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ORAL HISTORY PROJECT OF THE WORLD TRADING SYSTEM

**Interview of Geza Feketekuty
conducted by Rosine Plank-Brumback
on April 29 and June 9, 2008**

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Rosine Plank-Brumback: This is an interview of Geza Feketekuty for an oral history of the world trading system being compiled by the Institute of International Economic Law of Georgetown University Law Center. The date is Tuesday, April 29, 2008. We are conducting this interview in Washington, DC.

I am Rosine Plank-Brumback who has the pleasure of conducting this interview. Thank you so much, Mr. Feketekuty, for participating in this project and giving us your valuable time. Your more than two decades of work developing US trade policy objectives and strategies at the Office of the United States Trade Representative (spanning the Tokyo Round and the Uruguay Round), your particular involvement in trade in services, your work as US representative to, and chair of, the Trade Committee of the Organization for Economic Cooperation and Development [OECD], are of enormous value to scholars and researchers tracing the evolution of the

12 international trading regime, and as well to government officials and diplomats who will be
13 formulating future policy.

14 To begin the interview, I would like you to provide some information about your personal
15 background and career history, then we will move to your recollections of the trade negotiations
16 and the many trade issues I just mentioned, etcetera. So first: where were you born and raised,
17 what were your university studies, what prepared you for a career at USTR [United States Trade
18 Representative] so involved with the GATT [General Agreement on Tariffs and Trade] and the
19 OECD?

20 **Geza Feketekuty:** I was born in Budapest, Hungary, and my parents left Hungary in 1944. It
21 had taken a full year to get all the necessary permits to exit Hungary, travel through Germany
22 and enter Switzerland but in April of '44 we actually made it—I, my parents and my sister. Then
23 I lived in Geneva for a little more than one year and I went to the Montessori school near the
24 Cathedral in Geneva, which was my first school, and I learned French.

25 **Plank-Brumback:** Très bien. You weren't a Calvinist, though?

26 **Feketekuty:** After my father's fellowship was up, my father asked for political asylum in
27 Switzerland and we were interned in the major convent of the Dominican nuns in Schwyz in
28 central Switzerland. After the end of the war, we first moved to another little place near Schwyz:
29 Menzingen (Canton Zug). And from there we went back to the state of Schwyz, way up in the
30 mountains, on the Sihlsee, because it was cheap to live there while my father was trying to make
31 some money tutoring. I started going to school in kindergarten in Schwyz and then attended
32 school first in Menzingen and then in Willerzell until the fifth grade. During this time my
33 primary language became German, including the Swiss dialect called Schweizerdeutsch.

34 Around that time my dad read an article about how the United States was planning to establish a
35 radio station in Munich, Germany to broadcast to East European countries. He applied and was
36 hired as the news chief for the Hungarian portion of the station. So we moved to Munich in
37 Germany in 1951. At that point my father gave me a choice of going to one of three different
38 schools—a local German school, a Hungarian boarding school an hour away from Munich, or
39 the American school for US military dependents. I bravely volunteered to go the American
40 school, not knowing a word of English. I graduated in 1958 from Munich American High as the
41 valedictorian, having been editor-in-chief of the school newspaper along the way and president
42 of the Honor Society. I applied to several universities in the United States, including
43 Georgetown, Columbia, and Fordham.

44 I got accepted by Columbia with a full scholarship and so that's where I went. I majored in
45 economics. I originally had the idea of becoming a lawyer like my father, who earned a double
46 doctorate in both law and political science. But then I decided that probably my chances were
47 better in economics, being foreign born, and so I dropped the idea of becoming a lawyer. While
48 at Columbia I also started working for the Book-of-the-Month-Club, part-time, because I wanted
49 to have greater financial security and independence. First year I worked as a computer operator,
50 but then the company decided I was too much of a disruptive force in the computer section
51 because I was asking too many questions. So they said, why don't you come upstairs to become
52 a statistical analyst, and I was put in charge of the statistical forecasting for some of the clubs in
53 the Book-of-the-Month-Club. Basically, I would decide how many of which titles we would sell
54 and they would place orders based on my forecasts. I worked full-time in the summers and part-
55 time during the year until graduation.

56 I applied to several graduate schools. My aspiration at the time was to combine studies in
57 economics and politics, but found only one school with a joint program in political economy. I
58 also applied to Princeton. Again the choice was made for me by the fact that Princeton gave me a
59 full scholarship. So I went to Princeton graduate school in economics. In the meantime, Book-of-
60 the-Month-Club offered me consulting work, so I continued working for them part-time,
61 commuting from Princeton to New York when I was not occupied with classes. Two years later,
62 in 1964, I got my master's degree in economics and passed the preliminary oral exam for the
63 PhD.

64 In the meantime, Princeton offered me the opportunity to teach accounting. Since Princeton has
65 no business school, but wants to prepare graduates who want to go on to a Graduate Business
66 School, the Economics Department offers courses in accounting and corporate finance and a few
67 other courses. Since no economist wanted to teach accounting, at least in my time, they made an
68 attractive offer to one of the graduate students working on his or her dissertation: teach
69 accounting and become a full-fledged faculty member with the title of Instructor. That meant that
70 you got paid a lot better. It also meant you had all the full privileges of being a faculty member,
71 things like parking and other kinds of perks, attending faculty meetings, etc. So I took that deal
72 even though—and like most of my predecessors teaching this course—I had no accounting
73 background but I stayed ahead of the students. In the meantime also I arranged to get an
74 internship at Citibank and I worked for the senior vice president for international financial
75 institutions as sort of an assistant.

76 **Plank-Brumback:** You had parted company with the Book-of-the-Month-Club?

77 **Feketekuty:** I had parted company with the Book-of-the-Month-Club and went to work for
78 Citibank. At this point I was working on my dissertation but basically I got stuck.

79 **Plank-Brumback:** ABD.¹

80 **Feketekuty:** ABD. So after two years of being distracted by work and making only limited
81 progress on my dissertation, I began to look for a change in direction. I guess I found that I'm
82 not really a pure academic and got stuck trying to write a dissertation that really had some
83 meaning and was based upon real world issues. That proved to be more than I could bite off at
84 the time.

85 **Plank-Brumback:** So already a tendency toward policy?

86 **Feketekuty:** A tendency toward policy as you suggest. At about this time I had an offer to
87 become a visiting professor at Cornell. After approving various sabbaticals, Cornell discovered
88 somewhat belatedly that in that one particular year they were left without anybody to teach
89 international economics. So they were desperate to find somebody and lo and behold I was the
90 person they hired to do it.

91 **Plank-Brumback:** This wasn't like accounting; you did have some ground work in international
92 economics.

93 **Feketekuty:** That was my main training—in international economics. And I had fully intended
94 to become an international economist and so in this case, yes, it was a position aligned with my
95 training.

¹ All But Dissertation.

96 **Plank-Brumback:** Because of your background?

97 **Feketekuty:** Yes, combining economics with my international background. I felt that made
98 sense. So I was the only person teaching international economics that year in Cornell. I had
99 students from all the different schools, from PhD graduate students in Economics, graduate
100 students from the Business School, to undergraduates, to students in the school of home
101 economics, engineering, hotel school, and so on, I had them all. I basically taught it in two
102 courses, one a huge course of about 350 students, another smaller one. I also taught a course on
103 economic development, if I remember right.

104 **Plank-Brumback:** Did you teach Adam Smith, the whole nine yards?

105 **Feketekuty:** Oh yes, the whole nine yards. You know, lecturing to 350 students with such a
106 diverse background was a bit of a challenge. Trying to capture the interest of the graduate
107 students on one side and making things understandable to the undergraduates in general and the
108 students from the school of home economics was a challenge. I never really understood why the
109 home economics students were interested in international economics. But anyway, it was a good
110 year.

111 **Plank-Brumback:** Lessons learned?

112 **Feketekuty:** Lessons learned was that teaching in a beautiful place was great, but teaching about
113 the world without having known the world left me uncomfortable. I continued working on my
114 dissertation, but by the end of the year the end was still not in sight. I was pondering whether to
115 try to stay in Cornell longer or what else I should do next when a recruiter for the Federal Budget

116 Bureau came to Cornell University and I decided to explore the opportunity. The recruiter was
117 interested enough to set up interviews for me in Washington.

118 **Plank-Brumback:** They were of course interested in your experience with the Book-of-the-
119 Month-Club forecasting sales!

120 **Feketekuty:** It was more their interest in economics; they wanted to hire some economists.

121 **Plank-Brumback:** International economists?

122 **Feketekuty:** Several divisions inside the Bureau were interested in hiring international
123 economists. One was in the budget division. Another was in the Macroeconomic Policy division
124 that staffed the Director as a member of the economic policy team in the Cabinet. A third was in
125 the international economic program division, which was responsible for all foreign economic
126 assistance programs and international economic agencies such as STR [Office of the Special
127 Trade Representative] and the ITC [US International Trade Commission]. They said, before you
128 make a decision to come here, why don't you look at some other opportunities? They set up
129 interviews in the State Department where I talked with Joe Greenwald.²

130 **Plank-Brumback:** My boss.

131 **Feketekuty:** Interviewed with Joe Greenwald and then they also set up interviews with Tony
132 Solomon at the Fed where they had a position in the International Finance Division and with a
133 gentleman at the Commerce Department where they were looking for economists to implement
134 capital controls as part of the so-called gold budget designed to curb the large capital account

² Joseph A. Greenwald served as Assistant Secretary of State for Economic Affairs and as the US Ambassador to the Organization for Economic Cooperation and Development and as the US Ambassador to the European Community.

135 deficit that was threatening the US supply of gold that was backing the role of the dollar as the
136 reserve currency.

137 **Plank-Brumback:** So we were on the gold standard?

138 **Feketekuty:** Yes, we were still on the gold standard. Both the positions at the Fed and
139 Commerce were attractive in terms of salary and rank, but the Budget Bureau sounded much
140 more interesting from a policy perspective. I decided to go to the Budget Bureau because (a) it
141 was exciting to me because it seemed to combine to me the atmosphere of a graduate school with
142 real applied policy and, of course, also an opportunity to have a huge potential impact on policy.

143 **Plank-Brumback:** What exactly did the work entail when you say applied policy? It was
144 reviewing the effectiveness of economic assistance programs? Determining resources for
145 budgets?

146 **Feketekuty:** It was reviewing the effectiveness of programs, determining resource needs,
147 reviewing the programs and making recommendations on ways of improving the program. So
148 you had really all three functions. As the budget examiner you had responsibility for analyzing
149 and evaluating the program, making recommendations on budget decisions, and providing advice
150 to the agencies on program and management improvements.

151 **Plank-Brumback:** On?

152 **Feketekuty:** On anything you thought could be done to improve what they were doing. Now of
153 course they could take or not take your advice, but they knew that you had a big impact on
154 budgetary decisions and decisions that required Presidential approval. At the same time they also
155 knew that you could mobilize other agencies within the Executive Office of the President if you

156 really felt that they weren't being responsive. My main area of responsibility covered the
157 economic assistance program in East Asia. And, of course, the 64,000 pound gorilla in East Asia
158 at that point was Vietnam, so I in effect became the Vietnam examiner with respect to all non-
159 military expenditures. I also was given responsibility for all the international economic agencies,
160 which meant USTR, the ITC, and later OPIC [Overseas Private Investment Corporation]. So I
161 had these small agencies and I had this huge program which was Vietnam, but also Korea and
162 Indonesia. Indonesia had just gone through a change from Sukarno to Suharto so our economic
163 assistance program in that country was of great significance, and involved key policy challenges.
164 Korea was at a critical stage, and there were important decisions to be made on how our
165 economic assistance programs could best support their economic development. We weren't so
166 sure of what was going to be happening in Korea. So it was an exciting set of responsibilities. It
167 was exciting not only because of the scope of the responsibility, but also because of the
168 atmosphere in the place. All my colleagues and bosses, all of whom had attended top graduate
169 schools, approached issues with a great deal of intellectual rigor, vigorous debate, and
170 intellectual honesty. It was really stimulating from my point of view, and you really did have a
171 lot of clout at a young age if you knew how to use it wisely.

172 **Plank-Brumback:** Results-based management?

173 **Feketekuty:** Results-based management.

174 **Plank-Brumback:** On site research and investigation?

175 **Feketekuty:** It was a bit daunting. The first day when I showed up my boss gave me a 400-page
176 document, which was the Vietnam budget, and he said, "You will be defending this budget in
177 three days in front of the budget director." I said, "You must be kidding." He said, "No, you're

178 the Vietnam budget examiner and the review is in three days.” So I had three days to absorb that
179 document and basically to defend the budget in front of the budget director.

180 **Plank-Brumback:** Did you find it defensible?

181 **Feketekuty:** I really didn’t have enough information at that point, though I did okay in
182 defending it. Later on I challenged a lot, particularly the inconsistency between goals and the
183 budget resources, as well as the strategies being pursued. But that first time I was just trying to
184 stay above water and not embarrass myself and I got through it and, you know, I think they all
185 gave me credit then for what I had absorbed in three days.

186 **Plank-Brumback:** That was an interesting hazing exercise.

187 **Feketekuty:** I then spent quite a bit of time in Vietnam. I would travel periodically. I became
188 very disenchanted with the management of our policy, somewhat different from the protesters. I
189 was just looking at what we were doing and how that related to what we were trying to achieve.
190 Interestingly enough, I was probably only one of a dozen people in the US government who had
191 an overview. One of the real downfalls of the whole effort was that it was so specialized and so
192 segmented that very few people had an overall perspective.

193 **Plank-Brumback:** Were there things that you drew from that experience later in your work
194 on—?

195 **Feketekuty:** Well, I certainly learned how bureaucracy works. I mean, I had to work with the
196 Defense Department, with USAID [United States Agency for International Development], with
197 the State Department, with other agencies and in Vietnam with all the different parts of the
198 Embassy. Also, interestingly enough, when we had a change of government and President Nixon

199 came in and he made a decision we were going to get out of Vietnam, I became intimately
200 involved in implementing that decision. Before that decision was publicly announced the
201 ambassador wanted somebody from the White House to go to Saigon and to give that message to
202 the embassy staff. Ambassador Bunker had been told, but Ambassador Bunker wanted somebody
203 from Washington to explain it to his staff and the military brass. Nobody in the White House
204 complex, and none of my bosses wanted to go, and so it was decided that I and one of my
205 colleagues should go.

206 **Plank-Brumback:** Let's send the kid who can read 400 pages in three days.

207 **Feketekuty:** So I was paraded in front of the mission council by Ambassador Bunker. He said,
208 "Gentlemen, we have somebody here from the White House who has a message for us." After
209 we relayed our message, everyone shook their head and said, we don't know how to do this,
210 without a collapse. And so I communicated that to Washington and they said I should tell them
211 that if they could not construct a budget along the lines of the President's decision I would have
212 to stay at the Embassy and assemble a new budget request with or without their help. And so that
213 is what happened, and of course as soon as everybody saw that it was going to be inevitable, then
214 they started forming a line in front of my office, saying, well, if you're going to cut, cut here
215 rather than there. So it was an interesting experience for me in how systems work. So I basically
216 prepared the Mission's budget request to USAID, which I then had to review later when USAID
217 sent it over for review.

218 **Plank-Brumback:** No conflict of interest there.

219 **Feketekuty:** The interesting thing, of course, was that I knew a lot more about that budget than
220 the budget people in USAID in Washington. Since I put it together originally, I could play it like

221 a harmonica. One of the things we would have to do as program examiners was to adjust the
222 individual program and agency budgets to meet an overall Presidential budget target, and instead
223 of just making it arbitrary I would come up with arguments for making the adjustments I was
224 proposing. I could say to AID Washington that they had not considered one factor or another,
225 and they would query the embassy in Saigon to check the facts. And so of course they would get
226 the answer back that I was correct. I knew where all the bodies were buried. So, it was an
227 interesting experience for me. It really helped me in the future in understanding how government
228 works.

229 I had another interesting experience, well two others, that are memorable that formed my
230 understanding and perception of how government works. I went to Jakarta, and this was at a very
231 important time because Suharto had just taken over, we were trying to do what we could the right
232 way because we had been at loggerheads with Sukarno; we really wanted to make sure we had a
233 government that would be friendly with the United States. As soon as I got there the economic
234 minister/counselor at the embassy said to me that the aid programs in Indonesia were in a mess:
235 “They are in a mess because everybody is trying to help the Indonesians, but there are only five
236 people in the Indonesian government who we can talk to.” It was five PhD economists who
237 graduated from Berkeley. Every embassy and economic aid agency is trying to talk to the same
238 five people and trying to grab the best projects, because every country was not only trying to
239 help Indonesia, but to fund the projects that could be most easily defended back home. I said,
240 “Well, why don’t all the embassies involved in providing economic assistance get together and
241 coordinate?” He said, “Well, nobody has really gotten this together.” I said, “Well, why don’t we
242 try to do it?” So I went to the Ambassador and the Ambassador said, “Oh no, no, no, we have to
243 maintain a low profile here; we can’t really show a high profile by taking the lead in organizing a

244 meeting.” But he said, “I don’t mind if you go to talk to some of the other embassies and
245 donors.” So I went around and talked to all the other major donors, all of whom had potential
246 problems in calling for a meeting: the Japanese mentioned World War II, the Dutch mentioned
247 their former role as the colonial masters, the Australians were concerned about being the closest
248 Euro-centric country, the World Bank staff argued that they were just international civil servants.
249 All had their reasons for not taking the initiative.

