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On July 14, 2004, the second Cordell Hull Award was presented to Senator **Charles Grassley** of Iowa, Chairman of the Senate Finance Committee in the Congress of the United States, for his "stalwart and independent-minded support for trade liberalization and the multilateral trading system".

The award was presented by **Clayton Yeutter**, former U.S. Secretary of Agriculture and former U.S. Trade Representative, at the U.S. Chamber of Commerce in Washington, DC (pictured above).



Reproduced here are the remarks by Senator Grassley (above) in accepting the award.

About Senator Grassley

Charles E. Grassley was elected to the U.S. Senate

2004 CORDELL HULL AWARD...

Seven Essentials of United States Trade Policy

Charles E. Grassley

I THANK the Cordell Hull Institute for this award. It's a true honor to be recognized for my work on free trade – on pushing for free trade principles in the conduct of our nation's trade policy. I want to use this opportunity to address the essentials of U.S. trade policy. Addressing them presents quite a challenge, for trade policy is complex – and I'm not an expert. In making trade policy, however, there are some fundamental truths that guide my decision-making. These I would like to share with you.

First, international trade rules should be about international trade, which seems simple enough. The purpose of international trade rules should be to foster international trade, not to advance domestic social agendas. International labor and environmental standards are critically important. But the international trade rules shouldn't be used as a pretext to force them on other countries.

In fact, and perhaps more important, trade sanctions should never be used as a tool to enforce labor and environmental standards. Trade itself creates the prosperity that leads to better working conditions and a better environment. That is why I support a free trade policy, a policy that addresses the root causes of poverty and lack of development in developing countries. Proposals to condition trade with developing nations on achieving certain labor and environmental standards is a fool's errand. Like a fool's errand, it gives an impression of progress, but accomplishes little.

Second, protectionism is not free – there is a cost. It is often said there is no such thing as a "free lunch". Even so, a lot of people believe that no one is hurt by protectionism, except maybe foreign competitors, but the facts are far different...

- In 1988, the WTO determined that three billion dollars a year was added to the grocery bills of U.S. consumers to support import restrictions on sugar.

in 1980 and has been Chairman of the Senate Finance Committee since 2003. He also serves on the Senate's agriculture, budget and judiciary committees, as well as the Joint Committee on Taxation. In addition, he is chairman of the Senate Caucus on International Narcotics Control.

In 1958, he was elected to the Iowa state legislature; and sixteen years later was elected to the U.S. House of Representatives.

Chuck Grassley graduated from the University of Northern Iowa where he also obtained a masters degree in political science.

Senator Grassley is the only working family farmer in the U.S. Congress

Senator Grassley's Positions...

On Trade Liberalization and Peace

"Too often policymakers and politicians only talk about economics when discussing international trade. But my interest goes beyond economics.

"While political leaders set the tone for international relations, it's a spit in the



Presentation of the Award by Clayton Yeutter

- The 1986 Softwood Lumber Agreement, taxing softwood lumber imports, added \$1,000 to the cost of building a new house in the United States. That has knocked as many as 300,000 people out of the home-buying market each year.
- A study in 2002 by the Federal Reserve Bank of Dallas found the costs of protecting a single job ranged from \$132,870 for the costume jewelry business to over \$1.3 million in the benzenoid chemical industry, with an average cost of over \$200,000 per job annually.
- And it's not just individual consumers who are hurt. Businesses are consumers, too. When the government protects one sector of our economy, it impacts another. Because of the high cost of sugar in the United States, Chicago-based Brach's announced last year [2003] that it would close its large manufacturing plant in the city, shedding more than 1,000 jobs.

So we need to consider the cost, the considerable downsides, to protectionism as we develop trade policy.

Free Trade Lifts all Boats

Third, free trade lifts all boats. There is an old wives' tale, told all too often by politicians, that trading with poor countries leads to the exploitation of Third World workers and lost jobs for Americans. In short, they turn Adam Smith's beliefs on their head, saying that international trade is a lose-lose proposition.

Nothing could be further from the truth. The fact is, when we trade with developing countries, they win and we win. History shows again and again that no nation has ever lifted itself out of poverty without opening up to international trade. Countries like North Korea and Zimbabwe that try to wall themselves off from the world don't get richer. They get poorer. Countries that embrace trade, like Chile and Taiwan, grow richer.

Forty years ago, South Korea's economy was on par with those of many West African countries. But, by opening its markets and embracing trade, its output per person is now on the same level as Western Europe. At the same time, many African countries that have not embraced open markets remain economically stagnant. In China, for example, an estimated 160 million people have been rescued from poverty in the past twenty years. Trade-based economic growth enables countries to better address their development needs by combating poverty, illiteracy and poor health care.

Fourth, free trade promotes freedom. Free trade empowers individuals, not governments. There are few individual freedoms more important than the freedom to buy, sell and create. Free

ocean compared with what business-to-business contacts can achieve.

“History shows that people that trade together don’t go to war against each other”

– Speech to Latin American ambassadors, Washington, DC, March 19, 2003

On Free Trade, Freedom and Democracy

“Free trade promotes economic growth around the world... [T]he fastest growing developing countries are those that are most open to trade. And furthermore, as others would agree, free trade promotes the ideals of democracy and freedom”

– Interview with the Chilean-American Chamber of Commerce, Washington, DC, July 2003

On Abiding by WTO Rulings

“While we may not agree with each and every decision that comes out of the WTO dispute-settlement body, we should not pick and choose which decisions we will comply with...”



