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**Interview of Clayton Yeutter
conducted by Douglas Ierley
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1 **Douglas Ierley:** This is an oral history interview with Ambassador Clayton Yeutter concerning
2 his time in the US government as US Trade Representative [USTR] and as Secretary of
3 Agriculture. If you would be willing to give just a brief biography, maybe, of educational
4 background or your professional background just to start us out, that would be terrific.

5 **Clayton Yeutter:** As you know, my background has been heavily agricultural through the years.
6 I was born and raised on a central Nebraskan farm which I still own. It's all cash-leased at the
7 moment, but I have been personally involved with that particular farming operation all of my
8 life. It is a 2000-acre operation in central Nebraska, primarily corn and cattle production.
9 Education-wise, I earned all my degrees in Nebraska. I did some graduate work at the University
10 of Wisconsin, but I was running my farm operation while getting all these degrees so I couldn't
11 afford to be that far away geographically. So I finished my law degree and a PhD in agricultural

12 economics at Nebraska. I did them simultaneously while also running the farm [laughter] and
13 then launched off doing a lot of other things.

14 **Ierley:** Most people just do one of those things!

15 **Yeutter:** Yes, when the dean of the law school found out about this he informed me that I would
16 assuredly flunk! I responded that I thought I ought to have the privilege to try and prove him
17 wrong. [laughter] Fortunately when I ended up first in the class he had to back off a bit.
18 [laughter]

19 Since then I've gotten involved in a lot of things. Internationally I served as director of a large
20 agricultural technical assistance program in Colombia, South America funded by the Kellogg
21 and Ford Foundations and AID [USAID: United States Agency for International Development].
22 That led me into other international activities, including trade. We moved from Colombia to
23 Washington, DC in 1970, in the first Nixon term. I held a series of positions in USDA [United
24 States Department of Agriculture] and then served as Deputy Special Trade Representative in
25 what was then the Tokyo Round. After that experience (1975–77) I left to be CEO of the
26 Chicago Mercantile Exchange for seven years after which I came back into the government as
27 US Trade Representative in the second Reagan administration.

28 **Ierley:** Great. That's a perfect summary. Maybe to start the ball rolling, would you identify the
29 major issues you were involved in, you saw as critical to international trade, both during the time
30 as Deputy STR, but also as USTR, and the role you played in shepherding the US trade position
31 forward.

32 **Yeutter:** What really got me interested in trade was the Deputy STR position back in the '70s in
33 the Tokyo Round. That was a very interesting negotiation because we were trying for the first
34 time to give serious attention to agriculture and, of course, were being fended off by the
35 European Economic Community [EEC] (now the European Union) [EU]. The EEC did a very
36 good job of that in the Tokyo Round! They successfully persuaded the Carter administration
37 team that the US ought to back off on agricultural reform. As a consequence, essentially nothing
38 of consequence happened in the Tokyo Round on agriculture.

39 The US also made major concessions in the subsidy-countervailing duty area that have come
40 back to haunt us ever since. As you know, we abandoned our injury provision in the Tokyo
41 Round and got basically nothing in return. I am still appalled at the outcome, for we should have
42 gotten a lot in return! Admittedly, the US negotiating team was anxious to complete the Tokyo
43 Round and submit it to the Congress for approval, but one does not want to give away the store
44 in the process.

45 We had just one trade deputy in Washington, DC during the Tokyo Round so I had the privilege
46 of chairing the Trade Policy Review Group [TPRG]. The TPRG established almost all the policy
47 positions for the Tokyo Round, so that was really the genesis of my long-standing interest in
48 trade. I then left the trade field when I went to the Chicago Merc but still followed it intently by
49 maintaining personal contacts I had in government and through regular travel to Washington, DC
50 in carrying out my responsibilities as CEO of the Merc. I did a lot of international travel in that
51 private sector capacity as well. So I stayed very close to the trade front through those private
52 sector years. I especially had a lot of contact with Japan since there was such a large Japanese
53 business community in Chicago. That international involvement was, I suppose, what induced
54 me to accept the USTR post in 1985.

55 **Ierley:** Did you have a desire to re-enter government if the opportunity came up?

56 **Yeutter:** If somebody would have said to me during the '80s, "If you were invited by President
57 Reagan to be a cabinet member what post would be your first choice?," I would have said
58 "USTR" instantaneously. That response would have reflected my experience as Deputy STR and
59 my developing interest in trade. So it was really a good match. I had not at all thought about re-
60 entering government at that stage because I was very happy at the Chicago Merc. That was one
61 of the top private sector jobs in the country. But when the opening came along, it was an enticing
62 possibility just because of the attractiveness of the job. It was not only because I enjoyed trade
63 but because the country had major trade challenges in the mid-80s, and I've always liked
64 challenges! You will remember we then had the largest overall trade deficit in the history of the
65 country, an enormous bilateral trade deficit with Japan, and tremendous political pressures as a
66 result of those phenomena. That's what made the job enticing. The substantive issues, however,
67 had not changed much. In fact, my comment to the USTR staff when I returned was, "What the
68 heck have you been doing for the last ten years? These are all the same issues that were on my
69 desk when I left." [laughter]

70 **Ierley:** On the issue of agriculture you can still say some of this hasn't changed.

71 **Yeutter:** You can, absolutely. At any rate it was easy then for me to settle into the position as
72 USTR because I was totally familiar with all of the key issues. Don Regan,¹ who was White
73 House Chief of Staff at the time, indicated they wanted me to accept this post because they felt
74 they had to have somebody who could hit the ground running. I felt I could do so because of my

¹ Donald T. Regan (1918–2003), White House Chief of Staff (1985–87); Secretary of Treasury (1981–85); Chairman and CEO, Merrill Lynch & Co., Inc. (1973–81).

75 prior background in the Tokyo Round. So that's what brought all this about. And it was
76 necessary to hit the ground running because the political pressures on Capitol Hill were just
77 enormous. When I went through my confirmation process the senators just unloaded on me, not
78 at the hearing itself, but prior thereto at the individual meetings I had with senators on the
79 Finance Committee. Every one of them, Democratic and Republican, said, "If you're going to do
80 this you'd better figure out how to shape up that place," meaning the Executive Branch. They
81 were furious with the White House, furious with the administration as a whole. They felt they
82 had been ignored. They felt the issue was out of hand, and nobody in the administration was
83 paying any attention.

84 **Ierley:** As if you wouldn't feel enough pressure already.

85 **Yeutter:** So that made it a very interesting time. But that was the precursor to getting a lot done.
86 In that situation you have the detrimental aspects of the pressures that are involved, but you also
87 have the very positive aspects of a great deal of commitment to have something happen. And
88 there was recognition within the administration that the status quo was not an option; that we
89 really had to have a very aggressive trade policy. Jim Baker,² of course, had already sensed that.
90 He was chairing the Economic Policy Council then from his vantage point as Secretary of
91 Treasury. He was under the same kind of political pressures with people pounding on his desk
92 saying, "Why can't you do something about this through exchange rate policy?" That, of course,
93 was a precursor to the Plaza Agreement.³ Basically what happened was that Secretary Baker
94 moved aggressively in his area through the Plaza Accord and I moved aggressively in the trade

² James A. Baker III (1930–) White House Chief of Staff (1992–93), Secretary of State (1989–92); Secretary of Treasury (1985–88); White House Chief of Staff (1981–85).

³ September 1985 agreement between the US, UK, France, Germany, and Japan by which the dollar was devalued against other major currencies in order to stimulate demand outside the US thus helping to reduce the American trade imbalances.