250 So I went back to the Ambassador and said, “Look, this is a mess.” I told him I understood his
251 reasons for not taking the lead, but that someone had to do it, and ultimately it was in our interest
252 that it be done. He said, well, maybe he should ask the State Department what to do. I said, “No,
253 you are the Ambassador, you send the cable to the State Department saying here is the problem,
254 here is the solution, and you intend to do it unless they tell you not to.” I was twenty-eight years
255 old, he was a seasoned ambassador in his fifties, but he was concerned about making waves. I
256 said, this just makes sense. And as it happened, he listened to me. He got everybody in the
257 Embassy working, calling all the embassies in Jakarta to test the waters, and sent the cable. State
258 surprised me: they sent an answer back overnight saying, yes, proceed.

259 **Plank-Brumback:** The power of ideas.

260 **Feketekuty:** And you know the right idea at the right time, right initiative and—

261 **Plank-Brumback:** Knowing how the system works.

262 **Feketekuty:** —understanding responsibility. The Ambassador thought to himself, I don’t really
263 want to make waves at the State Department and the White House, but if I can blame it on this

264 guy from the Budget Bureau I can deflect possible critics. He could say it was his idea. I'm just
265 conveying this. And State saw the merit. Actually I was surprised that they answered overnight.
266 Then there was another issue where I was overridden, but it was nevertheless interesting. The
267 Budget Bureau had to sign off on every PL 480³ sale.

268 **Plank-Brumback:** Every single one or a certain volume?

269 **Feketekuty:** Every single one. And the bigger ones went to the President and we had to make a
270 recommendation. We policy wonks at the Budget Bureau were concerned about selling PL 480
271 rice to both Indonesia and Korea. Both countries were rice producers, but the governments
272 involved found it easier to get US rice shipped directly to the cities than having to collect the rice
273 from the countryside and transporting it over poor roads.

274 And we thought, what sense does that make from an economic development point of view? Of
275 course we knew that the decision was based on domestic politics. At that point the Democratic
276 senators from the South, particularly Louisiana, were very powerful and they wanted these rice
277 sales. So when a memo recommending a sale of PL 480 rice came to my desk I basically knew
278 that I had to recommend it, but I wanted to be sure that the President understood the
279 consequences. So I said, "I recommend the sale despite the fact that this probably is going to
280 displace rice sales by Korean farmers, and hinder the economic stabilization and security of the
281 rural areas." And so what happened was that the President disapproved the sale. There then was a
282 big hubbub; how come the President turned it down? They went through layers of documents

³ PL 480 is the statute authorizing the Food for Peace program, providing food assistance to needy countries.

283 and they found my memo. So, I was told to rewrite the memo, it went back to the President and
284 he approved it.

285 **Plank-Brumback:** This was before the Freedom of Information Act.

286 **Feketekuty:** It was an interesting experience for me.

287 **Plank-Brumback:** In terms of power; political power, influence.

288 **Feketekuty:** Political power but also that if you get the right information to decision makers they
289 make the right decision. President Johnson knew about the politics. But once somebody brought
290 to his attention that this might actually be counterproductive from the point of view of what we
291 were trying to do in stabilizing Korea, he made the right decision. But you know the system then
292 overrode it. And I'm sure the White House had a whole bunch of deals that required support
293 from the southern senators and you know there was, I'm sure, a bigger picture. But still, I still
294 felt, in the end that I won even though I lost. Anyway those were interesting and formative
295 experiences.

296 Now the next phase of my career was really determined by something completely different, and
297 that is that in the meantime we had this change of government and President Nixon came in and
298 he appointed George Shultz as the director of the budget. George Shultz is an eminent
299 economist, a price theorist, but he had very little background in international economics. And at
300 that point I was really the only international economist in the Bureau of the Budget—and the
301 President was looking to Shultz for his input on what we should do next in the international
302 monetary system, after he decided to cut the link between the dollar and gold. I became, in
303 effect, George Shultz's tutor on international monetary economics and I briefed him on what the

304 profession had been saying, everything from Friedman's views to Triffin's views, which were
305 polar opposites. Of course he knew Friedman from the University of Chicago and as a fellow
306 price theorist, and basically agreed with his philosophical disposition to let markets determine
307 pricing issues. Triffin, in contrast, had ideas more along the lines of creating a world central
308 bank. His first question to me was interesting in setting the stage for subsequent decisions,
309 particularly when he became Secretary of the Treasury. He said, "You mean to tell me the
310 current legal rules require governments to intervene in markets rather than limiting government
311 intervention?" I said, "That is right." He's said, "That's crazy, that's upside down." So later
312 when George Shultz became Secretary of the Treasury, it was clear to me where we were going,
313 notwithstanding the views of Treasury staff. But anyway, so I developed this relationship with
314 Shultz—

315 **Plank-Brumback:** We're talking what years now?

316 **Feketekuty:** We're now talking probably around '71, '72. I can't remember the exact date when
317 we had the gold crisis, we can look at that.⁴ So then I got brought into the dialogue with the other
318 government agencies on the future of the international monetary system by virtue of Shultz's
319 participation.

320 At the end of 1972 the President asked George Shultz to become Secretary of Treasury. In
321 previous years I had developed a relationship with Marina Whitman while she was the senior
322 staff economist for international economics at the Council. We had a triple affinity. One, she had
323 been at Princeton. Her father, John von Neumann, was a prominent member of the Institute for
324 Advanced Studies in Princeton, and so she grew up in Princeton and knew everybody there. Her

⁴ It was 1971.

325 parents were Hungarian like mine; and she was a fellow economist. I really helped her
326 understand how the government worked, and helped her to be more effective. Around the same
327 time that Shultz was appointed as Secretary of the Treasury, Marina was appointed as a Member
328 of the Council of Economic Advisors [CEA], after having gone back to teaching for a while.
329 Since she was responsible for international economic issues and we had worked together before,
330 she asked me to become the senior staff economist for international economics on the Council
331 staff. I thought it was a great opportunity and so I jumped.

332 Up to that point my ultimate career goal was to become the US executive director of the
333 International Monetary Fund [IMF]. I was not really on the trade track.

334 **Plank-Brumback:** Not even understanding the politics of all of that?

335 **Feketekuty:** I was basically on an international monetary track and I wanted to get involved in
336 international monetary issues. I ultimately wanted to go to Treasury.

337 I saw the position at CEA as a step in the right direction because as the Senior Staff Economist
338 for International Trade and Finance I became an integral part of what then was the Volcker
339 group, which coordinated decisions on international monetary issues. My boss, Marina Whitman,
340 was a key member of the triumvirate, the so-called troika, made up of the Council, the Treasury
341 and the Fed—that was really making decisions on where we were going in reforming the
342 international monetary system. And I was her person at the working level.

343 **Plank-Brumback:** At this point we got off the gold standard?

344 **Feketekuty:** We had cut our link between the dollar and gold and now the question was whether
345 we would try to craft a new fixed rate system or go to a flexible exchange rate system. We and

346 the Council were pushing to move to a flexible exchange rate system. Volcker was not for it, but
347 I knew where Shultz was headed.

348 **Plank-Brumback:** And Volcker's view on that was?

349 **Feketekuty:** Volcker was for stability, and therefore he said we needed stable exchange rates.
350 The Fed was clearly not for a floating world. We in the Council took the view that it was a
351 mistake for the United States to try to control investments and trade and other real transactions
352 for the sake of maintaining a fixed exchange rate. Since we weren't going to manage our
353 macroeconomic policy in a way that was going to result in large unemployment, a fixed
354 exchange rate system would push us towards doing what we did before—which is try to control
355 investment outflows, which I thought was useless. As an economist I didn't believe you could
356 ultimately control capital flows without draconian measures, completely at odds with a market
357 system. So, I really felt we had to have enough flexibility in our exchange rate system to allow
358 the United States to maintain stable macro-economic policies but at the same time not being
359 forced into controlling current account transactions. And Marina agreed with that position one
360 hundred percent. And of course from his side Shultz was pushing in the same direction.

361 The other side of what we wanted at the CEA, we didn't get. We didn't want the dollar to remain
362 the key reserve currency because we would lose control over exchange rates. We felt we needed
363 to have some control over exchange rates in a world where other countries could intervene and
364 so we favored a greater reliance on SDRs [Special Drawing Rights], which would allow
365 countries to accumulate reserves without pushing the US into trade deficits. Shultz and most
366 monetarists were concerned about too much reliance on SDRs because they thought it would be
367 inflationary because there would always be a lot of pressure to create SDRs. Little did he

368 anticipate that the problem in the future would not be world pressure for SDR creation but lax
369 US fiscal and monetary policy. This is all very interesting from the perspective of where we are
370 today with the large dollar overhang and a tendency of Asian countries to maintain undervalued
371 exchange rates.

372 How did I apply lessons in OMB [Office of Management and Budget] to CEA? Usually the
373 senior staff members of CEA come straight out of academia and they play interesting intellectual
374 roles but often not much of an operational role, because they don't really understand how
375 decisions get made and how power plays out. Having come from OMB, I did, and I was
376 therefore able to play an active role in the interagency decision-making process on international
377 monetary and trade issues. And I also knew how you use the annual report as a policy document
378 and policymaking instrument, rather than just a passive document reflecting past decisions. I was
379 able in the process of drafting the international chapter of the Economic Report of the President
380 to force the government to address a number of important policy decisions in both the trade and
381 monetary side.

382 **Plank-Brumback:** Give us an example of how you did that.

383 **Feketekuty:** It was basically trying to look at the issues that were being discussed at that point
384 both on the trade side and on the monetary side, and then writing an economic analysis of the
385 issues that would point in the direction of a particular direction of policy. And without trying to
386 make a decision that hadn't yet been made, lining up the ducks in terms of how the chapter was
387 framed, so it led to a particular direction of policy. And then at the end I tried to add as much of a
388 conclusion as I could get away with, recognizing that many people at other agencies had to sign
389 off on the chapter. We had some battles with Treasury on the international monetary side and

390 with some of the other agencies on the trade side, but I was able to push the envelope. Through
391 the drafting process I forced a discussion and I forced a decision.

392 **Plank-Brumback:** So those were attributes then that would play themselves out in trade
393 negotiations.

394 **Feketekuty:** Later on I tried a similar approach in USTR by making the USTR annual report
395 more of an active policy document for a few years, but it did not last because it was resource
396 intensive. Actually it got lots of support from the academic community for the more analytical
397 and policy oriented approach I had used for the Annual Report, because they said we finally
398 understand not only what decisions were made, but the logical underpinnings of those decisions.
399 I tried to provide the intellectual underpinnings, the rationale and the empirical analysis to
400 support it. Ultimately this view of the Annual Report clashed with perceptions about the primary
401 role of USTR being negotiation rather than making policy.

402 The next question is how I got to USTR. At this point USTR was still STR, the Special Trade
403 Representative, which was much smaller than USTR today and the head of the office did not
404 have cabinet rank. The world at that point was getting ready to launch the Tokyo Round, and I
405 had been part of the interagency planning process both at the Budget Bureau and later at the
406 Council of Economic Advisors.

407 **Plank-Brumback:** Were you involved in the passage of the Trade Act of 1974?

408 **Feketekuty:** I came into USTR just as that was going on. I had certainly been involved in the
409 interagency discussions leading up to the Trade Act of 1974 because as the international
410 economist on the Council staff I was involved in the interagency debate, but I was not an insider.

411 But since STR did not have cabinet rank, the cabinet member responsible for trade was the
412 Secretary of Treasury. So Shultz as Secretary of the Treasury was the cabinet officer who
413 represented the United States in international ministerial level meetings such as the Tokyo
414 Ministerial that launched the Tokyo Round. Shultz had this habit of not wanting to become the
415 captive of bureaucracies and so he did not want his own Treasury staff to draft his speech. He
416 also didn't want to ask STR to draft his speech because he did not want to become the captive of
417 STR either. Instead, he decided to ask me and Bob Hormats at the NSC [National Security
418 Council] to draft his speech. He called my boss, Herb Stein, who was the chairman of the
419 Council and asked whether he could have the Feketekuty fellow draft his speech for Tokyo along
420 with Bob Hormats. And so I was given the task.

421 I knew I was in a very sensitive position because the people who should have been asked were
422 the people at STR. So I went over to STR in a very penitent type of mode and told them that I
423 recognized that they should have been asked to write the speech, but that Shultz had given me
424 and Hormats the task instead. Nevertheless I wanted to give them a substantial role in the
425 drafting process and take most of the substantive input from them. I developed a good working
426 relationship with STR and they responded in a positive way. Hal Malmgren basically was the
427 key.

428 **Plank-Brumback:** He was the deputy STR.

429 **Feketekuty:** He was deputy STR and Eberle was the STR. I worked with Hal, and the three of
430 us—Hal Malmgren, Bob Hormats and I—drafted most of the document by passing it back and
431 forth.

432 **Plank-Brumback:** How far along at this point had the United States government been in
433 defining its objectives for a new round?

434 **Feketekuty:** All decisions had not been made, but we had a rough idea. I really don't remember
435 the particulars.

436 **Plank-Brumback:** I mean, were these considerations for the speech to lay out what the US
437 objectives would be?

438 **Feketekuty:** Some objectives had been decided through the interagency process, of which I had
439 been a part, others were still being hashed out.

440 Let me also take one step back because I left out a very important event. At the time we went off
441 gold, John Connally, who had been Secretary of the Treasury before Shultz, made a very forceful
442 speech about how the international economic system could not be fixed without addressing
443 unfair trade practices abroad and misaligned exchange rates. Instead of being defensive about the
444 United States having gone off gold, he went on the offensive in pointing to all the policies by
445 other governments that had forced us to go off gold, and he imposed a 10 percent import
446 surcharge until such a time as US concerns could be addressed. But the President also knew that
447 we had to mend fences. We had come out swinging, but we had to figure out with the rest of the
448 world how we were going to move forward. And in that sense, Nixon was a very shrewd person,
449 a very good president. So he decided to send Pete Peterson⁵— who by that point had gone from
450 being Assistant to the President for Economic Affairs to being Secretary of Commerce—to go on
451 an around-the-world trip to talk with all the major countries about what should be done going

⁵ Peter G. Peterson joined the White House staff in February 1971 as assistant to President Nixon for international economic affairs. He was named Secretary of Commerce by President Nixon on January 27, 1972, http://www.petersoninstitute.org/staff/author_bio.cfm?author_id=52.

452 forward, and to take with him key staffers from the key agencies. Hormats went from NSC, I
453 went from CEA, Malmgren went from STR, Dick Erb went from Treasury, and somebody came
454 from the Council on International Economic Policy, and Peterson brought his staff from
455 Commerce. We had our own plane and we flew from capital to capital, on a mission to find out
456 what everybody thought of how we should move forward on both the monetary and trade side.

457 **Plank-Brumback:** At this point they were linked?

458 **Feketekuty:** At this point they were linked, and of course the trade-monetary link later became
459 the key issue at the Tokyo ministerial because Giscard d'Estaing insisted that there could not be
460 any new trade round without an agreement linking decisions on exchange rates and on trade
461 issues, so that countries wouldn't use exchange rate policies as a mercantilist tool. And of course
462 while he was right substantively, bureaucratically it was impossible to try to link the two. But
463 anyway that's a subsequent story. And we were very much preoccupied with that link.

464 It was again an interesting, learning experience for me. It was great being together with this little
465 group for two weeks. We were in Paris, London, Bonn, Rome, Brussels, Tokyo, Ottawa and
466 Hong Kong. I may be missing some stops, but anyway those were the main ones.

467 **Plank-Brumback:** And your interlocutors were?

468 **Feketekuty:** Our interlocutors depended on the country. In some cases the prime minister,
469 certainly the minister of finance, the minister of trade or whoever the appropriate person was. In
470 Hong Kong: the Governor General and the heads of the key departments. In Tokyo: foreign
471 ministry (Gaimushō), Finance, MITI [Ministry of International Trade and Industry]. Did we see
472 the Prime Minister in Tokyo? I guess in one or two cases only Peterson saw the prime minister,

473 not the rest of the team. So in some countries such as France the whole team went along with
474 Peterson to see the prime minister, in others the team didn't.

