

WTD Interview

Former USTR Carla A. Hills

Every so often WTD conducts a conversation with a leading, private-sector trade executive. Carla A. Hills is chair and chief executive officer of Hills & Company. She served as US Trade Representative from 1989 to 1993 in the first Bush Administration and was Secretary of Housing and Urban Development and Assistant Attorney General in the Justice Department's Civil Division during the Ford Administration.

Over the years, Ambassador Hills has served on a number of publicly traded corporate boards and currently sits on one. She also serves on a number of not-for-profit boards including as chair of the National Committee on US-China Relations and co-chair of the Inter-American Dialogue and of the Council on Foreign Relations. She is a member of the Executive Committee for the Peterson Institute for International Economics and of the Trilateral Commission.

Before entering government, Ambassador Hills co-founded and was a partner in a major Los Angeles law firm. She also served as adjunct professor at the University of California at Los Angeles Law School teaching antitrust law. She received her bachelor's degree from Stanford University, her law degree from Yale University and studied at Oxford.

Mrs. Hills holds a number of honorary degrees, and in 2000, she was awarded the Aztec Eagle, the highest honor given by the Mexican government to a non-citizen.

H: Well, maybe we can just start off with some questions.

WTD: You were US Trade Representative from 1989 to 1993 – during which the United States, Canada and Mexico negotiated an historic North American Free Trade Agreement and during the period when the bulk of the Uruguay Round was negotiated. What's your latest thoughts about US trade policy?

H: I'll try to be generous to the Administration. I'm trying to encourage them. I think one of the great things that has happened is that Bill Daley has come to town. I knew Bill Daley when he was Secretary of Commerce in the Clinton Administration, and he fought hard for the North American Free Trade Agreement. He is straightforward. He even criticized some of the elements of the current health care bill. Parenthetically, I think the Republicans made a grave mistake to return after the election and declare that they wanted to repeal health care. Why not say they wanted to fix it? The parties are so polarized today it just breaks your heart.

Ron Kirk. He's a wonderfully affable man who understands trade. He helped to move forward the NAFTA as Mayor of Dallas. But he needs to get the Administration to move forward on trade policy; to find a way to get it done. He's very affable, very nice and easy to talk with.

People have said to me - "Geez," the lights were always on when you were there from seven in the morning until 10 at night. And now the building's dark after 6. But there are wonderful, smart, hardworking people there. It's a fabulous organization.

Reorganization

And I worry that once again, and it occurs about every decade, there is a big discussion about

whether there should be a reorganization that merges USTR with another agency. I think most people don't appreciate the fact that other governments have a minister of trade and economics who runs their trade negotiations. If we were to put the US Trade Representative in the Department of Commerce, for example, he or she would not have the protocol stature to meet with those ministers of trade and economics. So I strongly support keeping USTR's operation in the office of the President where the USTR has access to the President. He/she should be able to knock on the door of the Oval Office and say – "Mr. President here are the issues." It is absolutely vital.

In addition, the fact that the USTR doesn't have a programmatic mission is very useful. In most governments the minister of agriculture wants to protect the farmers, the minister of commerce wants to protect heavy industry and the minister of finance wants to keep people from fiddling around with finance. The way we have it, these missions at the various departments are important, but USTR's role is to try to bring these various interests in trade and investment together to reach a common understanding. USTR doesn't bring dumping actions; it does not manage support programs for specific sectors. It seeks to keep markets open so the sectors regulated by the other departments can function most efficiently.

When I was US Trade Representative, we would meet every week with the deputies of these various departments. It was amazing how when they were presented with an issue and heard the pros and cons on a specific trade issue, they could roll toward a consensus in the middle instead of fighting with one another. They could agree. And that was at the deputies' level and the process enabled them to share the understanding reached with their cabinet officials. That process was very useful, and I think that the structure we have in the government today with USTR being part of the President's office is a very good structure.

WTD: What about the current talk of reorganizing the trade agencies?

H: I am not in favor of reorganization. Often reorganization serves as a distraction. And oftentimes we create a huge conglomerate like the Department of Homeland Security. The agencies that are merged too often are enveloped in an arrangement that doesn't function quite as well as they did before the merger. Too often there is insufficient clarity about assignments – who is to do what.