95 area through the launch of the new GATT [General Agreement on Tariffs and Trade] round and
96 through intensive bilateral negotiations. That was kind of a two-prong approach to meeting the
97 challenges. The Plaza Accord was a success as was the Uruguay Round. Those moves alleviated
98 the political pressures and made the Congress feel a lot more comfortable about our trade policy
99 and our fundamental macroeconomic policies. It also made the American public feel a lot more
100 comfortable. You could sense that a load was being lifted off everybody's shoulders as we went
101 along. So after going through this for a year or so, most attitudes everywhere were much
102 different. We even had an occasional love fest on Capitol Hill. [laughter]

103 **Ierley:** Were you fairly confident, from the time you started, that there would be a launch of a
104 new multilateral round? And were there particular sticking points to getting Uruguay launched?

105 **Yeutter:** There were a lot of sticking points. That was a difficult task. As you know, the GATT
106 had tried in '82, I guess it was, to launch a new round and got shot down. Everyone came back
107 from Geneva angry from that experience, infuriated by the European Community's
108 intransigence, particularly in agriculture but in other areas as well. Bill Brock, who was then
109 USTR, and the Congressional reps who were in Geneva, became very disillusioned with the
110 GATT and the prospects of moving forward. There was a lot of unrest emanating from that 1982
111 experience. Although a lot of good work had been done between that time and my arrival in
112 1985, there was still a heck of a lot of work to do. But the US team did a good job, as did a lot of
113 others, between the time I arrived and when we went to Uruguay in September of '86. We had
114 about a fifteen-month period of preparations after my arrival as USTR. Fortunately our Geneva
115 crew worked with some of the other delegations in Geneva to put pressure on the most
116 intransigent GATT members. That would have been not only the Europeans on agriculture and a
117 few other things, but also Japan on agriculture, and Brazil and India on a myriad of issues.

118 **Ierley:** Some things never change in relation to India.

119 **Yeutter:** That's right. So we had to fight through all that, and we certainly didn't have
120 everything lined up by any means when we went to Uruguay. But the US delegation performed
121 splendidly in Punta del Este. I delegated a lot of negotiating responsibilities in Punta del Este
122 because we had Mac Baldrige,⁴ Secretary of Commerce, to take some of that load; and Dick
123 Lyng,⁵ who was Secretary of Agriculture, to take some of it. As a team I felt we outperformed
124 everyone else in Punta del Este and that's what led to a successful launch.

125 **Ierley:** What put the Europeans in a more amenable position to launch?

126 **Yeutter:** I think there were two keys to that. One was that we really pushed them into a corner
127 where they were on the defensive in agriculture. Part of that was via creation of the Cairns
128 Group.⁶ Until the Cairns Group was formally organized, the Australians and New Zealanders
129 were pretty much on their own battling with the Europeans on agriculture, and they lost regularly
130 because they didn't have enough clout. When the Australian trade minister came to see me
131 shortly after I became USTR, he was complaining that they just couldn't get anything done on
132 agriculture. My comment to him was, "You need some allies." I also said, "Go find some
133 developing country allies; you can't win this battle with just an Australia/New Zealand
134 combination." So that is exactly what they did. They had a meeting in Cairns and launched the
135 Cairns Group. That, coupled with the intense pressure that we provided forced the Europeans
136 into a defensive posture which ultimately led them to agree to agriculture being on the agenda. It

⁴ Malcolm Baldrige (1922–1987), Secretary of Commerce (1981–87).

⁵ Richard E. Lyng (1918–2003), Secretary of Agriculture (1986–89), Deputy Secretary of Agriculture (1981–85).

⁶ Coalition of seventeen agricultural exporting countries including Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, and Uruguay established in 1986 to address agricultural trade issues.

137 also kept them on the defensive on agriculture for the entire Uruguay Round. They conceded
138 later, after the Uruguay Round was through, that they were never able to get off their defensive
139 position during that entire exercise. So that worked to our advantage in Punta del Este.

140 The other element, though, that really helped in Punta del Este—and it's an important one today
141 —was the personal relationship between the USTR and the European trade ministers. At that
142 particular time Willy De Clercq,⁷ a Belgian, was the EEC's external affairs commissioner with
143 responsibility for trade. Willy and I had an excellent relationship. As a consequence, he was
144 willing to take some political risks in this area that others might not have taken. That clearly
145 moved things over the hump. Willy was willing to do that at Punta del Este because he felt the
146 right thing to do was to get a new round underway. He merits a lot of praise for having done so.

147 **Ierley:** Do you see that as a critical issue in determining success or failure?

148 **Yeutter:** Sure. The EU and the US are so important in all of these disputes that if you can't mesh
149 those two, things just spin around and nothing much happens. We have had a lot of wheel-
150 spinning over the last decade or so, and a great deal of that has been because we have not often
151 had a close working relationship between our respective trade ministers.

152 **Ierley:** Had you had a prior working relationship with De Clercq?

153 **Yeutter:** No. I had not met him prior to becoming USTR. But this all comes down to personal
154 chemistry! Chemistry is so important in such situations. It makes a difference in bilateral
155 negotiations too, not just the multilateral ones. There have been bilateral issues, especially in

⁷ Willy De Clercq (1927–2011), EU External Relations and Trade Commissioner (1985–89), Member of European Parliament (1979–82, 1989–2004).

156 agriculture, that have festered between the US and the Europeans for years. We got a whole host
157 of those off the agenda during my tenure and the reason was I just basically said to
158 Commissioner De Clercq, "Willy, we've had these same things around for too many years. They
159 were on my agenda when I was deputy USTR ten, twelve years ago, so let's get rid of them."

160 **Ierley:** Let's clean some of these up.

161 **Yeutter:** And we did. A time or two we had to go to a Section 301 action and force the EEC's
162 hands. That may seem combative, but it is often helpful to the other side. The relevant trade
163 minister can then say, "Hey, we've got to do something." But it's personal chemistry,
164 particularly in the key negotiating delegations, that is so important.

165 **Ierley:** Are there other officials with whom you had a similar relationship that made a substantial
166 difference in the context of the negotiations?

167 **Yeutter:** Well, sure. With Japan, the same would apply because we had so many Japanese trade
168 issues at that time. Again, many of those had been festering for years. There were issues
169 involving beef, semiconductors, wood products, and a whole host of others, some of which had
170 been around twenty years or more. We worked those hard during my tenure. One of the reasons,
171 of course, was because we had such a huge bilateral trade deficit with Japan at the time. For a
172 while I probably spent as much or more time on bilaterals with Japan as I did on multilateral
173 negotiations in the Uruguay Round. But it was important to do that. Today that's lower on the
174 priority scale because we have more bilateral stresses with China than with Japan. But at that
175 time everybody was concerned that the Japanese were twenty feet tall.

176 **Ierley:** Oh sure, it was very much in the public consciousness.

177 **Yeutter:** Yes, all the newspaper articles alleged that we were de-industrializing America and
178 were destined to be a nation of hamburger flippers under Japanese management.

179 **Ierley:** Superiority of Japanese management.

180 **Yeutter:** Exactly. They allegedly were going to buy up the whole country. Well, the fact is they
181 weren't twenty feet tall, as we now know, though Japan still has an admirable economy. We
182 simply have a much different perspective today, one that reflects a much higher level of
183 American self-confidence. I knew that our perception was off base because I could see what was
184 happening in American industry from my vantage point in Chicago before I ever became USTR.

185 **Ierley:** Oh, interesting.

