Korean leadership that it is also the Chinese expectation that North Korea will denuclearize. If we don't have all the parties in the region – certainly the border countries, the primary border countries of North Korea – it's unlikely this will happen as a result only of efforts of the United States. So we want to check in with them.

We also have a lot of other conversations, a lot of trade issues. There are issues between those two countries that I want to hear about and try and make sure that both South Korea and Japan are figuring their way through their relationship together as well.

MR GUARDINO: Secretary Pompeo, our next Commonwealth Club/Silicon Valley Leadership Group question reads: “Is there a plan to harden security for our infrastructure such as water, electrical, telecommunications? And if so, will there be funding associated with this effort?”

SECRETARY POMPEO: The second one is no, absolutely not, you're on your own. (Laughter.) No, the truth is I've watched this. I served on the Energy and Commerce

Committee when I was a member of Congress. I watched the good work that was being done in each of those spaces. There is money that's available. There are grants and assistance that are provided to small communities, to cities both rural and urban, to help them at least identify their needs. Often it's the case that those cities are responsible for executing the plan themselves.

We've come a long way. I actually feel pretty good about many of those. It's always easier to play offense than defense, and so some of the things that were put in place in 2016 and '17 to harden energy infrastructure and water and waste treatment systems probably need to be looked at even again. But we need a national consensus on the standards, and then we need a local effort to figure out how best to deliver those outcomes.

MR GUARDINO: This next question is quite fascinating and goes to the heart of innovation here in Silicon Valley and beyond: "What steps will the administration undertake to ensure American leadership in the self-driving vehicle industry, and particularly how will leadership be maintained over China given controls over exports mandated in the 2018 Export Control Reform Act?"

SECRETARY POMPEO: I do not know the answer to that question, but I'll speak more broadly to next-generation technologies. It has fundamentally been President Trump's view that the – that Washington-driven ideas about how to achieve this are doomed to fail. Rather, we have done our best to roll back tax burdens, create more capital, more freedom, to get rid of some of the regulations that I know when I was a small business owner back in the 2000s that were incredibly difficult and incredibly expensive, prevented me from competing in ways against not only China but countries from Europe and from South America.

Leaving the decision making, the entrepreneurship, to those who are best suited to do that and who, frankly, have the incentives system right where government never possibly can. And then too, second, making sure that when we are competing against Chinese companies that are often subsidized, to do our best to take that – if you take a look at what we're trying to do in phase two^[1] of the trade deal, to take down some of that competitive advantage that is driven by the state-owned enterprises inside of China, where it makes it very difficult for a U.S. private company to compete.

MR GUARDINO: Our next question is on innovation and research funding: "Early stage research yields numerous technology breakthroughs that are later commercialized by private employers. Examples include GPS, touchscreen technology, and the internet. Yet many countries proportionally invest more in their own R&D than the U.S. What is the administration's view on funding medical and technology R&D, and what can we – what can be done to ensure the U.S. does not suffer an innovation deficit?"

SECRETARY POMPEO: So there is a role in basic technology and basic research that is best performed with government dollars. There are multiple ways one can approach that. You can try and create big, highly-centralized bureaucracies to do it, or you can allocate capital based on projects as best you see. I always am an advocate for making sure that those who have the right incentives do it best.

But for some of these basic research items – and I think our number now – I’ve seen different counts – is between one and a quarter and one and three-quarters percent of GDP that’s spent on basic research. There are a handful of countries that spend more on a percentage basis, but very few that spend as much on a dollar basis. I’m proud of that. We ought to keep it. I know President Trump has always had in our budget increases in that number as well.

So we’re hard at it. We’re still trying to figure out how it is that we marry up – to your point, to marry up that technology to make sure that it gets out of the government sector at the appropriate point, when it births at exactly the appropriate point where it’s no longer the case that the government is best suited to resolve that, to bring it forward. And we get lots of input from the private sector on how best to do that. There’s lots of different ideas. We’d welcome your thoughts on how to achieve it as well. President Trump gets that there are things that only government can do when it comes to basic technology and basic research.