475 **Plank-Brumback:** So what were the messages you were conveying and the messages you were
476 receiving?

477 **Feketekuty:** The message we were conveying was that the only way out of the current dilemma
478 was to realign exchange rates and to start a new round, because that way we could say we had a
479 place where we could address unfair trade practices. It was a way out for the United States so we
480 wouldn't be forced into doing anything on the protectionist side. And on the monetary side, our
481 argument was that exchange rates had to reflect market realities. We had to have equilibrium
482 exchange rates, and we had to have a trade negotiation where we could address all issues that
483 were creating grievances and thus diffuse political pressure for import restrictions. The Peterson
484 mission ultimately paved the way for the meeting at the Smithsonian in December of 1971,
485 which led to a realignment of exchange rates among countries and the removal of the 10 percent
486 surcharge on US imports. It also began an international dialogue on the launching of a new
487 round. The ground had already been laid domestically by the Williams Commission. And at the
488 international level by the high level trade group that had been assembled under the auspices of
489 the OECD [Organisation for Economic Co-operation and Development]. Eberle had served on
490 both groups.

491 **Plank-Brumback:** The Williams Commission had met in May 1970.

492 **Feketekuty:** Yes, and it clearly formed a foundation for our ideas about the Tokyo Round
493 agenda.

494 **Plank-Brumback:** Well, we have the Tokyo ministerial in '73. So how was that speech, then, of
495 Secretary Shultz at the Tokyo ministerial?

496 **Feketekuty:** It was fine, but you know the only real issue concerned the trade-monetary link,
497 which ultimately required personal negotiations between Giscard d'Estaing and Shultz. It was a
498 real cliffhanger.

499 **Plank-Brumback:** Did you attend the Tokyo ministerial?

500 **Feketekuty:** Yes, Shultz made the decision to take me, and it was supported by Eberle and
501 Malmgren at STR.

502 **Plank-Brumback:** What were your recollections of that event?

503 **Feketekuty:** It was my first experience for an event like that. I was just a pure bystander because
504 at that point I had no role to play. I had written a speech and I was there only by Shultz's grace.

505 **Plank-Brumback:** Was the United States the only demandeur for a trade round?

506 **Feketekuty:** Well, there were a couple of things going on, and one was certainly we had to find
507 a way of saying we're going to deal with trade issues without doing it in a protectionist way.
508 Secondly, you will recall that the EU [European Union] was going through another expansion
509 and—

510 **Plank-Brumback:** From six to nine.

511 **Feketekuty:** And the US was again concerned that it would turn the EU inward—

512 **Plank-Brumback:** Article XXIV: 6 negotiations.

513 **Feketekuty:** Yes, we also had the Article XXIV: 6 negotiations, and Hal Malmgren was in the
514 middle of those and they were not going well. And number three, we were always concerned that
515 if we didn't have a multilateral trade negotiation to offset the integration process in Europe, then
516 the Europeans would become inward looking. So there were a number of reasons why the US
517 favored a new round. The US was undoubtedly seen as the demandeur.

518 There was also obviously the problem with Japan. Japan was quickly getting to the point where it
519 was the major quote unquote "foreign trade threat to the United States": what China is today.
520 And the whole idea of holding a ministerial meeting in Tokyo—which might have been Hal
521 Malmgren's idea, or Eberle's—was to have it be called the Tokyo Round. The idea was, that if it
522 was called the Tokyo Round, the Japanese would have to become a full equal partner and get rid
523 of their myriad restrictions on trade. At that point the Japanese still had many import restrictions
524 and at the same time their exports were growing at a very rapid clip, and there was a great
525 preoccupation with Japan.

526 The time to make major moves is in the time of crisis, because you can then blame the need for
527 emergency action for doing things which may be unpopular. And a new GATT Round wasn't
528 domestically popular either in the United States or in the other major countries. In the United
529 States we had a huge balance-of-payments problem, and getting into a new trade liberalization
530 round wasn't exactly what people normally thought of as a good way of dealing with a balance-
531 of-payments problem. But the idea was that the President could use the crisis to move the
532 international trade agenda forward. The argument was that we had to have a new round to
533 address all the trade problems we had identified as causing the crisis.

534 **Plank-Brumback:** Let's talk about your involvement in the Tokyo Round and how you got to
535 USTR.

536 **Feketekuty:** Okay, so what happened? I came back on a commercial flight with Malmgren and
537 Eberle, and they decided that they really needed someone like me with a broader picture of the
538 global economic environment and who could think about issues at a strategic level. And whether
539 Hal convinced Bill or Bill asked Hal, I don't really know.

540 **Plank-Brumback:** How big is STR at this point?

541 **Feketekuty:** At this point thirty people, thirty-two people, something like that, fairly small. And
542 I jumped at the opportunity, even though it took me in a different direction. It took me away
543 from international monetary affairs.

544 **Plank-Brumback:** What about that dream of being the US Executive Director of IMF?

545 **Feketekuty:** I really didn't quite give up the dream yet at that point, but as time went on it
546 became irrelevant.

547 **Plank-Brumback:** You thought that those rice-exporting senators would remember.

548 **Feketekuty:** So I went to STR and I was hired as Director of Trade Analysis and Policy
549 Planning.

550 **Plank-Brumback:** And what did it entail?

551 **Feketekuty:** What it entailed is basically trying to figure out what the US trade strategy ought to
552 be. And also, inasmuch as the Tokyo Round had been launched, I became responsible for overall
553 strategy in the Tokyo Round.

554 **Plank-Brumback:** There had been already the outlines of a strategy for the Tokyo Round.

555 **Feketekuty:** Well, there had been an agenda.

556 **Plank-Brumback:** And you had the Trade Act of 1974 that set some guidelines.

557 **Feketekuty:** That's correct. We had an overall strategy that came out of the Williams
558 Commission in part and which was reflected in the trade legislation. The trade legislation also
559 contained all the kinds of pieces which were inserted through the political process, like the
560 provision on services which came out of nowhere and which became a major preoccupation of
561 mine because it did not fit anyone else's set of responsibilities.

562 **Plank-Brumback:** A little inkling, right, let's see in Section 102 which gave the President
563 authority to negotiate on non-tariff barriers to trade and defined international trade as including
564 trade in both goods and services.

565 **Feketekuty:** That's correct, which came like a bolt out of the clear blue sky.

566 **Plank-Brumback:** Really?

567 **Feketekuty:** Oh yes. The trade community had never thought about services. Nobody at TR had
568 any notion of what you could do about services.

569 **Plank-Brumback:** Was it some crazy congressional staffer who snuck it in? Or—

570 **Feketekuty:** Oh, I know the exact history. It's one of these peculiar little Washington vignettes.
571 The staff director of the Trade Subcommittee of the Ways and Means Committee, who was in
572 charge of drafting, was dating a woman who was the lobbyist for Pan American Airways. And
573 she was asking, "What are you doing, what are you working on?" "Well, I'm working on this

574 piece of trade legislation.” “Well, what is this all about?” “Well, it’s to authorize the President to
575 negotiate on trade issues.” “Well, does this include goods as well as services?” “No, it only
576 includes goods.” “So why not services?” So what was Pan American’s concern at that time?
577 Well, Pan American’s concern was that it felt at a disadvantage on the carriage of mail because
578 all the national airlines had a monopoly in carrying mail between the United States and their
579 country. Pan American, not being a national carrier, and not having the US government
580 concerned about the welfare of this airline, was disadvantaged and they said this is unfair. All
581 these national airlines get to carry the mail; we don’t get to carry any mail.

582 **Plank-Brumback:** And that’s a good chunk of change, mail services.

583 **Feketekuty:** So that was one thread that led to the services language. Another thread came from
584 Ron Shelp, who had been in the Chamber of Commerce working on trade issues, and was then
585 hired by AIG [American Insurance Group] to be their international government relations
586 manager. While at the Chamber, of course, Ron Shelp became very familiar with the assistance
587 the government provided to American business on the trade side, not just through STR’s trade
588 negotiating efforts, but also through the Commerce Department’s export promotion efforts. None
589 of that benefited services companies.

590 **Plank-Brumback:** Not to mention for agricultural export—

591 **Feketekuty:** Exactly: no promotional programs, no trade advocacy, and no help for services.
592 Shelp convinced his boss, Hank Greenberg, that this needed to change. So Greenberg, who is a
593 fairly astute political operator, started putting some pressure on the Congressional committees
594 involved in drafting the trade legislation. So it was partly Pan American Airways, partly AIG
595 that was responsible for the insertion of services. But of course nobody knew what to do. Had no

596 clue. And one of my jobs as being the person in charge of our overall strategy in negotiations,
597 and basically the person in charge of delivering the results mandated in the Trade Bill, was to
598 figure out how we would do it. In other words, I was responsible for making sure that we could
599 check off the negotiating objectives built into the Trade Act of 1974.

600 **Plank-Brumback:** According to the Trade Act.

601 **Feketekuty:** My main role was to shuttle between Geneva and Washington, because we were
602 still at a stage where we had a permanent negotiating team in Geneva who would carry out the
603 negotiations and people back in Washington who would develop the negotiating instructions in
604 consultations with the other agencies, the Congress and the private sector. We had not reached a
605 stage where negotiators could shuttle back and forth between Washington and Geneva.

606 **Plank-Brumback:** And how they were linked.

607 **Feketekuty:** And I was the person linking the two, so I would travel back and forth between
608 Washington and Geneva and communicate. I would tell the Geneva people the political
609 requirements from the point of view of the Washington people, and I would tell the Washington
610 people the requirements from the point of view of the other negotiators.

611 **Plank-Brumback:** Now did you try to follow all the negotiating groups across the board or there
612 were some—

613 **Feketekuty:** I did not actually attend most of the negotiating groups, but I talked to our people,
614 and I would talk to some of the other negotiators who were there.

615 **Plank-Brumback:** And all of these things, would they follow an evolution, there were
616 benchmarks for establishing programs?

617 **Feketekuty:** So I would come back and communicate back to people in Washington and we
618 would have a discussion how we may need to change our positions. Also we had at that point,
619 the advisory system and so—

620 **Plank-Brumback:** You're talking about the private sector.

621 **Feketekuty:** The private sector.

622 **Plank-Brumback:** This was established by the Trade Act of 1974.

623 **Feketekuty:** That's correct.

624 **Plank-Brumback:** What was your involvement then in USTR's establishment of the services
625 policy?

626 **Feketekuty:** That came much later. I did not have much role in the establishment of the advisory
627 system. But I had a key role in briefing the advisors. And we had about forty-eight committees
628 so I shuttled from committee to committee and briefed them on what was going on in Geneva.
629 And I was also the Washington-based person responsible for the negotiation of the tariff cutting
630 formulae, and for the supply side negotiations, which didn't get anywhere.

631 **Plank-Brumback:** What were you referring to?

632 **Feketekuty:** Supply side commitments. The idea that—

633 **Plank-Brumback:** Oh yes, we were in the world of export restrictions and shortages.

634 **Feketekuty:** And the Canadians felt that since they were such reliable exporters of primary
635 commodities they ought to get some leverage on the market access side. So the Canadians were
636 the heavies but we also were interested in saying okay if we're going to give up our right to limit
637 exports, we want something for it. That idea didn't work, because—

638 **Plank-Brumback:** The shortages evaporated.

639 **Feketekuty:** Putting restrictions on exports became so politically unpopular in the United States
640 that the idea that the United States was going to restrict exports again was pretty small and
641 nobody was going to pay us for any commitments because we weren't going to do it in our self-
642 interest. Without us the Canadians did not have enough leverage in the negotiations.

643 **Plank-Brumback:** Try and put a sack cloth over our heads. No, there were images of
644 refrigerated vessels carrying meat, the EC [European Commission] the one time in their variable
645 levy system, which operated essentially as an assurance of domestic supplies and even subsidies
646 of the import.

647 **Feketekuty:** I skipped over one phase of my early years at STR. As I said, Malmgren and Eberle
648 were there. Then Peter Flanigan, who had been the Assistant to the President for International
649 Economic Policy, left and the President appointed Bill Eberle to be both STR and Assistant to
650 the President for International Economic Affairs. At that point Eberle asked me to move with
651 him over to the White House. Hal was not happy with that, but Eberle was the boss. He decided.
652 So I spent the next year or so over in the White House on the Council of International Economic
653 Policy staff, working for Eberle but with a different hat. And then we had a change in

654 administration. Eberle left and Fred Dent⁶ came in and I went back to STR. I pretty much
655 became Dent's guy, in terms of figuring out what had to be done to prepare for the Tokyo
656 Round. Dent had been Secretary of Commerce and when he came over to be STR, it was his job
657 to prepare for our participation in the Tokyo Round and to set up the advisory system created by
658 the Trade Act of 1974. Then we had another election, Jimmy Carter came in and he appointed
659 Bob Strauss as the new STR.

660 **Plank-Brumback:** Do you think the advisory committee system was useful and continues to be
661 useful if not essential?

662 **Feketekuty:** Essential and I think USTR in more recent years has not made as good use of it as it
663 should have. I think that we would not be in as serious a political problem with trade if USTR
664 had continued to use the system as it was originally designed: non-partisan and all-inclusive in
665 terms of representing the stake holders. The advisory process has become more partisan. It
666 should be totally non-partisan, and representative of the key stake holders. Yes, it had to be
667 widened and subsequently we had to include the NGOs [non-governmental organizations]. It was
668 absolutely essential. The results we achieved in terms of the consensus in support of the Tokyo
669 Round was remarkable, and it was largely due to the ability of Bob Strauss to use the system.
670 Intensive use of the advisory system is very labor intensive. We had these forty-eight committees
671 and with every one of them we had to go over all the details in the negotiations. But at the end
672 you had a very educated, committed group of people who understood why the United States had
673 adopted certain negotiating positions and why we had agreed to the final agreement. They all
674 understood that their problems and interests had been fully aired, and taken into account, even if

⁶ Frederick B. Dent served as Secretary of Commerce from February 2, 1973 to March 26, 1975 and thereafter as Special Trade Representative until January 1977.

675 compromises had to be made. Bob Strauss was absolutely the maestro in using the system. He
676 had this phenomenal political skill of sizing people up the first two or three minutes he met them
677 and then adopting his approach to the individuals involved. He could figure out what made them
678 tick, their personality, their personal and professional motives, their mission, etc. Once he had
679 you figured out he knew exactly how to approach you. And he had the same line to everybody.
680 He said, “Look, I’ll get you a B+ result. I’ll do my darnedest, but I can’t get you an A result
681 because that means getting an F for other people, I can’t do that. So you can play with me for a
682 B+ result or if you don’t want to take the deal, be my guest: take me on.” Very few people chose
683 to take him on. He promised that if they would work with him and support him, he would do the
684 best he could to advance their interests. At the end all committees except one fully endorsed the
685 package of agreements. In fact, they were enthusiastic supporters. We had the phenomenal votes
686 in both the House and the Senate. In fact, it was such an overwhelming vote that people said
687 Strauss gave too much away. Strauss did not give too much away. He did his job, as did the rest
688 of us in making the rounds of all forty-eight committees. I would give them an overview and
689 then I would do the more intensive briefing on tariffs and on supply side issues.

690 **Plank-Brumback:** What were the critical issues on the tariff formula?

691 **Feketekuty:** The basic issue was that we had low average tariffs, but very high tariffs in some
692 areas. On the other hand, the Europeans had a relatively high average tariff, with not many very
693 high peaks. So what we wanted was a formula that made deep percentage cuts across the board,
694 while the Europeans wanted a progressive formula that would make larger cuts for high tariffs
695 than for lower tariffs.

696 **Plank-Brumback:** And eliminated tariff peaks.

697 **Feketekuty:** I came out with the idea that we should do both and then Dunkel picked it up and
698 put it into an algebraic form and it became known as the Swiss formula.

699 **Plank-Brumback:** This was Dunkel when he was a Swiss negotiator.

700 **Feketekuty:** He was the Swiss negotiator. So it was actually our original idea and everybody
701 now calls it Dunkel's Swiss formula. It actually came out of my consultations with the advisory
702 committees, some industry committees liked one approach, while other committees preferred the
703 other approach, and in the end agreed to combine the two. This was accompanied by a great deal
704 of teasing by the committees of Geza and his algebraic formulas.

705 **Plank-Brumback:** The committees back home.

706 **Feketekuty:** Back home, some of the committees were worried about peaks abroad, while others
707 were worried about high average tariffs or not cutting our peaks. So I said, let's try to figure out
708 something that does both, and they went along. And then as a result of the discussions and
709 consultations we had with the Swiss, they decided to float what came to be known as the Swiss
710 formula. I remember explaining the issue to a skeptical Dunkel in the basement bar of a chalet in
711 a Swiss alpine village.