186 **Yeutter:** I was persuaded when I became USTR that all of those stories were fallacious. At the
187 very time journalists were writing those articles, US industry was beginning to reform itself in a
188 major way. We saw the results of all that as we came into the '90s. Productivity in American
189 industry skyrocketed. We leapfrogged the Japanese and others in a whole host of areas—
190 including manufacturing, which is what was worrying everyone. I sensed that was happening
191 already in the mid-80s, but it was not conventional wisdom by any means. Most people thought
192 just the opposite.

193 **Ierley:** Oh, absolutely.

194 **Yeutter:** Those mid-80s concerns put a lot of stress on us in our negotiations with the Japanese.
195 They deserved attention because the Japanese had been highly protectionist through the years
196 and had gotten away with it. Their stalling tactics had worked with great success. Section 301
197 was the answer to that. We had to unleash Section 301 to get their attention.

198 **Ierley:** Did it have a cost in terms of perception of the US in our propensity toward unilateralism
199 in the context of trade? Or how did you weigh the benefits and costs of 301?

200 **Yeutter:** It clearly had a geopolitical cost. There were articles in which I was labeled “Rambo”
201 at the time [laughter] and articles about US unilateralism and our alleged unwillingness to abide
202 by the GATT rules. Well, the reason we wouldn’t accept the GATT dispute settlement rules was
203 because they didn’t work. We needed reform of those rules, which we then achieved in the
204 Uruguay Round. We still need some additional reform, and this is something your institution has
205 been working on. But at that time we knew it did no good whatsoever to take the Japanese, the
206 Europeans, or anybody else to the GATT under dispute settlement, only to have them veto the
207 result. When the loser can veto, it makes the whole process a sham. It’s ideal for losers, of
208 course, because they want to stall, and the Europeans and the Japanese had both been stalling the
209 US on a number of issues. We had no mechanism to respond to that until we decided to use
210 Section 301. Had there been available a multilateral dispute settlement system that worked we
211 would have gone multilateral. We went unilateral not because we wanted to be Rambo, but out
212 of necessity. We just had to get some of these issues resolved. Fortunately Section 301 worked
213 very, very well.

214 **Ierley:** That leads to a question about your perspective on GATT, maybe at two levels. One,
215 concerns about institutional reform. Was dispute settlement a principal issue and what were
216 others? And then on the negotiating level, the strengths or weaknesses you saw in the existing
217 GATT structure, and maybe Dunkel’s role or that of prominent people within GATT?

218 **Yeutter:** OK, let me take that piece by piece. One of the other keys to the successful launch of
219 the Uruguay Round was the chairmanship of the meeting. In Punta del Este the chairman was

220 Enrique Iglesias,⁸ now head of the Inter-American Development Bank here in DC. Had that
221 meeting not been chaired by Iglesias, I'm not sure we would have successfully launched the
222 Round.

223 **Ierley:** Oh, really?

224 **Yeutter:** He did an absolutely superb job and having it chaired by someone from Latin America
225 was critical because of the Brazilian intransigence. Iglesias, being from Uruguay, was able to
226 deal with the Brazilians in an effective way. That was key to ultimately moving them into a more
227 cooperative posture in Punta del Este. Iglesias' presence probably made little or no difference in
228 terms of India and, of course, it was hard for anybody to move India on anything. [laughter] The
229 answer there was we just had to isolate them to where they were the one country left objecting to
230 most everything, and that's essentially what happened. But Iglesias was invaluable in bringing
231 Brazil on board, and once that occurred, it left India isolated. Aside from the Brazil-India issue,
232 Iglesias was magnificent in dealing with all aspects of that conference and was the key factor to
233 bringing it to a successful conclusion. Now, what else were you asking?

234 **Ierley:** Well, the GATT shepherding, perhaps the negotiations thereafter, and the role that was
235 played by particular people, and also other institutional reform concerns at the time.

236 **Yeutter:** We wanted a GATT reform group in the Uruguay Round, as you'll recall, and were
237 successful in having it launched at Punta del Este. The US had five agenda objectives going into
238 Punta del Este, and all five of them made the approved agenda. Let me see if I can remember
239 them: agriculture, intellectual property, investment, GATT reform (including dispute settlement),

⁸ Enrique V. Iglesias (1930–) President, Inter-American Development Bank, Washington, DC (1988–2005); Minister of Foreign Affairs, Uruguay (1985–88).

240 and services. The Uruguay Round didn't do much on investment, as you know. But it
241 accomplished quite a lot in all the other areas. I wanted Julius Katz⁹ to head the GATT reform
242 effort, which he did, and did just a splendid job. It is one of the reasons we got dispute settlement
243 reforms by the midterm review in the Uruguay Round. In GATT reform we also came up with a
244 surveillance mechanism somewhat comparable to what the IMF [International Monetary Fund]
245 does in the financial arena, a first for the GATT. (I'm not sure it has worked as well as the IMF
246 process, but at least it is a start.) That and dispute settlement were certainly two accomplishments
247 of the Uruguay Round in GATT reform.

248 As to everything else, the GATT itself was a good base so we weren't worried about how the
249 negotiations would proceed once they got underway. The launch was the key, as we learned
250 again in trying to launch the Doha Round. That's what made Punta del Este such a crucial
251 meeting.

252 Then, of course, it's a question of what kind of leadership you get within each of these
253 negotiating groups as you go through the exercise, and that varied from group to group as it
254 always does. Aart de Zeeuw¹⁰ certainly gave excellent leadership as chairman of the agricultural
255 group. At the end of the Round, Arthur Dunkel with the Dunkel Text made a major contribution.
256 Dunkel, who until then had gotten mixed grades at best for his involvement in the Uruguay
257 Round, received high grades for having the courage to put his text on the table. It was what
258 ultimately brought things together. So he deserves a lot of credit for that contribution. Then, of

⁹⁹ Julius Katz, Deputy US Trade Representative with rank of Ambassador (1989–93).

¹⁰ Aart de Zeeuw, Chairman, GATT Negotiating Group on Agriculture, former Director-General of the Ministry of Agriculture, Nature Management and Fisheries in the Netherlands.

259 course, Peter Sutherland came along after Dunkel's retirement and provided splendid leadership
260 in getting that last mile, and the last mile in a big negotiation like that is always the hardest.

261 **Ierley:** Easy for someone to hold out to the last minute.

262 **Yeutter:** Exactly. And it took a strong personality like Peter Sutherland to bring that last mile to
263 a satisfactory conclusion. Peter was able to knock heads together. Being a European he could do
264 this with his European colleagues who were inclined to hold back, especially on agriculture. So
265 he was a key figure at the very end of the exercise. There were a few other heroes in that exercise
266 too. One of them was Ray MacSharry¹¹ on agriculture. MacSharry, coming out of Ireland—
267 which is highly dependent on the Common Agriculture Policy [CAP]—took a courageous stand
268 on agriculture trade reform, and that was wonderful to see.

269 **Ierley:** What do you think prompted the change in his views?

270 **Yeutter:** I think he really became convinced that reform of the Common Agricultural Policy was
271 in the long-term best interest of Western Europe and the world, and he was willing to gut it out
272 and take the beating that was associated with that viewpoint. In my judgment, that was probably
273 the most politically courageous act of the entire Uruguay Round.

274 **Ierley:** Oh, really?

275 **Yeutter:** That was gutsy.

276 **Ierley:** Broke the ice for looking at the CAP.

¹¹ Ray MacSharry, European Communities Commissioner responsible for agriculture.

277 **Yeutter:** Well, as you may recall, Jacques Delors headed the EEC Commission at that time and
278 at one stage he dismissed MacSharry. He obviously didn't like what MacSharry was beginning
279 to do in agriculture. But MacSharry was so well-liked that Delors was forced to back off and
280 invite MacSharry to return to the Commission.