“The United States benefits greatly from a rules-based trading system. We have had considerable success in bringing down foreign import restrictions and this has resulted in increased trade, economic growth



Senator Grassley giving his address after receiving the Cordell Hull Award for 2004

trade helps to break down government control over resources and frees consumers and businesses to make their own choices. Why should a small group of political leaders decide what individuals can buy and sell? Government control over trade empowers the state over the individual. It creates an environment in which non-transparent bureaucracies set the terms of trade, leading to arbitrary rules and unfair results. What government does for trade policy is nothing compared with what individual businessmen can do. The individual business owner is the backbone of international trade. My job as a government official should be to promote fair and transparent rules, not to decide winners and losers.

Fifth, free trade promotes democratic values. An open international trading system promotes bilateral and multilateral consultation and cooperation. It creates a framework for addressing and settling commercial disputes peacefully. It encourages procedural and substantive due process, administrative and judicial review, transparency in government regulations and the rule of law.

Each of these fundamental features of a liberal trading system reflects fundamental American values. They are essential features of a democratic society; and they lead to higher growth and development, allowing governments to better address the basic needs of their citizens. History has shown that protectionists and economic isolationists have not protected the environment, nor effectively addressed poverty, working conditions or worker rights – because many citizens are unable to find a job when an economy is protected by high tariff and non-tariff barriers and by non-transparent and corrupt regulatory regimes.

and more jobs right here in the United States.

“When we comply with adverse decisions we strengthen our position in other cases where we are challenging the import restrictions of our trading partners, such as the *de facto* bio-technology moratorium adopted by the European Union, which continues to hurt our farmers and is now under challenge in the World Trade Organization.

“I want other countries to comply when we win and so it is important to comply when we lose”

– Speech in the US Senate,
May 23, 2003

On a Bilateral FTA Strategy

“First, to move forward bilaterally is not good trade policy. The economic impact of bilateral [free trade areas] is limited.

“Second, a bilateral FTA strategy can hurt the foundations of the multi-lateral trading system. The same product gets different treatment depending on where it is made and where it is sold...

“A trade policy that relies on bilateral trade agreements is ad hoc. It is settling for second best. And it is shirking the international trade challenges of the 21st century. We can do better...”

– Remarks to
the
Global Business
Dialogue, Washington, DC,
June 18, 2001

Sixth, free trade promotes peace. Nations that trade together generally don't wage war against each other. The reason is simple. The more your economic well-being is tied to your neighbor, the less likely you'll be to sever those ties. This is as true today as it was 50 years ago. Franklin Roosevelt noted in 1936 that the nations with the most restrictive trade policies were most apt to seek war as policy. As a result, he said, those nations believed the price of war seemed less than the price of peace. The economic devastation caused by restrictive trade policies contributed strongly to a prolonged world war in which millions perished.



Clayton Yeutter and Hugh Corbet, president of the Institute, greeting Senator Grassley

Post-World War II trade policy has been an effort to undo those policies and help to secure peace. Both the General Agreement on Tariffs and Trade and the push for economic integration in Western Europe was founded on the premise that trade brings peace. Fifty years later, we can see that that premise is true.

Seventh, we must be diligent in protecting past gains from the pursuit of free trade and relentless in our pursuit of open markets. Fifty years of trade liberalization have served our people, our economy and our country well. Our economy is far more productive than it's ever been. Our country is wealthier and our general standard of living continues to rise. Yet free trade and institutions that foster trade are under daily attack.

- Congressmen and senators flaunt international trade dispute-settlement rulings and debase the institutions that espouse them.
- Presidential candidates disparage trade with developing countries as a net loss for America and vow to review past trade policy.



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).

"The mockingbird is known for fighting for the protection of his home – falling, if need be, in its defense. Mockingbirds are not intimidated by animals larger than themselves and have been known to attack eagles"

– Diana Wells, *100 Birds and How They Got Their Names* (Chapel Hill, NC: Algonquin, 2002)

Trade Policy Analyses

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- Organized labor and some environmental groups wage a daily ground war against free trade.
- And so-called advocates for developing countries, among them many non-governmental organizations, work to persuade the leaders of those countries that the path to economic prosperity lies in continued protectionism.

We can't be passive in response. We must constantly make the case for open markets, not just in Washington, but in every city, town and community across the nation. And we must fight aggressively to open new markets. Soon the Senate will vote on whether to approve free trade agreements with Australia and Morocco – notwithstanding my view that bilateral and regional trade agreements are a second-best strategy. And so I hope we will soon consider legislation to implement the Central American Free Trade Agreement.

Advocates of open trade need to reach out and make the case for these agreements. We need to send a signal to these nations and the world that we continue to believe in the power of trade to promote economic and political freedom.

In 2005 the Congress of the United States will face two fundamental questions. First, do we abandon 50 years of trade liberalization by voting to withdraw from the World Trade Organization? The answer should be "no". And, second, do we continue trade-promotion authority as a tool to open new markets? Here the answer should be "yes". 2005 is a pivotal year for U.S. trade policy and on these decisions we must start fighting now for the free-trade course.

Do we stop and review, as some have suggested, or do we move forward to aggressively open new markets? While Congress does the voting, the decision is really up to each and every one of you. It comes down to this. Are you willing to fight for free trade or are you just a passive observer in the battle? How you answer that question may very well dictate whether our nation will continue to lead the world in support of free trade.

Our challenges today are great, but no greater than those that faced Cordell Hull so many years ago. He seized his challenges as opportunities. And, in doing so, he helped to create the institutions that lifted hundreds of millions of people out of poverty and contributed toward a half-century of reduced strife and increasing prosperity. Fifty years from now, I hope someone will look back and be able to say that you and I did the same.

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