There are some things that I would reorganize however. For example, we have statistics coming out of the Labor Department. We have statistics coming out of the Department of Housing and Urban Development. We have statistics issued by a long list of agencies. It would be wonderful to have an independent agency – and I stress independent – that issues firm, reliable statistics covering all sectors, including services. With some 15 agencies involved, the statistics we have now don't even mesh very well. We should be able to pull all of our data together producing one report that is reliable. It difficult to make good policy decisions when your data is suspect.

And we don't keep our statistics the same way that other countries do. We count Hong Kong, for instance, as part of China when it comes to exports. China doesn't. There's a bit of confusion when we talk to them.

Hills & Company

WTD: Tell us a little about Hills & Company.

H: I started the company the day I left the US trade office – January 21, 1993. As President

Clinton was putting his pictures on the wall, Jules Katz – who had been my deputy – and I were putting our pictures on the wall starting this operation. And we brought a number of people from USTR – Bob Fisher, a fine economist from USTR and State Department people like Alec Watson who was our Ambassador to Peru and Assistant Secretary for Western Hemisphere Affairs. We had Ed Casey who retired but was with us for a number of years. Tom Pickering joined us a few years back and as you know he served as Undersecretary of State and is one of the few Career Ambassadors having also served as our Ambassador to such places as Russia, India, Israel, Jordan and the United Nations.

We are different from a lot of consulting firms. As a general proposition we only represent US companies. We have represented a foreign company in a foreign country. We do not lobby. And we only represent one US company in each sector. Few consultants limit themselves to that extent. Most of our clients have been with us since the first two or three years of our opening. They are all big, all multinational. They all have problems around the world. They all face a wide variety of issues that adversely impact their trade and investment opportunities like discriminatory excise taxes, theft of intellectual property, high tariffs, investment restrictions and various regulatory challenges.

We do economic analyses that show that whatever unfairness our clients confront abroad, the problem we are talking about is actually hurting the host government. It decreases their GDP, job creation or potential for investment. And we've had a history of positive outcomes. So, most of the clients we have stayed with us for a substantial period of time.

Our clients are exporting and investing around the world. Their problems are extremely diverse in areas of tax, investment, labor, tariffs intellectual property protection. It's everything – all the trade and investment issues that you would imagine.

We seek to keep the market fair and open. We think we're doing good, and we hope that we will continue to do well.

Protectionism and Discrimination

You know protectionism and discrimination can be consistent with WTO rules for we have not achieved multilateral rules in a number of areas. Where there is discrimination against a client, WTO compatibility is not what we necessarily seek. We are after real equality for our businesses and entrepreneurs. And oftentimes we're met with responses such as – "Well your government doesn't do what you are asking us to do. The answer is – "What we are asking you to do will advance your economic interests; it will be beneficial to your GDP or your job creation or your investment."

I'm not a supporter of protectionist measures here at home. We have a number of them and I know from economic analyses that protection destroys jobs. And so I don't support such measures. I support the President's initiative of trying to increase jobs.

When he says "jobs, jobs, jobs," I say "right-on." But obviously his failure to put forward to Congress the three pending trade agreements has an adverse effect on our job creation. I hear him say he wants to double exports. I say – "right on." But obviously not putting those three agreements forward has an adverse impact on our opportunities to increase our export. The facts are there. The data shows that we have been hurt by the delay.

WTD: Have the FTAs in place helped your business by diminishing some of the problems that

your clients currently fact?

H: It helps the companies we represent because US trade agreements tend to be of a high quality. They also tend to have a mechanism for dispute resolution which helps where there is a difference of opinion on an issue involving trade or investment. But the United States has only 17 FTAs.

There are some 190 nations in the United Nations and 153 in the WTO. Governments can make bad economic decisions. Our producers and their workers are helped by the agreements that provide certainty and keep bad decisions to a minimum.

All of our clients favor the three pending trade agreements. So when we speak or write in favor of opening markets, they're on our side.

WTD: What's behind the Administration attitude on trade agreements?

H: I know that the President is concerned that some of his constituency groups are anti-trade. The Teamsters Union, for example. But he should realize that his Administration will be applauded by all groups for the economic gains he helps our country achieve.