281 **Ierley:** That's pressure alright.

282 **Yeutter:** It was, and all this happened in about twenty-four hours. Of course, when MacSharry
283 came back he had a lot more leverage. [laughter] And that is how we began to get meaningful
284 agricultural trade reform in the European Union.

285 **Ierley:** Those kinds of things are absolutely golden gems.

286 **Yeutter:** What I am communicating to you is how much of a people business this is, and what a
287 huge difference chemistry makes, and the kind of relationship you have with people and the
288 respect you have for people. There are so many anecdotes that illustrate this. At the risk of being
289 self-serving I'll give you one. Semiconductor trade was a big hassle with the Japanese. And I
290 think one of the most important bilateral negotiations we had during my tenure was on that
291 subject. In retrospect it probably was worth hundreds of billions of dollars to the US economy. I
292 am persuaded that we would not have a semiconductor industry today had we not done that
293 negotiation. Our semiconductor industry was in deep trouble in the mid '80s and the Japanese
294 were tearing it to shreds.

295 When I became USTR my Japanese counterpart was Michio Watanabe,¹² who is no longer
296 living. By nature, Watanabe was candid, straightforward, and brash!

297 **Ierley:** Particularly out of character.

298 **Yeutter:** Very much so. The first time I met Watanabe, he came to my office here in
299 Washington, DC. He had been in Brazil, went to New York, then stopped here on his way back
300 to Japan. He obviously wanted to size me up as the new USTR. Watanabe came in, sat down and
301 said, “I have just come here from New York. I spent a couple of days there after having been in
302 South America for a while.” Then he said, “You know, I didn’t find anything in New York that
303 anyone in Japan would want to buy.” [laughter]

304 **Ierley:** That’s a fabulous opening statement.

305 **Yeutter:** He said, “Why do you Americans want to open up the Japanese market when nobody
306 in Japan will want to buy anything you have to sell anyway?” I thought, “Well, we’re gonna
307 have a lot of fun.” I also said to myself, “Someday, Mr. Watanabe, I’m going to make you pay
308 for those statements.” As it turned out, he became my counterpart in the semiconductor
309 negotiations. That was tough sledding because the Japanese semiconductor industry was large,
310 influential, and was winning the competition with the US through what I felt were predatory
311 practices. In my view their objective was to put the US industry out of business. They were
312 aggressive and getting a lot of help from the Japanese government—not necessarily financial
313 help but strong, vigorous encouragement for what they were doing. So here was Watanabe as the
314 negotiator. We did the final negotiation in Tokyo starting about noon. The Japanese, of course,

¹² Michio Watanabe (1923–1995), Japanese Minister of Foreign Affairs and Deputy Prime Minister (1987–1993).

315 take breaks to review the proceedings so you are not negotiating all the time. You negotiate for
316 an hour, take a break for an hour, negotiate another hour, or two, the intent being to wear you
317 down.

318 **Ierley:** Keep you off balance.

319 **Yeutter:** Fortunately that's never been a problem for me in a negotiation. In the semiconductor
320 negotiations at about 11 p.m., Watanabe turned to me and said, "Will you come with me?" So we
321 went off to his little side room. You can imagine how the Japanese trade bureaucracy was
322 cringing at that point. Not only were the two ministers together, but they were out of the room.
323 Sure enough, Watanabe said to me, in his own inimitable style, "I'm done. We're through. Let's
324 settle this right now. I've got to go campaign in my home district which means that I need to be
325 out of here at five o'clock tomorrow morning. So I don't want to spend any more time on this."
326 We wrapped it up then and there, and, of course, we wrapped it up on terms abhorrent to the rest
327 of his negotiating team. When they found out what Watanabe had agreed to they immediately
328 sought to renegotiate. But we didn't let them do it, and that's how the negotiation concluded.

329 It turned out to be a fine success story for the US. I took some flak here in the US for allegedly
330 creating a semiconductor cartel, but that never occurred. I truly believe that negotiation saved the
331 US semiconductor industry, which is now powerful indeed and I believe superior to the Japanese
332 industry.

333 **Ierley:** Well, maybe to touch on the dispute settlement again, just a question about the interest
334 within the US to look at or revive the dispute settlement body—addressing the issue of a
335 country's ability to veto, but also the standard of review and concerns that were expressed here

336 over the possibility that a panel could invalidate national legislative statutes, etc. and how that
337 worked out, maybe any insights on that.

338 **Yeutter:** I have always felt that the sovereignty argument is really a sham. As a nation we spend
339 too much time on that. Every time we sign an international agreement of any kind we, in essence,
340 sacrifice a bit of our sovereignty. But so does every other signatory nation. And we all do it
341 because we see it in our self-interest to do so. This did get involved in the dispute settlement
342 negotiations and more broadly, in creation of the WTO [World Trade Organization]. By the way,
343 I also thought it was a mistake to shift from the GATT to the WTO.

344 **Ierley:** Oh, how come?

345 **Yeutter:** In the sense that it scared everybody into thinking that this was another UN [United
346 Nations] organization, with all the bad vibes that come from that.

347 **Ierley:** Which we already struggle with domestically.

348 **Yeutter:** Exactly. So we, as a nation, have expended a lot of energy arguing about the merits of
349 the WTO, which we could or should have used for other purposes. A lot of that intellectual
350 energy could have been expended more productively elsewhere. Maybe it'll be worth it in the
351 long run once we get through this, but the fact is it makes hardly a wit of difference whether we
352 call it the GATT or the WTO, it's really what it's going to do. I realize that we've gone from
353 what was basically an agreement to what is now truly an organization, but we could have done
354 that by still calling it the GATT. It was the Canadians, as you recall, that pushed the WTO
355 concept, and there is merit to that argument. But in terms of geopolitics and domestic politics,
356 here in the US it was a mistake. As to the sovereignty argument, as you well know we have

357 every right to ignore the dispute settlement outcome of any WTO case. Nobody can force the US
358 or any other sovereign nation to do anything it doesn't want to do, unless somebody wants to use
359 military force to try to ensure that outcome. So as a practical matter that "concern" merits little
360 time or attention. Nevertheless, the sovereignty argument does emerge from time to time. Among
361 other things it led to adoption of the appellate procedure in the WTO dispute settlement
362 mechanism. Clearly Bob Dole did the right thing in insisting that that procedure be added
363 because it was key to lining up a number of votes for approval of the Uruguay Round agreement.
364 Whether or not it will make a worthy contribution to the operation of the dispute settlement
365 mechanism is another question. I have no conceptual problem with an appellate process except
366 that it lengthens the proceeding, and that's troublesome for those who want to get an issue
367 resolved. It lengthens the process when our objective in that exercise was to try and reduce the
368 time frame.

369 **Ierley:** Now you can file ... and say automatically you've got a couple, two, three years.

370 **Yeutter:** Exactly. And what we were trying to do is get that down to one year or less.

371 Fundamentally, we were there, except for the additional time period that's involved with the
372 appellate process. So I'm concerned that we've now lengthened the time beyond what it should
373 be and we need to go back and review that in the Doha Round to see whether it can be improved
374 and the time frame shortened. But I'm even more concerned that dispute settlement has gotten
375 inordinately legalistic, and having an appellate process adds to the legalism.

376 For the US, that's not a huge disadvantage because we've got lots of lawyers [laughter] who love
377 to get involved in these kinds of cases. But it's costly. It's costly to the government, and it's

378 costly to the private sector to the degree that they have their own lawyers involved in the process
379 or on the periphery of the process. It also puts most developing countries at a huge disadvantage.