MR GUARDINO: Secretary Pompeo, our next question from our Commonwealth Club/Silicon Valley Leadership Group audience is around Silicon Valley and the national economy and feeds right into your excellent remarks as we started our day together: “How do you view Silicon Valley as a component of our national economy?”

SECRETARY POMPEO: Yeah, it’s a big part of our GDP, and we are – everyone from OMB on down is thrilled that you pay as much in taxes as you do. Thank you. (Laughter.)

MR GUARDINO: I’m not quite as excited, and my wife isn’t either. (Laughter.)

SECRETARY POMPEO: It’s Silicon Valley, but Silicon Valley thought of in the biggest possible terms, in terms of the connectivity and relationships that are developed there and the intellectual capital that’s developed right here in this region. It is central to my mission.

When I travel around the world and talk to my counterparts, I know I always have at my back the fact that we’ve got a growing, thriving economy. It matters an awful lot. They know it, too. They are striving for it. It is difficult, frankly, for many of them to get to that same place. They know that, too.

And so the work that’s done here, the work that’s done by entrepreneurs succeeding and failing and growing and putting enormous sums of capital at risk, create true power for me as America’s most senior diplomat. We need to be proud of that. We need to defend it when it’s under threat. And then we need to get the heck out of your way so you all can keep doing it.

MR GUARDINO: This next question from a Commonwealth Club member: “The press largely reported a significant rise in nationalist fervor by the Iranian people after General Soleimani’s killing. Was it depicted accurately in the press, and how do you believe the administration should respond with the Iranian people?”

SECRETARY POMPEO: So I couldn’t tell you if the press got it right or not, other than I’d tell you most often they don’t. And what do I mean by that? There is a – this central idea that somehow America is getting it wrong, and if you’ve watched the protests over these last few

weeks, my view is this was entirely predictable. It was entirely predictable because it is at the core of our – the Trump administration’s belief that people all across the world yearn for freedom.

And so when you see people marching at Qasem Soleimani’s funeral, it is unlikely to be the case that a gentleman who had killed so many of their brothers and sisters would be someone that they would admire and love. And so you have to reconcile, well, why are they there?

The answer is you’re sitting in an authoritarian space and the resources of the state are dedicated to putting people in the streets. In the moments that followed, in the days that have followed, you’ve watched – you’ve watched the Iranian people take to the streets with a very different message, and they have done so at enormous personal risk. And some of them, if history is any indicator, will be imprisoned in Evin prison in Iran.

But nonetheless, that desire for freedom, that seeking – of knowing that the regime is fundamentally treating the Iranian people unfairly, I think most Iranian people know that. I think you’ll see the same thing in the days ahead inside of Iraq. The media narrative was, boy, the Americans took an action and this will drive the Iraqi people to be anti-American. I fundamentally think the media has got that wrong. I think they have misunderstood people all across the world, whether they are Iraqi or Iranian or people in other places all across the globe.

I think they understand when their government is treating them improperly and treating them unfairly, they can’t always find a path forward; but over time – and frankly, with the encouragement of European countries and Asian countries, and as you’ve seen the President tweeting these past couple of days with the support of the United States of America saying that we will be with you, we’ll do the things that will help you, we can create better outcomes for those people as well.

It’s central to what we do. It’s not about nation building. It’s about reminding the world about the greatness of our founders, of our Constitution, and what it means for every human being to have dignity by – just by the nature of their humanness. And if we do that, and if we’re candid and we speak about that openly wherever we find it, we’ll create more people who have these same opportunities that we have. (Applause.)

MR GUARDINO: Our next Commonwealth Club question is about Russian interference --

SECRETARY POMPEO: I’m against it. (Laughter.)

MR GUARDINO: -- in our U.S. democratic process. “What will the administration continue to do to address such concern and minimize the risk of future interference?”