712 **Plank-Brumback:** Were you involved in the decision on going for codes rather than a single
713 undertaking? The codes in the various non-tariff measures which some have criticized. Some still
714 think it was a good idea because it was as far as you could go with the membership you had.

715 **Feketekuty:** I'm sure I was involved in that decision but it was not something that looms very
716 large in my memory.

717 **Plank-Brumback:** What about tacking on services in a few of the codes?

718 **Feketekuty:** That was certainly something that I was involved in. At that point I was not the
719 services person; I was just the person worried about how we get a package that Strauss could sell
720 to Greenberg and the Congress.

721 **Plank-Brumback:** Right: check, check, check.

722 **Feketekuty:** How do we get a balanced package, how do we get a package together that we can
723 bring home? And a package that will then pass muster for the other countries.

724 **Plank-Brumback:** When did Strauss take over as USTR, do you remember?

725 **Feketekuty:** Okay—Strauss took over in the spring of 1977.

726 **Plank-Brumback:** Now those qualities that you alluded to, of his abilities to make a deal or to
727 recruit people to work with him to get a good result all around, how did that translate to the
728 international arena?

729 **Feketekuty:** He was as effective in negotiations with other ministers as he was with our own
730 domestic people. He just knew how to throw people he was dealing with just slightly off balance
731 and then offer them an olive branch by saying, you work with me and I'll make you very
732 comfortable and very happy. But by throwing you off balance in the beginning, giving you a
733 sense that if you don't work with me, you're not going to be very comfortable. So he had this
734 technique, he just figured out how to throw you a little off balance and then come in with the
735 olive branch.

736 I remember a Japanese negotiator Ushiba, who was the special negotiator. There was some issue,
737 we were in Brussels and Ushiba was there, and Strauss was there. And so what does Strauss do?
738 Strauss asked Ushiba to meet him in his room at a particular time, but when Ushiba knocked on
739 the door, Strauss was only half dressed. Ushiba was flustered, but Strauss acted like nothing
740 extraordinary had happened, and did everything he could to put Ushiba at ease, and told him they
741 would work well together—

742 **Plank-Brumback:** All calculated. [laughing]

743 **Feketekuty:** So there was poor Ushiba feeling uncomfortable and Strauss coming in with his
744 issue! Another little vignette occurred when he first met Ushiba, who was very much
745 Ambassador Ushiba, a very staid and formal professional Japanese ambassador. Strauss comes
746 up to him, pats him on the back, and says, “Ushiba baby, you and I are really going to work well
747 with each other.” And he made Ushiba feel a little off balance culturally, but at the same time he
748 made Ushiba feel I can work with this guy.

749 Another example was with the EU Commissioner, Count Étienne Davignon.⁷ Strauss was there
750 with Alan Wolff and me. Davignon decided, because he loved grandeur, that we would meet in
751 the commission council room—a huge round table, so you can imagine three of us on our side
752 and three on their side. Strauss opens up and says “Stevie.” Well, first of all Count Étienne
753 Davignon had never been called Stevie in his life before, much less in a formal setting. [laughter]
754 What comes next is even better. He says, “Stevie, you and I have something in common. We’re
755 both politicians.” Davignon at this point put a big smile on his face. But Strauss then continued,

⁷ Viscount Étienne Davignon was a member of the Commission of the European Communities (European Commission) in charge of industry, research and (later also) energy from January 1977 to January 1985 and a Vice-President of the Commission from 1981–1985.

756 “But you know what Stevie? Unlike you, I don’t pretend to know everything. I have my staff;
757 they tell me what I should do in terms of the substance. I don’t pretend to understand all the
758 substance, that’s why I have my staff, Wolff on one side and Feketekuty on the other. I make the
759 political judgments.” It was an interesting dig at Davignon, because in fact he was one of these
760 guys that liked to get into all the technical details, who—

761 **Plank-Brumback:** —masters all his briefs.

762 **Feketekuty:** So in that one sentence he had accomplished, a great deal by saying to Davignon
763 you and I are politicians, we can do business together as politicians, but don’t try to play the
764 technocrat on me. So in one sentence he was able to establish a relationship.

765 Later on with Haferkamp,⁸ Strauss said, “Willi, you know, I really appreciate your deep political
766 experience and background. I know that you and I over a beer can solve things.” So he had a way
767 of sizing people up and then figuring out how to first get you in a situation—in a relationship—
768 that would then make it possible to deal.

769 **Plank-Brumback:** Were you involved in the ultimate decision of the US offer on the injury test
770 for countervailing and subsidies?

771 **Feketekuty:** No, that was a highly political deal that was basically arbitrated by Dick Rivers.

772 **Plank-Brumback:** It was certainly something to take into account when you went back to the
773 Hill.

⁸ Wilhelm Haferkamp of (West) Germany, was a long-time member of the European Commission from 1967 until 1985, holding various portfolios, including as Vice-President and as Commissioner for External Relations from January 6, 1977 to January 5, 1985.

774 **Feketekuty:** Yeah, but you know Dick Rivers had come from the Hill. He had been General
775 Counsel of the Senate Finance Committee. He was Russell Long's guy. Strauss clearly looked to
776 him as the go-between with the Hill, since this was very much a Hill issue. I wasn't anywhere
777 close to that decision. This was a high-level political decision and Rivers is the one that
778 maneuvered that one, just like Rivers maneuvered fast track while he was at the Committee.

779 **Plank-Brumback:** Were you satisfied with the results of the Tokyo Round?

780 **Feketekuty:** Oh, absolutely.

781 **Plank-Brumback:** Was there anything that afterwards, in hindsight, you might have seen that
782 you could have done better?

783 **Feketekuty:** No, I felt we got the best possible deal we could from a point of view of
784 maintaining full domestic support and getting a good result. Looking back, I don't think that I
785 would necessarily change anything, even though we knowingly suboptimized or we adjusted
786 things for the sake of getting the support of the advisory committees. Chemicals being one; from
787 the government side we wanted to give up protection for low value commodity chemicals where
788 we were losing our competitive edge and keep protection for high value chemicals where we
789 were still competitive. Our industry said no, we don't want that; we want to continue the
790 protection of low value chemicals and we feel we can compete in the high value chemicals. And
791 we said, yes, but as foreign countries move up the scale you're going to get threatened on those
792 high value chemicals, but they said, we don't care. And they said, we know we'll have to give up
793 on the low value chemicals but for the moment we're still making money on them. And they
794 said, we're comfortable we're going to be able to compete in the future in the high value
795 chemicals and we want to keep the cash cow as long as we can and eventually we'll get rid of

796 them. We know we can't in the long run compete in the low value chemicals, for environmental
797 and all kinds of other reasons. So we understood and we decided to accept the industry's advice.

798 On government procurement we made a little mistake. We forgot about small business, and we
799 had to go back and retrofit. This is where our advisory process failed because we didn't have
800 small business people there. But the minute the Hill small business committees got a hold of a
801 draft of the procurement agreement they told us in no uncertain terms, no way are we going to
802 subject those small business people to this complicated bidding system. So we had to go back to
803 the negotiations hat in hand and ask for a reopening of the negotiations. Naturally, we had to pay
804 for it in spades in other areas of the negotiations, but I can't remember what it was we had to
805 give up in order to get a small business exception. Of course the other countries probably served
806 their interest as well as ours, but nevertheless at that point we were the ones who had to get the
807 change, so we had to pay for it.

808 With respect to services, we were out there hunting for anything we could do that might interest
809 our services industries. We always raised services with the other countries, and they all looked at
810 us as if we were from the moon.

811 **Plank-Brumback:** During the Tokyo Round?

812 **Feketekuty:** They all looked at us and said, what is this, what are you talking about? And we
813 were desperately trying to figure out something because Greenberg kept raising the issue with
814 Strauss and asking, when are you going to do something for me on services? Strauss said to me,
815 "Geza, figure out what we're going to do in services, I've got to satisfy Greenberg." He was just
816 looking at it as a political issue. From his perspective it was not so much what the Trade Act
817 said, but what Greenberg could do to excite the Hill. If Greenberg wasn't happy, the committee

818 wasn't going to be happy. So we put services into the standards code and included services in the
819 government procurement code, but it still clearly wasn't enough.

820 And I'll tell you a story of how we finally came up with the final piece in services. And it wasn't
821 my idea though I am the one who executed it. I was on the way to the OECD trade committee
822 meeting and with me was Bill Barraclough, the Deputy Assistant Secretary of State for trade
823 policy. And Bill was a good soul. He and I had a great relationship. He respected my role as the
824 US Representative to the Committee, but he would often come up with ideas that we could
825 pursue. And so Bill said to me, "Geza, what do you think of convincing the OECD Trade
826 Committee to do a study of trade and services, and do you think we could sell this to Greenberg?
827 It's not what Greenberg wanted, but as the foundation for a real negotiation next time around it
828 could be quite substantive." I jumped on the idea right away, and we made an executive decision
829 high above the Atlantic flying to Paris. My usual practice was to meet with the chairwoman of
830 the Committee, Helga Steeg of Germany, and with the head of the trade directorate, the day
831 before the meeting, after getting off the plane in the morning. So I met with Helga and Harry
832 Poincilit and put the idea to them. As always in these trade committee meetings at that stage of
833 the negotiations, we were very much concerned with how we were going to wrap up the Tokyo
834 Round, and what issues needed to be addressed. The OECD Trade Committee did not have any
835 operational role to play, but it was the sort of a place where you could exchange ideas. We
836 reviewed what we collectively still had to deal with and possible ways of dealing with those
837 issues. So the meetings became a brainstorming session among the developed countries on how
838 the negotiation could be brought to a conclusion.

839 I told Helga Steeg, "You know we still have this services problem, and we can't take a Toyko
840 Round package back to Congress without doing something more substantial in services. What

841 would you say if we proposed in the Trade Committee that the Committee do a study on what the
842 issues are in trade in services: what is trade in services, what are the issues in trade in services,
843 what might be done in future negotiations to address the issues in services in the trade context?”
844 She bought it. She said, “Let me see if I can sell it to the German delegation, and to the EU
845 delegation, and they could then raise the idea in the EU coordination meeting.” And then as usual
846 the night of the first meeting we would have a dinner among the key delegates, and she would
847 ask me to make the pitch to the dinner guests. So we did exactly that: She prepped the delegates
848 from the key EU member states and the Commission before the dinner and I made my pitch at
849 the dinner. I said, “Look, I know you think this is crazy but it’s just one of these political realities
850 that we have to deal with to conclude the Tokyo Round.” She then added that humoring the
851 Americans on this issue could eliminate what had become a pesky stumbling block. After some
852 grumbling about crazy Americans and the unfairness of having to humor Americans, it was
853 agreed that the next day I was going to raise it in the Committee as a whole. The only sour notes
854 came from the French, but they eventually went along with the EU majority. At the meeting next
855 day, things went along similar tracks, but I got an agreement by the Committee to do a study of
856 trade in services.

857 Of course, at this point I hadn’t talked to Strauss. I hadn’t talked with anybody back in the US. In
858 any case, everybody in the Committee went along and that was the start of the negotiations on
859 services, the true start.

860 **Plank-Brumback:** So how then was that sold in Washington?

861 **Feketekuty:** So when I returned to Washington I talked with Rivers, and I talked with Strauss,
862 and persuaded them that this was a great breakthrough. I pointed out that we had gotten nowhere

863 in negotiating anything substantive on services because the rest of the world just doesn't consider
864 this a serious subject. The agreement in the OECD Trade Committee to do a study would
865 actually get us to the point where people will think it's a serious subject. Strauss talked to
866 Greenberg and Russell Long, and Rivers talked with the Finance Committee staff and they all
867 went along.

868 **Plank-Brumback:** Any other unfinished business of the Tokyo Round that was kicked to the
869 next round, of course apart from agriculture and textiles?

870 **Feketekuty:** Agriculture we hadn't gotten anywhere in the Tokyo Round. That was a totally
871 unresolved issue. You know it was clear to me already by that time that the United States could
872 not get anywhere in any negotiations on agriculture in the GATT as long as it stuck to its
873 position that such negotiations should focus only on a reduction of agricultural tariffs and
874 elimination of export subsidies, but could not address domestic agricultural price support and
875 other forms of domestic support for agriculture. It made no sense even from a US point of view,
876 since many of our tariffs were designed to protect domestic price supports.

877 **Plank-Brumback:** And variable levies.

878 **Feketekuty:** Yeah, we get rid of their policies; we won't get rid of ours.

879 **Plank-Brumback:** And we'll keep Section 22.

880 **Feketekuty:** And we keep Section 22. How could you expect anybody to agree with that kind of
881 deal, right? I touch your policy, but you don't touch my policies.

882 **Plank-Brumback:** So we're at the precipice of preparing for the Uruguay Round. This would be
883 a good time to break, thank you.

884 **Feketekuty:** And I will try to get some of these dates straight.

885 **Plank-Brumback:** Thank you very much, looking forward to more.

886 [END OF INTERVIEW, PART ONE]

887 PART TWO

888 **Plank-Brumback:** All right. We are back here in Washington, DC on June 9, 2008, as the
889 second part of an interview that we initiated on April 29 with Geza Feketekuty. This is Rosine
890 Plank again who has the pleasure of continuing this very interesting interview. Where we left off
891 the last time was at the conclusion of the Tokyo Round. A lot of unfinished business on
892 agriculture; I won't even say unfinished—really no business yet—on services; and we were
893 beginning a work program at the OECD.

894 As I was saying, where we left off, at the conclusion of the Tokyo Round, your efforts to
895 somehow get services started on the agenda, yes, in the OECD. We're looking now at 1979.
896 October 1978 is when the US proposes that the OECD trade committee undertakes a study of
897 trade in services and then we have this group in the GATT the Consultative Group of 18 [CG-18]
898 that starts discussing services as a subject.

899 **Feketekuty:** The CG-18 was focused on the possible agenda for a new round.

900 **Plank-Brumback:** Were you involved in the CG-18 discussions?

901 **Feketekuty:** I was not only involved in the CG-18, but was centrally involved in setting it up.
902 The idea behind the CG-18 was to form a kind of Executive Committee of the GATT, by
903 including representative countries from each continent. We recognized, of course, that in the
904 GATT each country formally has equal weight under the consensus rule, but we thought if we
905 could get the major countries and a representative number of smaller countries to agree at a
906 political level on a course of action, it would facilitate the work of the Council in Geneva. In
907 many ways it was an experiment, which in the end did not work out.

908 **Plank-Brumback:** Were you in favor of that as a venue as well and parallel to the OECD? How
909 did that—?

910 **Feketekuty:** The CG-18 and the OECD Trade Committee had different roles to play and had a
911 very different membership. The OECD was very definitely a developed country caucus, while
912 the CG-18 was supposed to be representative of the GATT membership as a whole. In launching
913 the CG-18 process we wanted to prepare the ground for discussions in the GATT on a new
914 round, in a way transitioning the discussion of a new round from the OECD Trade Committee to
915 a wider, more representative forum. We had begun discussing the substance of a new round in
916 Paris, and we felt we needed to get discussions started in the GATT, but did not think that the
917 GATT Council was ready for such a discussion. Our aim was to work towards a discussion of a
918 work program. Our idea was that we would have pulled together enough of a consensus by the
919 time of the GATT ministerial, whenever that was to take place, that ministers could decide to
920 launch a work program. Now unfortunately—we can get into that later—the notion that the role
921 of the GATT Ministerial would be to agree on a work program that would explore the possibility
922 of a round and its possible agenda got off track. Trade Ministers, who were politicians and not
923 technocrats, did not maintain a clear distinction between a work program aimed at exploring the

924 possibility of a round and a work program aimed at launching a round. The press made it worse,
925 by ultimately advertising the GATT Ministerial as a meeting designed to launch a round. But
926 politicians basically didn't think that a meeting of ministers to launch a GATT discussion of a
927 possible work program was sexy enough, so they started talking in terms of launching a round.
928 And that led to rapid escalation of expectations. At the same time, the World Bank started
929 pushing the idea of launching a new round as a developmental measure. So we had a disconnect
930 between the substantive trade policy officials who felt we needed to do this in a methodical step-
931 by-step way, versus where the press and the politicians took it, which created the notion that the
932 meeting was all about launching a round, which it failed to do.

933 Since the 1982 GATT Ministerial failed to launch a round, the meeting was ultimately
934 considered a failure. From our point of view at the working level we generally felt the meeting
935 accomplished exactly what we wanted to achieve, which was to launch a work program to
936 explore the possible content of a round. There was one exception, in as much as the Ministers did
937 not agree that the discussions could address the possible inclusion of services as a topic of
938 discussion, but the convoluted language on services ultimately did achieve what we wanted.

939 **Plank-Brumback:** In this period then, leading to the '82 work program, you engaged—the US
940 started its analytical approach on services. Were you primarily focused on services?