380 **Ierley:** Just as an aside, I did interviews last year (actually I have an article coming out in one of
381 the journals at Georgetown next month)¹³ talking to developing country trade officials about that
382 issue in particular but in relation to dispute settlement, and, boy, the lack of capacity they have
383 on the technical level, financial level, etc., just as you're saying. Absolutely. They really spoke to
384 that.

385 **Yeutter:** I don't think we ought to make it so legalistic. You don't want it to be entirely political
386 either because you want rules that have some permanence and some certainty, and you want
387 interpretations that are useful precedents. So there is a *stare decisis* role there, but we need to be
388 careful not to go overboard on this. Our objective should be a sensible balance between
389 diplomacy and legalese. We could also do more in the way of alternative dispute resolution,
390 mechanisms other than full-fledged dispute settlement processes. Let's do more with arbitration,
391 conciliation, and these kinds of techniques and not have everything go through traditional dispute
392 settlement proceedings.

393 **Ierley:** Is it your sense that during the Uruguay Round people here in the US had a particular
394 concern over sovereignty-related issues and envisioned a more legalistic process as an answer to
395 that, or things have just developed that way. It wasn't necessarily the intent?

¹³ Douglas Ierley, "Defining the Factors that Influence Developing Country Compliance with and Participation in the WTO Dispute Settlement System: Another Look at the Dispute over Bananas," *Georgetown Journal of International Law* 33, no. 4 (Summer 2002).

396 **Yeutter:** I don't think that was necessarily the intent. I think most of those folks would just like
397 the WTO to go away. [laughter]

398 **Ierley:** I heard that from quite a number of folks, I'm really shocked, but—

399 **Yeutter:** It's kind of interesting. The criticism of all of these institutional mechanisms and
400 frameworks in trade have basically come from both the left and the right.

401 **Ierley:** Absolutely true.

402 **Yeutter:** The folks on the right get all upset over alleged sovereignty concerns. And the folks on
403 the left get upset because we're not solving all the environmental problems and worker rights
404 problems of the world. And then there are the folks who are just anti-globalization. Trade policy
405 personnel, in all countries, have to learn how to operate in the middle of that political spectrum,
406 thereby minimizing the negative impacts of both the far left and the far right.

407 **Ierley:** Just to think about how polarized it is, too, the debate now.

408 **Yeutter:** It really is ironic to see people on the two extremes of the political spectrum attacking
409 their trade officials.

410 **Ierley:** Strange bedfellows.

411 **Yeutter:** Very strange bedfellows, you can see that on TPA and other issues, too.

412 **Ierley:** That also brings up the issue of developing countries and their role in negotiations. The
413 sort of traditional holdout like India, and Brazil is difficult, but how do you see the developing
414 countries—having been exposed at the Tokyo Round up through when you were USTR—and
415 their ability to influence the process and be engaged? I mean, obviously the vast majority of

416 members of WTO are developing countries and it would just be interesting to hear your thoughts
417 on their participation.

418 **Yeutter:** We could spend a lot of time on that, but let me just hit a few points.

419 **Ierley:** Sure, yeah.

420 **Yeutter:** We have to make sure that they feel they are being treated fairly in the process because
421 otherwise things will begin to fall apart at the WTO. There are a lot of developing countries
422 members now. We had about 100 countries involved in the Uruguay Round whereas there'll be
423 150 countries involved in the Doha Round. This makes a big difference in the organization and
424 conduct of a trade round and also in the organization and conduct of the WTO itself—in the
425 management of the institution. Developing countries do have to feel that they are participatory,
426 they have a role, they are being treated fairly, and their opportunities for economic growth and
427 job creation are being enhanced by the WTO. Otherwise, there is no point in their being
428 members.

429 Some of them don't even have delegations in Geneva and many who do have very small
430 delegations. There is no way they can get around to all the meetings in the Doha Round. So they
431 are clearly at a disadvantage, which puts a responsibility on the shoulders of the developed
432 countries to make sure that their developing country brethren are not being disadvantaged. A lot
433 of developing countries seemingly felt that they were disadvantaged in the Uruguay Round. I
434 don't agree with that view, but if that's their perception going into the Doha Round that's a
435 problem for everyone. So, among other things, we need to produce data and develop a track
436 record on the Uruguay Round to indicate whether or not the developing countries did share in a
437 reasonable and rational way in the benefits of the Uruguay Round. There has to be a way of

438 judging whether they were in any way treated unfairly in the Uruguay Round, and we need to
439 make sure they are not treated unfairly in the Doha Round. But I don't think you resolve that
440 issue with special and differential treatment. That concept came up in my early days in the
441 Tokyo Round. I never did like it, and it never has worked very well. That's why when we got to
442 the Uruguay Round people didn't want to talk much about special and differential treatment.
443 They wanted to find other ways to achieve benefits for the LDCs [least developed countries] and
444 most of the LDCs agreed with that. They weren't very comfortable with special and differential
445 treatment either because it made them look like they were on the dole. Psychologically it doesn't
446 feel good if you must have something "special" because you're just not able to function like the
447 big boys.

448 **Ierley:** It reinforces a certain dependency.

449 **Yeutter:** Psychologically that's just a very negative way to approach it and not one that's very
450 self-satisfying to the developing countries. So we should not focus on special and differential
451 treatment. The priority should be to make sure developing countries get significant market
452 opportunities out of the negotiating process. Part of that effort should be devoted to capacity
453 building. I'm not sure how much capacity building will do for these folks, but it will help some,
454 depending on who does it and how it's done. One of my fears is that people will throw a lot of
455 money into capacity building, most of which will not be well spent. But to the degree that we get
456 some things done right, it will help these countries.

457 Developing countries can also join together in coalitions such as the Cairns Group that can give
458 them more leverage, more negotiating strength. They can have somebody representing a whole
459 grouping of developing countries where they have common interests on some of these issues.

460 They can accomplish that if they just get themselves organized and pick the most talented
461 negotiators to represent the combined interest of a grouping of countries in a particular subject
462 matter area. So there are ways to overcome many of the deficiencies that developing countries
463 have in the negotiating process. I would rather foster those steps than carve out some kind of
464 special treatment for them. If done skillfully in the new round, developing countries will come
465 out of it feeling like they've had a fair shake.

466 **Ierley:** That makes a lot of sense. I would be curious to see how that plays out.

467 **Yeutter:** Yes. Bob Zoellick understands this for he has spent a lot of time working with
468 developing countries.

469 **Ierley:** From his published statements it seems that way.

470 **Yeutter:** Prior to going to Doha I sent Ambassador Zoellick a memorandum of some of the
471 things he might concentrate on, based upon my experience in Punta del Este. And one of my
472 suggestions was, "Link up with some of the African countries. They are looking for somebody to
473 pay some attention to them." He did that and the African countries were tremendously supportive
474 of the US in Doha, as they were when we were in Punta del Este. So those kinds of things can be
475 done to the mutual benefit of both parties.

476 **Ierley:** Exactly.

477 **Yeutter:** And if desired that focus can be limited to just a few specific areas, where the
478 developing countries are not all that competitive with us. In such areas we certainly ought to
479 make sure they have good access and feel like the world trading system is giving them a chance
480 to benefit.

481 **Ierley:** Precisely.

482 **Yeutter:** That's the LDC picture as I see it. What else should we cover?

483 **Ierley:** Well, I want to jump back to agriculture and your perspective on the US position on
484 agriculture from the time you first got on board with trade up until you left government. How
485 you see the influence of domestic concerns about agriculture. Has that changed over time and
486 what's influenced our ability to negotiate or what's made it more difficult? It's a bit of a general
487 question.