I can say that the Colombia free trade agreement may not be the largest agreement that we've entered into. But it is significant. Colombia is the second largest economy in South America, about \$250 billion. Also it's large in terms of our agricultural interests. Colombia actually is the largest purchaser in South America of US agricultural products at a time when we want our farm industries to thrive. I looked at a study recently that documents that over the past four years while the Colombia FTA has been languishing, Colombia has expanded its business relationships with Canada and with Argentina and Brazil through Mercosur.

US Exports and Colombia

For the half decade up to the 2008 economic crisis – from 2004 to 2008 – our farm exports were expanding to Colombia by 38 percent per annum, accounting for some \$4 billion in US exports. Since 2008 our exports of wheat, corn, soybeans and soy oil have plummeted over 60 percent while Colombia's imports of those products have held steady and Argentina's and Brazil's exports to that country have gone up about 22 percent. As of the first half of 2010, our sales of those products were down 45 percent.

Those statistics should persuade anyone, whether they are Democratic or Republican, that if we want to double our exports, if we want to help our farm community to prosper, and if we want to create jobs, this is an agreement we want to move forward promptly.

Similarly with respect to the Korea free trade agreement, Korea now has trade agreements with the ASEAN 10 nations, with India and with Europe. These are big competitors of ours. Without the agreement our producers will be disadvantaged. Competing producers in countries with trade agreements will face lower tariffs and have greater market access than our producers. You know what really troubles me is the four-year delay in securing the agreement.

If you and I have a commercial relationship and I become noncompetitive because of tariffs that I must pay, you will establish a commercial relationship with my competitor. And when I call you up in a year or two or more, and say we just got the trade agreement approved, you've established your relationship with my competitor. It's going to be hard for me to reestablish the commercial

relationship with you. Since the competing trade agreement has been in place for a year, or two, or more and a large percentage of competing exports are coming in duty-free, it will be hard to dislodge that relationship.

We have been sitting on the curb for too long. That bothers me.

It is certainly true in Korea where we will be competing with Europe. Germany in particular in motor vehicles and heavy equipment and others on agriculture and certainly in high technology. So even if we get the trade agreement, we will have to work hard to catch up. So let's stop stalling. I say let's do it, let's do it now. Let's not let yesterday's sin of delay infect tomorrow's opportunity.

WTD: How does that "delay" affect new negotiations, such as the Trans-Pacific Partnership talks now underway?

H: As I mentioned, the United States has 17 trade agreements in place and one being negotiated – which is the TransPacific Partnership, the TPP. The last I looked at the WTO accounting, there were some 262 trade agreements in effect today and another 100 being negotiated.

A World Economic Forum annual report (Global Enabling Trade) – ranks 125 nations on a range of factors affecting competitiveness. One factor it measures is tariff barriers that impede opportunities for producers. According to that study, Chile, which has a network of free trade agreements, faces the lowest tariffs so it was ranked number-one. Where do we come in? – 114th with our 17 trade agreements. There are many more trade barriers than tariffs. But tariffs are a problem. We have to recognize that our producers start out facing far more barriers than many – specifically 113 – of our competitors around the world.

We've done nothing to try to remove those through trade negotiations. These barriers can be consistent with existing world trading rules. We have trade barriers. Others have trade barriers. But we ought to try to get them down so our producers can compete more effectively and hire more people.

Opening markets would help; we could create more jobs and get our trade balance improved and our GDP up.

South Korea

Korea is the seventh largest US trading partner. Boy, it would make such a difference if we had free access to that market. Colombia's greatest attribute is its agricultural demand. Panama is re-doing the Canal. Heavy equipment companies like Caterpillar are disadvantaged because their equipment competes with producers in Canada and the EU, particularly in Germany. And Panama has free trade agreements with both Canada and the EU, but as yet not with us.

Panama may be buying some heavy equipment from Caterpillar because it is the best or it can't get what it needs anywhere else. But Panama is paying a big price and Caterpillar is losing out on some equipment sales. It's like saying - I'll buy a car that will run on electricity from you, but as to all other cars, I will buy from somebody else because their price is lower.

There is no question that our opportunities are enhanced when trade barriers are removed. And

what is particularly crazy about the Panama and Colombia delay is that their products come into our market duty-free by virtue of the Andean Trade Preference Act. Why should we not want the same advantages for our producers?