941 **Feketekuty:** No, I was focused on all the issues that could become part of the agenda for a new
942 round, because I was the person responsible for doing the thinking and the planning for the new
943 round, what became the Uruguay Round. At the same time, I did have a much heavier personal
944 involvement and leadership role in services than on the other topics.

945 **Plank-Brumback:** Was there already a link for the US strategy with investment performance
946 requirements and counterfeit goods?

947 **Feketekuty:** These were all separate initiatives. The initiative on intellectual property came later,
948 and was the result of efforts by Bill Brock to build support for a new round in the US business
949 community. I frankly don't remember the origins of the investment initiative, but its later
950 iteration as an initiative to address performance requirements was part of the same Brock
951 initiative as intellectual property.

952 The initiative on counterfeit goods predated the preparations for what became known as the
953 Uruguay Round, and the original intent had been to reach an agreement in the GATT even before
954 the launch of a new round. The issue was being driven by a coalition that had been put together
955 by Bill Walker, who had been a former deputy USTR, a US negotiator in Geneva during the
956 Tokyo Round. He had come into his position as deputy USTR and negotiator in Geneva out of a
957 law practice. And as a result of his experience in Geneva he came to the conclusion that there
958 was a missing gap in law practice, which he called the private practice of commercial diplomacy.
959 He reasoned that if a private industry could form a wide coalition across national borders in
960 support of an issue ripe for negotiation, and if that coalition would do all the work necessary to
961 fully prepare the issue for negotiation, including all the necessary analysis, briefing materials and
962 draft language, then there would be a great deal less resistance by governments to signing on to
963 an agreement. In his view, the law firm could put together the coalition, do all the necessary
964 research and analysis of the issues; write briefing memos, negotiating proposals and draft texts;
965 and that this could become a lucrative business. He sold a group of companies on doing just that
966 for an agreement on counterfeit goods.

967 As a result of Bill Walker's activities. US negotiators were receiving exactly the same briefing
968 papers and negotiating proposals from their members of the counterfeit coalition as the European
969 Commission and member states were getting from European members of the coalition, as were
970 the Canadian and Japanese governments from their companies.

971 **Plank-Brumback:** Was there an overlap with the members of the advisory group and these
972 across-the-Atlantic coalitions with their European counterparts?

973 **Feketekuty:** I'm not sure. Do you mean with the US advisory group? I don't recall, but it didn't
974 matter. Walker would pull together a delegation to come call on the USTR, and he would do the
975 same thing in Brussels and Tokyo. The intellectual property coalition emulated this approach
976 later in the Uruguay Round. But this was really the first time ever that a private international
977 coalition had coordinated themselves to the point of having joint documents of an operational
978 nature. Of course, there had been joint statements by the International Chamber of Commerce of
979 a very general character about the importance of the GATT and of multilateral negotiations, at a
980 very generic level. But this was the first time any international coalition got down to actually a
981 specific concrete issue and at the private sector level developed internationally agreed objectives
982 and documents, including talking points, a white paper, draft language that might be adopted in
983 the GATT, etc. So this was very interesting. And for a number of years there was an effort made
984 to get an ad hoc agreement in the GATT, which would come into effect as part of a broader
985 package. For a number of years it always appeared that we were almost there but never quite.
986 There was opposition from developing countries, which is one of the reasons it didn't happen.
987 But it was also difficult to get developed countries outside of the core to fully sign on because
988 they were concerned about the lack of support from the developing countries. So it had its own
989 history.

990 **Plank-Brumback:** Its own history, but same parallels as with services: a bit of mistrust by the
991 developing countries about accepting this on the negotiating agenda.

992 **Feketekuty:** Some parallel with services but in the case of services much more of the
993 preparatory work was driven by the governments, even though the business side was actively
994 involved, was very supportive and was ready to finance a study or an international meeting
995 whenever the government side felt that would be useful. But the actual development of the texts
996 and of the papers was being done within the government, while on the counterfeit side it was all
997 done outside the government. On counterfeit goods, the government was presented with a
998 finished product. In the case of intellectual property, the private sector effort was somewhere in-
999 between the private sector efforts in services and counterfeit goods.

1000 **Plank-Brumback:** And this coalition that you just outlined was a factor?

1001 **Feketekuty:** Was a key factor. We ought to talk a little bit about services and the analytical work
1002 and exactly how we actually got to an agreement.

1003 **Plank-Brumback:** And how it paralleled with ongoing discussions in the CG-18.

1004 **Feketekuty:** Well, the CG-18 discussion on services was not great.

1005 **Plank-Brumback:** No useful background papers, useful discussion?

1006 **Feketekuty:** No, there was nothing really other than the same kind of discussion that had been
1007 taking place during the Tokyo Round. It was not at that point backed up by anything substantive.
1008 So the substantive work and the substantive discussions were being pursued in the OECD. Now
1009 what happened in the OECD—we had an agreement to have a study. The first issue that

1010 immediately came up, of course, was what it was that we were going to study. Some people
1011 argued that we should study the regulations in services. Other people argued that we ought to
1012 have sectoral studies in services. Some people argued that we ought to analyze statistics on trade
1013 in services and trends in services. We (the United States) argued that what we needed to do was
1014 to study trade problems in services so that we could then go from an analysis of trade problems
1015 to an examination of whether the kind of concepts, principles, negotiating approaches and
1016 techniques, and negotiated commitments used in the GATT were at all applicable to services.

1017 **Plank-Brumback:** Did you already have a working definition of services?

1018 **Feketekuty:** Well, we basically felt that it would be unproductive to get into a discussion of a
1019 definition of services. Such a discussion would quickly become a highly philosophical discussion
1020 like how many angels can dance on a pin head, and that this would again be an unproductive
1021 exercise. There were people who argued that we needed a definition—in fact, for years and years
1022 and years, every time Arthur Dunkel saw me he said, “Geza, what’s the definition of services?” I
1023 said, “Services are what you see as services.” Wisely, the negotiators never tried to insert a
1024 definition of services in the General Agreement on Trade in Services

1025 I now think that there are some very interesting and useful definitional issues, and if I had
1026 thought of that we might have been able to achieve something useful. But basically I still think
1027 that if we had gone into a discussion of the definition of services at that point, we would have
1028 immediately gotten into the debate over investment versus trade, versus factor movements.
1029 Eventually we got into all those issues, but not until we had developed a considerable consensus
1030 on the nature of the trade barriers in services and the rationale for reducing them. So rather than
1031 start a theoretical discussion, we started with what are some of the practical issues related to

1032 trade in services and the barriers to trade in services. The ideas for a framework emerged from
1033 the analysis of trade problems. Anyway, we argued that we ought to study trade problems. We
1034 thought that anything else was just going to be a waste of time.

1035 **Plank-Brumback:** We being the US?

1036 **Feketekuty:** The US. I felt all other alternatives wouldn't lead us to any operational conclusion.
1037 If you study regulations, what conclusions can you reach other than to say that regulations are
1038 very complicated and complex and unique and each service is different and we wanted to avoid a
1039 conclusion that each service is different, because we wanted to come up with an umbrella
1040 agreement that covered all services. The problem with services in the past was that all
1041 agreements were sectoral and were oriented towards regulation. We needed a horizontal
1042 approach because we first needed to establish some common principles and ground rules that
1043 could serve as a foundation for trade-oriented agreements in services. We knew that at some
1044 subsequent phase we would have to get into specific sectors but if we did it in the beginning then
1045 again people would say oh, this is so fragmented, it's all different, there is no way of dealing
1046 with that as a unified subject. So our view was that we needed to get our arms around the whole
1047 universe of services and demonstrate that there were trade problems, and that the resulting trade
1048 issues lent themselves to the same kind of rules and techniques that we used in negotiations on
1049 trade in goods. Other countries then argued that a study of trade problems is impossible because
1050 there is no such thing. There are no lists; there are no studies, so such a study would take years
1051 and years and years. So we (the US) compiled an inventory of trade problems in services, using a
1052 study Fred Dent had initiated while he was Secretary of Commerce. We dusted off the Dent
1053 study and pulled together a compilation of trade barriers from that study.

1054 **Plank-Brumback:** Are you referring to the US national study on trade in services?

1055 **Feketekuty:** No, that comes much later. This was a Commerce Department study of services; it
1056 was done at the beginning of the Tokyo Round as one of the responses by the US executive
1057 branch to the services provision of the Trade Act of 1974.

1058 **Plank-Brumback:** As part of the preparation within the United States?

1059 **Feketekuty:** Yes, because the Trade Act of '74 required the United States to initiate negotiations
1060 on services, Eberle had asked the Commerce Department to undertake the compilation of a list of
1061 issues in services. The Commerce Department put together the study by working with the
1062 services committee that had been established in the US Chamber of Commerce under the
1063 chairmanship of Ron Shelp. To get things going in the OECD Trade Committee I asked my staff
1064 to go through that document and pull together a synopsis of trade problems and trade issues in
1065 services organized around the basic GATT-type issues that trade officials would be comfortable
1066 with as recognizable trade issues.

1067 **Plank-Brumback:** Types of barriers?

1068 **Feketekuty:** Types of barriers like standards barriers, regulatory barriers, cross border import
1069 barriers, quotas, things like that, licensing. So we tried to find as many parallels and then
1070 organized the list on that basis. While we were doing this we still had the ongoing discussion in
1071 the OECD of what should be studied and how it should be organized. So in response to the
1072 arguments by the other countries that a study of trade problems was impossible, we put an
1073 inventory of trade problems on the table and said, here it is.

1074 **Plank-Brumback:** To show it could be done.

1075 **Feketekuty:** To show that it could be done. Other countries then pointed out that this was old
1076 data. I said, well, we can update this. And number two, they said, these are all our barriers not
1077 your barriers. I said, well, who is responsible for collecting information about our barriers—it's
1078 not us.

1079 **Plank-Brumback:** Go fish. Go listen to your businesses and maybe you'll find that they are also
1080 interested in having services.

1081 **Feketekuty:** So it was agreed—they said obviously we can't have an inventory produced by the
1082 United States, that such an inventory would not be objective, and that the Committee would
1083 therefore have to task the Secretariat to compile such an inventory. The Secretariat said we can't
1084 do this on our own; we need the help of member countries. So it was agreed that the Secretariat
1085 with the assistance of member countries would undertake to compile an inventory of trade
1086 barriers in services. The OECD Secretariat then arranged for the temporary assignment of a
1087 Canadian official, Tom Bernes,⁹ to the Secretariat staff to manage the study. Bernes, by the way,
1088 more recently has played a very important role in the World Bank. While he was from the
1089 finance ministry in Ottawa, he had also been a trade official. He was the ideal person to organize
1090 the study. He naturally became a true believer.

1091 **Plank-Brumback:** So you had Canada as an ally.

1092 **Feketekuty:** Yes. In the meantime, of course, I had been assembling allies elsewhere. We had
1093 Keidanren as an ally in Japan. In fact, just yesterday at IIE [The Peterson Institute for
1094 International Economics] in Washington I sat next to the current Keidanren representative in

⁹ Biographical information for Thomas A. Bernes is available at
<http://www.cigionline.org/articles/2009/11/cigi-appoints-thomas-bernes-vice-president-programs>.

1095 Washington. He said, “Oh yeah, I remember what you did 30 years ago in services.” And in
1096 Europe we had a group of individuals from Lloyds and various professions, though the British
1097 Invisibles Council was not supportive because they did not want to lose the Commonwealth
1098 preferences and compete on an equal basis with US services. With the help of the French
1099 industry and the French Council on Foreign Relations I turned the French around. The French
1100 industry basically told the French government they were crazy in opposing this.

1101 **Plank-Brumback:** Because they saw the aspects where they could win as well?

1102 **Feketekuty:** Basically the French industry pointed out that France is the world’s second largest
1103 exporter of services after the United States. Not just fashion; France was the second largest
1104 exporter of construction services at the time, which I didn’t know. France was the second largest
1105 exporter of computer programming services. Cap Gemini, for example is French.

1106 **Plank-Brumback:** They were the first one to come up with the little Minitel.

1107 **Feketekuty:** The French initially completely opposed the services initiative, largely because it
1108 was an American idea, having no clue of their true interests. By chance I talked to a French
1109 friend of mine who worked at IFRI¹⁰ about what I was doing and what he was doing. I
1110 mentioned along the way the effort to launch services and as an aside that the French government
1111 was opposed. He was aghast. He could not believe it. He said the French government doesn’t
1112 understand what France’s interests are. He then asked whether I would be willing to come and
1113 speak to a breakfast meeting at IFRI. I naturally agreed, and he assembled a group of business
1114 leaders from both the services and manufacturing industries in France. They all listened to me

¹⁰ Institut français des relations internationales, a “think tank” in Paris.

1115 and at the end, they all shook their heads and said the French government doesn't know what the
1116 hell they are talking about. Even the French manufacturers said services are key for us. So they
1117 organized a delegation that went to DREE¹¹ and they said, we understand you are opposing a
1118 study of services, this is crazy. We have strong interest in services. The government said this was
1119 news to them. But the delegation showed the government the statistics and how important
1120 services was to France, and France after that became one of the most enthusiastic supporters—to
1121 the point that I thought they actually put a lot of pressure on the French West African countries
1122 later to fall in line.

1123 The British were another story. As I said, we had to corner the Invisibles Council because they
1124 were against services initially because British financial services companies were firmly
1125 established in a lot of the Commonwealth countries. They said, we are already there, so why
1126 should we help the Americans expand into those markets? But there were people including
1127 Lloyds of London, the Bank of England, the architects and others who basically said, this is
1128 crazy. We, the British, are one of the world's major centers for financial services in particular,
1129 and we can only gain from an expansion of the world market in services. So Great Britain came
1130 on board. In Germany we basically lined up support from the academics. There was a lot of
1131 opposition from Germany because the major services providers in key services were state
1132 monopolies: the Bundespost, the Bundesbahn, Lufthansa and so on. Representatives of these
1133 monopolies naturally were not enthusiastic about negotiations that would lead to competition.
1134 However, there were key members of the academic community in Germany in different
1135 universities who basically felt that Germany needed to change, that Germany needed to move

¹¹ Direction des Relations Economiques Extérieures, the department for external economic relations in the French Ministry of the Economy, Finance and Industry.

1136 toward a more competitive market structure. And so they became important allies and they
1137 persuaded the Ministry of Economics. The Ministry of Economics in Germany traditionally have
1138 been fairly independent folk who were not beholden to industry. So the ministry of economics in
1139 Germany, with support of the academic community, became a strong supporter of services
1140 negotiations, and for fundamental economic reform of the monopoly structure of the various
1141 services industries. In the meanwhile, the OECD put together the inventory of trade barriers in
1142 services with the help of member governments, many of whom hired outside consultants to
1143 collect the information. This led to the next debate in the Committee over the organization and
1144 analysis of the inventory, and next steps. I pointed out that we had organized our inventory on
1145 the basis of the kinds of barriers that we were familiar with in the trade community. And if we
1146 could conclude that many of the barriers in services were similar to the ones in goods, then we
1147 should be able to conclude that the kind of approaches that worked in the GATT could also work
1148 in services—notwithstanding some of the fundamental differences between goods and services.
1149 Moreover, trade problems that were different we could analyze in terms of possible ways of
1150 framing commitments. This then led to a document called the Conceptual Framework on
1151 Services which was indirectly endorsed by the OECD trade ministers in 1981.

1152 **Plank-Brumback:** The OECD agreed on an action plan in June of '81 based on US initiative.
1153 And you have already in April of 1981 the US cabinet level Trade Policy Committee approving
1154 objectives for trade negotiations on services. And then in June you have an International
1155 Chamber of Commerce event on liberalization of trade in services. You're right; on June 17,
1156 1981 the OECD ministerial statement encourages ongoing OECD work on services to be carried
1157 forward expeditiously.

1158 **Feketekuty:** Right, but actually it was more than that. Appended to the OECD ministerial
1159 statement was a conceptual framework for the negotiation on services that had been agreed in the
1160 trade committee, which essentially laid out a road map for the negotiation of a services
1161 agreement in the GATT.

1162 **Plank-Brumback:** So you were pleased.

1163 **Feketekuty:** Yes. It didn't go as far as spelling out all the various ways services are traded—
1164 what later became known as the four modes of cross-border movement of services, investment in
1165 foreign services enterprises, cross-border movements of consumers and cross-border movements
1166 of producers. I was actually a little concerned about getting too far ahead on things like
1167 investment and factor movements. The document was a key first step by laying out the kind of
1168 barriers that exist in services and by confirming that they were similar in character to the barriers
1169 on goods and that many of the key principles of the GATT could be applied, including MFN
1170 [Most Favored Nation], transparency, right to consult, and national treatment (though it said that
1171 national treatment should be negotiated rather than applied as a rule because the barriers to
1172 services were embedded in domestic regulations, and if you adopted a national treatment
1173 principle across the board, then you would be eliminating all the barriers overnight). So some of
1174 the key ideas that were later incorporated in the GATS [General Agreement on Trade in
1175 Services] agreement were already in that '81 document.