488 **Yeutter:** We were in a good negotiating position on agriculture going into the Uruguay Round.
489 The EEC had taken advantage of the US and everybody else in the world with their export
490 subsidies in the '70s and on into the '80s. The US market share in products like wheat had gone
491 down, down, during that period, and the European market share had gone up, up, up. That was
492 not a reflection of the Europeans becoming more competitive; it was a reflection of how much
493 money they were pouring into export subsidies. While I was at the Chicago Merc I had often told
494 European agricultural officials that this was not going to go on forever. The US at some point
495 had to react and would probably do that in a very aggressive way simply because what was
496 happening was intolerable. I thought the US had been far too tolerant for much too long and, of
497 course, Australia, New Zealand and other agricultural exporting countries felt the same way.
498 When the Uruguay Round was launched there was a great deal of antipathy toward the European
499 Union and its Common Agricultural Policy for many very, very good reasons.

500 **Ierley:** Oh, absolutely.

501 **Yeutter:** The CAP was a devastating policy, incredibly damaging to developing country
502 exporters as well as to the US. That issue came to a head as I became USTR. For the first time
503 ever we had an agriculturalist as trade minister here in the US, and I am sure the Europeans said,
504 “Oh, my God [laughter], we’re going to have an agricultural war!” and that is exactly what
505 happened. The US wore the white hats in that battle as a result of prior conduct of the Europeans.
506 We had an enormous amount of support around the world for agricultural trade reform going into
507 the Uruguay Round, and I believe we handled the issue well. We submitted a very bold reform
508 proposal, as you will recall, one which shocked the Europeans. They, of course, thought it was
509 totally unrealistic, and that we were completely out of our minds to even talk about that much
510 reform. But the reason for that strategy was I felt we could not be “incremental” with the
511 Europeans. If that had been the strategy, they would nickel and dime us to death just as they had
512 been doing for twenty, thirty years. The only way to get their attention was to really come after
513 them in agriculture so that is what we did.

514 The shock therapy worked. It caused the EEC ministers to object violently, and it put them on
515 the defensive with everybody. Much of the rest of the world, in contrast, loved the US proposal.
516 We also had good support from the entire US agricultural community. Part of that was having an
517 agriculturalist at USTR for the first time. Part of it was just having agriculture on the agenda in a
518 multilateral round for the first time. (It was nominally on the agenda in the Tokyo Round, but
519 received little attention at the end.) So everyone rallied around, including our ag industries that
520 are often protectionist in dairy, sugar, and others. The latter weren’t enthused, but they weren’t
521 negative either. We had successfully neutralized any potential opposition by those groups. We
522 also had a lot of enthusiasm among the exporting groups, soybeans, corn, wheat, rice, and others.
523 So that was a good atmosphere here at home and it gave us a lot of leverage on agriculture in the

524 Uruguay Round. Then after I left USTR and became Secretary of Agriculture, we handled the
525 1990 farm bill in a way that complemented our Uruguay Round strategy. We made additional
526 reforms in the 1990 farm bill, further moving the US farm policy toward a more market-oriented
527 system. That made it possible for us to meet what we expected our Uruguay Round commitments
528 to be. In other words, there would be no need to return to the Congress for additional legislation.
529 That helped Carla Hills who had succeeded me as USTR in ultimately bringing the agricultural
530 negotiations to a conclusion through the Blair House Agreement. And it certainly helped
531 MacSharry and others in getting CAP reform underway in Europe. What we did also generated a
532 lot of support from the Cairns Group and the other ag exporting nations. Now, unfortunately, the
533 reform environment here in the US is not nearly as good.

534 **Ierley:** Yes, I wanted to ask.

535 **Yeutter:** Bob Zoellick will have a more difficult time because of this farm bill. I'm very
536 displeased with the way the farm bill is being managed.

537 **Ierley:** Yes, for a good reason.

538 **Yeutter:** It sends a really bad signal in the Doha Round but, beyond that, it will make us less
539 internationally competitive. The subsidies that are in this farm bill will almost immediately be
540 capitalized into land values. They then become a cost that will reduce our international
541 competitiveness as time goes on. So even though there are short-run benefits to all of this for
542 American farmers, in the long run it's not going to be beneficial. It will be detrimental.
543 Fortunately, Zoellick and his crew have put forth another brave, forward-looking proposal, very
544 similar to what we did in the Uruguay Round. It has been well received and has certainly blunted
545 a lot of the criticism by Europeans, Japanese, and others of the US farm bill. However, what

546 we've submitted in Geneva will require considerable reform here in the US in contrast to the
547 Uruguay Round where the 1990 farm bill was compatible with what we were doing in the
548 Uruguay Round. This farm bill is in many ways incompatible with our Doha Round strategy.

549 **Ierley:** At cross-purposes.

550 **Yeutter:** Yes. And that provides a credibility problem at the WTO for USTR and for USDA.
551 They are going to have to work around that as best they can. But I am glad to see them take a
552 gutsy stand and put a significant reform proposal on the table.

553 Just to discuss the individual issues a bit, let's go back to the Uruguay Round. Our primary
554 objective in that round was to discipline export subsidies because they were such a gigantic
555 distortion at the time. Fortunately we did get some export subsidy discipline in the Uruguay
556 Round results, but not nearly as much as we would have liked. I would have much preferred a
557 phase out of export subsidies in the Uruguay Round but that didn't happen. However, I do think
558 that laid the groundwork for a phase-out of export subsidies in this round.

559 **Ierley:** Really.

560 **Yeutter:** I really think that's going to happen this time.

561 **Ierley:** Boy, that would be fantastic.

562 **Yeutter:** It was too big a leap in the Uruguay Round, but laying a base for later reforms was
563 extremely important. It generated momentum for the Doha Round that otherwise would not have
564 been there.

565 **Ierley:** It laid the groundwork.

566 **Yeutter:** The groundwork is laid. I just think the EU is going to have a really hard time
567 defending a continuation of their export subsidies. And their reforms have now moved far
568 enough that phasing out export subsidies will not be nearly as traumatic as it would have been in
569 the Uruguay Round ten or twelve years ago. I really think that's something they are going to be
570 able to live with. They won't like it but they can live with it. The French, of course, will object
571 vehemently, as they always do, but I think that's controllable.

572 In contrast, the primary US objective for agriculture this time will be market access. We sought
573 additional market access in the Uruguay Round, too, but export subsidies were then a higher
574 priority. This time the priorities will be flipped. The Cairns Group and others will take the lead
575 on export subsidies this time around and the US will say, "Let's open things up."

576 One of the biggest successes on agriculture in the Uruguay Round was tariffication. When we
577 first proposed converting all non-tariff barriers in agriculture into tariffs people told us we were
578 totally out of our minds, there was no chance anybody would agree to that. The reason was
579 because the conversion would result in tariffs going sky-high. Tariffs on rice in Japan would be
580 900 percent or thereabouts, and some thought that nations would be so embarrassed they would
581 never agree to them. Hence, tariffication was not going to fly. Well, it did fly, and we got it done
582 in the Uruguay Round though the outcome was by no means ideal. Some countries did what was
583 called "dirty tariffication" which means they didn't set levels where they should have set them,
584 or they used tariff rate quotas which are still unduly restrictive. Nevertheless, dirty tariffication is
585 better than no tariffication. The advantage is that the constraints are now visible. Non-tariff
586 barriers are often hidden. You can't hide tariffs. They are quantifiable, visible, and everybody in
587 the world knows about them. So you can focus on them. One of the great opportunities in this
588 round is to whack those agricultural tariffs down (and loosen up the TRQs [tariff-rate quotas]). In

589 fact, the US proposal calls for them to come all the way down to 25 percent max, so if you're the
590 Japanese, you're talking about going from 900 to 25 on rice. That is significant!