Also, the State Department has spoken favorably about the trade agreements because they are seen as strategic components of US policy – most assuredly so with Colombia, which is key to our security in this hemisphere. The FTA will help strengthen a friend in the hemisphere. Also I hope that when the President meets this fall with the ASEAN nations and others that we will have something positive to show – and the TPP could be it. I hope that agreement becomes a magnet to bring other transPacific nations in. Japan is talking about joining. It is fighting its agriculture interests.

The TPP

The TPP – or other regional free trade agreements – can always do more. That is provide more comprehensive coverage than a multilateral agreement. What a good bilateral or regional agreement does is show the world what can be done. That's what NAFTA did. NAFTA was negotiated at the same time that we were doing the Uruguay Round. And the Uruguay Round was not moving forwards because of the stalemate over agriculture. NAFTA showed that a developing country – Mexico – and an industrial nation – the United States – could eliminate all barriers in agriculture. The NAFTA constituted a first-class agreement providing protection of intellectual property rights and protections for investors. We eliminated – not reduced – all industrial tariffs. We had a dispute settlement mechanism.

For four or five months afterwards we had all the Western hemisphere leaders saying we want to do those things too. We didn't carry it forward because President Clinton lost his trade promotion negotiating authority.

But within four months we had the Uruguay Round negotiations wrapped up – signed, sealed and delivered. The Bogor principles were drafted whereby leaders of the Asia-Pacific Economic Cooperation economies agreed that they would agree to free trade for industrial members by 2010 – last year – and for developing members by 2020.

Everybody was excited about moving forward to make world's markets more open. And then the curtain on opening markets came down. So I hope the TransPacific Partnership raises that curtain and shows what these nations can do to stimulate global growth and strengthen regional stability. I would like to see more ASEAN nations join the TPP. Japan should join and eventually China. It should have an open architecture. I would expect it to be more far-reaching and do more than the 153 nations now negotiating in the WTO are willing to do in the Doha Round. It could shine a path so that Doha could solidify a higher common denominator that nations might agree to. It could help nations see the benefits of opening their markets to goods, services and investment and raise the aspirations of governments so the next multilateral round could take another step forward. Regional agreements can help move the process forward, but you have to have multilaterals agreements as well to raise global standards on basic issues to stop discrimination and protect national treatment.

WTD: From what you've seen since leaving USTR, how does the US attitude on trade impact the nation's global status in the eyes of others?

H: I don't think that the financial crisis helped us. I think that if you had done a poll in 2005,

people would have admired our financial system and the way we led on trade. Also, we took a big hit with the Iraqi war with large segments of the world's population. I think there was great hope that with a new President, we would be reaching out, trying to work with them.

But now I think there is some disappointment that we haven't moved forward to lead on trade. When you looked back at the prior nine multilateral negotiations – every single one of them was led by the United States. What people are saying to me today is that Doha is actually being impeded by the United States.

Agricultural Subsidies

We have not yet reached the decision point on what we are going to do with respect to our agriculture subsidies. That is disappointing because the bound level is higher than what we are actually paying. With our fiscal circumstances being in such dire straits, you'd think that this would be an ideal moment to agree to lower our subsidies at least to the level that we are now paying. That would reduce one item from our nation's future debt load while actually moving the Doha discussions forward.

We could make a real ally out of Brazil if we would stop subsidizing ethanol manufactured from corn, which creates a shortage of corn – world food – and agree in the negotiations to lower our tariff on imported ethanol which hurts our consumers and a neighbor in the Western hemisphere that can produce ethanol more efficiently from sugar. That's something that we should do in our own interest.

Such a move would stimulate offers we want from others, for example on services, substantially advancing our economic interests. It would be wonderful if we would just reach out to Brazil and try to get some win-win benefits.

It's the biggest economy in Latin America. We have a lot of opportunities to work together. We worked very closely through the Uruguay Round of trade negotiations. You remember then it was the US that was the leader to bring agriculture "under the tent" in the WTO. We didn't get subsidies down hugely.

We didn't get tariffs down hugely. But we got agriculture "in the tent" and subject to the rules of national treatment and nondiscrimination. And we've got the negotiations to move forward on that basis. We were "joined at the hip" with Brazil in the Uruguay Round negotiations. We continue to have so many common interests with Brazil.