1176 **Plank-Brumback:** But you mentioned the modes, the four modes.

1177 **Feketekuty:** It did not address the issue of modes, but covered transparency, national treatment,
1178 the least trade distorting concept, transparency, MFN, notification, and consultation.

1179 **Plank-Brumback:** But all of this presumably among developed countries.

1180 **Feketekuty:** We had an agreed document among developed countries as a template for future
1181 negotiations in the GATT. We identified the barriers, and some of the basic principles that might
1182 constitute a GATT agreement and framework for negotiations on trade in services. We then had
1183 a debate in the Committee on how to convey this document to the developing countries. Do we
1184 formally submit it, say to the CG-18 or the GATT Council? We decided not to formally submit it
1185 to the GATT or the CG-18, because we concluded that such a move would lead to a lot of hue
1186 and cry by the developing countries, and that we were better off to make it a public document
1187 and have developing countries acquire it on their own. We thought that was more effective. We
1188 thought if we don't give it to them, then everybody would want to see it and that is exactly what
1189 happened. There wasn't a country in the GATT who didn't have a copy of this conceptual
1190 framework paper. So from our point of view we had accomplished our objective of getting
1191 information about the possible objective and structure of negotiations into the public domain,
1192 with a strong consensus among developed countries. We had a piece of paper which said, here
1193 are the kinds of trade problems that exist in services, here are the kind of principles that might
1194 provide a foundation for a services agreement, and here is the kind of architecture that we might
1195 develop as a framework for a negotiating process. The document is very primitive as compared
1196 to the GATS, but it contained many of the key elements that were later incorporated in the
1197 GATS. And the fact that we were able to get agreement among OECD countries on this meant
1198 that the trade policy officials in the developed countries now had a vested interest and would
1199 want to see something happen. They got caught up in the excitement of doing pioneering work.
1200 By that time people weren't fighting it. They were basically saying, how can we do something
1201 that is meaningful? In the meantime, the EU Commission also got religion. Why? Because the

1202 EU Commission realized that on most of these policies the EU did not have a mandate. The
1203 mandate was still at the member state level. And the Commission saw this as a way of
1204 significantly enhancing its mandate over services. And Sir Roy Denman, who was the Director
1205 General, decided to assign several staff members to bird dog the topic.

1206 **Plank-Brumback:** Of course at the conclusion of the Uruguay Round, didn't they get their
1207 hands slapped though, by the European Court of Justice that said that essentially they did not
1208 have a mandate but it was vested in the member states?

1209 **Feketekuty:** At that point it became an optical issue because the cat had been out of the bag,
1210 right? The Commission had negotiated on behalf of the European Community, there was an
1211 agreement and so at that point when the European Court of Justice came out with that ruling they
1212 had to find a way of papering it over, basically saying that all the individual member states
1213 would have to approve the agreement because they have the competence. But the ruling had no
1214 practical effect. The Commission had seized the mandate, seized the competence, and had gone
1215 ahead and negotiated and nobody had blocked them. The French would have been the most
1216 likely candidate to object but they saw it was in their interest and so they didn't; and the Brits,
1217 the other national sovereignty-conscious country, also saw it in their interest. So the two
1218 countries that might have been the most likely to object both had strong vested interests in
1219 getting this done.

1220 **Plank-Brumback:** Then it was easier of course doing this at that level.

1221 **Feketekuty:** At the EU level, than trying to do it on a nation by nation level.

1222 **Plank-Brumback:** And maybe at the international level vs. the European level.

1223 **Feketekuty:** To provide the input for the OECD Trade Committee inventory, the member states
1224 found it much easier to ask the EU Commission to farm this out to consultants than to provide
1225 the information to the OECD themselves.

1226 So that leads us to the interaction with the developing countries. Up to that time we had done
1227 only a limited amount of work with developing countries. All we wanted from the GATT as a
1228 whole at that stage was a decision to explore the issue in a work program, not to get an
1229 agreement that it should become part of GATT negotiations in a new round. We didn't see the
1230 '82 ministerial as launching the round. We only saw it as a way of launching a discussion of the
1231 possible content of a possible new round. We only wanted services mentioned as a possible
1232 component of the work program. Even that lesser objective, however, was unacceptable to the
1233 Brazilians and Indians. Even mentioning services as a possible topic was not acceptable.

1234 **Plank-Brumback:** Your perspectives on why the fierce resistance by Brazil and India on
1235 services: Is it a question of not having been involved really in the preliminary kinds of
1236 discussions?

1237 **Feketekuty:** They believed that agreeing to any discussion on services, however exploratory and
1238 tentative, would be akin to putting the camel's nose under the GATT tent. They said once we
1239 agree to any mention of services as a legitimate topic for discussion in a working group we will
1240 be on a slippery slope, and we will get dragged into negotiations. The real question then is why
1241 they were opposed in substance. They were opposed in substance for a number of reasons.
1242 Number one, they felt that it would undermine their key objective, which was the liberalization
1243 of trade in textiles because developed countries would ask for the liberalization of services as the
1244 price for textiles.

1245 **Plank-Brumback:** You mean not eliminate the textile quotas as rapidly as Brazil would want?

1246 **Feketekuty:** Yes. So that was number one. Number two, obviously developing countries as a
1247 whole, but in the end Brazil and India in particular, had a lot more government involvement and
1248 a lot more monopolies in services, than developed countries, even developed countries like
1249 Germany and France. In India insurance, telecommunications, transportation, and even to some
1250 extent banking were government monopolies. They saw that negotiations would create pressure
1251 for competition.

1252 And then number three—the Indians felt that the services sector was the only sector that could
1253 absorb the excess labor, the continuing migration from the rural areas to the cities. India had a
1254 large number of unemployed, a continuing influx of workers from the countryside into the cities,
1255 they were not generating jobs in manufacturing and the government had hired far more people
1256 than it needed. While Indian economists realized many of these jobs may be highly
1257 unproductive, they were jobs India needed to maintain social stability.

1258 There was also a fourth reason, an important ideological reason. Developing countries resented
1259 Westerners trying to tell them how to manage their affairs in another area of the domestic
1260 economy. They viewed the issue in ex-colonial terms: the Western countries trying to impose on
1261 them a set of rules in another area of government activity, depriving them of their national
1262 sovereignty or right to make laws or decisions as they saw fit.

1263 **Plank-Brumback:** Where we have not been participating effectively in negotiations leading up
1264 to that.

1265 **Feketekuty:** That was just not the key reason, though they kept mentioning it. I'm not trying to
1266 denigrate the idea that non-participation rankled, but basically they didn't want to participate.
1267 They didn't want to have any part of a discussion of services, as became clear once it was agreed
1268 that interested GATT members could develop and exchange views on national studies. They
1269 constructed a system where they wouldn't have to participate. They realized later on that it was a
1270 mistake, as countries that did participate, including many developing countries, began to form a
1271 consensus. They realized that not only was a consensus being formed among a critical mass of
1272 countries, but they had no idea where that consensus was headed because they were not
1273 participating in the discussions. Their refusal to agree on a work program on services, of course,
1274 then became one of the reasons that the world press decided that the '82 ministerial was a failure.

1275 **Plank-Brumback:** They did provide that the GATT would arrange for an exchange of views, as
1276 you just mentioned, the national studies of trade in services.

1277 Three new issues were discussed within the CG-18: counterfeit goods, services, and investment
1278 performance requirements, which had already been worked on by the GATT Secretariat. And
1279 counterfeit goods had not yet blossomed into a full discussion on intellectual property rights?

1280 **Feketekuty:** That is right. Intellectual property came into the picture later as part of Bill
1281 Brock's¹² effort to shore up domestic support for a new round. You have to remember that the
1282 United States faced once again a major trade deficit at a time when it was getting ready to launch
1283 a major round of trade negotiations. We had a very high dollar because the Treasury Department
1284 had decided that the high value of the dollar was good for the United States, but that was an
1285 excuse because basically what they wanted was to justify the budget deficits created by tax cuts,

¹² Ambassador William E. Brock served as US Trade Representative from 1981-1985.

1286 which had led the Fed to raise interest rates, which led to the inflow of capital movements, which
1287 led to the appreciation of the dollar, which of course led to significant deterioration of our trade
1288 balance. So just around this time, when we were trying to launch the Uruguay Round, the United
1289 States was suffering from a very serious trade deficit. The companies that we would have
1290 depended on to champion our involvement, our engagement at the multilateral level on trade,
1291 were all basically struggling to survive. Caterpillar, International Harvester, Texas Instruments,
1292 most of the premier export companies in the United States, were having real problems as a result
1293 of falling exports and rising imports.

1294 **Plank-Brumback:** And the trade statistics on services did not help the case?

1295 **Feketekuty:** Well, trade in services was not at that point really seen as a trade issue by the
1296 public, yet. Except for some services companies, nobody seriously thought trade in services was
1297 on the same level of importance as trade in goods. You had all the bias towards the notion that
1298 our national welfare depended on the manufacture of hard goods, and all the debate about
1299 becoming a country made up of hamburger flippers.

1300 **Plank-Brumback:** What was good for General Motors—

1301 **Feketekuty:** Domestic attitudes towards liberalizing barriers to US exports of services evolved.
1302 Before the ministerial meeting in '82, we had strong domestic opposition to negotiations on
1303 services in the GATT, not only from the NAM [National Association of Manufacturers], but
1304 even the National Foreign Trade Council, as hard as it is to believe that, because the
1305 manufacturing interests dominated the thinking in that organization. The only general business
1306 organization that supported negotiations on services in the GATT was the Chamber of
1307 Commerce, because they had a lot of services companies.

1308 What turned that around was very interesting. It was one of these insights I had along the way.
1309 When we came back from the 1982 ministerial with all the newspapers saying how the meeting
1310 had failed because India and Brazil had vetoed American proposals on services, the US defeat on
1311 services became an issue of injured national pride. At this point there was a rallying around the
1312 flag and it became unpatriotic in the United States to argue against services because it became
1313 equivalent to saying we were going to allow Brazil and India to dictate to the US. And so when
1314 given a choice between waving the flag or pursuing the old argument about hamburger flippers,
1315 people felt uncomfortable continuing to argue about hamburger flippers. As I said, all the
1316 newspapers talked about how the United States was being dictated to by these two-bit countries,
1317 and editorials and newspaper articles waxed eloquent on how we should not allow this. We really
1318 rode this wave and reinforced the argument, and this effectively ended the internal domestic
1319 debate about services. It was that external event, the Indian and Brazil opposition, that eliminated
1320 any domestic debate on whether we should do it.

1321 **Plank-Brumback:** Your recollections about the 1982 meeting?

1322 **Feketekuty:** You know, as I said, my frustration was that I thought we were only there to
1323 establish a process for discussing the possibility of a round and its possible agenda, not to launch
1324 a round. But the newspapers pitched it as a launching of a round and I wanted Brock to counter
1325 that argument. Brock agreed that our primary objective was to put together the work program,
1326 but then he himself, like other ministers were not very precise in their wording. As politicians
1327 they wanted something more exciting. To them launching a group to develop a work program
1328 sounded mealy-mouthed, not something senior politicians and statesmen would be engaged in.
1329 They felt that their staffs, as technicians, can say that, but as politicians they had to give it the
1330 appearance of a more far-reaching decision. They had to make it sound like an important

1331 decision worth the time of over 100 ministers gathering together. I came back very frustrated by
1332 the perceived failure, even though we got all we wanted except in services, and even there we
1333 got a path for moving the process forward in Geneva.

1334 **Plank-Brumback:** But you still got a work program on services and counterfeiting, but not on
1335 investment and not on high technology.

1336 **Feketekuty:** On services what we had was not a work program; what we had was an agreement
1337 that interested countries could do national studies and exchange views with each other on those
1338 national studies. No agreement that the GATT should have anything to do with it. India and
1339 Brazil were totally opposed to the GATT Secretariat being present at any exchange of views on
1340 these national studies. And as we went along it turned out that the OECD countries, along with a
1341 group of smaller developing countries that were very keenly interested, including, Chile (with
1342 Alejandro Jara in the lead), Uruguay, Singapore, and Korea became quite enthusiastic supporters,
1343 and they did not have the naysayers putting on the brakes.

1344 **Plank-Brumback:** Coalition of the willing.

1345 **Feketekuty:** Coalition of the willing.

1346 And then India and Brazil woke up and said, my god, there are all kinds of discussions and
1347 meetings on this issue and we have no clue what is going on. All they heard was the buzz around
1348 the street in Geneva that things were really moving ahead, not only among developed countries,
1349 but many developing countries as well. And so all of a sudden India and Brazil saw themselves
1350 outflanked and they started to insist that the Secretariat be present at the meeting and that the
1351 meetings be held in the GATT premises.

1352 **Plank-Brumback:** Some reverted to the key principle of transparency.

1353 **Feketekuty:** Yes. We said, oh, we thought you were totally opposed to any involvement by the
1354 Secretariat or meetings in the GATT building. They argued that the Secretariat had to be present
1355 as guarantors of transparency and it has to be in the GATT building, for the sake of transparency.
1356 This way, even if they did not attend, they would know what was going on.

1357 **Plank-Brumback:** So we're talking then about 1984 and they established a committee chaired
1358 by Felipe Jaramillo.

1359 **Feketekuty:** Well, that was a little further along. In '83 you're starting to get meetings in the
1360 GATT building, with the Secretariat present. These meetings were meant to inform the national
1361 studies and create a common approach, but in practice went much more deeply into the issues
1362 surrounding trade in services, and in many ways replicated the earlier discussions in the OECD.
1363 Without a chairman, and with the Secretariat only present for the sake of transparency, the
1364 meetings took on a life of their own, and everyone talked about whatever they wanted to talk
1365 about, and no one was in charge of keeping the discussion within the narrower channel defined
1366 as an exchange of views on national studies.

1367 So Brazil and India then argued that there had to be a chairman who could control the nature of
1368 the discussion, and this then led to the establishment of the Committee chaired by Jaramillo,
1369 which first met on March 1, 1984.

1370 **Plank-Brumback:** Yes, the GATT Council—or was it the Contracting Parties?—met November
1371 1984 which then received what was the 1982 work program. There is no consensus yet, once

1372 again, to establish a preparatory committee for a new round. Once again services being a factor
1373 but then they do establish this committee.

1374 **Feketekuty:** We then had this big argument whether or not services would come under the same
1375 negotiating group as the other topics or be a separate negotiation.

1376 **Plank-Brumback:** Because if you incorporated, this already signified that you had agreed that
1377 services would be part of a package to be exchanged for goods.

1378 **Feketekuty:** Correct, and that there would be trade-offs and all that.

1379 **Plank-Brumback:** So did you participate in the Jaramillo committee?

1380 **Feketekuty:** No. Basically I had made the decision that I would let my deputy, Dick Self, do that
1381 because I felt if I monopolized all this I would not have enough talent involved. I needed people
1382 who were enthusiastic participants, and so I had to give talented people a role. Besides, I did not
1383 have a taste for procedural sparring, and preferred venues where the focus was on the hard
1384 substance.

1385 **Plank-Brumback:** And by that point the work in the OECD had matured enough that it could
1386 then get into the more operational, I mean, there had to be a transition at a certain point.

1387 **Feketekuty:** In the OECD I was the Trade Committee rep anyway, so I would be going to those
1388 meetings in any case; but I basically felt I couldn't monopolize the Geneva process. I may have
1389 made a mistake because it made it more difficult later to change my mind and say to Dick Self
1390 that he should no longer be in charge of the services committee in Geneva. But my view was
1391 always, you've got to include people, you've got to have people enthusiastic and you can't drive

1392 it by yourself. You've got to have a team, and you have to give them a meaningful role. So
1393 basically my decision was that Dick would be the US rep at the working party level in Geneva.

1394 **Plank-Brumback:** So he interfaced with Jaramillo and the Swiss ambassador which were held
1395 in the EFTA [European Free Trade Association] headquarters I think for that. What was your
1396 recollections then of the negotiations leading to the launch in Punta del Este?

1397 **Feketekuty:** Here is another important point. Somewhere along the line, it was probably around
1398 1984 at this point, we still had Indian and Brazilian opposition to negotiations on services, even
1399 if they had changed their position on discussions in the GATT building with a chairman and with
1400 the Secretariat present.

1401 **Plank-Brumback:** We've had the—in 1983 we had the Williamsburg Economic Summit with
1402 some pronouncements about the work—

1403 **Feketekuty:** We were all involved in those pronouncements, but the key point now was how we
1404 were going to overcome opposition from India. We thought Brazil was something we could deal
1405 with, but India was the problem.