591 **Ierley:** It also offers this quantifiable measurement of the success of the round: the average went
592 down by x percent.

593 **Yeutter:** We're not going to get them from 900 percent to 25 percent—

594 **Ierley:** Sure.

595 **Yeutter:** —but with 25 percent out there it really puts them on the defensive. And it puts
596 everybody else with high tariffs on the defensive, including some of our own industries which
597 have high tariffs. On domestic subsidies, which is the third wheel in this exercise, not much
598 happened in the Uruguay Round. We ended up with green, blue, and amber boxes as you know,
599 and those are pretty fuzzy. But it took an accord on domestic subsidies in the Blair House
600 Agreement¹⁴ to finally get the US–European hassle out of the way. As you will recall, Carla Hills
601 had earlier reached an agreement on agriculture with her European Union counterpart, but the
602 French objected with so much vehemence that the commission couldn't move forward with it. So
603 they had to reopen that bilateral dispute and ultimately conclude the Blair House Agreement.
604 The rest of the world got really fed up with both the US and the EEC because all other elements
605 of the Uruguay Round negotiations were done. So their negotiators were sitting in Geneva for

¹⁴ The November 1992 Blair House Agreement between the US and the EU is contained in the EU's WTO schedule of commitments. It resolved a GATT dispute over EU domestic support programs that impaired access to the EU oilseeds market. Under the Agreement, EU oilseed plantings (rapeseed, sunflower seed, and soybeans) for food purposes are limited to an adjustment maximum guaranteed area (MGA) for producers benefitting from crop specific oilseeds payments. This limits the EU oilseeds production area, and penalizes overproduction. Blair House also requires a set-aside of at least 10 percent and limits the production of industrial/non-food use oilseeds on set-aside area.

606 weeks on end waiting for the Europeans and Americans to finish their fight over agriculture.
607 Both the EEC and the US paid a high geopolitical price for their dilatory conduct. To some
608 degree the frustration emanating from the way the US and the EEC handled agriculture in those
609 final months of the Uruguay Round accounts for the animosity that has carried over to the Doha
610 Round. Other nations were bystanders to this not-so-little US–EEC squabble, and they didn’t like
611 it. The final work product on domestic subsidies was not terribly impressive, so there’ll be a lot
612 of work to do on this subject in the Doha Round.

613 **Ierley:** Was the model of red–green–amber put forward with the idea that it will eventually turn
614 into something else? Was it a stepping stone?

615 **Yeutter:** Well, you clearly need a green box—

616 **Ierley:** Yes, absolutely.

617 **Yeutter:** —where either your subsidies are de minimis or they are for a good cause like the
618 environment. The question is how much to put there, and whether all of it is desirable, and ought
619 to be encouraged. The amber box is the one subject to significant WTO disciplines so the least
620 desirable subsidies must be there. The blue box was sort of a middle-of-the-road compromise,
621 and I think the hope was that it eventually would disappear. In the new round the negotiators
622 need to be more definitive about what goes in each box.

623 So as you go into the Doha Round you will see the US working the market access issue hard,
624 side by side with a lot of developing countries. You’ll see all the ag exporters working the issue
625 of phasing out export subsidies. (The US will not need to be in the lead on that subject.) And a
626 good many nations, especially developing nations, will try to have some influence on how the

627 green to amber alignment comes out on domestic subsidies. The other agricultural challenge is,
628 how do you handle biotechnology, food safety, and other issues of this ilk that will surface as the
629 sanitary/phytosanitary agreement of the Uruguay Round is implemented. That agreement, in my
630 view, is one of the real successes of the Uruguay Round, though it was a bit of a sleeper.
631 Emerging with a science-based standard in that agreement was critically important. If the
632 Europeans had realized how significant that agreement might be, they would have been much
633 less cooperative as it was being negotiated. Since then, of course, they've tried to stave off its
634 impact by following the "precautionary principle" which in my judgment is fundamentally
635 incompatible with the SPS [Sanitary and Phytosanitary] Agreement to which they are a
636 signatory.

637 **Ierley:** Hormones and such.

638 **Yeutter:** That has caused all kinds of trouble already so it is critical for the US and other nations
639 to defend and support a science-based standard for all these issues. One of our fundamental
640 objectives in the Doha Round should be to protect the science-based standard and make sure it is
641 properly implemented. I've said in speeches recently that I think the two weapons of choice for
642 protectionists, in the aftermath of the Uruguay Round going into the Doha Round, are (1) food
643 safety regulations, and (2) anti-dumping laws.

644 **Ierley:** That was going to be my next question actually.

645 **Yeutter:** Those are the two areas. You'll see a proliferation of food safety allegations or
646 allegations of biotechnology concerns, many of which will be designed to impede trade. With
647 non-tariff measures being phased out and tariffication being implemented, those who wish to

648 constrain trade will say, “How the heck are we going to stop agricultural imports?” The answer
649 is—find a human or animal health threat, or file an anti-dumping case!

650 **Ierley:** And you find the same odd coalition there, too.

651 **Yeutter:** You do. That is precisely what’s happening. We just fought a big chicken war with the
652 Russians over the last few months over alleged food safety concerns. There was little or no basis
653 for those concerns, but US chicken exports to Russia have been adversely affected for about four
654 to five months. The Japanese did the same thing earlier this year on chicken, and they did it on
655 some Chinese food products as well. Countries all around the world are beginning to use alleged
656 health concerns to impede trade. And, of course, biotechnology and related genetic modification
657 are a fertile field of inquiry today. Some express the fear of the unknown in this area, so you
658 have this as another mechanism to justify import constraints. Those are some of the issues that
659 will have to be debated in the WTO under existing rules and in the Doha Round as well. The
660 other mechanism, of course, is anti-dumping. If you really want to impede trade, it’s easy to
661 allege dumping.

662 **Ierley:** Well—

663 **Yeutter:** Not only to allege but easy to prove.

664 **Ierley:** Absolutely. Filings are up dramatically.

665 **Yeutter:** And we in the US are responsible for much of that. We’ve been big proponents of anti-
666 dumping rules, and our rules are designed in such a way that we “find” dumping in almost every
667 case that is filed. The rest of the world, of course, has now learned how to emulate the US modus
668 operandi and they do the same thing. Therefore this is going to come back to haunt all of us

669 because we are going to be hoisted on our own petard. And we have nobody to blame but
670 ourselves.

671 **Ierley:** That's an interesting dynamic as the people that are pushing for it are at some point going
672 to knock up against all these people that are starting to really feel the repercussions of other
673 countries taking advantage of this.

674 **Yeutter:** Exactly. And it's just a terrible way to resolve those disputes. Not only can one
675 question the basic fairness (because of the way these laws are structured and costs are calculated)
676 of the ultimate result, but the cost to the participants in anti-dumping cases is just astronomical.
677 Trade lawyers certainly benefit because these cases can go on for years; they seemingly never
678 end. But for the companies that are involved, and for that matter for the countries that are
679 involved, it's an extremely costly proposition. The participants often spend millions of dollars on
680 anti-dumping cases, which is just an awful way to resolve trade disputes. I use as an example the
681 recent softwood lumber anti-dumping dispute with Canada. One of the affected companies is
682 Weyerhaeuser, which has large forestry holdings in both Canada and the US. So in essence
683 Weyerhaeuser may "win" on its US holdings but "lose" on its Canadian holdings. On balance all
684 it will do is spend a lot of money! I believe Weyerhaeuser expended something like 9,000 man-
685 hours preparing its initial anti-dumping questionnaire.