I find it something of a national embarrassment on how we handled our loss of the cotton case brought to the WTO by Brazil. The WTO ruled against us on cotton. We lecture other countries about the importance of abiding by the rule of law. Instead of changing our system of subsidies found to violate WTO rules, we negotiated with Brazil to pay it an amount lower than the amount of injury that the WTO found that our subsidies had caused Brazil. Because we did not change our system, we continue to hurt the four poorest countries in Western Africa, whose economies are primarily based upon cotton. So what do we say to the world? Do we really believe in the rule of law and do we really believe in advancing the development of the poorest countries of the world? And if another country had done the same thing, what would our reaction have been? It bothers me.

Similarly, the trucking issue with Mexico bothers me. There we jointly agreed to the opening our

border to the transport of goods. We did a study and it shows to this day that the Mexican trucks are as safe on our highways as are US trucks. So we are breaching an agreement we made, ignoring a rule of law, if you will. At the same time we say we want to clean up the environment. So we have trucks – both Mexican and US – unloading at the border, dead-heading home and unnecessarily polluting the environment. And we say we must conserve on fuel. So these dead-heading trucks are burning fuel they should not be burning. I find our refusal to move on the trucking issue a substantial national embarrassment.

Copy US?

These are the kind of actions we should avoid because of the message they send to the rest of the world as much as the harm they do to ourselves. Can we really be surprised that others copy them?

Global Trade Alert has done studies following the G-20 leaders' multiple pledges not to embrace protectionist actions. The pledge was not that "we will abide by WTO rules." The pledge was more than that. The pledge was that we will not erect any barriers to trade and investments. And almost all of the G-20 – including the US from its Buy America provisions to its tire case – have done just the opposite. When we raise a protectionist barrier, we renege on a public pledge. It encourages others to copy. And they have. That bothers me because I was hoping that the G-20 – that took over from the G-8 – would be the economic mechanism to help the International Monetary Fund move forward in a collaborative fashion on tough global economic issues, like rebalancing the global economy. But if most G-20 members are not going to fulfill their pledges and if we are not going to lead, what then? In the past we have led on economic issues. So, we need to get back into a leadership role.

WTD: A prognostication on Doha?

A: Doha is a little bit different from the Uruguay Round. The United States was leading in Uruguay. And another difference I see is that although Uruguay collapsed in Brussels in December 1990, negotiators picked up their pace and were able to get it done three years later. In 1993 we had a deal that the Clinton Administration could take to Congress. It was virtually done. The only measure that I recall that was changed was the opening of the textile market. We had it opening gradually over 10 years. My successor moved it so there was no opening until the tenth year – and then there was an immediate opening. I believe that's always a difficult approach because it is so much easier if there is gradual adjustment on both sides. The 10th year did create a little bit of a dust storm here.

But for the most part, what we had negotiated – bringing agriculture in, lowering tariffs and protecting intellectual property – would be accepted by all WTO members. If you agreed to be bound by any part of the Uruguay agreement, you agreed to be bound by all of the agreement.

Doha

Doha has dragged on much longer, starting with the collapse at the 2003 Ministerial in Cancun and then 2005 in Hong Kong followed by the stalemate which began again in July 2008. It hasn't moved. It has been frozen for a very long time. And we haven't taken the leadership position. The other difference I see with Uruguay and earlier multilateral negotiations is that the "Big 4" – the "quad" countries of the United States, Canada, Europe and Japan, which met yearly – could decide amongst themselves what they were willing to agree to. Because they represented a majority of global trade and constituted the largest economies, what they could agree to pretty

much determined what became the parameters of a final agreement. And the smaller trading nations would go along because their economic weight was not sufficient to stop the process. Today there's been a shift – from West to East. So you have a lot of countries in the Asian theater (China, India, and the ASEANs as a group) and Brazil that can stand up and say "no". So the process is more diffuse. I would like to see us partner with the BRICs because I believe the opening of global market is a positive thing. Our market is quite open, although we have big problems in some sectors – such as agriculture.

