



Cordell Hull Institute

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In 1998 a small group in Washington, concerned about a loss of direction in international economic policies not only in United States but also in other leading industrialized countries, set about the formation of the Cordell Hull Institute.

The group – experienced in trade policy, law and negotiations – was lead by Lawrence Eagleburger, the former U.S. Secretary of State, and Harald B. Malmgren, former Deputy U.S. Trade Representative, as the office (pictured above) is now called.



Reproduced here is the text of remarks by **Harald Malmgren** (above) at organizing meetings on the Cordell Hull Institute's purpose.

INSTITUTE'S PURPOSE...

Urgent Need for Renewed U.S. Leadership

Harald B. Malmgren

SINCE Cordell Hull's Reciprocal Trade Agreement Act of 1934, the United States has been at the forefront of international trade and financial negotiations. After World War II, American leadership was essential to mobilizing other governments and getting their cooperation. Only America and Britain had global economic interests, whereas others had regional interests or historic ones, owing to colonial ties. From the outset, there was continuous resistance, especially from continental Europe, to the American push for global trade liberalization, combined with global trade rules applicable to all parties equally.

In the 1970s, it was the United States that argued for broadening global trade negotiations to tackle non-tariff measures – measures that could be used to discriminate in favor of domestic suppliers and against foreign ones, thereby distorting international trade and competition. Eventually, it was the United States that pressed for bringing national regulatory and legal systems into some kind of harmony, so that businessmen could “globalize” their communications businesses, their technological innovations and their delivery of services, not only within national economies but also across national borders. At the end of the century, after so many significant successes, the world is waiting for the United States to lead the way once again.

Neo-isolationists and Protectionists

The American crusade for global market liberalization was a great success. World trade became the engine for world economic growth. After more than six decades of American leadership, however, we find ourselves at a standstill. Congress is divided over whether more globalization of economies is good or bad. The Administration looks paralyzed in the face of a breakdown in the bipartisan approach to trade policy and a cacophony of labor

About the Author

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Dr Malmgren is also the chairman of Malmgren O'Donnell Ltd., a financial advisory firm in London and Washington, DC, specializing in funds management services.

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leaders, human rights activists, environmentalists and consumer organizations that have joined the economic nationalists in lobbying against more open markets.

The insistence on incorporating enforceable labor and environmental standards in trade agreements implicitly endorses the idea that trade should be restricted where national policies differ, especially *vis-à-vis* new entrants to world markets. Free traders object to this camouflaged protectionism; and those opposed to more globalization, cheer. At this point, President Clinton does not have a political consensus with which he can work to maintain the momentum of global economic liberalization, whereas the neo-isolationists and protectionists appear to be gathering strength.

Need for Consensus Building

No leader can negotiate effectively with other governments to open markets without a reasonable degree of support at home. International action over a sustained period has to be based on a domestic consensus.

There is a widespread illusion that trade and financial negotiations are about technical economic issues. The reality is that international negotiations are primarily about domestic politics. Each government has entrenched laws, policies, regulations, tax preferences, subsidies and other devices to help specific businesses and localities. Often the means of public assistance is found in restrictions against imports or discrimination against foreign participation in domestic markets. Getting governments to agree to change requires a huge political effort within each country – especially in large jurisdictions like the United States and the European Union.

International negotiations are time-consuming. Discussions at the negotiating table are hard enough. Experienced negotiators know though that building consensus within each government is far harder. Probably ninety percent of a negotiator's time has to be spent in forging a national position in the midst of the widely varying, often conflicting, positions of domestic interest groups. Substantial efforts must then be made to reach a political consensus among the governments concerned with the thrust of what the negotiations are about and what is to be achieved. By the time negotiators formally gather to draw up draft agreements, the major work should have been done.

Nowhere is this truer than in negotiations on trade and investment issues. The interests of producers, of managers and workers, of consumers, of inventors and others are all affected, directly or indirectly, when governments decide to negotiate changes in laws, policies, regulations, tax preferences, subsidies and other devices.