686 **Ierley:** That's madness.

687 **Yeutter:** It is madness. It's just ridiculous.

688 **Ierley:** I have never heard a figure attached to the questionnaires.

689 **Yeutter:** I'm not sure about the number, but I know they reviewed thousands of invoices for the
690 first questionnaire. This is a crazy way to conduct trade policy.

691 **Ierley:** How do you see it, and have your views changed in terms of anti-dumping since the
692 Uruguay Round and how it was approached there?

693 **Yeutter:** During my tenure at USTR, we didn't spend much time on GATT anti-dumping rules.
694 That issue did not receive much attention until the end of the Uruguay Round, so it fell in Carla
695 Hills' lap.

696 **Ierley:** That's right, it did get wrapped up toward the end. Are there other issues you feel we
697 haven't touched in relation to any of the negotiating rounds? Are there other people that played a
698 prominent role?

699 **Yeutter:** As far as personalities are concerned, Renato Ruggiero became the first WTO Director-
700 General [DG]. That was a tough assignment with a new organization. The WTO, in my
701 judgment, has always been under-manned and under-financed, so DGs have had to struggle to
702 find money to do anything new and different. That's still the case today. Ruggiero and his
703 successors have done a good job of carrying the WTO banner in the face of severe constraints in
704 human and financial resources. I know Ruggiero quite well because he was trade minister in Italy
705 when I was USTR. So I thought that he was a good appointment; he rose to the task and handled
706 it really quite well. I think Mike Moore has done a good job, too. Unfortunately, Mike came in
707 just before the Seattle meeting so that was an inopportune time to become Director-General. It
708 was too late for him to do anything to salvage that ministerial meeting. He probably should have
709 cancelled it, but that's hard to do after so many preparations have been made. So he had to

710 absorb the blows of the Seattle debacle. Since then he has conducted himself well as Director-
711 General, and we hope his successor will do so, too.

712 I believe we've gotten satisfactory leadership out of the WTO since it was formed, but the
713 leadership demands are going to be exceedingly challenging as time goes on. With 150 member
714 nations the WTO will be a lot more difficult to manage than was the GATT. The agendas are
715 also becoming more complex. In addition, the whole issue of finding the proper role for
716 interested NGOs [non-governmental organizations] comes to the fore. There clearly will be some
717 tough questions to be asked and answered within the WTO in the coming years. The first and
718 most basic question is how the organization should be governed in the future. The major players
719 are going to have to exercise leadership in this regard.

720 I participated in a WTO seminar a few months ago in which we focused on governance. Mike
721 Moore participated, as did several other key WTO figures, and one of the things I harkened back
722 to was the so-called CG-18, Consultative Group of 18, that we had when I was Deputy STR in
723 the Tokyo Round. Representatives of capitals, not the Geneva delegations, were members of the
724 CG-18. It was in essence an advisory group or consultative group to the Director-General. At
725 that time Olivier Long was the Director-General and Arthur Dunkel represented Switzerland. I
726 represented the US because I was the Washington, DC deputy at that time. Arthur Dunkel and I
727 sat side by side in those CG-18 meetings. I thought they actually contributed in a substantial way
728 to the governance of the GATT. The group was for Olivier Long a good sounding board from the
729 capitals, and a check on what he was hearing from the Geneva reps. The DG can always talk to
730 the Geneva folks; what he or she really needs to do is find out what the thinking is back in
731 Washington, DC, Brussels, Tokyo, Mexico City, or wherever. The CG-18 made that possible.

732 Perhaps the WTO should go back to something like that once again. The difficulty with a group
733 like that comes in deciding who is going to be included and who is thereby to be excluded!

734 **Ierley:** Yes, the \$64,000 question.

735 **Yeutter:** That was ultimately what caused the CG-18 to fall apart. It started out with the
736 European Community having just one member of the 18. The other members of the EEC, of
737 course, objected to that. So a compromise was reached in which representatives of the other EEC
738 capitals could attend but couldn't participate. That was not terribly satisfactory, of course. Then
739 other nations wanted to be represented so eventually 18 became 20 and then 25, and then it
740 finally fell apart. If the WTO is ever to do something like this it needs to work out ahead of time
741 how it is to be structured, whether it is to have a rotating membership, how often to rotate, etc.
742 These are delicate issues, but this is important. At present nothing like this exists, so the
743 Director-General is mighty lonely as he tries to figure out how to manage a 150-nation body.

744 **Ierley:** I just noticed they hired Rufus Yerxa to be Deputy Director-General!

745 **Yeutter:** That's good because he'll do an excellent job. Rufus is very knowledgeable, very
746 experienced, and he has a personality that will work well in that environment. That's a very
747 smart move.

748 **Ierley:** Boy, that's a great point. Here's the Director-General, and here's 144 members—

749 **Yeutter:** All of whom want to be participatory. But you can't run meetings with 150 people in
750 the room and get much accomplished. So you have Green Room meetings with a smaller number
751 of people participating. They eke out agreements and essentially impose them on everybody else.
752 Well, everybody else is not very happy about that. Some journalist asked me about that not too

753 long ago. He said developing countries don't like Green Room meetings, so why not get rid of
754 the Green Room. I said, "Come on, you can't get rid of the Green Room or you'll never reach
755 agreement on anything. You have to continue it and the people who are outside the room just
756 have to lighten up." [laughter] They aren't going to like it, but it's a necessity of life. At some
757 point you have to get the key combatants together and work out a solution or you'll never reach
758 closure.

759 By the way, the ability to reach closure is an important negotiating attribute. It may be of some
760 relevance in the context of your study. There are a lot of very bright people in the trade world but
761 the difference in terms of success or failure is whether they have the skill to bring a negotiation
762 to a close. Not many do!

763 **Ierley:** Warren Lavorel said the same thing.

764 **Yeutter:** And it's so true. If all you want to do is debate trade policy that's wonderful, but when
765 you are in a situation like the Doha Round, the Uruguay Round, the Tokyo Round, or even
766 bilateral negotiations, that is not the objective. The objective is to reach agreement. If you don't
767 reach agreement, you have to consider that to be a failure. Your function as a negotiator is not to
768 be a lecturer, a debater, or a litigator, but to try to reach a mutually advantageous conclusion.
769 That means you have to figure out how to reach closure. I could give you numerous specific
770 examples of very talented people in the trade world who just did not or do not understand the
771 concept of closure. That is obviously one way—perhaps the most important way—to evaluate
772 the performance of a trade minister.

773 **Ierley:** Bring home the goods.

774 **Yeutter:** Exactly. And it's not always easy to do. But that's the key to success and does that ever
775 divide people quickly. You always have people who love to be litigators, or lecturers, or
776 analysts, but that is not what they are paid to do in this context. These other skills, impressive as
777 they may be, are of limited relevance when one sits down at a negotiating table. There you are
778 being paid to figure out a way to mesh your interests with those of your counterpart across the
779 table so that you can have an outcome satisfactory to both.

780 **Ierley:** That's an interesting full circle back to where we started in relation to the personal
781 chemistry issue, it's actually pretty strong.

782 **Yeutter:** That's accurate. Too often when you see people negotiating they are just arguing past
783 each other. One cannot get closure under those circumstances. Both may be making persuasive,
784 intellectually sound arguments but to no avail. If they don't ultimately get on the same page,
785 they've just wasted everyone's time.

786 **Ierley:** Absolutely fantastic point.

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788 [END OF INTERVIEW]