1406 **Plank-Brumback:** Why did you think that you could deal with Brazil?

1407 **Feketekuty:** Because we had had meetings with Brazilian services interests and with the
1408 Brazilian Confederation of Industries. We felt we had a moderate level of support from the
1409 Brazilian private sector and that opposition in Brazil was coming more from the Itamaraty than
1410 anywhere else—from the foreign ministry ideological types rather than from Brazilian industry.
1411 But the Brazilian industry was for it because they felt the postal monopoly had to be broken up in
1412 order to get efficient express mail and package delivery. As long as the Brazilian post had the

1413 monopoly they believed they were going to have the same inefficient and unreliable delivery of
1414 international documents and packages.

1415 **Plank-Brumback:** You used the same techniques as you did with the French. Started to talk to
1416 industry.

1417 **Feketekuty:** I had been invited by DHL to fly down to Brazil to talk to a gathering of business
1418 people in Rio de Janeiro. I also went to Sao Paolo to talk to the Confederation of Brazilian
1419 Industries and talked to academics.

1420 **Plank-Brumback:** The Getulio Vargas Foundation?

1421 **Feketekuty:** I did later, but no, not at that time. But basically I felt the basis was there in Brazil
1422 but not in India. First of all, the Indian private sector was not playing any role in the preparation
1423 of negotiations. It was all driven by senior civil servants, and the Indian government was totally
1424 opposed. You couldn't even get an informal discussion going with them. All you got was the
1425 high ideological claptrap and no substance. And so what happened was that I complained to
1426 Jagdish Bhagwati. I said, "Jagdish, what can I do about your countrymen? They are impossible, I
1427 can't even get a decent logical discussion going, never mind getting them to agree." And so
1428 Jagdish said, "Next time you go to New Delhi, see my roommate from Oxford who has a senior
1429 position in the finance ministry. He has nothing to do with the GATT, but he's an influential
1430 economic thinker, and so why don't you go to talk to him." I can't remember why I was going to
1431 New Delhi, but anyway I was going to New Delhi, and I requested a meeting with this
1432 gentleman. He was state secretary in the Finance Ministry. When I went to see him, I started
1433 explaining the reason for including negotiations on services in the GATT. He said, "You don't
1434 need to explain all this to me, I have a PhD in economics from Oxford." He said, "The issue is

1435 that we have all these people coming from the countryside, and we have no place to put these
1436 people to work except in the services sector. We understand there is a huge price in productivity
1437 to pay for that, but it's a price we feel we have to pay for social peace." He said, "Let me give
1438 you an example. We collect customs data in Bombay and Calcutta, and we put it into the
1439 computer. We could transmit this electronically from the ports to New Delhi, but do we do that?
1440 No. What do we do? We have clerks who copy the information off the computer screen onto
1441 paper. We have messengers who carry this to New Delhi. We have other clerks who put it back
1442 in the computer. As a result we experience a large lag in getting the information to the officials
1443 in New Delhi and a large number of mistakes are made in all the transcriptions. We do it because
1444 it would displace X number of messengers and clerks. We've got to keep these people busy."
1445 And I said, "Well, you've got to make a distinction between consumer services and business
1446 services. These peasants coming off the land are not going to be your computer programmers and
1447 engineers and architects, and so forth. Moreover, business services are absolutely crucial to your
1448 economic growth and development. If you don't have productive services, your growth will be
1449 stifled." At that point India was still not interested in becoming an exporter of manufactures. But
1450 I said, "If you ever decide you want to boost growth through exports, you won't succeed unless
1451 you have efficient services inputs because the packaging will not protect the goods, they are
1452 going to be poorly designed, poorly illustrated, poorly serviced. You're not going to sell your
1453 pressure cookers." A friend of mine, with whom I had gone to the Harvard advanced
1454 management program, was an Indian manufacturer of pressure cookers and he had shown me the
1455 poor packaging, marketing material, and design. I said, "If you want to exclude consumer
1456 services from the negotiations, be our guest. What we're interested in is the advanced
1457 information-intensive technologies and professional business services. We wouldn't want to

1458 volunteer giving away consumer services, but we would be willing to pay that price if you
1459 decided to exclude them.”

1460 **Plank-Brumback:** That’s what you have a positive list for.

1461 **Feketekuty:** On the other hand, I pointed out that they had unemployed university graduates. At
1462 that time India had a 50 percent unemployment rate among university graduates, 50 percent. And
1463 again, thanks to Jagdish, I had an example, Bechtel India, which was headed by Jagdish’s
1464 brother, someone he knew. I mentioned that Bechtel India had 600 Indian engineers and
1465 architects designing dams, roads, hospitals and other structures all around the world. Bechtel
1466 would hire many more if they could establish better communications between the United States
1467 and India. But with India Telecom so inefficient, so costly and so unreliable, Bechtel was not
1468 inclined to expand its operation in India. You don’t even have to open up domestic
1469 communications. All you have to do is allow satellite transmission directly to facilities, allow
1470 companies to go get a signal off a satellite down into their facilities in India—and all of a sudden
1471 you will see companies who will want to hire all these unemployed Indian architects and
1472 engineers. And I said if you open up in the professional services, then you are going to get
1473 transfer of technology in engineering and architecture and so forth. You have smart fellows here,
1474 and the foreigners will come if you adjust your policies, and they will transfer their technology to
1475 India. He just listened and I don’t know how he followed up, but after that I had no problems in
1476 having substantive discussions with Indian delegates outside the meeting rooms at least.

1477 **Plank-Brumback:** The message got through.

1478 **Feketekuty:** The message got through. I was in New Delhi on the day the Indian parliament
1479 debated the Uruguay package. I just happened to turn on the TV and there I saw the debate in the

1480 parliament and at that point one of the Communist delegates got up and said, how could the
1481 government agree to services? And the trade minister got up—it was Chidambaram, who's now
1482 the Finance Minister—and he went over all the same arguments I had laid out so many years
1483 before. When you have very bright people who have not thought deeply about an issue but are
1484 smart enough to understand the arguments, once you lay it out for them, they can be persuaded
1485 by logical arguments that make sense. You have to help them think it through. Let them see why
1486 it's in their interest. The gentleman I saw in New Delhi was Manmohan Singh, the current prime
1487 minister. He got it.

1488 **Plank-Brumback:** And the rest is history.

1489 **Feketekuty:** The rest is history; and then India became more engaged in a productive way, and
1490 today they are one of the largest exporters of business services.

1491 **Plank-Brumback:** And thanks to the improvement in telecommunications.

1492 **Feketekuty:** India reformed its telecom policy, it went beyond just opening up satellite
1493 communications, which was all I was asking for—opened up competition much more broadly
1494 and the former Indian ambassador to the GATT became the vice chairman of the Indian Telecom
1495 Regulatory Authority. Not only that, but research carried out by ICRIER [Indian Center for
1496 International Economic Research] has demonstrated that 70 percent of all the improvement in
1497 productivity in Indian manufacturing over the last twenty years has come from improvement in
1498 services. Their own research now demonstrates the argument I was making, never mind the
1499 billions of services that India is now exporting. So anyway these were interesting stepping stones
1500 in getting to the consensus in the GATT.

1501 **Plank-Brumback:** Well, in Punta del Este, were you in Punta del Este?

1502 **Feketekuty:** I did not go to Punta del Este.

1503 **Plank-Brumback:** Message perhaps hadn't gotten quite through at that point.

1504 **Feketekuty:** Well enough so that we got an agreement.

1505 **Plank-Brumback:** Were you involved in the negotiations in the Uruguay Round on services,
1506 based in DC?

1507 **Feketekuty:** No.

1508 **Plank-Brumback:** Well, we hadn't said too much about Bill Brock other than the work program
1509 of '82.

1510 **Feketekuty:** Bill Brock was really one of the most creative USTRs we had, remarkably so. You
1511 know, how he put together a domestic coalition ultimately to support the launching of a round
1512 when we were still suffering from a large trade deficit and our industries were hurting.

1513 **Plank-Brumback:** Yes, it's on his watch that you have the Trade and Tariff Act of 1984.
1514 Former Senator.

1515 **Feketekuty:** We had these huge trade deficits and Bill Brock, when he came in, immediately
1516 glommed on to services as an important key to building domestic support for a round, because he
1517 could see: (a) we weren't getting a lot of support from the manufacturing side; (b) services made
1518 up a majority of the US economy, and if somehow we could get this group politically activated,
1519 it could offset the lack of enthusiasm or opposition from the manufacturing side. And so how did
1520 we deal with the manufacturing side? We basically said to them, okay guys, we'll leave you out

1521 as much as possible; we're not going to be very ambitious on industrial tariffs. It was interesting
1522 because later on they complained that there was not enough in the UR negotiating package for
1523 them. We pointed out that the reason there was not more on manufactured goods was because
1524 they did not want to participate in a substantial way. But we could not ignore their complaint,
1525 and so at a late stage in the Uruguay Round we increased the level of ambition for the tariff
1526 negotiations with various proposals.

1527 Brock knew at the time that he had to build additional political support. He knew that US
1528 agriculture would support negotiations as would the services industry, but he needed more
1529 support. So he decided to have a meeting with some of the key CEOs at the Council on Foreign
1530 Relations in New York, and I went with him. He opened up the meeting by describing the efforts
1531 to launch a new round and then asked what he could do to make them more enthusiastic about
1532 supporting a round. He acknowledged that they were having problems with the high value of the
1533 dollar, but asked, what is it that I can do that would get your enthusiasm level up? The first one
1534 to speak up was the CEO of IBM, and he said that the most important issue for him was getting
1535 better protection of intellectual property. He said, "Increasingly our revenues are based on
1536 intellectual property, and we're losing revenue as a result of foreign companies stealing our
1537 intellectual property." His comment started a chain reaction and one CEO after another agreed
1538 that intellectual property was key, including Ed Pratt from Pfizer, Jack Valenti from the Motion
1539 Picture Association, Reed from Citibank, and whoever was there for the CEO of GE, and so on.
1540 It became a chorus. Three-quarters of the CEOs in that room said the most important issue for
1541 them was intellectual property. This was an interesting period in US economic history as a result
1542 of a paradigm shift in the production process. A rapid increase in inventions meant that a lot of
1543 money was getting invested in R&D and creative knowledge.

1544 **Plank-Brumback:** As we move up the food chain.

1545 **Feketekuty:** So Brock says okay we'll see what we can do. He said what else can we do? They
1546 said investment. Well, at that point Brock indicated that getting negotiations going on investment
1547 in general would be difficult. They replied that what really mattered to them were performance
1548 requirements. Brock said okay and promised that we would concentrate our effort on getting
1549 negotiations on investment performance requirements, which clearly were a trade issue since
1550 they created distortions of trade. Brock told me on the flight back to Washington, "Geza, figure
1551 out how to do this." Up to then I had been resisting the inclusion of intellectual property in the
1552 negotiations because it was framed as a services issue. A lot of people had been telling me that
1553 intellectual property is a service in order to get it added to the agenda, but I felt I had enough
1554 problems with services and did not want to complicate things by adding intellectual property.
1555 Now I had my orders to find a way to getting a discussion launched on intellectual property as a
1556 topic of its own.

1557 On Monday I called the vice president of IBM for international government affairs. I said,
1558 "Guess what your boss committed you to over the weekend? He has persuaded my boss that we
1559 should put intellectual property on the agenda of the new round as a new topic, and my boss has
1560 asked me to ask you what it is you want us to negotiate." After he got over his shock, he asked
1561 me how we should proceed. I said, "For starters you should get in contact with the vice
1562 presidents of all the other CEOs who spoke up at this meeting and I can supply you with those
1563 names"—or at least I could supply him with the names of the CEOs; I knew some of the vice
1564 presidents and not others. "Call those companies and say you understand that their boss was part
1565 of the group that convinced Bill Brock that intellectual property should be part of the Uruguay
1566 Round agenda." He said, "Okay, what else? How do we figure out in substantive terms, what it is

1567 we should be asking for? Do you think I should hire a consultant to do a paper that we can
1568 discuss with this group?” I said, “Sure, great idea,” and I even gave him a name, Emery Simon,
1569 who had recently left USTR and set himself up as a consultant. He agreed to call Emery, and it
1570 launched him on a new career path.

1571 **Plank-Brumback:** Who was in this area?

1572 **Feketekuty:** Well, he had worked on trade issues on the Hill, and he was a bright guy and I
1573 figured he would be able to sort this out. So then the next thing that happened is that the IBM
1574 Vice President had a huge fight on his hands internally within IBM, because up to then
1575 intellectual property had been the fiefdom of the lawyers who staffed WIPO [World Intellectual
1576 Property Organization]. What was worse is that the General Counsel was not only much more
1577 senior, but in some ways was also his boss. So he had to go up to the chairman and say, we have
1578 a disagreement. The chairman replied that there was no disagreement and to make it happen. So
1579 that’s how intellectual property got on the agenda.

1580 And then they emulated what the counterfeit coalition had done. They created both a domestic
1581 and international intellectual property coalition and did all the work required to prepare
1582 negotiations—they did all the research, wrote all the white papers, briefing memos, the
1583 background documents, and draft language and agreed that each national coalition would present
1584 the same set of papers to their respective governments, with the result that the major developed
1585 country governments—the US government, the Japanese government, the EU Commission, the
1586 EU member states, the Canadian government, the Australian government, and the New Zealand
1587 government—all received the same papers and proposals from their industry.

1588 **Plank-Brumback:** So it was from this private industry coalition that the idea came of integrating
1589 the WIPO treaties into the GATT framework?

1590 **Feketekuty:** It came from the CEOs saying WIPO is fine, but it has no teeth and we know that
1591 GATT has teeth. We don't know anything about how you do it. All we know is that GATT
1592 agreements mean something and WIPO has no teeth. We don't get anything out of WIPO; people
1593 just ignore WIPO.

1594 **Plank-Brumback:** And then we have Punta del Este which is now on Clayton Yeutter's¹³ watch,
1595 having come from the Department of Agriculture. So what did you do when Clayton came in?

1596 **Feketekuty:** Clayton gave me complete freedom to do whatever I wanted, but didn't give any
1597 specific responsibilities. I was a senior person with the wonderful title of counselor, without a
1598 specific portfolio. Clayton did take me along to meetings like the quadrilateral meetings and I
1599 was still doing the OECD. And I actually got into the development of our position on agriculture.
1600 Suzy Early at that point was Assistant USTR and unlike some of her predecessors, who would
1601 have not allowed me to say squat about agriculture, Suzy was perfectly happy to let me develop a
1602 strategy for the negotiations, based on some work we had done in the OECD Trade Committee,
1603 which in turn had been based on work done by some Australian economists in boiling down all
1604 the different kinds of support provided by governments to farmers into what they called
1605 production subsidy equivalents.

1606 **Plank-Brumback:** Which became the AMS [Aggregate Measurement of Support]?

¹³ Amb. Clayton Yeutter was US Trade Representative from 1985–1989, preceded by William E. Brock.

1607 **Feketekuty:** Yes, the AMS.

1608 **Plank-Brumback:** From your work in the OECD?

1609 **Feketekuty:** Correct. So I became the transmission belt. I convinced Suzy, and together Suzy
1610 and I convinced Clayton. We were able to convince Clayton because he was an economist. If he
1611 had not been an economist, I don't think we would have been able to convince him. And Clayton
1612 also understood the problem we faced in framing the negotiations in a way that would be
1613 acceptable to countries supporting their farmers in very different ways. I said, "Look, we cannot
1614 get into this negotiation and argue that we're going to eliminate the European barriers but not
1615 ours." So we need an approach in which we could look at all the barriers in some sort of unified
1616 basis. Clayton went along but later on also said, "Yeah, but we can't just leave it to an AMS
1617 commitment; we've got to have more specific disciplines for the different policy instruments,
1618 otherwise governments will have too much flexibility," and he was absolutely right on that.

1619 **Plank-Brumback:** Also, there was an evolution there in agriculture that started in the post-
1620 Tokyo Round of the Consultative Group of 18 similar to what you were saying of examining the
1621 work that had been undertaken under the GATT to sort of put everything on the table. That we
1622 all have a trick or two up our sleeves, we call it different things. We call it either a variable levy,
1623 we call it a Section 22, we have the Swiss waiver, and we have all the different techniques to
1624 protect essentially our agricultural incomes.

1625 **Feketekuty:** You can't just select out another country's means of protection and not your own,
1626 and you can't separate domestic policy from trade policy. Our position in the past was we'll
1627 negotiate trade, we'll negotiate the border measures, but we'll not negotiate domestic policy. But
1628 trade policy was there to protect domestic policy, and you could not really separate the two.