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interests have their own ideas. When governments try to maintain a free market orientation to their policies, there will inevitably be pressures to insulate particular companies, groups of workers, farmers and regions of the country from the impact of foreign competition. Opening world markets may bring benefits to an economy as a whole, but it also forces painful adjustments through intensified competition, made more painful the longer they are put off. So many of those who expect to be adversely affected lobby vigorously for protection.

Losers Must Not Dictate Policies

The businesses and financial institutions that are winners in world markets do not need government help. It is the losers who plead for help when they have trouble dealing with international competition. But the losers usually raise the problems of last year (or the year before) that they did not foresee and are unable to overcome.

Governments then spend time deliberating about the requests for help, weighing the political considerations, trying to determine the national economic and social interest. After a while, usually many months and sometimes years, governments approach other governments about their desire for action. This starts a lengthy process of international discussion, often with a conflict over who is "fair", who is "unfair". By the time a solution is found, the original problems have long since been overtaken by events, developments or circumstances. Economic growth is a continuous process of adjustment to change and the pace of change is accelerating. Governments simply cannot act fast enough and inevitably remain behind the curve. Indeed, if policies are determined by losers, everyone loses.

Coherent Framework of Rules

In trying to anticipate what kinds of problems are likely to arise in the future, the leading governments try, from time to time, to devise improvements in the "rules of the road" for the movement of goods, services and capital among countries. Massive global negotiations are set in motion to cut through the many impediments to, and distortions of, world commerce. Such negotiations have come to be called "rounds". After four tariff-cutting rounds, the major ones were the Kennedy Round from 1964 to 1967, the Tokyo Round from 1973 to 1979 and the Uruguay Round from 1986 to 1994. The time taken for each round seems long, but those official periods of negotiation hid the fact that each round was subject to years of preparation before negotiations were formally set in motion by ministers. In fact, the real time taken for each round has been six to twelve years.

Is this process too slow? Some contemporary critics of past rounds argue that the world cannot wait so long. Instead,

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Informed public opinion is a task of intensive study, hard thinking, broad vision and leadership, not for governments alone but for all those who provide spiritual, moral and intellectual guidance.

**— Cordell Hull,
radio broadcast
in 1943**

Trade Policy Analyses

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opportunities for agreement should be seized whenever possible, leaving the hard questions for the future. But this raises the question of how to achieve trade-offs among hard and easy issues so that the hard ones are not put aside forever. The most notable example has been the failure, year after year, to deal with agriculture, which has proved to be politically difficult in virtually every industrialized country and, therefore, has become the perennial orphan at the table of international trade negotiations.¹

Cordell Hull Institute's Response

Instead of celebrating the triumph of American policies of global market liberalization, we now find ourselves quarreling about how to proceed. Instead of a basic consensus, we have deep and acrimonious divisions. There is no vision of, or strategy for, the future of the world economy. We are locked in debate about the desirability of protecting one group or another from international competition and the dynamics of global change.

Without American leadership, the rest of the world becomes grid-locked, with each country caught up in similar domestic divisions.

The Cordell Hull Institute is a response to this crisis. We have conceived it as a means of building a new consensus for global economic liberalization at home and around the world. The purpose is not to generate more studies by the academics and consultants of our time. The purpose, instead, is to develop support – through meetings and briefing papers – that can be pursued by both business and government, at home and abroad. We are interested in developing an agenda for action.

Here we want to build on a remarkable track record. In the 1970s, governments often found themselves at loggerheads, trying to work out differences on trade liberalization. Thus there was a perceived need to meet informally, away from immediate political constraints. A series of meetings of chief trade negotiators and independent experts was convened by a small think-tank in London, the Trade Policy Research Centre, with discussion based each time on a paper by a recognized expert.

In the early 1980s, during the Third World debt-payments crisis, it was hard for progress to be made in large inter-governmental meetings, with ministers and officials apparently obliged to adhere too rigidly to formal positions. So the TPRC began convening “informal” roundtable meetings of ministers, senior officials, business leaders and independent experts with the discussion each time based on the draft report of a study group, formed for the purpose and drawing on the studies and analyses of the Centre and many other sources. The meetings were held in different parts of the world and were part of the behind-the-scenes international effort that launched what turned out to be the Uruguay Round negotiations.²

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The Institute's purpose is to promote independent analysis and public discussion of issues in international economic relations.