SECRETARY POMPEO: Yeah. So we’ve done a great deal. The Russians sought to have an impact on the election in 2016. We worked hard on this during our time in service. That was obviously during the previous administration. We were pretty successful in 2018. People forget that we’ve had one election, national election, subsequent to that already. We now have one that’s 10 months off.

You should know, and the American people should know, that President Trump has directed every agency with some connection to that to do all necessary to protect the integrity and the fairness of our elections.

And then I'd add – and this is important; it gets to the question about cyber you asked earlier – there's been an awful lot of focus on Russian interference in our election. Woe be it to the leaders who just simply think that it's Russia that's trying to have an impact on our elections. There are many actors who are actively involved trying to figure out how they can impact America's elections, how they can exert influence, how they can mess with our system. And you all know this.

If our system lacks integrity and if the American people don't have confidence that our leaders are duly elected, that presents an enormous risk to the American experiment. President Trump is committed to making sure that we do everything we can to never put America in that situation.

MR GUARDINO: We have reached the point in our program where there is only time for one last question. I'll make it a Part A and a Part B. (Laughter.)

Part A: Secretary Pompeo, what has surprised you the most about your time of service for our country in Washington, D.C.? And who besides Keith Krach are you going to steal from Silicon Valley? (Laughter.)

SECRETARY POMPEO: Well, Keith has actually helped me steal a handful more, and we're not done yet. (Laughter.) There's so much talent here, and I want to thank all the folks who gave up productive, profitable, important careers to come be part of what we're doing at the State Department, where you can also be productive and do good work and do important things.

I urge everyone who gets the chance for a time in service to take part of their life to go do that, wherever that may be. It can be in your church. It can be inside the United States Government. There are lots of opportunities. But the chance to serve for me has proven something that's been incredibly rewarding, and I hope every day I make America just a little bit better off.

As for your first question, what's been most surprising, two things – one not good and the other, I think, will give us all comfort. The one that's not good is, I must say, as I travel the world, the absolute level of corruption around the world in so many countries. We take for granted that in America it's just not like that – you do a deal, we have a court system, we have the rule of law; it works. In so many places, that simply doesn't exist. You have corruption at levels that are difficult to even see one's way through. It's why some of these countries – very difficult for you all to invest in them because there's no way that you can ensure that you will have the opportunity to invest in a clean fashion, in a way that's consistent with both U.S. law and good governance side of your companies.

We spend a lot of time at the State Department trying to figure out how to take that level of corruption down, to reduce it. We have leaders all the time say, "Mike, we want more American investment in our country." And the first thing I say to them each time is, "How's your court

system? How's your enforcement system for property rights? Do your universities begin to match the task? Can you create the human conditions for the growth of human capital?" And if you have corruption, that almost never exists.

And so I've been surprised at that. I perhaps should have known it, but I've seen it so clearly in my time both as CIA director and now as the Secretary of State.

The other thing that I shouldn't have been surprised but I have been surprised by in my three years is the enormous decency that I find throughout America. There are a lot of people who don't think Mike Pompeo is very whippy from a policy perspective; but as Susan and I go around and so many people come up to us and just say, "Hey, thanks for your service. I don't think a lick for the way you're thinking about the world, but I appreciate what you're doing trying to make a better place and appreciate that." We've seen that as we've traveled around the world. Americans will come up to us, and it always reminds me and it heartens me, because it gives me the courage to try my best every day to deliver and to know that there is a group of people out there who are going to be supportive of the things we do, not on a partisan basis but as a nation.

MR GUARDINO: Secretary of State Mike Pompeo, thank you for your servant leadership. Thank you for your service to our country. We also want to thank our audiences here and on radio, television, and the internet. I'm Carl Guardino, CEO of the Silicon Valley Leadership Group, and now this joint program of the Commonwealth Club and the Silicon Valley Leadership Group is adjourned. (Applause.)

SECRETARY POMPEO: Thank you, Carl. I'm taking my 9ers cap.

MR GUARDINO: God bless you, sir.

SECRETARY POMPEO: Thank you very much.