1629 Proponents of the old approach argued that domestic policy adjustments could flow from
1630 commitments on trade measures, but that was much too convoluted a way of trying to get results.
1631 It was to Clayton's credit that he got us over that. It would have been difficult for anyone else to
1632 do it, but with his credibility as a former Secretary of Agriculture he was able to persuade USDA
1633 and the farm community.

1634 **Plank-Brumback:** His credentials yes—

1635 **Feketekuty:** He was able to basically get people over that hump, that we could not exclude US
1636 domestic agriculture.

1637 **Plank-Brumback:** But then he was using also many of the techniques that you mentioned with
1638 Brock, getting, trying to identify who had the more vested, progressive interest in an outcome,
1639 you know, the more export forward producers, exporters.

1640 **Feketekuty:** The other thing I did during this period was to use the freedom I had to basically
1641 work on the intellectual foundation for the services negotiations in the background. I interacted
1642 extensively with both the epistemic and business communities in services around the world. We
1643 didn't have as strict rules as are now in effect with respect to accepting reimbursement for travel
1644 expenses and so I was traveling all over the place on other people's money, participating in
1645 meetings and discussions. And so while I was not in the front line in the service negotiations, I
1646 was in the background doing a lot of the collective thinking on services. And then I also took a
1647 leave of absence for a while to write a book at AEI [American Enterprise Institute], on a
1648 blueprint for negotiation in services. When I retired from USTR in 1995, Clayton came to my
1649 retirement ceremony and gave me a tribute by saying, "I have to give Geza tremendous credit

1650 that, at a time when I didn't give him much work to do, he found himself some issues and he
1651 made a major global impact."

1652 **Plank-Brumback:** Not a bad testimonial. And he was followed by Carla Hills 1989–1993. Were
1653 you writing your book then?

1654 **Feketekuty:** No, I was already back from writing the book.

1655 **Plank-Brumback:** Were you ever involved in any bilateral issues, or was it always multilateral
1656 in your portfolio?

1657 **Feketekuty:** I got involved in bilateral issues early on in services because basically I took the
1658 view that if we were going to convince people that services was not an academic exercise, but an
1659 effort that would have a real impact, then we had to identify some real current trade issues in
1660 services and deal with them in a trade liberalizing way. Partly the bilateral effort in services
1661 therefore was designed to demonstrate to the industry that there is a value to trade-oriented
1662 negotiation in services, and that you could actually come up with some useful solutions to their
1663 trade problems. Partly it was designed to demonstrate to countries that the discussion on services
1664 was not just a theoretical exercise and a figment of my imagination, but that it involved real
1665 issues of economic importance. So I encouraged people to come to me with real trade issues in
1666 services. I got very heavily engaged in bilateral issues with Japan, for example.

1667 **Plank-Brumback:** Is this the time when we were trying to be very aggressive with Japan?

1668 **Feketekuty:** It was not a super aggressive period, not like Super 301 later on; this was earlier.
1669 We were being aggressive but not as aggressive as we were later. I tried to work the services
1670 issues into the US–Japanese bilateral trade agenda and would meet with the officials initially

1671 myself. And then of course what happened is that other countries said that if the United States
1672 can raise issues with us then we should be able to raise issues with them, and I said fair enough.
1673 And so I tried to be the intermediary on problems other countries had with some of the US
1674 domestic regulatory agencies.

1675 **Plank-Brumback:** And what kind of issues were those?

1676 **Feketekuty:** I'll give you one example. This involved the NIH, National Institute of Health.
1677 Elsevier, the Dutch publishing company, internationally sold access to a medical information
1678 database, but found it difficult to sell in some countries because they were competing with a free
1679 database provided by NIH. Their beef with us was that NIH was marketing the database in places
1680 like Saudi Arabia. They said, "We understand the United States NIH has a database which, for
1681 its public policy reasons, is available to anybody, but why does NIH have to spend money to
1682 promote and advertise this database in Saudi Arabia? Saudi Arabia has a lot of money. We're not
1683 arguing that you should cut off access. We're just saying, don't spend extra money and don't
1684 send people from NIH to Saudi Arabia to promote it." And I thought it was fair enough as an
1685 issue. What they were asking was reasonable, they weren't asking us to try to block access, they
1686 were just saying, don't spend money in countries that can afford it and—

1687 **Plank-Brumback:** Don't subsidize.

1688 **Feketekuty:** Don't subsidize the marketing and distribution. So I went and mobilized the usual
1689 suspects as allies, Treasury, CEA, State, and they all said NIH should stop this. NIH told us to go
1690 jump in the lake. We went to the White House Cabinet Council, and the Cabinet Council
1691 decided: NIH, stop doing this. That's one example.

1692 There were some tax issues, they were a little murkier. Treasury was being somewhat
1693 unreasonable by using discriminatory measures to collect withholding taxes from British
1694 financial services firms that had a good record of paying their taxes.

1695 There was also an earlier time in STR, before we had regional offices, where I became
1696 responsible by default for some bilateral issues that did not fit neatly into the agriculture or
1697 industry portfolio.

1698 **Plank-Brumback:** Did you get involved in any of the regional integration agreements?

1699 **Feketekuty:** I did not.

1700 **Plank-Brumback:** But of course there were things being done in the regional side of going
1701 further than on the multilateral side including on services.

1702 **Feketekuty:** That's correct. I did get involved in regional or bilateral negotiation in services; I
1703 got involved, for example, in the negotiation of the services chapter of the free trade agreement
1704 with Israel.

1705 **Plank-Brumback:** What issues were there?

1706 **Feketekuty:** Well, the key issue I remember at the end was in banking. Our banks wanted to be
1707 included in the agreement, but the Israelis were resisting, both because they thought Israeli banks
1708 could not compete with US banks, and because the Israeli Finance Ministry did not want to
1709 negotiate on financial issues in the context of a trade agreement negotiated by trade officials. The
1710 other issue was over leased lines. Some of our companies wanted leased lines in Israel. Israel
1711 Telecom didn't want to give them leased lines.

1712 But the finance was the interesting one. I use that as an example in my training all the time now.
1713 The issue was resolved in the end when we hinted to the Israelis that if they were not ready to
1714 give us retail branches, they should at least allow our banks to install ATM machines and
1715 establish check cashing offices, which our banks wanted because it would enable them to serve
1716 the American tourists in Israel and to establish a foothold in Israel by using their competitive
1717 edge in information technology. After we had been going at it for three days, the Israeli trade
1718 negotiator, this wily old guy, turned to me and asked, “Geza, isn’t it true that the reason you are
1719 so adamant in pushing this issue is because you want to make it possible for American tourists in
1720 Israel to spend more money?” I said, “Absolutely, you’re right!” So he turned to the Finance
1721 Ministry representative and asked whether they saw anything wrong in enabling American
1722 tourists in Israel to spend more money? Would you like to go to the prime minister and say the
1723 reason he cannot go to Washington and celebrate the conclusion of a US–Israel trade agreement
1724 is because you do not want to make it possible for American tourists to spend more money in
1725 Israel? The finance ministry representative collapsed on the spot. So I always tell my students
1726 it’s all a question of how you put it.

1727 **Plank-Brumback:** The power of winning ideas. A win-win situation.

1728 **Feketekuty:** How you frame an issue. It was agreed, and it became a first stepping stone in the
1729 entry of US banks, and it led later to retail branches.

1730 **Plank-Brumback:** How about a philosophical question? As we’ve been talking about
1731 developing domestic coalitions, who do you think are really the proper stakeholders for US trade
1732 policy? Who are, properly speaking, who should be the clients for USTR?

1733 **Feketekuty:** I would say any group that is affected by what we negotiate, whether it's an
1734 industry group or a labor group, an NGO, other government agencies with regulatory
1735 responsibilities. I take a very broad expansive view on stakeholders. And USTR has two
1736 responsibilities: (1) To make sure that it interacts with the stakeholders who are going to have an
1737 impact politically. So you better not forget any stakeholder—

1738 **Plank-Brumback:** You mean to implement the results of the negotiations?

1739 **Feketekuty:** To implement the results, so you better not leave out stakeholders that could
1740 undermine the political approval of the agreement when you bring it back or the implementation
1741 of the agreement once it is ratified. So your first job is to identify all the stakeholders, whether
1742 they are aware of the issue today or not, but could mobilize politically to affect the outcome in
1743 terms of legislative or executive approval or who could undermine implementation. So that's
1744 number one. I don't necessarily take an idealistic point of view, but a rather very practical point
1745 of view. There were times when USTR badly stumbled, as in the case of the negotiations in the
1746 Tokyo Round on government procurement, we didn't consult—

1747 **Plank-Brumback:** Small businesses?

1748 **Feketekuty:** Small businesses, right. We had to go back, hat in hand to the other countries and
1749 say, sorry we need a small business exception and they made us pay for it; it was a mistake.
1750 USTR should have thought of that. With the SPS code [Code of Safety for Special Purpose
1751 Ships], we went too far in responding to industry and didn't pay enough attention to the NGOs
1752 and to the state regulators. We went too far in the direction of tightening the flexibility in
1753 implementing SPS measures, and so we had to go back by adding a prudential carve-out on SPS.

1754 Number two, USTR has to stand in for broader national interests that are not fully, adequately
1755 represented by any organized group. So USTR has to be standing for the US consumer, since the
1756 US consumer is not organized. And, USTR has to think about which groups it can mobilize to
1757 get a balanced result in the negotiations when all the political pressure is coming from one set of
1758 interests. So if you get too much pressure from one side, you ought to go out and mobilize
1759 stakeholders who have offsetting interests, and get them into the political process, just like Brock
1760 did with services industry and the firms interested in intellectual property and investment
1761 performance requirements. This is the right approach to achieve effective management of the
1762 stakeholder process.

1763 I was doing some training a year and a half ago of senior Indian officials including the head of
1764 the economics department of the foreign ministry. She's the equivalent of the US Under
1765 Secretary of State for Economic and Business Affairs. She sat through the whole training course
1766 for a whole week. At one point she said, "Well, you know, the reason I'm doing this is because I
1767 want to see (a) what kind of training our people should be getting; and (b) how I can do a better
1768 job in managing meetings with stakeholders. In the new India we now engage in extensive
1769 consultations with stakeholders. I have these meetings with stakeholders and they are all over the
1770 place and I don't know what to do with them. And so I need input from you as to how you did it,
1771 and what you think we should do." And I said, "You have to manage it, not by overriding or
1772 ignoring what anyone says, but by framing the issues and making sure the consultations involve
1773 stakeholders with a balanced set of interests. You have to manage the meeting by shaping the
1774 issues and assuring balance in the stakeholders attending the meeting. You can then steer the
1775 discussion towards a broad national interest perspective. You should not be the one to fill in a
1776 missing perspective, but should have someone there who will do it for you. And you can say at

1777 the end, we have to do something that takes care of this interest and that interest, so here is how
1778 we have to do it. So you have to shape the process but without over-managing it because you
1779 have to allow the process to work, you have to allow people to say their piece, and you have to
1780 draw conclusions that flow from what people have said. But you can influence what people say
1781 by how you shape the issue. You can influence what people say by making sure the right people
1782 are at the table.” So that’s my philosophy.

1783 **Plank-Brumback:** You had a very long and distinguished career at USTR—if I’m not mistaken,
1784 from 1974 to 1995. What are you the proudest of, in that long government service, as an
1785 accomplishment?

1786 **Feketekuty:** I think probably the services agreement. It was an effort that spanned a number of
1787 years in which I was in charge of the issue, and years in which I was not in charge of the issue
1788 but still very influential. I was seen as the principal architect even when I was no longer fully in
1789 charge. So that’s number one. I think number two, I probably provided a lot more intellectual
1790 content to US trade policy than would have happened otherwise.

1791 In USTR there are not too many people who think, and ask, what does it all add up to? What are
1792 we accomplishing other than the specific agreements, specific provisions? How does this fit into
1793 our overall economic objectives, or more broadly how does it affect the system? How does it
1794 affect what we are trying to do? During those twenty-one years, even when I had my ups and my
1795 downs, I was able to provide a broader perspective and greater intellectual content to our trade
1796 policies and agreements. There were periods when I was able to do it more effectively, like under
1797 Brock when I had freedom to really build up the annual report. I had built up the annual report
1798 from something that was just a dry historical accounting of who-struck-whom to a report that

1799 laid out US objectives, ideas and analysis of what the issues were, an analysis of what the
1800 problems were, and how trade actions and policy positions taken by the US fit into that analysis.
1801 So for three years USTR had annual reports that the academic community came to respect and
1802 value. Many leading academics and experts came to me and said, “Geza, this is really helpful to
1803 us; it enables us to understand what US trade policy is and what it is trying to do. Normally we
1804 don’t really understand US policy. We read about what the US is negotiating, we read about US
1805 pronouncements, but we don’t have a clue as to why USTR is doing it and how it achieves
1806 anything.” And I think USTR should be in the business of explaining to the country what the
1807 problems are, what the issues are, give them an intelligent and in-depth analysis that everyone
1808 can understand. So part of USTR’s obligation is to build a consensus around US trade policy and
1809 the consensus has to involve not only the direct stakeholders but has to involve the broader
1810 public community and the academic community.

1811 **Plank-Brumback:** In hindsight is there anything that you wish you would have focused better
1812 on during that tenure?

1813 **Feketekuty:** Yeah. In a way I sometimes feel I should have spent more time on the political
1814 relationships, both inside USTR and with the outside world. Maybe I would have gotten some
1815 more important operational roles. But on the other hand, I think that by my focusing on the
1816 substance I accomplished more.

1817 **Plank-Brumback:** I was thinking more in terms of substantive issues.

1818 **Feketekuty:** Whether I should have focused on other things? No, I’m pretty happy with what I
1819 did.

1820 **Plank-Brumback:** This has been a wonderful, very long session. I thank you so much for
1821 participating in this. One last question. After so many questions that I've asked, however
1822 imperfectly, is there anything you wish I had asked or that you had wanted to discuss? Add it as
1823 a footnote to the transcript.

1824 **Feketekuty:** What we didn't discuss was my last effort, which was to shape the agenda for the
1825 Doha Round. Basically, I was doing it as chairman of the OECD trade committee. We had a very
1826 dynamic work program in the OECD Trade Committee, and members of the Committee were
1827 stimulated by the work, but got too far ahead of what countries could absorb, even the developed
1828 countries including the US. Instead the agenda we had developed in the OECD for the WTO got
1829 incorporated in all the bilateral free trade agreements that have been negotiated all over the
1830 globe.

1831 **Plank-Brumback:** Which aspects?

1832 **Feketekuty:** Competition policy, labor, environment, investment.

1833 **Plank-Brumback RBP:** That's why I asked you the question about your involvement in any of
1834 the regionals because in some ways, you know, using that track you can advance further.

1835 **Feketekuty:** And this is what has happened. And it's happened not only in negotiations being
1836 pursued by developed countries, but even in bilateral and regional negotiations being pursued
1837 among developing countries, which is the irony of it all. So much of the action and the energy
1838 has moved outside the WTO to the bilateral/regional free trade agreements. That is where the
1839 energy is.

1840 **Plank-Brumback:** What qualities do you think the new USTR should have?

1841 **Feketekuty:** I think the principal qualities of a USTR is to be a seasoned politician who can go
1842 up to the Hill as a peer, treat with them, *mano à mano* as one politician to another, and the same
1843 thing is needed in dealings with ministers in other countries. The USTR has to be able to go to
1844 them just like Strauss did and say—I'm a politician, you're a politician, and let's look at this as
1845 two politicians. Then the USTR should hire the right kind of people with the requisite
1846 substantive knowledge of trade to staff the issues. The deputy USTRs should be people who
1847 know something about the substance of trade policy and negotiations. The USTR should be
1848 somebody who is a really seasoned top level politician. Anywhere you go in the world people
1849 have had nothing but praise for Rob Portman.¹⁴ Even small things that Portman did, made
1850 negotiators from other countries feel good. One trade minister told me that at the Hong Kong
1851 ministerial meeting, one of the ministers from a developing country had some questions and so
1852 Portman went over to where that country's delegation was sitting, went down on his knees by the
1853 chair of the minister and explained the issue in friendly terms, trying to clarify things and trying
1854 to get the minister to understand the issue. The Minister told me the whole conference room was
1855 mesmerized by the symbolism. They said he did wonders. They said the whole atmosphere at the
1856 Hong Kong meeting was basically set by Rob Portman's attitude.

1857 And I think the biggest failing USTR has is that it has become too conscious of its own power
1858 and therefore it has become too arrogant. Too arrogant in the inter-agency process, too arrogant
1859 in the international process. This is what I hear everywhere. You've got to take the time to
1860 explain, it's not just a power game, a power negotiation. You have to make people feel good,
1861 have to make people feel that what is being proposed is in their interest, even if it takes time.

¹⁴ Amb. Robert J. Portman, a former Member of Congress, served as US Trade Representative from May 2005 to May 2006.