I think if we were willing to offer greater liberalization in agriculture, developing countries – whose economies are disproportionately based on agriculture as most of their people make their living from the soil – would move forward on manufactured goods and services which are contributing to our economy today. Services have become ingrained in our manufacturing. People lament the decline of our manufacturing sector, but we are still the world's number-one manufacturer accounting for over 20 percent of global manufactured goods. Our exports of manufactured goods increased by 20 percent over 2009 – and are roughly double China's exports. And if we could get more of our services on the world market, that would also help bolster our manufacturing as we move forward. Manufacturing uses those services. If we could get trade barriers down in other countries across the board we would have a tremendous advantage. So it is time that we move on this. And, I hope we can.

I hope that we can pull ourselves up on trade and send up a flag and say "sorry for the delay" and that we are now prepared to move on agriculture. Let's get some movement on services. Let's wrap Doha up and tell other countries we are willing to lead on this. We are not going to drag our feet.

China

WTD: China – biggest opportunity for the United States or biggest problem?

H: I think that we ought to work with China and exploit our respective opportunities. With 1.3 billion people, it is a wonderful market that we should be in. It is relatively open when compared to a decade ago, when it joined the WTO. Our exports to China are tripling. In fact every state in the union has seen triple-digit increases in its sales to China. So we certainly don't want to forfeit that by a policy that is not based on sound economics.

I'd like to see us work more closely. China has barriers to our exports like its indigenous innovation and industrial policies that should be discussed candidly at the Joint Committee on Commerce and Trade and the Strategic and Economic Dialogue. I hardly applaud these bilateral meetings where we try to work out problems, like the lack of IPR enforcement in China. I point to the last JCCT meeting where China announced a campaign to enforce IPR rights. We were able to show them the statistics that even their government agencies are not buying legitimate software.

We have a list of issues that we ought to be working on, encouraging China to move forward and become more open. If we find a violation of WTO rules, we should not hesitate to raise it and if change is not forthcoming, we should use the dispute settlement mechanism of the WTO. We have brought a number of cases against China. We've achieved change in the consultation period on some and won others.

But our encouragement to avoid discrimination rings a bit hollow when we adopt a protectionist policy. I think US leadership matters. I don't want to forfeit US leadership on economic and trade

issues to others. I want our nation to continue to hold up the flag and say "follow me." I think it is the way we can get something done. It's what our economy needs. It is what the global economy needs.

USTR Kirk

WTD: Did you see the House Ways and Means Committee hearing yesterday with US Trade Representative Kirk. What do you think?

Q: I did. I wish he had felt more comfortable in talking about the pending trade agreements. I think that we all have to use the "bully pulpit" to persuade the Administration that these trade agreements that reduce trade barriers that disadvantage our producers are effective tools to generate exports and create jobs.

In the old days Democrats and Republicans – regardless of Administration – supported and pushed free trade and investment from World War II onward. There were differences of opinions on lots of things, but there was a consensus that open trade and investment helped our economy. You and I can talk about the study of Gary Hufbauer that shows our economy is \$1 trillion richer per year by virtual of the opening of global markets since the Second World War. It means that our families are better off than they would have been if we kept our markets closed. So medium family income today is in the high \$40,000 range, but it would have been in the high 30s if we hadn't opened.

I tell think tanks, universities and businesses that we all need to use our own "bully pulpits" to try to educate Americans about how important it is to keep our markets open and take a leadership position in encouraging other countries to open their markets.

It is not simply an enforcement issue. Enforcement is only a part of it. Importantly, the thrust should be to persuade others to bind themselves to opening their markets so our producers know that those markets will be there tomorrow. They then can make investments here based on expectations of market access.

Take India for example. Its bound tariffs are very high. Unless our producers can rely on those tariffs coming down, they will not make their investments here to export to India. India is gradually opening. It has entered trade agreements with a number of countries including China, South Korea, the ASEANs and Mercosur. I would love to see our government negotiate a trade agreement with India. It is a huge market. Statistics show that we both would benefit. We need to share such facts with the American public.

I would like to see every American corporation put out a newsletter or place a notice on its bulletin board – whether they are big or small – citing the benefits that come to its worker through our international trade. Why not put a notice in the W-2 of every worker that says "x percentage of your wages come from our international activities"? I think Americans do not appreciate the fact that we are a small part – roughly 5 percent – of the world's population and that we produce about 20 percent of the global output. If we cannot get into foreign markets, our exports will fall below potential and we won't create jobs. I would like to see us work harder on that.