The interpretations and conclusions in its publications are those of their respective authors and do not purport to represent those of the Institute which, having general terms of reference, does not represent a consensus of opinion on any particular issue.



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

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Influencing Policy Makers

From personal experience I can say that tackling non-tariff measures in the Tokyo Round negotiations was heavily influenced by the TPRC's papers and informal gatherings.³ In the subsequent preparations for the Uruguay Round negotiations, the TPRC discussions once again carried weight in many of the governments of the major trading countries, as well as among a number of the emerging-market economies.

Unfortunately the TPRC became less central as Europeans became more preoccupied with the European Community's internal problems. In the early 1990s, it was absorbed into a quiet British university, but its long-time Director, Hugh Corbet, had, by then, moved to Washington, DC. To the founders of the Cordell Hull Institute, it seemed a perfect fit to bring Hugh Corbet into the role of President to resume the kind of work he had so effectively conducted in previous decades. There is literally no one like him, having a worldwide network of political friends, independent experts and others in the private sector who are interested in participating in activities he inspires.

Based on our board's experience in these matters in government, in politics and in the world of ideas, we believe that a private, non-official framework for international discussions is once again urgently needed. We have a proven formula. Now we want to apply it to the global negotiating needs of the new millennium.

The Cordell Hull Institute, with Hugh Corbet to give it direction, is in a unique position to undertake consensus-building inside the United States, which will also entail consensus-building in a number of key countries around the world. This task is seemingly huge, but it can be done, with so much talent and know-how available in this country, if enough private interests get behind it.

During World War II, Cordell Hull, as FDR's Secretary of State, devised the outlines of a new international economic order to follow the war. He understood well what must be done, but also that it would take a major effort. In a radio broadcast, he said:

"Informed public opinion is a task of intensive study, hard thinking, broad vision and leadership, not for governments alone, but for ... all those who provide spiritual, moral and intellectual guidance."⁴

The necessary process is the same today. Governments alone cannot succeed, and are unlikely to try hard enough, without active support and involvement beyond the bureaucracy and the maneuvers of power politics in capitals.

¹ Success was finally achieved in the Uruguay Round negotiations with an agreement on the framework within which to liberalize agricultural trade through progressive reductions of domestic

support, border protection and export subsidies, accompanied by an agreement on sanitary and phyto-sanitary disciplines. With time running out, however, it was not possible to negotiate much actual liberalization and so the United States and the Cairns Group of smaller agricultural-exporting countries, led by Australia, are looking for substantial progress in the next round.

² These "informal" roundtable meetings were held in Ditchley Park (near Oxford), Tasmania's Parliament House (Hobart), Leeds Castle (near Maidstone), Seoul, the Ludswigburg Palace (near Stuttgart), Tokyo, Villalba (near Madrid) and Denpasar (Bali). The meetings differed in many respects from the Informal Meetings of Ministers that were initiated in May 1984 and held every six months or so until the GATT ministerial meeting in Brussels in December 1990, which was supposed to conclude the Uruguay Round negotiations.

³ In 1970-71, I was a consultant to the Secretary-General of the OECD, assisting with the work of the High Level Group on Trade and Related Problems, during which I also took part in meetings of the group of experts at the Trade Policy Research Centre that assisted Sir Richard Powell, the British member of the OECD high-level group. The TPRC group drew on studies for the Centre by Gerard and Victoria Curzon, Brian Hindley and Robert Middleton that contributed significantly to thinking in many GATT member countries on how to tackle non-tariff measures.

On becoming Deputy Special Representative for Trade Negotiations in the Nixon Administration, I also drew on those studies. Later, I contributed to the Centre's program of studies that provided the basis for a series of roundtable meetings that the Centre convened in 1976-79 in Bellagio, Stresa and Evian in which the chief trade negotiators in Geneva of the European Community, Canada, Japan and the United States took part.

⁴ See the *Memoirs of Cordell Hull* (New York: Macmillan Company, 1949).