I wish we could get the facts out because I'm not making them up. We have to have a way to get the facts out to people who do not read technical trade publications like yours.

I noticed that most unions did not support the tire case against China. It was mainly the

Steelworkers. And the US producers of tires said they did not make those types of tires anymore so they were not enthusiastic. We did not create any new jobs or sales. We just created a bad example for others to copy – and copy they did.

Also, others are copying our dumping actions. That's another way to limit imports. China's doing it very regularly, but so are we. We have been a very big user of the antidumping law. There are good reasons to bring a dumping action in some cases, but in other cases it looks more protectionist than economically reasonable.

A Two-Way Street

WTD: Does President Obama understand that trade is a two-way street?

H: I hope so. The President talked eloquently about doubling our exports. So he must see the connection. I hope that the former secretary of commerce, Bill Daley, as White House chief of staff, will help the President better understand the urgency of moving forward.

Some economists say to me that the reason that businesses are not excited about the Doha round is because it doesn't produce that much additional benefit for them. I have to smile inwardly when someone says that. When I say to you as an individual I will pay you \$100 more a week, maybe it not that much, but it is nothing to spit at. You know every bit helps.

Equally important in my view is the fact that Doha provides the opportunity to bring in countries with large populations that are on the fringe of the trading system into the global trade arena. As they participate in the benefits that come with globalization, they create markets for our producers.

Imagine this. We have a 49 percent duty on inexpensive tennis shoes, yet we don't produce them. We are hurting our low-end consumers by taxing them 49 percent. The people on the street today that don't have jobs and have to go to discount stores to buy their shoes must pay 49 percent more than more affluent consumers pay for their shoes. And the people who produce cheap tennis shoes are in Bangladesh, a very poor country that has high unemployment. We don't need more consternation in that part of the world. We benefit economically and strategically by taking actions to bring them into the trading system.

It isn't just Carla Hills saying this. Our nation has an historic and proud example from when it established the Marshall Plan for a Europe devastated by a world war. We helped those countries and gave them opportunities. It was generous. But it was also an act of enlightened self interest. The Marshall Plan helped to create the markets into which we could sell.

Something Askew

Today, our tariffs on goods produced by the poorest countries in the world are about 15 to 20 times higher than our tariffs on the goods of rich countries. The Democratic Leadership Council looked at tariffs paid the first half of last year and reported that we collected \$195 million on tariffs from the United Kingdom on imports of \$27.9 billion and collected the same amount from Cambodia on imports of a mere \$195 million, which means that we taxed Cambodia 23 times more on its sale of goods to us than we charged the UK. Similarly, France pays far less in tariffs on the \$30 billion in goods that we buy from it do countries like Bangladesh or Nepal or other low income Asian and Muslim countries that rely upon agriculture, low-end manufactures and cheap tennis shoes. I go through the statistics and it breaks my heart. If these poor nations could

trade freely in the global market and move up the economic scale, they could become purchasers of the Apple's I-Pad, or our automobiles or our other manufactured goods. Wouldn't that be a win-win situation? It was what Ricardo taught us two hundred years ago.

That bothers me a lot. It isn't just what we get out of Doha the day we sign, but also what we can build for our children by creating greater opportunity around the world. So yes, through Doha we would respond to the President's call for increasing exports and increasing jobs through exports. And by giving others the opportunity, we create new markets for our goods and services – just as we did with the Marshall plan. That is a very positive thing for our nation's future. So I wish we would move forward.

Mr. Bergsten's Bicycle Theory

WTD: Has the current Administration shown Fred Bergsten's "bicycle" theory of trade to be wrong.

H: Unfortunately I think the US bicycle has stopped and parked while the bicycles of other countries have raced ahead of us. So we are no longer in the lead in trade. I want our bicycle to be "numero uno." But we have fallen off our historic pace.

I think Fred is right. In several sectors we have parked our bike. Agriculture is one. Others have moved ahead. The regions moving the quickest are the fastest growing regions. We'll be left out if we don't watch out. Asia, in particular, is moving ahead. You look at Korea with its network of trade agreements including agreements with India, the EU, the ASEANs – all large markets. Or look at China. It has a growing network of agreements including with the ASEANs. Our producers will be badly disadvantaged in the future unless we get on our bike and start peddling! My hope is that we will do just that.